

# Pre-sold condos hold out hope for speculators



Sold out two years ago at around \$670 per square foot, condos at East Vancouver's Independent project are now being offered at more than \$900 per square foot prior to its completion this year | Rize Alliance

As overall price increases flatline in Vancouver's more regulated housing market, assignment sales of uncompleted highrise condos – which are exempt from B.C. assignment and foreign-buyer tax regulations – might offer the best hope for speculators in 2017.

More than 87% of the 8,955 new concrete condos started in Greater Vancouver in 2016 were pre-sold, according to an MLA Canada study released at a recent Vancouver real estate conference.

A separate Urban Analytics survey found only 31 new concrete condos complete and unsold as of 2016's third quarter, the lowest Metro inventory in five years.

This year, a further 10,700 new concrete condos will begin marketing in Metro Vancouver, but at much higher prices, the Urban Development Institute's annual real estate forecast luncheon was told, due to rising costs for land, labour and construction materials.

Excluding land value, the hard construction costs to build a new highrise condo tower in Vancouver is now \$290 per square foot compared with \$230 a year ago, according to appraisal firm Altus Group.

However, land values for Vancouver residential development sites have rocketed up as much as 260% from a year ago, based on 2017 assessments. Some developers are paying up to \$1,000 per square foot for Vancouver building sites with high-density potential.

The result has been a surge in assignment sales of condos in sold-out but uncompleted Vancouver towers, with investors hoping to catch the uplift in value since the condos were first sold.

Strathcona Village, now under construction on East Hastings Street, where one-bedroom condos originally sold two years ago for \$450 per square foot to \$497 per square foot. The condos are now being advertised as assignments for \$770 to \$787 per square foot.

The Independent project at Main Street and East Broadway, a Rize Alliance tower that sold out in 2015 at an average price of \$672 per square foot, has assignments being offered at more than \$900 per square foot. One two-bedroom is listed by Rennie & Associates at \$991 per square foot. The Independent is scheduled to be completed this fall.

Last week, 58 Metro Vancouver condo assignment ads were posted on Craigslist, some offering multiple units in Vancouver towers from downtown Vancouver to Surrey. Most are listed by real estate agents.

Assignment sales are exempt from B.C. anti-flipping legislation. Enacted in May 2016, it stipulates that sales contracts can't be assigned without the written consent of the seller and that any profit from an assignment goes to the initial seller.

The legislation does not apply to new developments, including pre-sale condos, even if a licensed realtor sells the assignment, according to Ministry of Finance spokesman Jamie Edwardson.

Pre-sale condo assignments are exempt from the B.C. foreign-buyer tax regulations that came into force last August and are based on the transfer of title. Therefore, an investor could buy a pre-sale condo, flip it as an assignment during construction and not appear as either a buyer or a property owner on provincial government documentation, Edwardson confirmed.

In an email to BIV, Edwardson noted the original investor is required to report the transaction to the Canada Revenue Agency, and "may be required to pay income tax on the profits." He said it's the final buyer of the assignment who would be liable for provincial property transfer taxes when the building completes, not the investor who sold the assignment.