

Frenzy for detached homes driven by low supply that could shift: analyst

Many detached homes bought during the 2016 real estate boom in prices will be up for the five-year mortgage renewal in the first half of 2021.

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Southside is a single-family home project from Miracon Developments Inc. in South Surrey. [PNG Merlin Archive]
Keith Henderson, PNG Photo by Keith Henderson /PNG

Real estate agents say the current market [frenzy](#) for detached homes was spurred first by buyers during a pandemic who wanted more space and

privacy. Lower interest rates and existing home equity gave them strong purchasing power. Now, as the supply of detached homes shrinks, rising prices are fuelling a fear that future buyers could get priced out.

The B.C. Real Estate Association is forecasting B.C. home sales numbers for 2021 that approach those during the boom years of 2015-17.

A recent [study](#) by online broker Point2Homes compared 2020 home prices and household income across Canada. It placed seven B.C. cities at the top of a list where buyers might be spending the highest proportion of their income on mortgage payments.

Burnaby is number-one at 44.7 per cent of income going toward mortgages, followed by Richmond at 44 per cent. Vancouver is in third place with 43.8 per cent, then Kelowna (40.8 per cent), Langley (40.5 per cent), Coquitlam (38.5 per cent), and Saanich (37 per cent).

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One significant unknown is the impact of global and inherited wealth on some homeowners' ability to more easily contribute higher proportions of income to mortgage payments.

Vancouver real estate agent and analyst Dane Eitel is watching mortgage payments closely.

"The first six months of 2021 will be crucial ... to setting up the (sales and price) trends for the next years," said Eitel.

If homeowners who have been stretching to keep up with mortgage payments since buying their homes in 2016, possibly for more than what they are worth now, see current rising values as an incentive to put their

properties on the market rather than continue holding them, it could increase the supply of detached homes for sale and temper price gains, he said.

"The average price (then) was \$1.790 million, and 11,400 sales occurred in Greater Vancouver. The overwhelming majority will be up for the five-year mortgage renewal in the (first half) of 2021."

"It wouldn't be impossible to see 20 per cent of those (sales) come to market in an attempt to stem the losses. That could result in an increase of 2,200 (units of) additional inventory," wrote Eitel.

The BCREA itself is forecasting the number of sales in 2022 to drop from 108,680 in 2021 to 98,850. It is predicting a 7.7-per-cent increase in the MLS average price in 2021, and a further three-per-cent increase in 2022.

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