

Presale Pulse Market Insights

MLA ADVISORY | JUNE 2024

MLA

JUNE 2024

Presale Real Estate Insights

GREATER VANCOUVER & FRASER VALLEY PRESALE HOME SUMMARY | APR 2024 TO JUNE 2024

APR 2024
RELEASED



PROJECT LAUNCHES

1,678

APPROX.
NO. PRESALE UNITS

MAY 2024
RELEASED

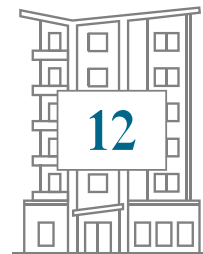


PROJECT LAUNCHES

2,228

APPROX.
NO. PRESALE UNITS

JUNE 2024
FORECAST*



PROJECT LAUNCHES

2,064

APPROX.
NO. PRESALE UNITS

“

As we transition into the summer season, presale launch activity remains high – with 19 projects and over 2,200 units coming to market in May. Even so, urgency amongst buyers remains low, with prospects spending more time and touring a greater variety of projects before making the decision to purchase.

The recent Bank of Canada rate cut marks a key inflection point in our market cycle, and will support purchaser sentiment in the coming months.

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Garde MacDonald

DIRECTOR OF ADVISORY, MLA CANADA

* The data is provided through various sources such as Zonda Urban and is analyzed and interpreted by MLA Advisory. The information, analysis and opinions are compiled through various sources thought to be extremely reliable, although accuracy cannot be guaranteed. MLA Canada or its employees will not be held liable for the information, analysis and opinions herein.

RAMPING UP LAUNCHES: FACTORS AFFECTING PRESALE TIMING

In May, 19 presale projects were released, introducing 2,228 units to the market. This marks an increase of nearly four times the number of units compared to last May. Each project is unique, and many factors contribute to the increase in project launches this year compared to last. Factors such as holding costs, keeping construction crews and in-house teams active, hedging against future construction cost increases, managing financial partner expectations, and staying ahead of competitors are all being debated in boardrooms as developers decide whether to proceed during the slow spring market. Of the projects that launched last month, a total of 400 units were sold, resulting in a monthly absorption rate of 18%. This figure is lower than expected due to current market conditions and the timing of these launches, the majority of which occurred in the latter half of the month.

BANK OF CANADA'S INTEREST RATE CUT INSTILLS BUYER'S CONFIDENCE

Following over two years of elevated rates, the Bank of Canada reduced their key policy rate by 25 basis points to 4.75%, on June 5th. This adjustment by itself, while not transformative for the market, represents a key step forward and a boost in morale. The battle against inflation continues, and moving forward, employment and CPI figures will be critical metrics to monitor. Over the coming months, CPI numbers need to come at or below the latest 2.8% reading - a number that is within the BOC's 1-3% target range, but still very much along the upper range - to warrant further cuts.

This rate cut may offer some immediate relief to those variable rate mortgage holders. For new buyers, the reduction in rates increases their purchasing power, making borrowing more affordable and enabling larger mortgage qualifications. Those buyers may consider a variable rate more seriously now versus a fixed rate given the initiation of a rate cut cycle. For those approaching their mortgage renewal in the next year or so, the impact of overall elevated interest rates will still be felt compared to their current mortgages.

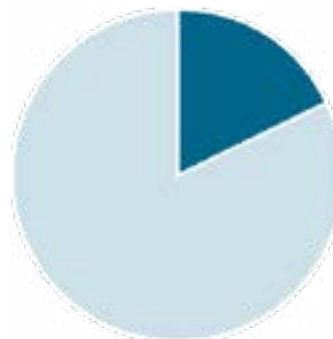
While the initial rate cut is unlikely to trigger a surge of buyers jumping into the market, it does provide optimism for those who have been sidelined, waiting for a positive shift in sentiment. The initiation of rate cuts sparks buyer confidence in the market and economy decreasing some of the uncertainty that has persisted over the last few years. The Bank of Can-

ada's upcoming announcements will continue to be key dates throughout the year, as further decreases are anticipated to follow.

WILL THE MOMENTUM IN PRESALE PROJECT LAUNCHES CONTINUE?

In June, MLAA Advisory forecasts a slight slowdown in the number of developments launching from May, with 12 new projects expected to introduce 2,064 units into the market. However, because many of these projects will be larger scale and of concrete construction, the total number of units will be consistent with the high activity seen in previous months. The potential of another month of robust releases indicates that if we maintain this pace, we will likely surpass the 11,000 homes released last year and approach the 16,000 released in 2022. To date, over 8,600 units have come to market in 2024.

Presale Sold Rate | May 2024



18%
SOLD

**2,228 UNITS
RELEASED**

Presale Units Forecasted for June 2024



CONCRETE

1,451



WOODFRAME

532



TOWNHOME

81

MLA Canada's dedicated Advisory team maintains an exhaustive understanding of market intelligence. We offer the development industry market intelligence, product design and price analysis services leveraging our in-depth investigation to assist in strategy, acquisition, and feasibility.

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