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## Incentives designed to lure condo buyers

Some projects are trimming prices while others offer help with the mortgage

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Property developers are looking to incentives and even price cuts in some cases to tempt buyers into a market that has seen sales slow.

The enticements include decorating allowances, cash back, mortgage buy-downs or upgrades in materials.

Price corrections are happening in specific locations and among specific property types as the market adjusts to one in which homeowners are the dominant buyers and investor buyers exit the scene, according to Jennifer Podmore-Russell, managing partner of the development research firm MPC Intelligence.

Podmore-Russell, in an interview, said some pockets of Surrey saw price adjustments several months ago, as have areas of Langley.

Price cuts, she added, have occurred among projects that used overly aggressive assumptions about price appreciation and needed to be readjusted to levels more competitive with other projects and the newer listings on the realtors' Multiple Listing Service.

"A normal market doesn't mean we don't see price corrections," Podmore-Russell said. "That's exactly what it takes to get back to a normal market."

However, she said "a lot of the pricing changes have been blown out of proportion."

Her outlook is for sales of new units in the development pre-sale market to average 11,000 to 14,000 per year over the next couple of years, compared with 16,000 in 2007.

Embassy Development Corp. is one developer that has advertised price reductions from two per cent to 12 per cent on the last 11 units in its two-tower Legacy project near Brentwood town centre in Burnaby.

Embassy president Ryan Bosa said the company adjusted the pricing on these specific units because they had "one-off" layouts to fit the structure of the building and probably weren't the most desirable.

Bosa said the summer was also a slow period for sales, and "we figured we would do a bit of an advertising blitz" to spark more interest, which has worked to drive more traffic to its sales centre.

Developer Ledingham McAllister is offering different incentives on a couple of its projects -- a \$10,000 decorating allowance on units in its Silhouette project and five-per-cent cash back on September sales in its Perspectives building near Lougheed

Town Centre.

Ledingham McAllister president Ward McAllister said incentives are offered during slow sales to encourage buyers "to get off the fence" so the company can meet its sales targets, but he hasn't seen more than minimal discounting.

"I don't think there's much discounting going on in the market at all," McAllister said. "People are thinking that prices are going to come down, and we don't believe they are."

Housing forecasts by Canada Mortgage and Housing and Central 1 Credit Union, he added, support that opinion.

However, McAllister does believe that developers will slow down on new construction over the next while and "supply is going to tighten up drastically."

Mark Belling, president of Fifth Avenue Real Estate Marketing Ltd., said such incentives are nothing new -- they just haven't been needed over the past few years when investor buyers were a bigger part of the market.

"So incentives have basically shifted from trying to attract investors in more buoyant times to the current time when it's more about sustainable supply and demand," Belling said.

And the type of incentive will depend on the market a developer is aiming at, he added.

Projects geared toward first-time buyers, Belling said, might use mortgage buy-downs or other affordability options.

The developer Larco is offering mortgage assistance at its Morgan Creek development in South Surrey in its recent advertising -- \$13,495 to \$23,095 spread out over two years of payments.

Decorating allowances or appliance upgrades, Belling said, might be more common in projects aimed at more discretionary consumers.

"Discounts are happening in the form of incentives, absolutely," Belling said. "So I think it's great for consumers."

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