

# Condo investors mostly unfazed by tougher rules

**FEATURE** | Only one in five require high-ratio financing and 17 per cent paid all cash for the condos that they plan to rent out, survey shows. This means few are affected by new mortgage insurance regulations

By TYLER ORTON & WI STAFF  
wieditor@biv.com

Changes to mortgage regulations are not expected to have much effect on condominium investors in Vancouver, since most have hefty down-payments and don't require mortgage insurance.

Under the latest federal regulations, high-ratio buyers who purchase with 20 per cent down or less require mortgage insurance, but such insurance is not allowed on both a principal residence and a secondary home.

However, a recent survey shows that just one in five condo investors required a high-ratio mortgage and 17 per cent paid all cash for the purchase.

Condo investors account for fewer than one-fifth of those who own units in two of North America's most expensive housing markets, according to survey results from **Canada Mortgage and Housing Corp.** (CMHC).

But as Vancouver and Toronto grapple with tight vacancy rates and high homeownership costs, data released August 8 shows 6.9 per cent of condo investors maintain vacant units.

The CMHC surveyed more than 42,000 households in Toronto and Vancouver and found 82.9 per cent of people who own a condo reside in it year-round.

Meanwhile, 17.1 per cent of owners are considered condo



About 26 per cent of the 195,600 condominiums in Metro Vancouver are rented out – and the rental vacancy rate is a tight 1.1 per cent, according to Canada Mortgage and Housing Corp. | PLACE REAL ESTATE TEAM

investors - people who possess both a primary residence and a secondary unit.

It's the first time the CMHC conducted a survey of this nature. CMHC chief economist **Bob Dugan** said they wanted to narrow in on Vancouver and Toronto since those are the country's two biggest condo markets.

"All these kinds of things gives you a sense of the skin in the game that these investors have, what their intentions are with their unit, and gives you insight into these particular investors," he said.

What the CMHC survey did not include was figures on foreign investors.

Dugan said he hopes they can provide that information in the future, but he admitted the data

is hard to collect.

The organization previously measured data in land registries and compared it with where the tax assessment was sent.

Dugan said the CMHC came up with an estimate of 4 to 5 per cent foreign investors, but they were not confident about the data since investors could have gone through property managers or law firms to purchase their units.

The survey also found 8.4 per cent of local condo investors anticipate selling off their secondary condo within two years, while 54.4 per cent of Vancouver investors plan to hold on to their unit at least five more years.

The most striking difference between Vancouver and Toronto is how much investors expect their secondary unit to increase

in value.

In Toronto, more than half of investors (56.1 per cent) anticipate the value of their secondary units to go up in the next year.

But in Vancouver, just 36.6 per cent of condo investors expect to see an increase in their units' values.

More than half (53.2 per cent) of investors said they purchased their secondary condo unit to generate rental income.

While the vast majority of investors owned just one unit, 15.7

per cent owned two units and 9.8 per cent owned three or more.

## Rental income

There were 51,224 Metro Vancouver condominiums on the rental market as of last October, according to CMHC, and they enjoy very low rental vacancies.

The Metro Vancouver rental vacancy rate for condominiums is 1.1 per cent, compared to 1.7 per cent for the conventional apartment market – and condominiums also deliver higher rents. The typical two-bedroom condominium, for example, has an average rent of \$1,580 per month, compared to \$1,281 for a rental apartment.

One challenge for condominium investors in Vancouver is depreciation reports, especially on older properties. In its survey, CMHC found that 46.3 per cent of buyers had purchased a condo that was at least six years old and 16 per cent had bought at least five years earlier.

Under provincial regulations, most strata corporations must file a report outlining the physical shape of the building and an estimated cost of repairs. ■

## Condo rents vs. apartment rents Metro Vancouver

Size	Avg. condo rent	Avg. apartment rent
1 bedroom	\$1,287	\$1,005
2 bedroom	\$1,580	\$1,281
3 bedroom	\$2,147	\$1,498

SOURCE: CANADA MORTGAGE AND HOUSING CORP. BC RENTAL MARKET REPORT 2013

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