

First-time buyers driving market: report

'People ... taking advantage of record low interest rates and price depreciation'

BY BRIAN MORTON, VANCOUVER SUN MARCH 11, 2009 4:13 PM



The 2009 RE/MAX First-Time Home Buyers Report says there are now more than 14,000 properties on the market in Vancouver, a figure that has dropped considerably since peaking in October 2008.

Photograph by: Reuters, files

First-time buyers are now the driving force behind a Metro Vancouver real estate market that's showing increasing signs of recovery, according to a report released Wednesday by RE/MAX.

"This survey says that people are confident in their jobs and taking advantage of record low interest rates and the price depreciation that's occurred," Elton Ash, regional executive vice-president, RE/MAX of Western Canada, said in an interview. "In February, we've seen a significant increase in home sales. The Lower Mainland is seeing a resurgence in the real estate market."

The 2009 RE/MAX First-Time Home Buyers Report, which highlights first-time buying activity in 32 residential housing markets across Canada, found that improved affordability is prompting many first-time buyers to get off the fence and into the market.

While there's still a sense of caution, the report says that increased inventory, lower rates and longer days on the market are presenting opportunities that haven't been seen in nearly a decade.

It notes that there are now more than 14,000 properties on the market in Vancouver, a figure that has dropped considerably since peaking in October 2008.

The report stated that although 2009 got off to a slow start, February home sales were well above those reported in January, a trend that's expected to continue in the weeks ahead.

Ash also said that the increased sales activity in the lower-end could kick-start sales in the mid-to-upper end of the market, which have been more sluggish in recent months. "It's the domino effect. The move-up buyer can [also] get another home."

He said that, according to another survey, 38 per cent of Metro Vancouver's buyers last week were first-time buyers, compared to 17 per cent in December. "That's a significant increase."

Ash said that the numbers are impressive, with 2,200 homes sold in Metro Vancouver in January and February, a 17-per-cent increase over the same two months in 2008.

Despite the increase in sales activity, Ash cautions that the market still has a way to go to turn around. "[The slowdown] is not over, but we're seeing confidence coming back to the consumer's mind. What we're seeing is a slow increase in real estate activity. Overall consumer confidence should increase in the last half of 2009."

The RE/MAX survey contained several examples of price drops in Metro Vancouver, including Port Coquitlam, which saw the median price for a detached house drop from \$537,000 a year ago to \$450,000 today.

Another example was east Vancouver, where the starting price for a detached home is now about \$500,000, compared to \$550,000 a year ago. Kelowna's

starting price for a detached home has dropped from \$350,000 to \$310,000 in a year.

Despite the increased interest, the report noted that buyers remain clearly in control in most Canadian markets, including Vancouver, Surrey, Port Coquitlam, Chilliwack, Kelowna and Victoria.

A separate survey shows that housing sales in Richmond more than doubled in the first two weeks of February, compared to a month earlier. An average of 77 sales were recorded each day during this period, compared to 35 in January.

“The market today has finally reached a point with a decrease in interest rates and home prices that makes it possible for first-time home buyers to really get their foot in the door,” Chris Stylianou, realtor for Macdonald Realty Westmar, said in a statement.

Meanwhile, a report out of Ottawa suggests that declining housing starts in Canada will cut home builders' profits by almost 20 per cent this year, with residential construction profits dropping to \$3.2 billion in 2009 and \$3 billion in 2010.

The Conference Board's Canadian Industrial Outlook: Canada's Residential Construction Industry — Winter 2009 concluded that the residential construction industry's revenue growth will record its largest decline since 1995.

The Conference Board report did not have a province-by-province breakdown.

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