

High house prices spur switch to condo-building

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Vancouver Sun

Wednesday, October 10, 2007

Surging multi-family home construction has pushed 2007 Lower Mainland housing starts above last year's pace for the first time, Canada Mortgage and Housing Corp. reported Tuesday.

The federal housing agency said construction on 14,880 Greater Vancouver homes began during the first nine months of 2007 -- up slightly from 14,737 a year ago.

The increase came despite a 30-per-cent drop in single-family starts (to 3,138) between January and September this year. Multi-family construction shot up 15 per cent during the period to 11,742.



CREDIT: Mark Van Manen, Vancouver Sun

A surge in Lower Mainland multi-family construction has kept overall starts up.

"Builders are targeting their projects to what people are looking for -- more affordable housing types," CMHC senior market analyst Robyn Adamache said in an interview.

The benchmark price of a Greater Vancouver apartment condominium in August was \$368,000, compared with \$726,000 for a single-family home, according to the Real Estate Board of Greater Vancouver.

Greater Vancouver Home Builders Association chief executive Peter Simpson said single-family housing starts accounted for more than 40 per cent of all housing starts a decade ago. Today, they represent just 21 per cent of starts.

"You'd be hard-pressed to find a single-family home under \$500,000 anywhere in Greater Vancouver now," he said. "The first-choice preference for many buyers has gone from single-family homes to condos because of the cost."

Simpson said Greater Vancouver home builders appeared to fall behind last

year's pace earlier this year, simply because several large multi-family projects hadn't yet been officially tallied by CMHC. He expects the total number of Lower Mainland housing starts will rise to about 19,000 this year from 18,700 in 2006.

A record 21,800 housing starts occurred in 1989, while at the low end just 8,200 starts were recorded in 2000.

CMHC said housing starts in the City of Vancouver fell by 22 per cent during the first nine months of 2007 to 2,468, while Surrey starts dropped 18 per cent to 2,978.

But strong multi-family construction pushed Burnaby housing starts up 80 per cent to 1,855, while Langley District starts rose 55 per cent to 1,048.

Simpson said builders still face skilled labour shortages and lengthy delays getting building permits approved, but he expects housing construction will remain near current levels for the time being.

Adamache noted the Greater Vancouver resale housing market just experienced its third-strongest third quarter ever, which bodes well for future new home construction.

"We're still looking at very strong fundamentals propping up demand, so we don't see any end in sight yet," she said.

CMHC said a sizzling condominium market pushed Canadian housing starts in September to the highest level in 29 years to a seasonally adjusted annual rate of 278,200 units.

The actual number of starts in B.C. urban communities rose by 33 per cent in September to 3,628 units.

The strong national housing market contrasts with a slowing U.S. housing sector and could cause Bank of Canada officials to decide against an interest-rate cut when they meet next week.

"All told, despite the tighter credit and lending conditions, the housing sector continues to be a major source of strength to the economic performance in Canada and will certainly add to the upside risks to inflation," TD Securities analyst Millan Mulraine said in a report.

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STARTS STATS

In the Vancouver census metropolitan area, starts for multiple-unit projects climbed during the first nine months of 2007 compared with the same period last year, while starts for houses declined.

Vancouver CMA housing starts*

Multiples: +15%

Houses: - 33%

Total: +1%

*Jan.-Sept. 2006 to Jan.-Sept. 2007

Housing starts varied widely in the Lower Mainland when comparing the first nine months of 2007 to the same period last year. Areas such as Burnaby/New Westminister and the Tri-Cities saw large increases, while Vancouver and Delta housing starts dropped significantly.

Housing starts, % change

Jan.-Sept. 2006 to Jan.-Sept. 2007

Burnaby/New Westminister: +52%

Tri-Cities: +35%

Langley: +13%

West Vancouver: +12%

North Vancouver: +11%

Maple Ridge: - 7%

Richmond: - 8%

Surrey: - 18%

Vancouver: - 22%

Delta: - 45%

Source: CMHC

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