



Rental Costs Will Continue To Increase While Vacancy Rates Dwindle Making Real Estate “The” Investment

Conditions unlikely to change in near future: CMHC

Nearly half of B.C. communities have apartment *vacancy rates below one per cent* as strong demand fuels rental shortages and higher rents, Canada Mortgage and Housing Corp. reported Thursday.

CMHC said the provincial vacancy rate fell to 1.1 per cent in April from 1.2 per cent a year ago while the average rent for a two-bedroom unit climbed from \$893 to \$921.

CMHC regional economist Carol Frketich said the apartment rental squeeze comes from strong international migration to B.C. and a hot labor market that continues to attract people from other parts of Canada.

"There's nothing to indicate things will change very much in the near future, which suggests the vacancy rate will remain relatively low," she said in an interview.

The CMHC report said 11 of 27 B.C. cities surveyed had vacancy rates below one per cent while about half recorded either a decline or no change in the vacancy rate in the past year.

Metro Vancouver's vacancy rate was unchanged from a year ago at 0.9 per cent while Victoria fell from 0.8 per cent to 0.3 per cent and Kelowna fell from 0.7 per cent to 0.3 per cent.

Abbotsford's vacancy rate rose from 0.6 per cent to 2.4 per cent while the rate in Prince George climbed from two per cent to 2.7 per cent.

Frketich said high land prices and rising construction costs in B.C. have made it hard for developers to build new rental units to meet the surging demand.

"It's just not viable to build new rental accommodation and make it available at rents people can pay," she said.

Frketich said rising house prices have kept many potential home buyers in rental accommodation for longer than they expected, while construction delays on some new housing projects have had the same effect.

The CMHC report also notes the strong demand for entry-level home ownership has led to the conversion of rental units to home ownership units.

Frketich said most of the new rental supply in B.C. comes from secondary suites, including investor-owned condominiums. CMHC estimates more than 18 per cent of Metro Vancouver condominiums are rented out by investor-owners.

Vancouver posted the highest average rent for a two-bedroom apartment -- at \$1,071 -- followed by Victoria (\$900), Fort St. John (\$894) and Kelowna (\$881).

A recent CB Richard Ellis report said Lower Mainland apartment buildings have maintained their strong values but the U.S. credit crunch caused the number of Lower Mainland apartment sales to fall to 24 transactions during the first quarter this year, from 54 a year earlier.

Macdonald Commercial Real Estate Ltd. broker David Goodman said the stability of the Lower Mainland apartment market has attracted many new buyers but agrees sales are down.

"Apartments probably carry the least risk of all real estate commodities," he said. "Hotels swing back and forth and industrial properties are feast or famine ... A lot of investors like the stability of apartment investments."

Goodman said an east Vancouver apartment valued at \$122,000 a suite a year ago now carries a price tag of \$144,000 a suite.

"Prices have not dropped off" he said

All of this and the plethora of other positive factors makes buying and owning real estate, hands down, the smartest investment for Canadians. Many misinformed Canadians are worrying needlessly about the American real estate and mortgage markets that have less than nothing to do with buying and owning a home here in Canada and especially here in western Canada. So the next time you want to know the "facts" about real estate call The Cindy Russell Team.

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