

THE GLOBE AND MAIL

Real Estate

In Vancouver, camping out for condos is norm again

Real estate market is back to its regular insanity, and the promised market correction is nowhere to be seen

Gary Mason

From Tuesday's Globe and Mail Published on Monday, Dec. 07, 2009 7:12PM EST Last updated on Tuesday, Dec. 08, 2009 10:01AM EST

People were sleeping on the streets of Vancouver the other night.

This is nothing new, of course. Except these people weren't homeless, they were home-hunters, camping overnight on a downtown sidewalk to be among the first to buy into a new condo tower opening in the city's trendy Yaletown district.

About 20 people spent a frigid Friday night a week ago outside the sales office for a new building called The Mark. By the end of business the next day, 163 of the 214 available condos had been sold.

Phew, what a relief. Insanity is back in the real estate market.

Not that long ago, these condo campouts were all the rage. And new towers were going up as fast as man could build them. Many of the purchasers were young couples who weren't prepared to part with their first born – and a million bucks of the bank's money – to own some shack on the city's east side.

Open houses, meantime, were events. Cars of would-be buyers would line neighbourhood streets waiting for a real estate agent to fling open the front doors of some red-hot property that the owner had bought for a song 10 years earlier. A stampede would ensue. Bidding wars would erupt on the spot. Sellers would routinely get tens of thousands over their asking price.

When financial calamity arrived in the form of the economic meltdown of 2008, it was almost a blessing. Home prices had become way out of whack. Now there would be a massive market correction. Economic forecasters were predicting it might be two or three years before we again saw house sales and prices begin to grow at the rates we had witnessed for much of the decade.

Some correction.

A recent report by the TD Bank indicates Canadians have gone house mad once again. As of October, sales were up 74 per cent and prices were 20 per cent ahead of what they were at their low point in 2008. In some markets, sales and prices have recovered to the crazy 2007 levels and beyond. The report says the average home right now is about 12 per cent overpriced.

And climbing.

Vancouver certainly isn't your typical real estate market. Still, it's all relative. And lately there doesn't seem to be a home that isn't selling for more than the listed price. One home on the east side of the city went for more than \$300,000 above asking. Many have been going for a couple of hundred grand more.

What's fuelling this madness? Pent-up demand certainly. But more importantly, mortgage rates that are almost too good to be true. And definitely too good to be passed up.

If you believe the economy is coming back, that your job is safe and that real estate remains the most solid investment a person can make, why wouldn't you jump in? Prices are only going to keep going up, right? The longer you wait the more it will cost you. Isn't that the law of the jungle? It is, except no one expects this latest price surge to continue. The bidding will become unsustainable. Home affordability will deteriorate to a point where the average person can't get in. Some think we're almost there.

The greater worry, however, is with some of those who are taking huge gambles. Many have assumed a massive mortgage load to finance their little piece of heaven. It all seems manageable now with mortgage rates so low. Here's the problem: those rates will soon begin going up as sure as a blonde cocktail waitress from Las Vegas will claim later this week that she slept with Tiger Woods.

And in three or four years time, the mortgage math on which some people predicated the purchase of their home will no longer make sense. Suddenly, their payments are hundreds of dollars more a month.

Then what? "Some of these folks undoubtedly will end up in financial distress in a few years' time," says economist Jock Finlayson of the Business Council of B.C.

Many of today's buyers will deal with that crisis when they come to it. For now, they're not going to let a little scary talk burst their housing bubble.

© Copyright 2009 CTVglobemedia Publishing Inc. All Rights Reserved.