

VANCOUVER

HOMEBUYER'S GUIDE



6 SMART
STRATEGIES
FOR BUYING
IN A 'BUYER'S
MARKET'

SYNERGY
MORTGAGE

Financing
made
simple.

CHANA CHARACH, MB & DOROTHY BRIED, MB

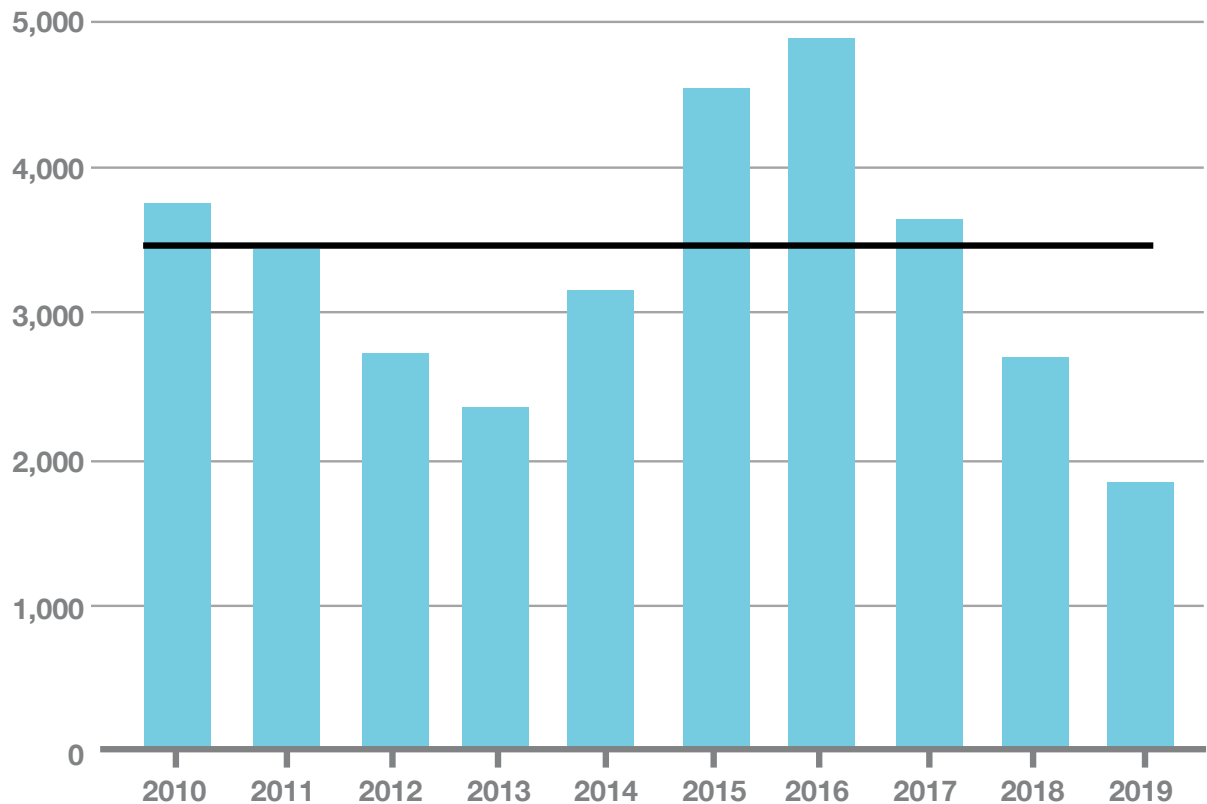


Buying a home is one of the most important personal decisions you may ever make. It is the realization of your hopes and dreams, as well as an expression of your lifestyle and values. Although it is a big decision, it also offers big benefits. Not only does it mean the stability of a place to call your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

Some people believe that the Metro Vancouver real estate market only goes in one direction and that is up. It would not be surprising if this was the case, considering Vancouver is a desirable world-class city that consistently ranks highly as one of the best places in the world to live, work and play. However, like all real estate markets it too has dips and down cycles.

After several years of experiencing a low supply and high demand market, the number of sales in Greater Vancouver have dropped well below the 10 year average, driving benchmark prices downward. As the property stats continue to roll in, it is clear that the once 'hot' real estate market has lost some of its momentum.

RESIDENTIAL SALES ACTIVITY (APRIL ONLY) GREATER VANCOUVER



Source: The Canadian Real Estate Association

— 10 Year Average

“For much of the past four years, we’ve been in a sellers’ market. Conditions have shifted over the last 12 months to favour buyers, particularly in the detached home market. This means that home buyers face less competition today, have more selection to choose from and more time to make their decisions.”

PHIL MOORE, PRESIDENT OF REAL ESTATE BOARD OF GREATER VANCOUVER (REBGV)
- FEBRUARY 2019

“The federal government created a policy-induced affordability shock last year when it tightened mortgage rules. Many BC regions are now exhibiting buyers market conditions.”

CAMERON MUIR, CHIEF ECONOMIST FOR THE BC REAL ESTATE ASSOCIATION (BCREA)
- FEBRUARY, 2019

There is no question that when real estate inventory starts to increase and sales slow down, there is more room for negotiation. It may take time for some sellers to adjust their expectations but they will eventually come to the realization that they are no longer in the power position as they once were.

If you have realistic ownership goals, and a long term view of homeownership, there is no better time to buy than in a buyer's market. As the old saying goes: Don't wait to buy real estate, buy real estate and wait. We believe this is good advice, and we are here to help starting with the following **6 Smart Strategies for Buying in a Buyer's Market.**



1. DON'T GO IT ALONE

If you are considering buying a home or investment property, 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, but alongside your Realtor, your mortgage broker should be your go-to person on all aspects of your real estate transaction.

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

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. Obtaining a mortgage today can feel like an unfamiliar new world, with new rules, and new conditions. Even the most experienced and savvy homebuyers may be caught off guard by the 'mortgage stress test', and the amount of documentation that is required by lenders.

Licensed mortgage brokers are independent, and therefore do not work for any specific lenders so they are able to provide unbiased advice. They work for you, offering access (sometimes exclusive access) to far more options than if you were to go it alone.

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2. ENLIST THE BEST TEAM

Buying a 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, and it's fairly obvious that you should take advantage of their expertise and take comfort knowing 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 complex market.



WHAT IS 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.

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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, as the real estate process is time sensitive.

3. PASS THE MORTGAGE STRESS TEST

On October 17, 2016, the Office of the Superintendent of Financial Institutions (OSFI), Canada's banking regulator, rolled out their first version of the 'stress test' on mortgage qualification. It was initially introduced to protect borrowers with insured mortgages (with less than 20% downpayment).

The 'stress test' requires all federally regulated financial institutions to vet borrower's applications using a minimum qualifying rate equal to the greater of the Bank of Canada's five-year benchmark rate or their contractual rate, plus two percentage points—whichever is higher.

The regulation affects all six of Canada's big banks. Some provincially regulated lenders, like credit unions, also comply with the guidelines.

As of January 1, 2018 the second version of the 'stress test' was expanded to include ALL consumers, including uninsured mortgage borrowers (20% downpayment or more).

These stringent mortgage qualifications caught many borrowers off-guard, as their buying power dropped significantly. So we cannot underestimate the importance of being pre-approved. Know your limit and buy within it.

“ KNOW YOUR LIMIT AND BUY WITHIN IT. ”



Pre-approvals are very different from a 'bank pre-qualification' as a pre-approval requires a higher level of expertise and take significantly more time. 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 to do a full pre-approval. This puts buyers in a vulnerable situation when buying a home that think they can afford, only to be disappointed when the bank declines them late in the home buying process.

A complete pre-approval from a licensed mortgage broker ensures that you know how much you qualify for, and that your documentation has been reviewed to verify it. Once you know you qualify and have passed the mortgage 'stress test' you will be protected from potential rising rates for up to 120 days while you shop. During the home search, mortgage interests rates may fluctuate and this will effect your qualification. It is important you have close communication with your mortgage broker in the event you need to re-evaluate the upper limit of your purchase price.

Once you have been pre-approved you can fully focus on doing your due diligence of the property, not worry about digging up your tax returns. By the time you are ready to write your offer, you should have provided all required documents. The only outstanding condition would 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 and worth negotiating with.



4. KNOW YOUR MARKET

By observing and understanding current housing market conditions you will be able to make specific strategic adjustments that will be beneficial in your home buying approach. Real Estate markets have many complexities, but basically there are three types of markets:

1. **A seller's market** is when demand exceeds supply and the seller has the advantage. There are more buyers than available inventory. Because there are fewer homes for buyers to choose from, almost every home will sell. Typically, there is much less than six months of inventory in a seller's market. In extreme seller's markets, there is less than two months of inventory in reserve.

2. On the contrary, a **buyer's market** is when supply (available properties listed for sale) exceeds demand (the number of buyers seeking to purchase), giving the buyer an advantage over the seller in negotiations. When supply is growing homes will take longer to sell, and some may not sell at all. It is generally understood that in a buyer's market the number of properties sold dips below 12% of the total number of properties for sale. Most experts agree that if six months or more of inventory is on the market, it is a buyer's market.
3. When demand from buyers is in balance with the supply from sellers, this is a **neutral market**. Typically, interest rates are affordable, and the number of buyers and sellers in the marketplace are equalized. The scales don't tip in either direction, meaning the market is normal without experiencing volatile swings. Inventory is generally around four months, give or take. Note that good buys exist in neutral markets, but there are no overall indications that favour buyers over sellers or vice versa.

POTENTIAL BENEFITS OF BUYING IN A BUYER'S MARKET

- Negotiate on price
- Reduced price = Reduced mortgage
(lower payments, pay less interest)
- Negotiate desirable terms and conditions
- Bigger selection of real estate for sale
- Time is on your side
- Post inspection repairs paid for by seller
- Contingent offers more likely to be accepted
(i.e. buyer needs to sell another house first)



5. DO YOUR HOMEWORK

Home buying 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 mobile device.

Before making an offer you must be acquainted with actual home values. Websites such as realtymlink.org allow you to determine the current price trends and prepares monthly statistical reports. Market values are determined by actual sales, and your realtor has access to a professional 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 DOM (days on market) which is the 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.

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Once you are prepared and ready to go, you must monitor the new listings and actual sales on a daily basis. At this point in the process you're likely well informed about values, as you may have spent several days, weeks or even months looking at various listings and comparable sales, 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 calm market, you have the luxury to include it as one of the conditions of the purchase.

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 purchases (20% downpayment or more), the approval will be subject to an appraisal to confirm value.



6. BE PREPARED TO WALK

While it's easy to get value in a rising market because the value will likely increase after you settle in. In a buyer's market the opposite may happen, and the property value could potentially drop if the market is declining. This is why it is so important to be well aware of market conditions, trends and actual values at the time of purchase to avoid overpaying. Don't rely on outdated information. 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.

Home sellers generally take time to accept the new market conditions. They may feel their home value has not changed since the market peak in 2016 or they are hoping for a big rebound, which likely won't happen anytime soon.

In most cases there is no such thing as a good deal without a motivated seller, and finding one requires dedication and tenacity. Motivated sellers generally are motivated to sell as they cannot move forward with their life plans without selling their property first. It may take time, but if you make it a high priority you will have success. They must have a pressing need to sell, and that is your golden opportunity to buy. The most common factors that generate highly moved sellers are divorce, death in the family, job transfer, and financial distress (the big one). A more recent motivation in some areas of BC, is the substantial increase in taxes and costs to holding an empty home that is under-utilized, like a second home or vacation property.

With a shortage of buyers knocking on the door, motivated sellers are more willing to negotiate and agree on a realistic sales price that benefits both parties. Remember the wise old investor advice: “Real estate profits are made on the purchase, not the sale.”

Decide with your realtor what a fair market value is and make your offer with confidence. Remember that sellers will not accept a price that is lower than what they are willing to agree to, so rest assured if you feel bad about making an offer much lower than asking price. Ultimately, you are coming to a mutual agreement on price and terms that work for both buyer and seller. In most cases the seller is benefiting from the sale, as it is allowing them to make a move, avoid further financial burdens, or help them in some other way.

Always know your walk-away price range and understand there is going to be another house. This will allow you to negotiate more effectively. Is it waste of time to make an offer on a home that is way overvalued? We think it's worth a shot when you are in a buyer's market.

Happy Home Hunting!

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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

President, Senior Mortgage Broker

Born and raised in Vancouver, Chana quickly fell in love with real estate, purchasing her first condominium when she was 19. It was \$75,000 with an interest rate of 12%. In 1997, she pursued her dream and became a licensed mortgage broker.

Certified by the Mortgage Brokers Institute of British Columbia, where she is now a Director, Chana is also a member with the Canadian Mortgage Brokers Association (CMBA)—an organization focused on supporting and enhancing professionalism and ethical standards within the mortgage industry.

Chana actively volunteers in her community, including the Board of Directors for Hebrew Free Loan Association of Vancouver. She loves long seawall walks, entertaining friends, and travelling. She and her husband, Randy, are raising 4 daughters, including 2 in university.



DOROTHY BRIED, MB

Senior Mortgage Broker

Given Dorothy's family roots in real estate development, you could say she was born for it. Dorothy started her career in property management, then went into development real estate sales. After going back to school to earn a Bachelor of Arts at UBC, she joined Synergy Mortgage in 2004.

Dorothy is a member of the Canadian Mortgage Brokers Association (CMBA) and is certified by the Mortgage Brokers Institute of British Columbia.

Dorothy and her husband keep busy with their 2 young daughters, and when time permits, they enjoy playing golf and traveling.

Questions? Need assistance with your mortgage?

Contact the Synergy Mortgage Team:

Call 604.269.9419

Email Team@SynergyMortgage.ca

Web SynergyMortgage.ca

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.