



Little relief in sight for condo buyers

Prices will still rise over next five years, but not as fast, report suggests

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Metro Vancouver condominium prices are forecast to climb over five per cent this year and average 3.5 per cent a year for the next four years, according to a report released Wednesday by the Conference Board of Canada and Genworth Financial Canada.

A strong B.C. economy, an aging population and continued immigration are cited as factors in keeping prices high, according to the report. The average condo is expected to increase in price by 3.5 per cent a year out to 2012.

The report forecasts an average price increase in 2008 of 5.7 per cent, slowing to 2.4 per cent in 2009. Over the last three years prices jumped 15.4 per cent annually, pushing the average Metro Vancouver condo to \$328,000. By 2012, the average price is expected to be \$389,000, according to the report.

"Prices are rising, so if you can get into the market, clearly in the Vancouver market, which is one of the best in the country, then you are going to get some return in terms of building your equity." said Jim Murphy, president of the Canadian Association of Accredited Mortgage Professionals, which promotes affordable home ownership.

"Prices are not expected to increase as much as they did in 2007 on a go-forward basis, but they are still expected to increase."

On the downside, the report notes that condo affordability is declining. Price increases and mortgage rate hikes in 2007 pushed monthly principal and interest charges on the average condominium to \$2,125, the highest on record. Murphy said mortgage rates have slipped in recent weeks, moderating the impact on buyers for 2008.

The report examined condominium trends in Canada's eight largest metropolitan areas: Toronto, Montreal, Quebec City, Ottawa, Calgary, Edmonton, Vancouver and Victoria.

Overall, it stated, demographics and affordability, the key underpinnings of condominium demand, remain favourable. Further, the report forecasts large drops in new condominium starts in most major markets, including Metro Vancouver and Victoria.

Canada Mortgage and Housing Corp. data reflects a similar moderate growth pattern, according to the agency's senior market analyst for Vancouver.

"Condo prices will continue to grow, but not as steeply over what we have seen in the past," said senior analyst Robyn Adamache.

She said CMHC data shows prices are expected to climb eight per cent this year and five per cent in 2009. There is no sign of a price correction on the horizon, she said. CMHC does not forecast beyond 2009.

"Of the leading indicators for a price correction that we look at, so far, none of them have come to pass," she said.

Demand is still greater than supply, she said, citing historical data from prices and the ratio of sales to new listings.

"When this ratio falls below 45 per cent, that is in the past when we have seen price corrections. We are still well above 65 per cent now. So there is still quite a ways to go."

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