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+ CRACKING  
THE HOME-  
BUYING  
CODE

THAILAND'S  
FEAST FOR THE  
SENSES



Leading  
the **Charge**

BCAA IS GOING ELECTRIC

# HOME



## Cracking the Code: BC Home-Buying in 2023

When Cassidy Cooper and Keaton Lawlor were in their second year of university, the friends tossed around the idea of pooling funds to buy a condo together. “We both didn’t really care for the rental market. In our opinion, it was putting money into somebody else’s pocket, because you’re paying their mortgage and they’re getting the equity,” says Cooper. Their dream came to fruition less than a year later, in March 2022, when they bought a two-bedroom condo together in Coquitlam. ►

*By Janet Gyenes*



(previous page and here) Friends Keaton Lawlor (left) and Cassidy Cooper pooled their resources to break into the real estate market, buying a condo together in Coquitlam last year.

A few months prior, Cooper and Lawlor's parents had pointed out that interest rates were starting to climb. So, the pair got pre-approved for a mortgage and started searching. "Two weeks later, interest rates hiked and we found this place at the exact same time. So, it just ended up working out really well," says Cooper.

Facing the prospect of being permanently priced out of the real estate market, many potential first-time homebuyers in BC, like Cooper and Lawlor, are grappling with how, when – and if – to buy. Over the past decade, the province's real estate prices have climbed steeply. Seven BC housing markets set record highs in 2021, and in December 2022, the average home price reached \$911,753, according to the British Columbia Real Estate Association.

Making matters trickier, the Bank of Canada hiked interest rates eight times between March 2022 and March

2023, taking the prime lending rate from 2.7 to 6.77 per cent – and putting the borrowing threshold beyond reach for many.

In January, there was finally some good news for buyers: BC's average home price had dropped to \$872,934, with the high cost of borrowing playing a role in this 16.1 per cent decrease year-over-year. But markets began to heat up yet again this spring, reportedly due to stabilizing rates and low inventory.

### Co-buying on the rise

In the midst of these conditions, many young and first-time buyers have no choice but to get creative, like Cooper and Lawlor. As a result, co-buying – or banding together with friends, siblings and other groups to purchase – is on the increase. BC realtors and mortgage specialists are now catering to this scenario, with specialized products and

advice on managing the process, from securing pre-approvals to factoring in legal fees and insurance costs.

Vancity is one of these: for more than a decade, the credit union has been offering what it calls the Mixer Mortgage, designed for people who want to buy and share a property in BC, whatever their relationship.

“It depends on the situation, but we can tailor the mortgage to fit what each person wants,” says Vancity mortgage development manager Sophie Fung. “So, if two people are buying together – maybe one wants a variable [rate] and the other wants a fixed – we can arrange for that.” Buyers can also break down their investment by percentage of ownership, she adds; it doesn’t have to be a 50-50 split.

Regardless, it’s smart to set yourselves up for success, advises Fung. Determine how you’ll deal with unforeseen

expenses. Discuss the plan for tackling repairs and renovations, including things not covered under a condo’s strata plan. And document everything in a co-ownership agreement, which is legally binding to protect all parties, when properly drafted by a legal professional.

This is a critical safeguard, especially for younger people like Cooper and Lawlor, 25 and 24 respectively, who know their circumstances will eventually change. From the get-go, the friends agreed to divide condo costs equally. That includes their initial investment, monthly fixed-rate mortgage, and recurring expenses such as utilities, strata fees, and property taxes, which are paid from a joint bank account. Plus, how the co-owners will proceed if one person wants to sell their interest in the property.

Lawlor and Cooper also discussed how to divide up the condo’s living area and amenities equitably. One of the bedrooms has an ensuite bathroom and walk-through closet. Since Lawlor runs his own video-production company and works from home, it made sense for him to occupy the larger space. To even things up, Cooper gets to use the condo’s dedicated parking spot. It offers convenience and security, especially when she gets home late from her job as production coordinator working with companies that provide streaming services.

Before buying, they discussed the possibility of one person finding a partner or a job opportunity in another province or country. “We’re not opposed to renting one of our rooms out if one of us wants to leave, or [renting out] the entire place and getting a family in here or two separate people,” says Lawlor. “I think we’re both very flexible and easygoing.”

### The silent-partner approach: joint ventures

Another creative tactic some buyers are using to break in is the joint venture – where one person becomes the inhabitant and the other is solely an investor. This could extend to parents who want to help their child purchase and wish to remain on title, rather than gifting funds for a down payment.

Parents can also consider creating a legacy plan within the family, which includes a phased process for transferring ownership of a family home to the younger generation – or downsizing and using the proceeds of a sale to purchase property for their kids.

Developments like ONE Water Street, recently built in downtown Kelowna, offer new homes at lower prices per square foot than some Lower Mainland locales.



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Like any business or financial investment, deciding whether to put money into a property requires due diligence. Consider how much you can afford, your tolerance for risk if the market takes a tumble or interest rates continue to climb, as well as your time horizon for exiting the investment. Real estate is illiquid, so it can take time to divest, even when market conditions are favourable.

It's also a good idea to capitalize on government incentives and tax credits specifically for first-time buyers. For instance: the federal Home Buyers' Plan allows a one-time tax-free withdrawal of funds from Registered Retirement Savings Plans (RRSPs), paid back within 15 years. The newly announced First Home Savings Account (FHSA) is a registered plan for tax-free savings up to certain limits.

Also watch for regulatory changes that can thwart short-term sales. For instance, in December 2022, the federal government introduced a "flipping tax" to help address local housing shortages and dissuade short-term investors. This applies to residential property, including rentals, sold on or after January 1, 2023. Any profit from a sale within 365 days of purchase is taxed as business income.

### Building together, and other strategies

Rather than pooling resources to purchase an existing home, some motivated buyers are looking at land, instead. Back in 2017, Vancity helped a large group of friends purchase four acres of rural land in Gibsons. Individually, financing home ownership would have been prohibitive, but the group plans to apply for rezoning, subdivide the property

This group of friends worked with Vancity to obtain financing for, and co-buy, a four-acre plot of land in Gibsons – where they plan to subdivide and build individual homes. The credit union has developed a product called a Mixer Mortgage especially for group-buying scenarios.

into parcels, and construct individual homes. They’ve dedicated 50 per cent of the land as shared community space for their growing families.

A less ambitious avenue – though pricey upfront – is to construct or purchase a home with a separate “mortgage helper” suite (subject to bylaws), or to purchase an investment property in a more affordable area while renting in your current market. Both options add the complexity of becoming a landlord, meaning you become responsible not just for the property and upkeep but for tenants, too. Hiring a third-party manager is one solution, but that expense must be factored into the overall cost of buying.

For mortgage qualification purposes, Vancity uses a policy that considers potential rental income. “We use the monthly rent you could be getting to directly subtract from your qualifying payment,” says Fung.

She notes first-time buyers could also look at other cost-conscious properties, such as mobile homes, co-ops and leaseholds. “I’m seeing people buy leasehold properties also as a way to get into the market at a slightly lower purchase-price entry point,” Fung says.

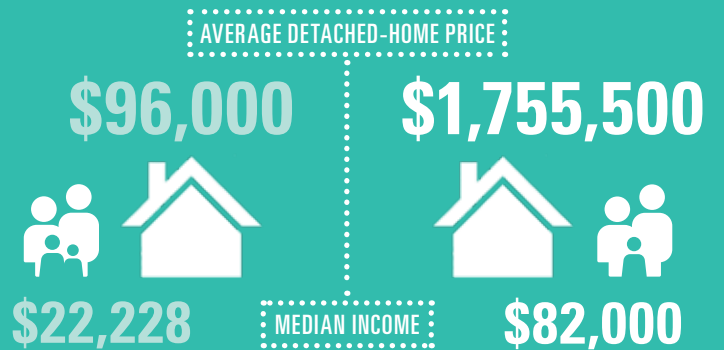
With a leasehold, the homeowner occupies the physical structure, and leases the land it sits on long-term – usually from the Crown or First

## AFFORDABILITY THEN AND NOW

Many young people struggling to buy in BC’s housing market also grapple with explaining the situation to older generations – who may not realize how much more difficult it is today. But the challenges aren’t imaginary. Just look at the comparison below, mapping average home and mortgage costs in relation to median income in the same region.\* Ouch!

### BUYING A HOUSE IN VANCOUVER

# 1985 vs 2021



Home prices are up 1,729% but incomes only 269%



Rates were 3x higher in the '80s but borrowers needed less



50% ..... PORTION OF MONTHLY INCOME ..... 117%

Today’s mortgage payment exceeds average income

\*Median incomes and posted interest rates per Statistics Canada. Average home prices per Real Estate Board of Greater Vancouver.

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## HOME

Nations groups, in BC – and pays rent for land use. These properties tend to be comparatively affordable, but be aware of all considerations, such as uncertainty of lease renewals, and potential restrictions on property improvements.

### Home at last

When Cooper and Lawlor first started looking for a home in spring 2022, the market was hot and interest rates were starting to rise. With a pre-approved mortgage, the pair were ready to move swiftly. Within a month of looking at listings, they found their place and made an offer.

Today, they're happily ensconced in their new place. "I love where we live in Coquitlam," says Cooper. "You can walk to the SkyTrain station. We're right beside the mall. There are so many restaurants, and we can walk to brew houses if we want to."

It just goes to show: real estate can still be a successful venture for first-time buyers. However, in 2023, it may take extra creativity, combined with smart timing. And a bit of luck, too, in spotting the right opportunity to make the most of BC's challenging housing market. ■

### IS YOUR HOME FIRESMART?

Wildfires are increasing across BC, and the impacts can be devastating to our communities and homes. As a purpose-led organization committed to "empowering British Columbians to move forward," BCAA aspires to help every British Columbian protect their home, and their future. That's why we're partnering with FireSmart BC to improve wildfire resiliency across the province. Learn how you can do your part: [bcaa.com/resilience](http://bcaa.com/resilience)