

Property Market Trends in Vancouver Second Quarter 2017



Spring is bringing a fresh look to the Vancouver property market as we close the first quarter of the year. Despite what some speculators may say about the outlook this year, the numbers so far are promising for property investors.

Bear in mind that the housing markets are not as volatile as other financial markets which are prone to bubbles. This is mainly due to the huge transactions and maintenance costs that come with owning a real property. However, in the last few decades, a combination of new policies and reduced interest rates have made access to mortgage funding easier, and attracted more borrowers to the property market. This in turn has increased pressure on demand.

This Spring: Introduction of 4,500 new presale condominium in Vancouver

According to the [real estate analytics company](#) MLA Advisory, an estimated 4,500 new pre-sale condominiums will be unveiled in Metro Vancouver from April to June. This positive news follows the ending of a first quarter that recorded low average of pre sale home supplies in five years.

Almost half of the new condos will be situated in Burnaby and Burquitlam, which MLA has listed as the busiest concrete condo market in Western Canada this year.

Real estate marketing analyst, Richard Morrison of [Turbo Tap](#) says it is good news for the Vancouver property market sector. "The past few months have been fraught with bleak sentiments from uncertain investors. This new injection should see an increase in condo demand met in the coming months."

The Vancouver City centre is another busy pre-sale market, with an estimated number of 1,000 luxury units expected to be released in 2017. Last year, the presale condos of Downtown Vancouver had a high sell rate of 96%. MLA proposes that the new luxury developments in Downtown is likely to set a record price/sq. ft. this year.

Henry by Herei in the Cambie Corridor, has already sold out 95% only after few weeks on the market, reports MLA. Also, South Richmond's *Calla at The Gardens* sold over 40 new units in the Q1 of 2017. The Bogner Development Group's *Kirkland development* is already 90% sold. The real estate intelligence company also says the presale Condo market trend will continue towards transit-oriented communities which have currently been experiencing a major transformation.

Springtime buying rush

It is no surprise therefore, that spring time promises a high spike in sales. Canada's property market has always had a history spring time being the busiest house buying season. In some cases, property prices can go as high as 10%.

Although a spring rush and low inventory could send up prices, there are other factors that can counter the pressure of demand. For example, being eligible of mortgage financing based on higher posted rates can knock out a section of buyers from the market, or see them moved to sectors or types of housing that are in low demand.

Genworth Canada, one of the biggest private mortgage insurance providers, says one-third of first time home-buyers would be [ineligible for their current homes](#) if they were forced to reapply under these new mortgage policies.

In addition to that, there's the proposed modification on exactly who bears the losses of a mortgage failure (non-payment). Since the introduction of mortgage insurance in the mid-1960s, mortgage defaults were the responsibility of insurance company such as the Canadian Mortgage and Housing Corporation or Genworth Canada.



However, throughout the years, lenders haven't always covered high loan-to-value mortgages (homes with mortgages of less than 20% down payment from the buyer) with their mortgage loan insurance. Lenders have also bought this insurance to provide coverage for mortgages on homes worth \$1 million or more. This is because according to Canadian law, you are required to put a down payment of more than 20% on properties priced at \$1 million or more.

Lenders do this to mitigate the risk of a loan default on their part. This means they are essentially passing the risk of the mortgage loans onto the insurance providers- who are ultimately government-funded. In the new proposal, a [part of the mortgage default risk will be shifted](#) to the banks and other lenders.

Impact on home sellers

The mortgage regulations changes could result in fewer demand in the housing market. In some markets, sellers may be forced to adjust their rates to a slower market. The issue of multiple offers which used to be the norm may not necessarily be for some time. Buyers may take more time to shop around when looking for a home.

Notwithstanding, spring is looking good so far, as MLA Canada posits the total 2016 presale market to reach \$9.9 billion in the Lower Mainland. That is according to a new set of 175 new multi-family residential buildings. Over 35 new multi-storey developments are expected open in Metro Vancouver this year, including a projected 10,7000 new concrete projects- a 15% increase for last year.