

# Cost of home-buying takes a tumble

## REAL ESTATE |

Investors are on the hunt for deals, economist says

BY BRIAN MORTON  
VANCOUVER SUN

With home sales — and prices — dropping in B.C., is now a good time to invest in real estate?

The B.C. Real Estate Association says it just might be, pointing to a large drop in carrying costs for an investment property today compared to a year ago.

"It doesn't matter what the market is doing, I don't say whether or not it's a good time to buy," association chief economist Cameron Muir said in an interview on Monday. "That being said, I would suspect investors are actively looking in the marketplace for bargains. If you compare today versus a year ago, investing in real estate is more attractive than it was then."

Muir made the comment after the release of an association housing survey Monday that concluded the residential sales dollar volume on B.C.'s Multiple Listing Service declined 61 per cent to \$873 million in January, compared to the same month in 2008 when sales totalled \$2.25 billion. In the Metro Vancouver region, the sales volume was down 62 per cent over the same period, to \$413 million from \$1.09 billion in January 2008.

Muir — who said he also believes sales activity in the province will pick up in the spring because of improving affordability resulting from lower mortgage rates and home prices — cited a typical mortgage payment for a property in January 2009 compared to January 2008.

He said the benchmark price for a two-bedroom condo in Metro Vancouver was \$334,602 in January, 11.5 per cent less than the \$378,336 the same condo would have sold for 12 months earlier. A typical posted five-year fixed-term mortgage stood at 5.79 per cent in January, much lower than a similar mortgage rate of 7.39 per cent the previous January.

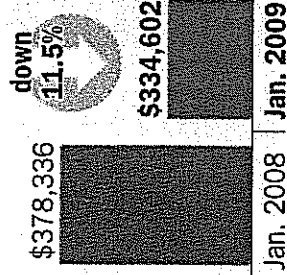
Therefore, he said, a condo with a 10-per-cent down payment (on a 25-year amortization) would have resulted in a monthly mortgage payment of \$1,890 this January, nearly \$600 less than the January 2008 mortgage payment of \$2,468 (property taxes, maintenance fees and mortgage insurance fees not included).

On top of that, he said, there's upward pressure on rents with the same two-bedroom condo renting in October 2008 for about \$1,507 a month — a five-per-cent increase

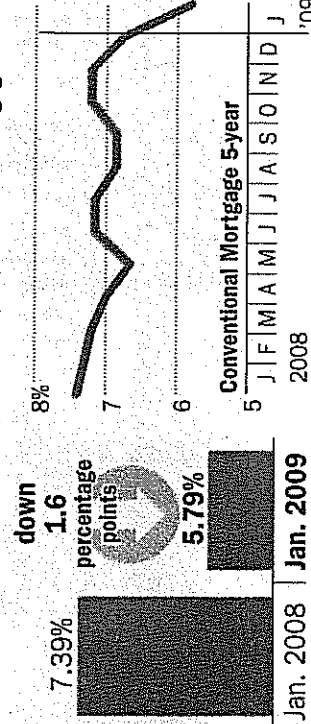
## Making it more affordable

The combination of falling property prices and lower interest rates means mortgage payments would be lower today than one year ago on the same property.

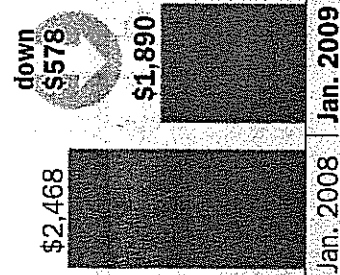
**Price:** an average two-bedroom condo in Metro Vancouver:



**Interest rates:** typical posted five-year, fixed-term mortgage rates:



**Mortgage payments:** with 10% down, typical monthly payments on that condo would be:



from October 2007.

"For both investors and home buyers, your mortgage payment would be several hundred dollars less than a year ago," said Muir, who noted that investors have so far not been very active since the economic downturn started last year. "As an investor, the cash flow from the rent will more closely match your mortgage payment on the property."

The BCREA survey also showed that residential unit sales fell 57 per cent to 2,115 units during the same period.

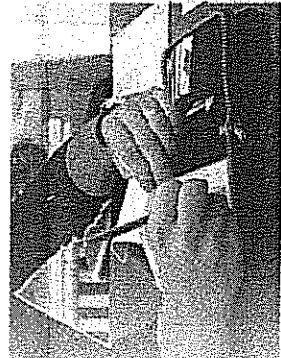
The average price on the MLS in B.C. was \$412,934 in January, down nine per cent from the same month last year, the survey noted. Muir said that home sales were sluggish in January, reflecting an overall malaise in consumer confidence and a weaker provincial economy.

Muir said that first-time buyers are especially impacted by the economic news and are holding

## or rent it out

The same two-bedroom condo could rent for \$1,507 a month according to figures from October 2008, up 5% from a year earlier.

Source: Vancouver Sun and Cameron Muir, B.C. Real Estate



There are more showings and more buyers kicking tires."

Meanwhile, an Ipsos Reid poll released last week showed that a growing number of British Columbians think this is a good time to buy a home, though most say it isn't a good time to sell.

The poll found that some 71 per cent of respondents said it is a somewhat good or very good time to buy real estate. In November, only 60 per cent of respondents told Ipsos Reid it was a good time to buy.

In the latest poll, though, 82 per cent said this is not a good time to sell a home.

The poll also found that British Columbians' expectations for falling prices are changing, with just 42 per cent of respondents saying they expected prices to be lower 12 months from now compared to 57 per cent in November. The association represents 12 member real estate boards and about 18,000 realtors.

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