

VANCOUVER

HOMEBUYER'S GUIDE



5 Winning
Strategies
for Buying
in a Low
Supply/High
Demand Market



SYNERGY
MORTGAGE

Financing
made
simple.

BY CHANA CHARACH, MB | MORTGAGE BROKER



Whether you are a first time buyer, or a sophisticated real estate investor, or anything in between this guide will provide you with an overview of effective ways to position yourself when buying real estate in a low supply/high demand market using our **five winning strategies**.



“ LOW SUPPLY AND HIGH DEMAND CONTINUE TO MAKE HOME BUYING MORE DIFFICULT ”



Buying a home is one of the most important personal decisions you may ever make. It is the realization of your hopes and dreams, as well as an expression of your lifestyle and values. Although it is a big decision, it also offers big benefits. Not only does it mean the stability of a place to call your own, but also an investment in your future. The combination of building up your equity and the appreciation in your home value will assist you on the path of wealth creation.

Low supply and high demand in Metro Vancouver continues to make home buying more difficult.

According to Metro Vancouver’s **Metro 2040 Residential Growth Projections** report, by 2041 more than 1.2 million more residents will move to the metro Vancouver area, bringing our population to 3.4 million residents. To accommodate these newcomers, we’ll need more than 574,000 new housing units.

Given Metro Vancouver’s geographical constraints – the North Shore mountains, the Pacific Ocean, the US border, and protected agricultural land to the east – we have many challenges. The most significant one being that we cannot make more land. We can increase density, but rezoning and building takes time.

In the meantime, we have very desirable city with a limited supply of affordable real estate, making the home buying process challenging.

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According to the **Urban Development Institute Report** released in February 2017, Vancouver real estate has a “severe supply shortage.” While the population of Metro Vancouver increased by 30,700 over the past year, housing supply has not followed suit especially in the multi-family townhouse market. The bottom line is there are many home buyers and investors just like you who are house-hunting right now.

“We just have a shortage of land, there is little room to expand geographically and over a million more people are expected to move here by 2041.” These are comments made by Helmut Pastrick, chief economist with Central 1 Credit Union.

Many buyers have come to the realization these conditions are here to stay, at least for a while, and are aware that strategic adjustments may be beneficial in the home buying approach. We believe it is essential for home buyers to alter their thought process and rethink what the ‘new normal’ is.

The stakes have never been higher and the process will have its share of pitfalls, however, if you are prepared, well positioned and have realistic ownership goals, you will be successful and reap the benefits.

As the old saying goes: ‘Don’t wait to buy real estate, buy real estate and wait.’ We believe this is good advice, and if you are in a position to make your next move, we are here for you starting with the following **5 Winning Strategies for Buying in a Low Supply/High Demand Market.**





1. DON'T GO IT ALONE

When it comes to buying in a low supply/high demand market, being prepared well in advance offers many advantages. Once you have made the decision to buy, your mortgage broker should be your first call — and you're going to want to keep them on speed dial. Not only can they help find you a great mortgage product; alongside your Realtor, your mortgage broker should be your go-to person on all aspects of your real estate transaction.

In short, your mortgage broker should be engaged and eager to coach and guide you successfully through the entire home-buying process.

Licensed mortgage brokers are independent, and do not work for any specific lenders. They work for you, offering access (sometimes exclusive access) to far more options than if you were to go it alone. When you're navigating the NEW unknown, especially if it's your first go-round, mortgage brokers provide personalized advice and customized systems designed to get you smoothly through the process – avoiding unnecessary delays and expensive oversights.

Mortgage brokers are not only your biggest supporters, they are indispensable coaches that have your back from start to finish (not a typo). The truth is, obtaining a mortgage today can feel like a nightmare in which you're lost in a maze of an unfamiliar new world, new rules, and new conditions that seem to never end. Even the most experienced and savvy homebuyers can be caught off guard. NOAs? IRDs? GDS? TDS? Collateral? Monoline? Escape clauses? YIKES! "Confusing" is an understatement.

Consumers today may feel educated, smart and capable of understanding their options, but trying to negotiate the best mortgage terms without a mortgage broker is like representing yourself in court without a lawyer – you will make lots of costly mistakes.

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2. PRE-QUALIFIED VS. PRE-APPROVED – KNOW THE DIFFERENCE

There is a huge difference between being pre-qualified and pre-approved. If you are confused we will clarify and explain why a misunderstanding can be a disaster for a homebuyer.

Potential homebuyers may be naïve and get lulled into the mistaken notion that if the ‘bank employee of the week’ pre-qualifies them for a mortgage that this means they have been pre-approved. NO! This is not the case. A pre-qualification may offer you a mortgage rate hold, but it is only a quick estimate of what you may qualify for based on limited information that has not been reviewed or verified by the decision makers.

Pre-approvals require a higher level of expertise and take significantly more time than a pre-qualification. Banks know that only a small percentage of applicants will actually buy and even smaller percentage will be loyal, so from their perspective, it may not be cost effective.



A pre-approval from a licensed mortgage broker protects you from rising rates for up to 120 days, including a detailed analysis of your financial situation with a thorough review and verification of all your documentation known as the “6 C’s of Lending” – a Two-Step Process:

STEP ONE: APPROVING ‘YOU’

1. Capacity
2. Credit
3. Capital
4. Conditions
5. Character

STEP TWO: APPROVING ‘THE PROPERTY’

6. Collateral

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Providing all of the documentation requested at the beginning of your pre-approval process gives you the following advantages:

- You know your limit so you can buy within it; and
- You can fully focus on doing your due diligence of the property, not worrying about digging up your tax returns.

By the time you are ready to write your offer, ‘YOU’ are approved. Your mortgage broker should then provide a letter that you may include with your offer to purchase that you can show the seller, which means they do not need to worry about your qualifications. The only outstanding condition would then be approving the property.

Top real estate professionals will appreciate that you are pre-approved and will want to know exactly what your upper limit is before they begin shopping with you. The fact that you have your financing arrangements in motion with a mortgage broker indicates to prospective vendors that you are a serious, savvy buyer.



3. ENLIST THE BEST TEAM

Buying a new home is like a team sport with several individual players. Each player has very important timelines, a lot of documentation to produce, and responsibilities that require specialized knowledge. Besides working with a professional team you trust, it's crucial that the individual players have the ability to communicate and work together with each other to guide you throughout the process. If you have not done so already you will need to choose a real estate agent.

Consider that some buyers may have only 5 to 7 real estate transactions in an entire lifetime. Compare that to a real estate agent who closes that same amount in a month. It's pretty obvious that you should take advantage of their expertise and have comfort knowing that their knowledge and experience will serve you well. You deserve to have an exceptional real estate agent. They do exist and after all, you are entrusting them with your major financial transaction in a very tough market.

What is it that you are looking for in a real estate agent?

- a) A sophisticated market analyst
- b) A kind and gentle hand-holder
- c) A strong and tough negotiator
- d) An expert contract writer
- e) A combination of all of the above

Your real estate agent should have the experience, motivation and confidence to know exactly what you need, and the humility and patience to switch gears when things don't go exactly as planned. There are multiple things that have to be done in order to complete your transaction and you need a realtor who can do all of them well.

Another team player in the game of real estate is your lawyer, and they are like the quarterback of the transaction. Hiring the right lawyer early in the home-buying process is important to not only minimize your risks, but to give you the peace of mind. They are going to ensure that everything is above-board, and your legal rights and protections are strictly adhered to. As such, your lawyer should have a keen sense and ability to spot and eliminate any potential problems before they erupt.

A good lawyer will be pro-active, and provide you timely updates as you proceed through the real estate process. Lawyers have many specialties so make sure you hire one whose main practice is real estate.

Real estate transactions can have complex issues so you want to ensure the lawyer is able to explain things in easy to understand language. Also, response time is very important in a time sensitive market like today.

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4. THE EARLY BIRD GETS THE WORM

Buying a home in a low supply/high demand market is a project that requires dedication and tenacity. It may take time, but if you make it a high priority you will have success. Competition among buyers is intense, and some of them are aggressively wooing sellers in an attempt to win the bid.

Because homebuying has increasingly become a digital process, there is a new, empowered generation of homebuyers that does its homework ahead of time. Today it takes literally seconds for you and your realtor to do research that will support your buying decisions. You do not need to show up at every open house, you can often eliminate options on the go with your smart phone or iPad.

Before making an offer you must be acquainted with actual home values. Websites such as realtymark.com allows you to determine the current price trends and prepares monthly statistical reports. The Home Price Index (HPI) is similar to the Consumer Price Index (CPI) and is produced monthly to provide buyers with a more accurate method of following price trends than looking at traditional averages.

“ QUALITY REAL ESTATE IN METRO VANCOUVER IS LIMITED AND THE DEMAND IS HIGH. UNLIKE THE OLD DAYS, THIS IS NOT A MARKET WHERE YOU CAN WAIT UNTIL THE WEEKEND. ”

Market values are determined by actual sales, and your realtor has access to the database and is able to generate a list of recent sales. You can compare what the ask price was and what the sold price was, along with number of days it took to sell. This will help you to become more knowledgeable on market trends and to determine what fair market values are.

Once you are prepared and ready to go, you must monitor the new listings daily – even two to three times a day – and be prepared to do a quick drive by and arrange to see the home right away, or within a day or two. Quality real estate in Metro Vancouver is limited and the demand is high. Unlike the old days, this is not a market where you can “wait until the weekend.”

At this point in the process you’re likely well informed as you may have spent several days, weeks or even months looking at various properties for sale, and now you are ready to make an offer to purchase. Along with the consideration of price and the various appeals of the neighbourhood, style, size and floor plan, the fundamental question arises – is the property and structure itself sound?

Sellers may not disclose potential deficiencies and risks associated with the property, some may be unaware of problems or have never even lived in the property.

Hiring a property inspector to determine the overall condition of the property is highly recommended, and in a calmer market, this is normally done after you write an offer. Today however, many buyers will have a pre-inspection before they write an offer.

Planning ahead like this means you may negotiate more effectively and hopefully, be the winning bidder.

Don’t be afraid of multiple offers – a seasoned real estate agent can assist with strategies and tactics.

5. DON'T ABANDON COMMON SENSE

Don't assume that all other offers are going to be from cash buyers and over-asking price. Remember, some sellers will list lower than market value to increase the chance of a bidding war. Other sellers may be listed too high to begin with. Decide with your realtor what a fair market value is and make your offer with confidence.

You and your realtor may have to be quite aggressive in today's market, but taking that aggressive stance doesn't mean abandoning common sense. If there's no opportunity for a pre-inspection of the property, think hard and carefully about whether you're prepared to make a no subject offer. Your realtor and mortgage broker will work together to advise you as to which subjects or conditions you should consider for your own protection.

Remember your final mortgage approval is not based on you alone. The lender and possibly an insurer also need to approve the property as well. The property is the physical collateral for the loan, and your covenant (personal strength, credit and ability to repay the loan) and the property itself both become part of the approval process. In high ratio mortgage approvals, the insurer (CMHC, Genworth or Canada Guaranty) has the final say. In conventional properties, the approval will be subject to an appraisal to confirm value.

If you are in a bidding war, you may feel it necessary to write a "no subject" offer, and you will be taking a risk. This is your decision and your decision only. It requires careful consideration, because if the property is declined by the lender for any reason, you'll risk losing your deposit and being sued for damages.

For some buyers there are ways to minimize the risk and it is recommended to discuss these options with your real estate agent, mortgage broker and lawyer prior to writing your offer.

RESOURCES TO EXPLORE

ASSOCIATIONS

- [Appraisal Institute of Canada / BC](#) >
- [Canadian Bankers Association](#) >
- [Canadian Mortgage Brokers Association](#) >
- [Mortgage Brokers Association of BC](#) >
- [Mortgage Brokers Institution of BC](#) >
- [Mortgage Brokers Regulators Council of Canada](#) >

REAL ESTATE

- [BC Housing](#) >
- [Canadian Real Estate Association](#) >
- [Real Estate Council of BC](#) >
- [Real Estate Board of Greater Vancouver](#) >

MORTGAGE INSURANCE

- [Canada Guaranty](#) >
- [Canada Mortgage and Housing Corporation](#) >
- [Genworth Canada](#) >

TITLE INSURANCE

- [First Canadian Title Insurance](#) >
- [Stewart Title Insurance](#) >

LIFE / DISABILITY INSURANCE

- [Mortgage Protection Plan](#) >

GOVERNMENT

- [BC Provincial Government](#) >
- [Financial Institutions Commission of BC](#) >
- [Canadian Federal Government](#) >
- [Department of Finance Canada](#) >
- [Homeowner Protection Office](#) >
- [Consumer Protection BC](#) >



CHANA CHARACH, MB

Chana Charach is the founder and president of Synergy Mortgage, an established Vancouver mortgage company and member of the VERICO broker's network.

Since 1997, Chana and her team have helped hundreds of homeowners get the right mortgage solution, earning recognition from Canada's very best mortgage providers.

From 2014 to 2016 Chana was also an elected director for the Mortgage Brokers Association of BC.

Currently, Chana is a director for the Mortgage Brokers Institute of British Columbia. The Institute provides professional education to mortgage brokers that comply with educational standards set by the Financial Institutions Commission for the purpose of meeting mandatory re-licensing requirements.

Questions? Need assistance with your mortgage?

Contact the Synergy Mortgage Team:

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This guide is intended for general informational purposes only and is subject to change without notice. Always consult a lawyer, real estate agent and mortgage broker for complete details and advice on your specific situation and transaction. E. & O. A.