

First-time buyers pay premium to buy homes

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Neil Singh commutes to a new townhouse in Langley rather than "live in a shoe box" close to his work in Vancouver's trendy Yaletown.

Other first-time buyers such as former X-Files actor Marcus Turner and partner Amberly Morison are willing to trade floor space to minimize travel and be close to the downtown scene.

Either way, entrants into this summer's sizzling British Columbia housing market must pay significantly more -- sometimes double -- for the same or a smaller home than first-time buyers could afford a decade ago.

Yet they are paying a premium for newer homes because they want to focus their time on their careers and recreation projects instead of home improvement, said Don Lawby, president of Century 21.

Higher prices have spawned increasingly innovative purchasing strategies, including zero downpayments, interest-only mortgages and 107-per-cent financing that pays the entire purchase price and gives the buyer four per cent of the price to cover insurance costs and three per cent cash back to use as he or she wishes.

More buyers are also turning to the Bank of Mom and Dad, either to co-sign the mortgage or help with the down payment, mortgage brokers say, and buyers today are far more likely to be single and female than they were a decade or two ago.

Singh, 34, says his parents refinanced their own home to help him make a 25-per-cent downpayment on his \$219,000, 1,161-square-foot townhome, which allowed him to negotiate a four-year mortgage at 4.35 per cent through Vancouver's Invis mortgage brokers.

Higher down payments usually mean lower interest rates.

"I would love to live downtown, I just can't live in a shoebox," said Singh, a video games artist with Yaletown's Next Level Games.

Singh shares his downtown commute with partner Tracy Rocko, a 30-year-old administrative assistant with a travel agency. "We designed our purchase for a single person income for when we decide to start a family," he said.

In contrast, Turner, 23, and Morison, 20, opted for a \$180,000, 550-square-foot condo in a 20-year-old building downtown because they want to be close to their work at the Cactus



CREDIT: Peter Battistoni, Vancouver Sun
Marcus Turner and Amberly Morison moved into a 550-square-foot condo they were able to buy, in part, because of her trust fund.

Club on Robson Street and because he plans to go to law school at the University of B.C.

They were able to raise their downpayment from a trust fund set aside by Morison's parents when she was younger, and from the remains of Turner's earnings as a child actor, which included commercials and movie work as well as playing the younger Fox Mulder to David Duchovny's character in the Vancouver-filmed X-Files television series.

Although the couple primarily work for tips, they were able to negotiate a \$160,000 mortgage at 4.5 per cent for five years from Mortgage Intelligence, a subsidiary of General Motors Acceptance Corp., which also offers a proprietary 107-per-cent mortgage for buyers with no downpayment and interest-only mortgages for first-time buyers who are cash-strapped now but anticipate higher earnings in the years to come.

Markets are toughest in the larger cities, with price-per-square-foot increases since 1995 ranging from 53 per cent in Toronto to 61 per cent in Vancouver and more than 69 per cent in Montreal, according to the Century 21 national first-time home buyers survey released Tuesday.

But the largest percentage change in price per square foot is 467 per cent in Fort McMurray, Alberta, where oil patch workers are paying \$285,000 for a 1,200-square-foot townhouse, compared to \$46,000 for an 1,100-square-foot condo a decade ago.

Lawby said British Columbia's strong economy, continuing low interest rates and recently relaxed federal regulations allowing zero-down-payment financing have encouraged increasing numbers of first-time buyers.

However, because higher prices mean they can't afford repairs or renovations, and because they are often working longer hours than 10 years ago and facing longer commutes, he said, they are more likely to stretch their borrowing to buy new condos or townhouses than buy older homes that need fixing up.

The preference for newer homes was confirmed by Chris Catliff, president and CEO of North Shore Credit Union, where innovative financing options include deep discount variable rate mortgages at 3.5 per cent that can't go higher than 4.9 per cent whatever happens to interest rates, and mortgage approvals based on character rather than earnings records for individuals such as contractors or restaurant servers who have variable incomes.

Despite the growing size of mortgages, risk of default is no greater than it was 10 years ago because the standard ratio of monthly mortgage payment to a buyer's monthly income is unchanged at 32 per cent, said Cameron Muir, senior market analyst with Canada Mortgage and Housing Corp. in Vancouver.

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Housing compared:

Profile of the first-homebuyer's situation in three major cities, 2005:

VANCOUVER

\$ \$250K

Ft.2 650

\$/ft2 \$385

1 Bdrms

- - -

TORONTO

\$ \$196K

Ft.2 700

\$/ft2 \$280

2 Bdrms

- - -

CALGARY

\$ \$180K

Ft.2 1,200

\$/ft2 \$150

2 Bdrms

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