Vancouver real estate prices deemed low risk for correction by CMHC

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The hot housing market in Vancouver, pictured, is well documented. But there are other cities that showed a massive upswing in sales.

Photograph by: RICHARD LAM, PNG

VANCOUVER — Metro Vancouver remains one of Canada's hottest real estate markets with prohibitively high prices, but the probability of a market correction remains low, according to a new assessment by the Canada Mortgage and Housing Corp.

"It's always been one of those markets that's had a higher average price, but high average price in and of itself isn't an indicator of overvaluation," said CMHC chief economist Bob Dugan.

Metro Vancouver was one of 12 major census metropolitan areas included in CMHC's annual House Price Analysis Assessment, which attempts to identify the potential risks in Canadian real estate based on economic, financial and demographic factors.

While markets such as Regina and Winnipeg are deemed high risk due to a glut of supply in markets where homes are overvalued, Metro Vancouver is viewed as more stable due to strong demand in the market.

CMHC ranks Vancouver's risk of correction as low because it rates the high demand as being supported by population growth and growth in personal disposable income.

And while Metro Vancouver's average prices are soaring, the CMHC assessment found that at the upper end it is high-net-worth individuals and those who have gained equity in their homes who are more likely to buy houses in central locations. First-time buyers lean toward lower-priced suburban options, the report said.

CMHC's house-price assessment looks for problematic conditions, such as overheated demand, acceleration in the rise of property prices, overvaluation and overbuilding. In Vancouver, CMHC's assessment didn't detect any of the risk factors, despite it being the location with the highest property prices in the country.

Dugan said CMHC will continue monitoring the Regina and Winnipeg markets "because we don't want to run the risk of missing something. In some of these markets we're seeing improvements."

The majority of other real estate markets across the country are relatively stable, the study says.

Toronto is identified as facing a moderate risk, as the number of condo units under construction is near historical highs and price growth is outpacing growth in personal disposable income.

A risk of a correction is moderate in Montreal as well, as demand from first-time buyers is waning while the number of condo units under construction is near an all-time high.