

Metro Vancouver housing starts strong despite slowing sales

Number of units being built year-to-date more than 10 per cent higher than 2011

BY TRACY SHERLOCK, VANCOUVER SUN OCTOBER 9, 2012



More residential housing units are being built this year than last, according to Canada Mortgage and Housing, despite sluggish home sales.

Photograph by: Ian Smith, Vancouver Sun

Construction is going strong in Metro Vancouver, even though home resale prices are dropping slightly and sales activity is significantly below historical levels.

Metro Vancouver housing starts in were on pace in September to reach 20,000 units by year's end, mostly driven by multi-family developments, Canada Mortgage and Housing Corporation reported Tuesday.

There were 293 single-detached housing starts and 1,423 multi-family housing starts in September 2012 — numbers similar to last year's. Year-to-date, total starts have reached 14,828 units, compared to 13,260 for the same time period last year, CMHC reported.

"Full-time employment gains have supported housing demand so far in 2012," said Robyn Adamache, CMHC's senior market analyst for Vancouver. Continuing low mortgage rates and population growth are also keeping the numbers high, although global economic uncertainty is tempering the agency's projections for 2013, when they expect housing starts to remain flat.

September's benchmark price for residential properties in Metro Vancouver fell 0.8 per cent to \$606,000 compared to last year, according to the Real Estate Board of Greater Vancouver. But Scott Brown, senior vice-president of residential project marketing at Colliers International, said values for new home sales are not dropping.

"No one is doing any severe discounting — the developers are not in a position where they have to lower prices, but the odd one that's trying to just jump-start their fall campaign is offering some incentives," Brown said. "You're seeing more deal-making going on to try to speed the market up."

Sales activity for new homes is showing a similar pattern this year to last year, with strong sales in the first half of the year, a slow summer and the expectation that sales will pick up in the fourth quarter, Brown said.

"What we saw last year, was that right after Thanksgiving the market for multi-family, new home sales really picked up and lasted right through December," Brown said. "Right now, we're seeing sales activity at sales centres starting to pick up again."

The federal government's decision to eliminate 30-year amortizations on government-insured mortgages is driving up monthly payments, making it tougher for some to qualify for a mortgage, he

added.

"We're seeing more people being rejected for mortgages than they were last year," Brown said. "Last year, people's ability to finance was obviously far easier than it is this year, so it's affecting the market somewhat."

The real estate board also reported that there were only 1,516 properties sold in September, which is a 32-per-cent decline from the 2,246 sales recorded in September 2011 — and 41.6 per cent below the 10-year September sales average of 2,597.

Brown said investors are becoming more selective — choosing properties close to SkyTrain stations or in just the right location — whereas in 2007, investors were not selective because all properties were expected to increase in value. Brown has not heard of any projects being cancelled, but he said some developers may delay offering their projects for sale until January.

The Fraser Valley real estate market has been more stable than the market in the western part of the Lower Mainland, in communities like Vancouver's west side, Richmond or West Vancouver, where prices went up dramatically in 2011 and for now, are still holding steady.

"In the west-side market, there's very little price movement downward, but there's also very little transaction movement as people wait to see who's going to move first," Brown said. "The Fraser Valley never ever did recover to those peak values; instead, it's been steady-eddy growth. It keeps plodding along, being a generally healthy market without the big news flashes and without the big crashes."

Brown said sellers on the west side do not seem to be in a big hurry to sell, which is why the prices have not dropped significantly.

"The west side was particularly hot last year, and was driven by media stories about foreign buying," Brown said. "The values that were set by that foreign buying would be relatively high, compared to two years ago, but the question is will that hold or will it soften? No one knows and it still depends to a degree on whether the foreign buying continues."

He said foreign buyers are willing to pay more for premium properties, partly because of their wealth and partly because of their perception of what a property is worth.

"If you're living in a market where a starter home is a million and a half and you can never own single-family, but you can walk in here and buy a home near downtown with a yard for \$3 million, that sounds cheap to them, whereas to a local person that is a lot of money still," Brown said.

The prices for new multi-family homes have been relatively stable for the past year, Brown said.

"The price for a downtown highrise on average is still about \$700 per square foot. They haven't moved up aggressively in the last 18 months," Brown said. "It saw steady growth and a steady price since 2009, but it hasn't seen that one-quarter spike when it jumps up 20-25 per cent."

The biggest year-to-date increases in housing starts were in Port Moody, Port Coquitlam and White Rock, Adamache said. Overall, Burnaby, Coquitlam and Vancouver accounted for the highest number of starts.

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