

OPINION

Who's buying the expensive homes?

Real estate: Generational preferences driving rise in prices of homes across Vancouver, realtor says



Barbara Yaffe

So, with Vancouverites earning median family incomes of \$71,140, who are all those folks buying up the city's million-dollar properties?

Sotheby's International Realty Canada answers that oft-asked question in a new report, A Comparative Study of Top Tier Real Estate Trends Across Generations in Canada.

It probes who is buying what and how, based on feedback from its top-selling agents in various Canadian cities.

They report that the buyers are mainly baby boomers, aged 55-plus, making purchases in the more traditional upscale neighbourhoods, either downsizing or, in some cases, upsizing — termed “rightsizing” by Sotheby's.

Meanwhile, the affluent members of generation X, aged 34 to 54, and Y, under 35, are showing interest in more “Bohemian” neighbourhoods, in keeping with entirely different preferences that “have evolved with changing values and steeply rising real estate costs.”

Interestingly, most buyers across all three age groups take out mortgages, because interest rates remain low.

While generation X toughs it out with big mortgages and dual incomes, a majority of Ys are getting down payment help from the bank of mom and dad, who frequently have benefited from selling the family home and downsizing.

The average first-time buyer house price is \$506,500 in Vancouver. But for first-time luxury-home buyers studied by Sotheby's — mainly under age 35 — starting prices are \$800,000 to \$1 million.

These Y buyers choose mostly high-end condos, although a small segment who are planning families buy attached or single-family properties.

This group is not moving to the West Side. They prefer neighbourhoods that are urban, trendy and close to work, like Gastown or the Olympic Village community.

They will accept less space in exchange for being located in a walkable neighbourhood that can act as their personal living room.

Generation Y is weaning itself off cars, “seeking emerging neighbourhoods that reflect broad socio-economic, ethnic and linguistic diversity.” They want biking opportunities and proximity to transit.



Generations of home buyers

Typical price	Baby boomers \$2 million-\$5 million	Gen X \$2 million-\$4 million	Gen Y \$800,000-\$1 million
Typical home	upsizers: Single family homes min. 3,000 sq. ft. 4 bedrooms Rightsizers: Condominiums min. 1,700 sq. ft. 2-3 bedrooms	Single family homes min. 2,000-3,000 sq. ft. 3 bedrooms Townhome min. 2,000 sq. ft. 3 bedrooms	Condominiums min. 800 sq. ft. 1 bdrm + den
Buy within 5 km of downtown	More than 85 per cent	More than 75 per cent	More than 90 per cent
Typical household income	\$300 - \$500k+	\$250 - \$500k	\$100 - \$200k
own multiple real estate assets	More than 80 per cent	Approx. 50 per cent	Less than 10 per cent
Down payment external assistance	Unlikely	Less than 35 per cent	More than 70 per cent

Source: Sotheby's International Realty Canada

Generation X is the cohort behind recent meteoric property price increases on Vancouver's east side.

These are family-focused buyers, searching for good schools.

They want detached, single-family homes of about 2,500 square feet, generally priced at \$1 million to \$2 million, in “socio-economically heterogeneous neighbourhoods.”

Generation X is not moving to prestigious neighbourhoods — partly because of price, but partly because they prefer “community engagement over exclusivity.”

Think traditional working-class neighbourhoods, like the city's South Main district.

This group is also the most willing of any generation to move away from the city core to access a larger home.

Sotheby's is predicting this cohort stands to be most

seriously impacted by Vancouver's escalating prices, and “will continue to shift the boundaries of top-tier neighbourhoods, driving new demand for emerging areas.”

By contrast, the baby boomers, some of whom still have dependent children living with them, continue to prefer prestigious areas like Shaughnessy and Kerrisdale.

Those over 60 often want to “right-size” into large luxury condos with deluxe amenities and elevated levels of service, privacy and security. They also like ground-level townhomes.

Sotheby's says the inventory in Vancouver of large condos sought by this market segment is limited and presents an opportunity for developers.

Vancouver, says the report, faces “serious upcoming challenges ... to accommodate aging baby boomers and their housing

preferences across all income levels.”

Many in this age group have received inheritances averaging \$56,000. And three-quarters own other real estate assets, usually recreational property or a pied-à-terre abroad.

Two-thirds of the baby boomers buying luxury homes have cash to pay for their purchases, but opt for mortgages “as an investment strategy” because of low interest rates.

The Sotheby's research does not focus much on foreign buyers, although such purchasers “are a significant driver in the high-end (property) segment.”

The overriding influence for the international buyers, who view Canadian real estate as affordable, is safety and security. They gravitate to safe, green communities with good schools.

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