

Residential investment outlook cloudy for 2015

COVER | Analysts split on sales forecast, but agree Metro Vancouver prices will be higher next year

By **FRANK O'BRIEN**
wieditor@biv.com

Ivanka Trump and her brother **Donald Trump Jr.** arrived in Vancouver from New York City this September to launch the second phase of the Trump International Hotel and Tower, which will include a trio of penthouses in the city's second-tallest building when it opens in late 2015.

The three-level penthouses, said Trump Jr., son of legendary developer **Donald Trump**, would be priced in the \$20 million range.

The price would have been staggering just a few years ago. But that was before a \$25 million penthouse sold in the **Fairmont Pacific Rim** project a few blocks from Trump's tower, and before the average detached house price in Vancouver rocketed above \$1 million.

Can these prices be maintained, or is the world's second least affordable housing market headed for a crash?

According to government and industry analysts who took the stage at **Canada Mortgage and Housing Corp.** (CMHC)'s annual Housing Market Outlook Conference in Vancouver, there is no bubble in sight for 2015, despite what some see as warning flags.

"The [Metro Vancouver] housing market is quite balanced," said CMHC senior market analyst **Roybn Adamache**, who noted that construction of new homes

is keeping near lock-step pace with demand; price increases are levelling out and 35 per cent of home sales are to first-time buyers.

Adamache noted that B.C. is attracting approximately 39,000 immigrants every year, more than 90 per cent of whom settle in the Lower Mainland.

Foreign buyers

Metro Vancouver housing market is being precariously propped up by foreign investors, some observers contend. In their annual *Emerging Trends in Real Estate*, the **Urban Land Institute (ULI)** and **PricewaterhouseCooper (PwC)** makes the argument clear.

"Foreign buyers – the vast majority of whom hail from mainland China or Hong Kong – are, of course, one of the key reasons Vancouver real estate prices continue to rise," the report states. "Vancouver lacks the cultural cachet of Paris or Milan. But it does offer comfort and stability – and a place for the super-rich to park sizable funds in local real estate as a hedge against risk."

The report suggests such offshore investors aren't even interested in how their Vancouver real estate will cash flow. "Returns aren't the point: safety of capital is, and a \$5 million condo is more insurance policy than investment."

CMHC, however, says there is no definitive data on the scale of



Ivanka Trump and Donald Trump Jr. at the Trump International Hotel and Tower that will complete in 2016 and has sold 65 per cent of its luxury condominiums. Penthouses are priced at \$20 million. | HOLBORN HOLDINGS

foreign buyers. The agency estimates such buyers represent a mere 3 per cent of the Metro Vancouver residential investment market and just 7 per cent of all sales through the Multiple Listing Service (MLS) in the Lower Mainland.

The agency also believes there is no glut forming in the condominium market, despite an estimated 9,672 new units preparing to hit the Metro market by next year. "More than 80 per cent of the new condos under construction in Vancouver are already sold," Adamache said. There is an 11-month supply of new and unsold condos on the Metro market, she said, down from 20-month inventory a year ago.

Condominium prices are also

holding remarkably steady, with an average price increase of less than 3 per cent in the past two years, Adamache added, while the average detached house price has increased 6 per cent since 2014.

CMHC forecasts that housing sales in the Metro region will dip slightly to 32,350 units in 2015, down from 32,800 this year, and the average overall home price will rise 1.2 per cent to \$821,000.

"Overall, the trend is stable," Adamache said.

Only a third of Metro Vancouver condo rental investors expect prices to increase much on their property over the next five years, she added.

Yet Vancouver research firm **Strategics** sees a shaky 2015 for the new condominium sector. It notes that 27 high rise projects

began marketing in Metro Vancouver this year, with an average price north of \$625,000 per unit.

"Based in interviews with sales staff in these projects, 60 per cent are targeting investors and 70 per cent are targeting immigrant buyers," said Strategics president **Frank Schlievinsky**. "Without Chinese buyers, there won't be much local demand to support the Vancouver high rise market. At the end of September, there were 5,600 unsold high-rise units in new projects and another 1,460 units still to be released in projects now marketing."

At the luxury Trump tower, 65 per cent of the condominiums, which are priced from \$699,000 for a 600-square-foot unit, have sold mostly to local buyers, according to **Joo Kim Tiah**, CEO of

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