

BUYER INTENTS

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POTENTIAL BUYER CHARACTERISTICS

With the peak selling season in full swing, a recent survey by Canada Mortgage and Housing Corporation (CMHC) may be of interest to REALTORS® in the Lower Mainland. In particular, REALTORS® may glean a few key characteristics of potential home buyers in the Vancouver Census Metropolitan Area (CMA) from the recent *Renovation and Home Purchase* survey results.

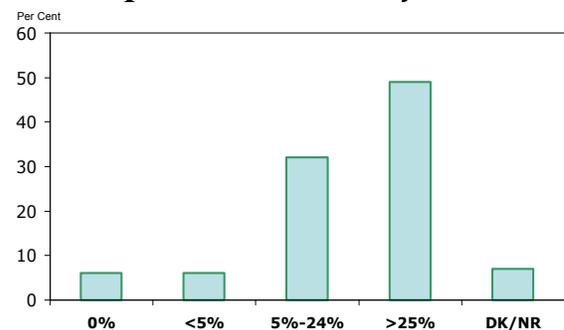
Conducted in the Vancouver CMA and other select Canadian metropolitan areas in March 2007, the survey estimated the number of households with the intention to purchase a primary dwelling in 2007 and other related characteristics. Six per cent of all households in the Vancouver CMA were estimated to have *high or very high* intentions to purchase a primary dwelling. Coupled with those with low intentions to purchase, approximately 71,458 or 8 per cent of total households were *thinking* to purchase in 2007. This was comparable to most other areas surveyed with the exception of Calgary.

Highlights...

For those *thinking* to purchase in 2007, 54 per cent were renter households, and 46 per cent were owners at the time of the survey. Nearly 43 per cent of potential buyers reported household incomes of at least \$80,000. This is not surprising, given that the average MLS® home price in the Vancouver CMA, which include sales in municipalities from both the Real Estate Board of Greater Vancouver and Fraser Valley Real Estate Board coverage areas (excluding Abbotsford and Mission), was estimated to be \$512,400 during the first five months of 2007. The addition of equity and other savings would allow for the purchase of homes at these price levels. Nearly half of survey re-



Expected Down Payment



Source: CMHC, Adapted from *Renovation and Home Purchase Detailed Tables, 2007*

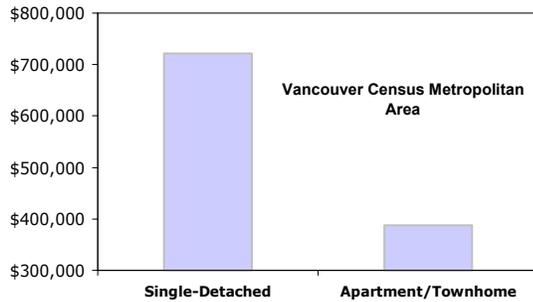
spondents expected to contribute a down payment of at least 25 per cent of the purchase price.

The comparable split between renter and owner households intending to buy in 2007 may partially explain the distribution of prices that households expected to pay. For households that gave a numerical response, 36 per cent intended to pay at least \$500,000. Meanwhile, 32 per cent expected to pay between \$200,000 and \$350,000. While incomes of renters are generally lower than owners, it is likely that the large numbers of buyers in the market for higher priced homes are using equity gained from existing or past homes.

For households that had *high or very high* intentions to buy in March, 37 per cent would be first-time homeowners. First-time buyers are more likely to have less accumulated savings and equity capital that can be allocated to a down payment, and likely to be transitioning from the rental market. The result would be a higher proportion of first-time buyers purchasing condominium-type dwellings,



Average MLS® Price



Source: REBGV, FVREB, BCREA Calculations and Estimates

which have a lower price point vis-à-vis single-detached dwellings. Condominium prices in the

Vancouver CMA are generally \$200,000-\$400,000 less than single-detached homes.

Despite the primary purchasing rationales for most buyers being dominated by households looking to move into homeownership and to increase to a larger residence, the continued increase in home price and recent mortgage rate hikes may be a disincentive for some households in making this decision. Nonetheless, CMHC's *Renovation and Home* survey provides some key characteristics of potential buyers that drive real estate market activity.

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