

Gap narrows between condo, house prices in Greater Vancouver

Buyers increasingly willing to pay ever-climbing prices for condominiums

BY JOANNE LEE-YOUNG, VANCOUVER SUN NOVEMBER 3, 2015 8:20 PM



Condo sales are on the rise in Vancouver.

Photograph by: DARRYL DYCK, THE CANADIAN PRESS

The gap between sale prices of new condos and those for single-family homes could be closing as more buyers pay ever-climbing prices for condominiums in Greater Vancouver.

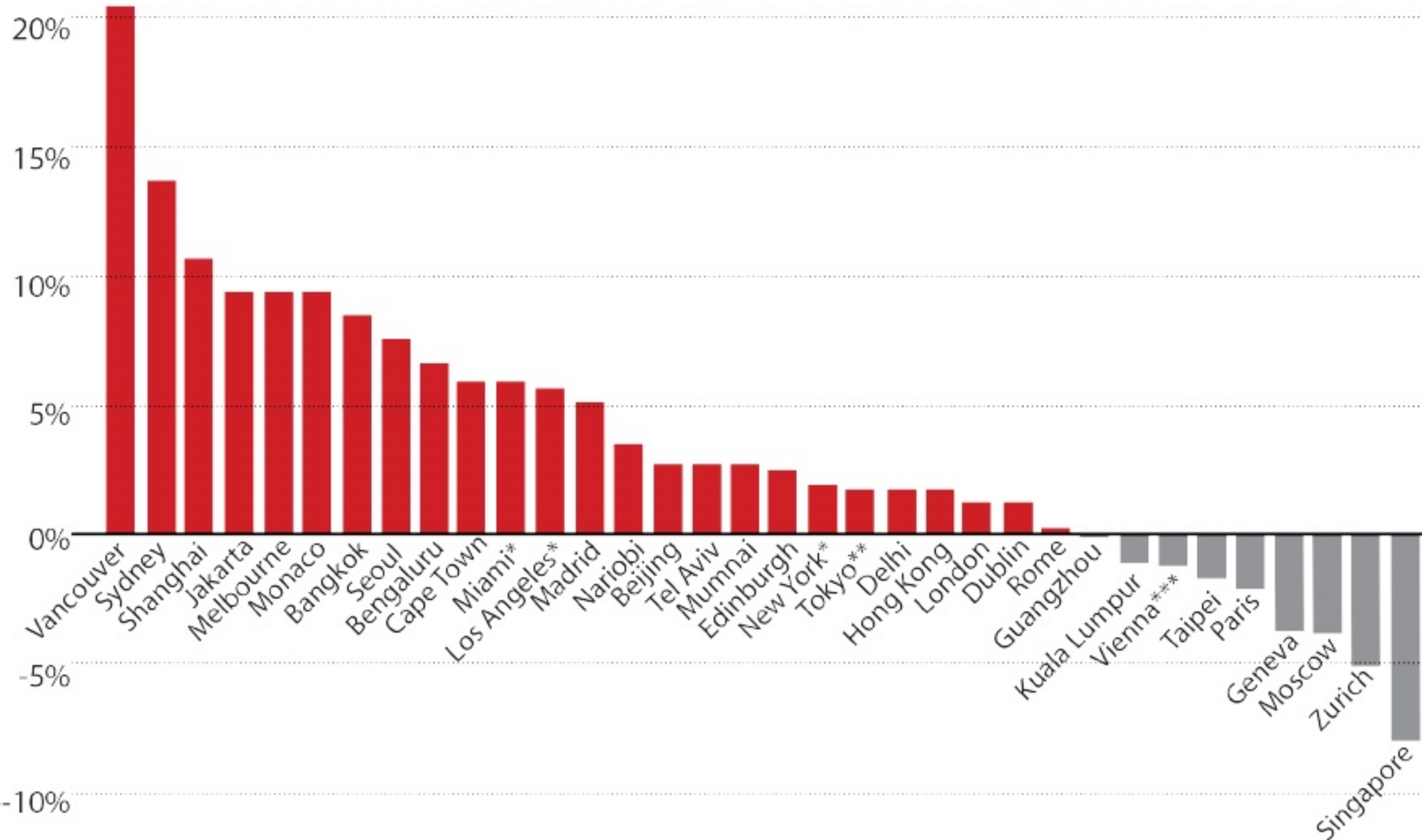
So far this year, there have been more than 2,000 new condo sales than at the same point last year, a 20-per-cent increase, according to Michael Ferreira, managing principal of Vancouver-based Urban Analytics, who addressed the Urban Development Institute last week. The figure totals two-thirds more sales than in 2013, he said.

Looking ahead, Ferreira said 87 per cent of the 21,600-plus concrete condo units scheduled to be finished by the end of 2018 have already sold.

The Real Estate Board of Greater Vancouver said Tuesday sales of apartments reached 1,543 in October 2015, an increase of 21.7 per cent compared to the 1,268 sales in October 2014, and an increase of 40.5 per cent compared to the 1,098 sales in October 2013. The benchmark price of an apartment property increased 11.4 per cent from October 2014 to \$425,800.

Prime real estate prices surge in Vancouver

Prices for prime Vancouver real estate, defined as properties in the top five per cent of the housing market, increased by 20.4 per cent between September 2014 and September 2015, far outstripping Sydney, the city with the second largest price increase at 10.7 per cent for the same period.



Source: Knight Frank

* Based on top-tier of mainstream market in metro area

** Based on all contracts above Yen100m³ Provisional



Ferreira told the UDI that condo sales in some areas are increasing more than others and, across the board, rising construction and land costs are becoming large factors.

He said mainland Chinese buyers have been more active than in past years because the Chinese currency has increased by 30 per cent relative to the Canadian dollar.

This has also spurred companies with offshore capital from mainland China to buy land for building multi-family developments such as condos.

Some are well-established developers looking to set up here. These are “well-capitalized, patient and reasonably sophisticated,” said Ferreira.

He said they are attracted to and willing to overpay current market value for large or prime sites as a way of getting a foothold. The other breed is more of a mom-and-pop investor, whose “first priority is to park cash here.”

Aside from the “immense amount of offshore capital,” Ferreira said the “perfect storm” also includes more active local buyers.

At the soon-to-be-built Burrard Place, 350 of 395 units sold within a month. Priced at over \$1,200 a square foot, these are nearing the cost of a single-family home in Vancouver. About half of the units, mostly those under \$1 million, were sold to investors and the remaining, at about \$2 million, to end users, according to Jon Stovell, president and CEO of Reliance Properties.

Older downsizers with money to spend on new condos after cashing out of their single-family homes are also a factor. In West Vancouver, apartments account for only about 19 per cent of all properties, said Michael Ward, senior vice-president of Grosvenor America. He is building and selling Grosvenor Ambleside in West Vancouver, where penthouse units are priced at between \$3,500 to \$4,000 a square foot and other units range from \$3.5 million to \$15 million. It's about 70-per-cent sold, with more than 85 per cent to purchasers who live within 10 kilometres, said Ward.

“It's not what we expected,” he said. “There are wealthy local people to absorb these condos, a mix of locals in West Vancouver with Caucasian, Iranian and Chinese buyers, who are equity rich in their homes.”

All of this has led to prices for prime Vancouver real estate — defined as properties in the top five per cent of the housing market — to increase by 20.4 per cent between September 2014 and September 2015, far outstripping Sydney, the city with the second largest price increase at 10.7 per cent for the same period, according to a report released Tuesday by London-based real estate consultants Knight Frank.

“Supply is tight with the number of homes for sale down 32 per cent year-on-year, and local demand is strengthening alongside foreign interest. The big question mark surrounds not Greece and the eurozone, but the slowdown in the Chinese economy. Wealth from China will continue to flow into overseas property markets with the U.K., U.S., Canada and Australia being key target destinations,” wrote researcher Kate Everett-Allen.

jlee-young@vancouversun.com

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