

Myth of Metro's million-dollar house prices

Imagine two car lots in the same town. One handles only **Ferraris** and **Maseratis**. The other sells **Toyotas** and **Fords**. The average price in the first lot is \$500,000. In the other lot, where 80 per cent of local residents buy, cars are priced at an average of \$30,000.

Therefore, the average price of a car in town is \$265,000.

That's the reasoning behind much of the media and analyst coverage of Metro Vancouver house prices, which has become so widespread even many residents think it takes more than \$1 million to buy a home.

Typical is a scary report from **BMO Capital Markets** last month. "The average priced home in Vancouver is now 11.2 times family income, more than double the ratio of a decade ago." And "it is a market that is subject to an elevated risk of a correction," the report intones, hinting prices could collapse.

Yet prices for the vast bulk of buyers in Metro Vancouver are already half of the level that has the media and the analysts so worked up.

Knock out sales of \$1 million plus – most in three areas – and the actual detached

house price is under \$600,000 and the real condominium apartment price averages less than \$315,000.

The findings come in a recent study from Vancouver-based **Urban Futures**, which used **Landcor Data** figures to show sales of high-end homes skew the market reporting. Landcor tracks all real estate transactions, not just those reported to the **Multiple Listing Service (MLS)**.

WESTERN PERSPECTIVE

The study breaks down the sales data into five quintiles representing equal sales in price brackets from the highest to lowest. Considering the top quintile (or top 20 per cent of sales by value), which ranged up to \$17.5 million, the average house price was a lofty \$1.69 million, twice the average price for all sales.

But in the remaining 80 per cent of the market – where the typical buyer is found – the average price was \$591,000, or 27 per cent below the overall average price.

Further, in 2010 the average selling price for all condominiums increased to \$429,764. But this increase was in large part due to sales at the top of the market, where the most expensive condo sold for \$17.5 million. This resulted in a 2010 average condo sale price for the top quintile of \$904,338, while the average sales price for the remain-

ing 80 per cent was only \$311,069. (These are 2010 prices but **Urban Futures** notes the same ratio held true in the first quarter of 2011.)

The reality is that the vast majority of buyers can still find relatively affordable homes, with detached houses under \$650,000 and condos for about half that price. The **Real Estate Board of Greater Vancouver** notes that one in every five homes sold in May went for less than \$350,000.

Vancouver home prices are the highest in Canada, but for the majority of buyers they are far below what most media suggests.

NEXT MONTH

Western Investor presents our second annual **Prairie Horizons** report, detailing the economy – and future forecasts – for Alberta, Manitoba and Saskatchewan. We also look at green and LEED construction and click onto changes and competition in the MLS. Finance analysts tell all about construction and takeout loans in today's low-rate market. Our regional reporters file from the Cowichan and Comox valleys, Spruce Grove, Steinbach and Swift Current.

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