

# Downsize while condos cheap



debabbey

I know that the benchmark price for a detached house in Greater Vancouver has increased by almost 25 per cent in the past year, but really, it's a buyers' market.

On the East Side, benchmark prices have increased by a modest 15.7 per cent to \$841,509. Condos, bargains that they are, have only risen between 4.7 per cent on the East Side and 5.8 per cent on the West Side. Attached properties, e.g. duplexes and townhouses, have gone up 8.2 per cent on the East Side and 9.5 per cent on the West Side.

In its latest missive, the Real Estate Board of Greater Vancouver reports that increased listings and fewer sales have moved the Greater Vancouver housing market into the "upper end of a buyers market." The number of listings in September hit the third



**For homeowners tired of taking care of a house, the time to buy a condo or townhouse is now given their affordability over houses.**

*photo Dan Toulgoet*

highest volume in 17 years. And the sales-to-listing ratio, at 14 per cent, is the lowest it's been this year.

If you're a buyer, that means you'll have lots of choice, but still have to pay up to buy a detached home. Even as single-family housing prices in Vancouver level off, they continue to be among the highest in North America, with only New York and San Francisco posting higher median prices.

In keeping with the "buyers' market" pronouncement, more listings

should keep prices more stable with fewer multiple offers. Buyers will have more time to find the home they want with fewer properties listed one day and sold the next.

If you're thinking about downsizing in the next couple of years, check out the increase in single-family prices versus condos and townhouses. Historically, the gap in index price increases between these segments of the market is not nearly this wide.

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# More properties coming on market

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That means that in all probability, condo prices will increase or single family housing prices will decrease over time. Given the affordability issue, I expect that we'll see condo and townhouse/duplex prices go up and single family housing prices go sideways. Either way, now's a good time to downsize.

On the interest rate front, better than expected U.S. payroll numbers, corporate earnings and employment gains in Canada drove the benchmark qualifying rate up to 5.29 per cent. That's the benchmark five-year fixed term rate that the Bank of Canada calculates based on the posted rates of the big banks.

CMHC uses this rate to qualify borrowers for CMHC mortgage insurance. It was put in place to ensure that buyers who opt for lower interest, variable rate mortgages will still be able to make their payments if rates go up.

The number of buyers who qualify for CMHC and other mortgage insurance is a significant driver of the market as it gives more first time buyers access to the market and allows other buyers to qualify for bigger loans.

Lenders reacted to the increase in the qualifying rate by raising rates on three-year and longer fixed-term mortgages. Rob Regan Pollock, a senior mortgage consultant at Invis, thinks that the increase "was merely a blip." He's expecting "continued volatility in the bond market with interest rates remaining low for the foreseeable future." According to the economic gurus

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at Central 1, the umbrella organization for the B.C. and Ontario credit unions, lower rates should provide stimulus for the market into 2012. In the B.C. Housing Forecast 2011-2013, they predicted that "low price growth" and "low mortgage rates" will maintain affordability which will support the housing market and keep activity moving along at the current pace.

In the Lower Mainland, they're predicting that 2012 price levels will increase by 1.4 per cent and 2013 prices by 3.5 per cent. More properties on the market, more stable prices and low interest rates. A buyers' market.

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