

## Housing sales drop and listings increase

### Trend could help balance an overheated market

**Derrick Penner**

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The sellers' market in Lower Mainland real estate is coming to a close. Sales in September declined sharply and listings rose for the fourth month in a row.

In Greater Vancouver, the Multiple Listing Service recorded 3,344 sales in September, representing a 24.7-per-cent drop from the same month a year ago. New listings in the region increased 11.4 per cent to 5,115 units.

In the Fraser Valley, 1,323 sales in September equated to a 23-per-cent decline from September 2005. Total listings increased 19 per cent.

Between both regions the number of sales compared with the number of listings is still too high to bring buyers significant price relief. Still, a trend toward fewer sales and more listings could balance the market so that neither the seller nor buyer has a particular advantage.

September's results mark a continuation in the market shift driven by steep increases in house prices, said Cameron Muir, senior analyst for Canada Mortgage and Housing Corp.

"The asking price of many home sellers is getting to the point at which fewer and fewer buyers can pay," Muir said.

The average MLS sales price for a single-family home in Greater Vancouver during September was \$741,644, a percentage point off the average August price, but still up by double digits compared with a year ago.

Single-family home sales across Greater Vancouver fell 26.8 per cent to 1,034 transactions compared with a year ago. The townhouse market saw the biggest drop with 392 sales, 33.8 per cent below September, 2005.

Condominium sales in Greater Vancouver fell 18.4 per cent to 1,093 transactions.

In the Fraser Valley, where average single-family-home prices hit \$493,727, home sales fell 29.6 per cent. Townhouse sales were down 17 per cent to 254 and condominium sales dropped 17.5 per cent to 241.



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Muir noted that a decline in sales, even as dramatic as the region has experienced, shouldn't be a surprise following the frenzied activity of 2005.

"At this point, it's not a signal of any kind of significant market correction," Muir added.

However, Tsur Somerville, director of the centre for urban land economics and real estate at the University of B.C.'s Sauder School of Business, said the trend in sales is a sign the Lower Mainland market "is clearly putting the brakes on."

"But it's too early to say how much."

Somerville said real estate markets pass through a balanced period when they are rising from depression to overheated, and will also hit balance, or "equilibrium" on their way back.

"Since [the market] has been very overheated, it's quite reasonable to go back to balance," Somerville added.

"The question is, are we going to stay there or keep going?"

Somerville wonders whether the psychology of buyers is shifting and more of them are focusing on negatives rather than positives, such as cost overruns for the 2010 Olympics. Somerville said buyers might also be looking at the poorly performing U.S. housing market and worrying how that might affect B.C.

Whether it does or not is immaterial, he added, "because psychology matters."

"If sales continue to drop and listings . . . keep going up, you can get prices declining, even in the midst of very strong employment numbers," Somerville said.

Rick Valouche, president of the Real Estate Board of Greater Vancouver, added that it is hard to characterize the drop in sales as decline when the comparison is being drawn against Greater Vancouver's best year ever.

"We're on pace for the third-best year ever," he said.

The frenzy of bidding wars for properties has disappeared, but there is still demand. On average, houses are staying on the market 40 days before selling, compared with 48 days in 2005 and 43 days in 2004.

Prices, Valouche said, have "definitely scared some [buyers] out of the market, but it's hard to say we're having a down market when we sell 2,500 units in a month."

David Rishel, president of the Fraser Valley Real Estate Board, added mortgage rates are expected to remain at low levels for the time being, and the economic picture looks solid.

"Nobody's saying [the market] will continue at the pace it has been forever," Rishel added. "There are always going to be peaks and valleys. But we don't anticipate the valleys will be very deep and hopefully the peaks won't be as high."

depenner@png.canwest.com

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