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July house sales drop; average price rises

Slowdown expected as cost squeezes out buyers

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Lower Mainland real estate markets experienced a dramatic drop in sales in July, which is a possible sign that they've hit their limit for overall growth, an analyst says.

The Real Estate Board of Greater Vancouver reported its July Multiple-Listing Service sales declined 25.2 per cent to 2,732 units compared with July 2005, although the average "benchmark" price for a single family home hit \$644,461, a 19.4-per-cent increase from the previous year. The benchmark represents the average price of a typical home in the area.

However, the housing inventory in Greater Vancouver also dropped 20 per cent from June to 4,352 houses, townhouses and apartments available for sale.

In the Fraser Valley, MLS sales fell 20 per cent to 1,635 compared with July a year ago and the average price for a family home hit \$489,547, a 22-per-cent increase. Listings in the Valley increased a slim percentage-point to 6,200.

Tsur Somerville, director of the Centre for Urban Economics and Real Estate at the University of B.C.'s Sauder School of Business, noted that Greater Vancouver's MLS sales for the year to the end of July are down compared with 2005. And in the Fraser Valley, July's drop in sales was not accompanied by a drop in home listings.

"[The statistics] are certainly suggestive of a market that has stopped its rate of excessive growth of transactions," Somerville said.

But, he added, that "that doesn't mean prices will follow, [although] one can't imagine prices continuing to increase at 28-per-cent-plus [per year], especially with sales drying up."

Still, he is hesitant to call the development "a turning point."

"If you're holding your breath waiting for a market crash, you should probably take another breath," Somerville said.

Somerville said there are other factors that could potentially trigger a a slowdown in housing, such as the decline in United States housing markets that is dampening demand for Canadian lumber.

Lower Mainland real estate markets can expect to experience a slowdown as prices keep squeezing buyers out, said Cameron Muir, a market analyst with Canada Mortgage and Housing Corp., but he doesn't see that happening just yet.

"I don't think [the July sales drop] is the turning point we're expecting," Muir said. "Fewer listings [in Vancouver] are at least partly responsible for fewer sales."

"The ratios [of sales to listings] are still high, it's still a seller's market out there, and that won't change until we see more listings," Muir said.

Rick Valouche, president of the Greater Vancouver Real Estate Board, noted that 2006's drop in sales is in comparison with the biggest year in the board's history.

And with 23,223 transactions recorded to the end of July, Valouche added that the board is still on pace to record the third-highest number of sales in a year.

Valouche said he doesn't believe the Greater Vancouver market has seen its limit for growth, because "houses that are listed properly" sell within a week, usually with multiple offers.

"We're not seeing the frenzy we saw last year ... [but] there is still too much demand and not enough listings."

The drop in Fraser Valley sales is also compared with an abnormally high month a year earlier, said Jim McCaughan, vice-president of the Fraser Valley Real Estate Board.

McCaughan added that while Fraser Valley housing inventories might be higher in a relative sense, "they're probably not as high as we would like to see."

"From all reports out there, there is still a lot of market activity and a lot of interest [in real estate]," he added.

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AT THE LIMIT?

The Greater Vancouver real estate market experienced declining sales in July.

- Single family homes:

1,031, -28.3%

Price: \$644,461*, +19.4

- Townhouses: 513, -20.7%

Price: \$404,537*, +20.3%

- Condos: 1,188, -24.2%

Price: \$328,966*, +22.8%

* Benchmark prices for typical

properties as determined by the Real Estate Board of Greater Vancouver

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