

## REAL ESTATE



MARK VAN MANEN/PNG FILES

A new RBC housing trends report says housing affordability is continuing to deteriorate in the Lower Mainland.

# Vancouver housing growing more unaffordable: report

Demand for detached homes outstrips supply, economist says

YVONNE ZACHARIAS

VANCOUVER SUN

Just when it seemed that housing in Vancouver couldn't become less affordable, rising prices have put the purchase of a home even more out of reach.

RBC's latest housing trends and affordability report for the second quarter of 2015 showed a continuing deterioration in market conditions for prospective home buyers.

The housing affordability measure captures the proportion of pre-tax household income needed to service the costs of owning a home at market value.

The measure for the benchmark detached bungalow in Vancouver is 88.6 per cent, up three percentage points from the first quarter.

Across B.C., the measure increased by 2.5 percentage points to 75.3 per cent for a two-storey home, by 2.1 percentage points to 71.4 per cent for a bungalow, and by 0.4 percentage

points to 33.3 per cent for condos.

Among all the Canadian provinces, the rise in the percentage, which represents a decrease in affordability, was highest in B.C., continuing a longtime trend.

"It's a market that is firing pretty much on all cylinders," Robert Hogue, a senior economist with RBC, said in an interview from Toronto on Monday.

**"Vancouver can't really sprawl. It's got to go up. It's got to be higher density or condominiums."**

**ROBERT HOGUE**  
SENIOR ECONOMIST,  
RBC

CONTINUED ON C2



## REAL ESTATE | FROM PAGE C1



MARK VAN MANEN/PNG FILES

RBC economists expect B.C. to lead Canada with a more-than 20 per cent increase in home resales for 2015.

## Vancouver housing more unaffordable

He added there simply aren't enough detached homes to meet the demand and the geographic constraints inhibit the construction of more.

"The chances that we will have a surge in single-family home construction are pretty remote," Hogue said. "Vancouver can't really sprawl. It's got to go up. It's got to be higher density or condominiums."

Strong housing demand, particularly for detached homes, produced some of the stronger gains in home prices in the country.

The average price of a detached bungalow in the second quarter was \$967,500, up close to five per cent from the first quarter and up more than 12 per cent from a year earlier.

Interestingly, deteriorating affordability didn't deter resales in the second quarter.

In fact, the resale market was on a roll across most of the province, including Vancouver, Victoria, the Fraser Valley and Kamloops.

Vancouver home resale activity rose by 5.6 in the second quarter, marking the fifth straight quarterly increase.

RBC economists expect B.C. home resales to rise by more than 20 per cent in 2015, projecting

### Realtors see 80 per cent hike in luxury home sales

Buyers from mainland China and a dwindling supply of high-end detached homes are driving Vancouver's luxury real estate market, according to ReMax.

The latest numbers from the real estate company show an 80 per cent increase this year compared with 2014 in the number of sales over \$3 million.

ReMax says 532 single-family houses sold for at least \$3 million between Jan. 1 and July 31, a period that also saw a 41 per cent increase in sales of homes over \$1 million.

The highest end of the market is largely driven by offshore buyers hoping to relocate their families to Vancouver, according to Wayne Ryan, managing broker at ReMax Crest Realty Westside.

"Mainland China is churning out millionaires at quite a huge rate, and many of them like Vancouver," Ryan said.

"At this point, it's all anecdotal, but the reality is we're finding it's between 70 and 75 per cent (of buyers)."

He added that a weak Canadian dollar, coupled with a strong Chinese currency, is helping to make Vancouver a particularly attractive place to buy. Meanwhile, local homeowners seem to be sitting on their real estate rather than selling it, driving the price up even further.

The most expensive piece of real estate sold so far this year was a \$17.55-million property with a view on Drummond Drive in West Point Grey. According to Ryan, the

sale was based primarily on the value of the land.

"The ultimate plan for many of these places, especially for older homes, is to knock it down and rebuild," he said.

The high demand from foreign buyers has created opportunities for Vancouver realtors to diversify. Because so many buyers plan to relocate from the other side of the world, they're looking to their real estate agents for help with more than just home shopping.

"They're doing research on the good schools. They're helping them buy cars and insurance," Ryan said.

Bethany Lindsay, Vancouver Sun  
blindsay@vancouversun.com  
twitter.com/bethanylindsay

this to be the highest increase in the country. Housing affordability also declined in Toronto, while supply and demand are more balanced in other Canadian markets and affordability has been close to the long-term average since 1985.

In a separate report, TD Bank said it expects a decline in

Canadian borrowing rates in the first half of 2015 will likely boost demand into the early fall, but then have a waning effect in the late stages of this year.

It says the low-rate environment has helped to keep hot markets "humming" and reduce the impact of low commodity prices in other markets, particularly in

Alberta and Saskatchewan.

The RBC affordability measure takes into account income, property prices and the typical costs of home ownership, such as mortgage payments, utilities, taxes and fees.

yzacharias@vancouversun.com  
With a file from Canadian Press