

UDI/FORTISBC Housing Affordability Index

METRO AFFORDABILITY

An explanation of the definitions and assumptions used in the Index

DEFINITIONS

Inner Metro: West Vancouver, North Vancouver, Burnaby, New Westminster, Richmond, South Delta, Coquitlam, Port Moody and Port Coquitlam.

Outer Metro: Langley, North Delta, Surrey, White Rock, Pitt Meadows and Maple Ridge.

PRICES

Prices for the new home market were collected from actively selling, new multi-family projects in Metro Vancouver.

Resale prices were collected from the Real Estate Boards of Greater Vancouver and the Fraser Valley, with median sales for this index.

There is not enough data to track new single-family

home prices, so only MLS resale single family prices are used.

ASSUMED DOWN PAYMENTS

First-time buyers: 10%

Wood frame and concrete condominiums: 20%

Townhouses: 30%

Single-family homes: 35%

The reason for the differences is the assumption that townhouse and single-family buyers are more likely to be move-up buyers with equity built up in their existing property.

ANALYTICAL METHODS

Five-year, fixed-rate 30-year amortization mortgages were used, taking an average of the best rates at eight

banks at the time of analysis.

For the first-time buyer, a 10 per cent down payment, which requires an insured mortgage and a 25-year amortization, was assumed.

OTHER ASSUMPTIONS

The affordability index assumes that a person can afford a maximum of 32 per cent of their gross family income to go toward mortgage payments.

Transportation costs were also included, with estimates from a 2005 Greater Vancouver Regional District report, a Canadian Automobile Club survey from 2012 and a 2006 Metro estimate on commuter distances. Different amounts are used for each area.

TRACY SHERLOCK, VANCOUVER SUN



AFFORDABILITY INDEX (10% DOWN-PAYMENT ONLY)

New wood frame condominiums

	Avg. price	Avg. size	Avg. \$/ft2	Est. Mortgage payment	Req. Income for 32%	Working Households at/ or above Req. Income
Outer Metro	\$287,736	854	\$337	\$1,358	\$50,910	63.5%
Inner Metro	\$371,870	824	\$451	\$1,755	\$65,796	50.2%
Vancouver	\$507,319	778	\$652	\$2,394	\$89,761	29.8%

June 2014 wood frame condominium re-sales

	Avg. price	Est. Mortgage payment	Req. Income for 32%	Working Households at/ or above Req. Income
Outer Metro	\$223,000	\$1,052	\$39,456	73.1%
Inner Metro	\$306,000	\$1,444	\$54,141	58.5%
Vancouver	\$394,000	\$1,859	\$69,711	41.0%

"If you are going to pay \$22,000 per unit, it's a bit more palatable to average that out over a 2,000-square-foot than over a 1,000-square-foot home. It may seem like a small thing, but similarly when you look at the hookup charges for sewer or water, all of these things cost the same whether you build a small home or a large home."

"In the end, builders are not unlike consumers buying toothpaste. When the large tube is only 50 cents more than a tube half its size, you buy the large tube."

No silver bullet

Geller says Vancouver should also focus on "in-between" forms of housing.

"Instead of putting that 2,400-sq.-ft house on a detached lot, why not divide it in half and have two duplex units? We can go one step further and add a coach house in the rear. But rather than simply making that coach house a rental unit, allow that coach house to be sold as well."

"From the street, the duplex looks just like one regular large house and you don't even see the coach house. In effect, you could end up having exactly the same amount of building as permitted under the single family zoning, but you are creating a lot more smaller and ultimately more affordable homes without significantly altering the character of the neighbourhood."

Geller said there is no silver bullet that is going to help create the kind of affordable housing we all want; it is going to be a combination of all strategies.

He suggested Vancouver needs to pre-zone or zone land

for more affordable types of housing rather than expect the developer and the architect to come forward with rezoning applications.

"Right now, there are very few sites zoned for townhouses anywhere in the city of Vancouver. I am not aware of a single vacant site on the west side of Vancouver where someone could go and build townhouses tomorrow."

Geller also says that first-time buyers should consider other housing alternatives including co-op housing, shared-equity housing and the "rent-to-own model."

"If you go to England and Europe, you will find examples of different forms of tenure. One is called a 'life lease,' such as the Vancouver Performing Arts Lodge at Bayshore. You can live in the unit as long as you are alive. Then when you move out, rather than sell it at a profit, it basically reverts back to a housing sponsor so someone else can move in at a lower cost. There are other financial models that could be used."

"They require co-operation from lenders and a greater level of consumer awareness."

Geller says there has to be a rethink of home ownership, especially by today's first-time buyers.

"Tell them that their parents did not grow up in homes with granite countertops and stainless steel appliances. Don't be afraid to start off with Formica countertops and white stoves."

Meanwhile, Kate and Glen are happy to move on to the next phase of owning a new home.

"We are really excited. We are looking forward to figuring out how everyone works together,"

Affordability stable, with bumps due to big construction projects

TRACY SHERLOCK

VANCOUVER SUN

Metro Vancouver's housing affordability was stable in the second quarter of 2014, with some very specific projects affecting the numbers in some areas, statistical analysis provided to The Vancouver Sun shows.

In the Strathcona Village development, suites are selling at \$500 to \$530 a square foot, which improves overall affordability in the city of Vancouver, the second-quarter instalment of the UDI/FortisBC Housing Affordability Index shows.

But next quarter, which will include the launch of Vancouver House, the twisty tower designed for the space between two Granville Bridge on-ramps, affordability will likely decrease because units may be marketed for as much as \$1,500 per square foot, said Michael Ferreira, managing principal at Urban Analytics, which provides the data for the index.

Because Vancouver is a large city with diverse neighbourhoods and a varied housing market, specific projects, particularly those with many units at either extreme of the price spectrum, can affect statistical affordability for a specific time period.

"You don't tend to see as much of this kind of variance in the more suburban markets," Ferreira said. "For the most part, those projects are

AFFORDABILITY INDEX (MLS RE-SALES JUNE 2014)

	Avg. price	Est. Mortgage payment	Req. Income for 32%	Working Households at/ or above Req. Income
Outer Metro				
MLS re-sale concrete condominiums	\$282,000	\$1,069	\$40,092	72.5%
MLS re-sale wood frame condominiums	\$223,000	\$845	\$31,704	79.6%
MLS re-sale townhomes	\$330,000	\$1,095	\$41,052	71.7%
MLS single family	\$598,000	\$1,842	\$68,078	49.7%
Estimated monthly transportation costs (All): \$498				

Inner Metro

MLS re-sale concrete condominiums	\$385,000	\$1,460	\$54,736	58.0%
MLS re-sale wood frame condominiums	\$306,000	\$1,160	\$43,505	67.0%
MLS re-sale townhomes	\$472,500	\$1,567	\$58,779	55.0%
MLS single family	\$913,000	\$2,812	\$105,465	27.8%
Estimated monthly transportation costs (All): \$383				

Vancouver

MLS re-sale concrete condominiums	\$475,000	\$1,801	\$67,531	24.4%
MLS re-sale wood frame condominiums	\$394,000	\$1,494	\$59,016	50.1%
MLS re-sale townhomes	\$700,000	\$2,322	\$87,080	31.1%
MLS single family	\$1,380,000	\$4,251	\$159,410	10.4%
Estimated monthly transportation costs (All): \$383				

AFFORDABILITY INDEX (NEW HOMES)

	Avg. price	Avg. size	Avg. \$/ft2	Est. Mortgage payment	Req. Income for 32%	Working Households at/ or above Req. Income
Outer Metro						
New concrete condominiums	\$299,355	665	\$450	\$1,135	\$42,560	70.1%
New wood frame condominiums	\$287,736	854	\$337	\$1,091	\$40,908	71.8%
New townhomes	\$388,393	1,596	\$243	\$1,288	\$48,36	65.7%
MLS single family	\$598,000			\$1,842	\$69,078	49.7%
Estimated Monthly Transportation Costs (All): \$498						

Inner Metro

New concrete condominiums	\$446,004	800	\$558	\$1,691	\$63,409	51.8%
New wood frame condominiums	\$371,870	824	\$451	\$1,410	\$52,869	59.4%
New townhome	\$568,315	1,480	\$384	\$1,885	\$70,698	46.9%
MLS single family	\$913,000			\$2,812	\$105,465	27.8%
Estimated Monthly Transportation Costs (All): \$383						

Vancouver

New concrete condominiums	\$516,672	739	\$699	\$1,959	\$73,456	38.6%
New wood frame condominiums	\$507,319	778	\$652	\$1,923	\$72,126	39.5%
New townhomes	\$853,162	1,426	\$598	\$2,830	\$106,133	22.9%
MLS single family	\$1,380,000			\$4,251	\$159,410	10.4%
Estimated Monthly Transportation Costs (All): \$383						

GRAPHIC BY MAGGIE WONG/VANCOUVER SUN

"There are some real life examples that show if you do add more supply to the market you will get more competition and as a result prices tend to get softer."

MICHAEL FERREIRA

URBAN ANALYTICS

already affordable, so the only way those markets will be affected is if a project comes out that is very large and very luxurious. It's highly unlikely that anybody would introduce a project like that because the markets don't justify a project like that."

While the last instalment of the UDI/FortisBC Housing Affordability Index in the first quarter of 2014 saw improved affordability as some banks dropped interest rates slightly, this quarter the rates are identical at an average of 3.97 per cent on a five-year, fixed-rate term.

In suburbs like Burnaby and Richmond affordability has decreased relative to the last year, particularly for new concrete condominiums, the data show. In Richmond, prices are up six per cent over the past two years, while in Burnaby, there have been some more expensive, taller towers introduced and more condominiums are for sale in popular neighbourhoods like Metrotown, such as Anthem/Beedie's Station Square II.

Burnaby has allowed higher towers — some with as many as 50 or 60 storeys — and units on higher floors tend to be sold for higher prices, Ferreira said.

"Areas with the most supply and greatest amount of competition tend to have better affordability," Ferreira said.

"There are some real life examples that show if you do add more supply to the market you will get more competition and as a result prices tend to get softer," Ferreira said.

Single-family home prices and affordability levels are consistent across the Lower Mainland, except in Vancouver proper, where prices continue to rise and only one-tenth of households in the city can afford the median single-family home.

The index defines "affordable" as the percentage of households living in a region with the income required to qualify for the mortgage needed to own the property. Typically, a bank wants to see no more than 32 per cent of income going to housing if it is to provide a mortgage.

The index breaks Metro Vancouver into three areas: the city of Vancouver, Inner Metro (West Vancouver, North Vancouver, Burnaby, New Westminster, Richmond, South Delta, Coquitlam, Port Moody, Port Coquitlam) and Outer Metro (Surrey, Langley, North Delta, White Rock, Pitt Meadows and Maple Ridge).

In Vancouver proper, the minimum annual income required to purchase a new unit is \$72,126 for a new wood-frame condominium. For a single-family home, the minimum required annual income is \$59,410 to buy the median-priced single-family home, which costs \$1.38 million. Both the prices and the minimum income have increased slightly in the past quarter.

For resale properties, the numbers are a bit more encouraging: the minimum required income for a resale property is \$56,016, which would qualify a buyer for a wood-frame condo in Vancouver. Those numbers are down slightly from the last quarter, probably because more affordable projects in East Vancouver, such as Canvas and Midtown, and Cambria on the west side were launched, while the number of units for sale in more luxurious markets such as the University of B.C. fell.

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