

Metro Vancouver house prices continue to fall as sales drop below historical levels: report

BY BRIAN MORTON AND GERRY BELLETT, VANCOUVER SUN OCTOBER 3, 2012



Vancouver home sales fell 32.5 per cent in September compared with a year ago, says the Real Estate Board of Greater Vancouver.

Photograph by: Gerry Kahrman, Vancouver Sun

Metro Vancouver home prices continue to drop as sales activity falls sharply below historical levels, according to the Real Estate Board of Greater Vancouver.

“We thought we’d see a slight increase in activity in September, but we didn’t,” said REBGV president Eugen Klein. “There doesn’t seem to be any urgency between either the buyer or the seller.”

According to the board’s monthly report, September’s benchmark price for all residential properties in Metro Vancouver fell 0.8 per cent to \$606,000 from September 2011. That followed a year-over-year decline of 0.5 per cent in August.

For the Lower Mainland – which includes the Fraser Valley – the benchmark price dropped 0.1 per cent, the first price drop this year.

Prices fell more sharply in expensive areas including Richmond, West Vancouver and Vancouver West, which saw a sharp run-up in prices in 2010 and 2011.

Vancouver West, for example, saw a 6.5-per-cent, year-over-year decline in the benchmark price of single detached homes to \$2.09 million.

According to the report, buying activity slackened during September with sales of only 1,516 properties — a 32-per-cent decline from the 2,246 sales recorded in September 2011 and 41.6 per cent below the 10-year September sales average of 2,597.

“West Vancouver, the west side (of Vancouver) and Richmond are all down five to eight per cent from the peak earlier this year,” noted Tsur Somerville, director, centre for urban economics and real estate, Sauder School of Business at the University of B.C. “In contrast, the Coquitlams, the Deltas, the Maple Ridges, the Burnabys are down one to three per cent. The areas that had the most intense run-up in 2010 and 2011 are the ones where prices are weakening more.”

Somerville noted that a few areas still saw prices rise in the year, including Squamish’s five-per-cent price hike — the highest in the region.

“This is the first time since 2007, 2008, when prices have come down by this degree,” added Somerville. “When you have nine months of continuous months of weak sales, it will show up on the price side.”

Somerville believes high prices, and reduced economic optimism, are behind the sales drop. “And cycles happen.”

Klein said some of the fall-off in sales could be attributed to the federal government’s decision to eliminate 30-year amortization on government-insured mortgages.

“This makes homes less affordable for the people of the region,” said Klein.

Somerville doesn’t believe that’s the case, because sales started slowing before the new rules were introduced.

Further east, the Fraser Valley Real Estate Board, that includes Surrey, reported Tuesday that for the second month in a row, sales have dropped to historically low levels. In September, there were 857 sales, a decrease of 26 per cent compared to 1,165 sales in September 2011.

Cameron Muir, chief economist for the B.C. Real Estate Association, said the low sales numbers are a surprise, because full-time job growth is rising, interest rates are at historic lows and Metro Vancouver’s population continues to rise.

He too believes it’s largely because of tighter mortgage regulations, that weak job and sales growth in 2011 that may have spilled over into 2012, and “consumers just taking a break from the market.

“I believe (sales) will pick up (to the 10-year average) towards the end of the year or in the first two quarters of 2013.”

Meanwhile, a survey conducted this fall by Mustel Research Group on behalf of the REW.ca, a Vancouver-based real estate search site has found 58 per cent of Metro Vancouver residents believe this is not a good time to sell a home.

The survey's main findings are:

- confidence in the market has dropped because of a belief prices are on their way down, sales were slowing and there were too many properties for sale
- the largest deterrent for buying include high prices coupled with a fear of home values dropping after purchase
- the main reason people stay in the country's most expensive housing market is because of family which beat out the region's much-touted livability, scenery and climate as reasons for living here.

REW.ca general manager Ian Martin said September was usually the month when real estate sales begin firing up.

"We are not seeing that. People are not buying, so from a seller point of view they see price corrections happening and say 'I don't have to sell my home right now, I think I'll wait this one out.'"

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