

## Condos new standard housing stock study: Demographics, lifestyle

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One of the largest mortgage insurance companies in Canada has looked into the future of housing and it's dominated by a small box in a high rise.

The condominium market is not slowing in the country's six largest cities, says a new study prepared by Genworth Financial Canada and the Conference Board of Canada. If anything, condominium apartments are becoming the standard for housing stock in Canada.

"People want the condo lifestyle. As they get older they want the lock-and-go condo lifestyle as opposed to cutting the grass," said Peter Vukanovich, president of Genworth Financial, which controls 30% of the mortgage insurance market in Canada.

The study found that in Montreal, Ottawa, Toronto, Calgary, Edmonton and Vancouver sales of condominiums have been growing annually in the range of 9% to 20% from 1996 to 2005.

In some key markets, condo sales are soon expected to account for 75% of the new housing stock. Almost every city shows the condominium market share rising rapidly.

"It's a much cheaper lifestyle than a single-detached home," said Mr. Vukanovich, in explaining part of the reason for the preference. The average price of a condominium tends to be much lower than a detached home.

About the only cloud that continues to hang over the sector is this vague concept that the condo market is somehow headed for a crash, said Mr. Vukanovich, noting that people see these condos being built and they figure this all has to end.



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"We have a report coming out on renters and the No. 1 concern they have is a fear of the price of what they are going to buy is going to come down," he said.

Those fears appear to be unfounded based on the study, which shows prices rising by 3% to 5% annually well into 2011 across the six cities studied.

Alberta is the lone exception. Calgary and Edmonton are expected to see double-digit price increases.

On a city-by-city basis, Vancouver has become the condo capital of Canada. Dating back to 2001, Vancouver condos accounted for about 35% of all new construction. Condos are expected to have grabbed 75% of the annual residential construction market by 2011.

The study says pent-up demand from the 1990s, when housing in Vancouver slumped, has driven the market the past five years. Condominiums have become an attractive alternative in the city where bungalows routinely sell for \$750,000.

The Conference Board says the average price of a condo, just \$214,031 in 2004, will climb to \$364,689 by 2011. Genworth says there is something about the city's makeup that has led to residents embracing condo life.

"You can't underestimate the Asian influence and they are very comfortable with the condo lifestyle, whether they are living in Hong Kong or Shanghai," said Mr. Vukanovich. "They are coming here and buying condos."

Toronto and Ottawa-Gatineau are the only markets where the condo share of overall construction seems to be levelling off. But despite that, condos account for almost 40% of new house sales in Toronto and 20% in Ottawa-Gatineau.

"It sure looks like everybody is going to be in condos. This is definitely not going away," said Mr. Vukanovich

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