

WHAT'S THAT HISSING SOUND?

The frenzy that has characterized the Vancouver real estate market since 2004 had the owners of this house believing their property would sell in days. It hasn't. And now some are saying the air is leaking out of an overinflated market

WENDY STUECK

Nov 13, 2006

VANCOUVER -- When Stephen Webber and his wife put their Vancouver-area townhouse up for sale in September, they expected to close a deal within a month.

After several open houses, nearly a dozen private showings and two price cuts, they're still waiting.

"We have been surprised by the lack of activity," Mr. Webber says. "It seems there is a lot of supply out there. Buyers have more choices. There is not that rush. And there might be hesitation because of what's going on in the States."

If buyers are not rushing, it may be because they don't have to. The frenzy that characterized the Vancouver housing market since 2004 is disappearing, replaced by one in which buyers have more than mere hours to make a decision. Instead of multiple offers, bidding wars and homes being snapped up virtually overnight, the current market is characterized by growing number of listings, a slower rate of price increases and even price cuts.

Nobody is talking about a crash. Limited land supply, population growth, the 2010 Winter Olympics and a strong regional economy all point to long-term healthy housing demand. But there is a sense the air is leaking out of what had become an overinflated market.

"On the Labour Day weekend, I sold a house in Shaughnessy for \$300,000 over listing [price] with 10 offers," Macdonald Realtors agent Lorne Goldman says.

"Those days are becoming less frequent."

Some sellers are having to reduce their asking price, Mr. Goldman says, especially if they're fixated on the spectacular returns that defined this market for the past couple of years.

"Up until a month or so ago, most product would sell relatively quickly, in a week or two," says Marty Pospischil of Dexter Associates Realty. "Now it's not uncommon to have something listed for a month or longer."

Over the past two months, 15 per cent of sellers have reduced the price of their homes in order to spur a sale, compared with roughly 2 per cent of sellers earlier in the year, says Vic Jang of Sutton West Coast Realty. But the biggest difference he sees is in timing. This summer, clients who waited more than 24 hours to make an offer might find their desired home had already been purchased.

"Now, it's a lot more of 'Remember that place you saw 10 days ago? Well, it's still there, do you want to see it again?' " Mr. Jang says.

The slowdown could also affect speculative activity, as a slower rate of price growth could make it more difficult to buy, renovate and sell homes for a fat return, Mr. Jang says.

But anybody hoping that prices may come back within reach for first-time buyers is likely to be disappointed. Slowdown or no, Vancouver real estate remains too expensive for many. A search for a single-family, detached home under \$600,000 on Vancouver's west side yields three listings, all on land leased from the Musqueam Indian Band. (A fight over lease rates between leaseholders and the band in the 1990s led to a court case and a plunge in market value for homes on band land.) A heritage home in Mount Pleasant is listed at \$799,000, despite having suffered a fire last year.

"Affordability is a big issue in Vancouver. And affordability is likely getting worse at a [September] rate of increase of nearly 17 per cent. Because there's very little chance that the income growth will grow at the same rate," says Craig Alexander, deputy chief economist with TD Economics.

Mr. Alexander, who put Vancouver on a "housing bubble watch" in an August report, says current trends show the market is responding to supply and demand, something he sees as healthy. In a bubble scenario, prices keep climbing at the same rate even as supply grows, he says.

He anticipates the rate of price increases will continue to slow.

"Twelve months from now, I would bet that home price growth in Vancouver would be in the single digits. That's not a terrible outcome, that's a healthy income."

Rick Valouche, president of the Real Estate Board of Greater Vancouver, says the market is becoming more balanced. And this year's total sales are on track to surpass last year's record total, he says.

Some buyers might be sitting on their hands as they assess whether wobbles in the U.S. housing market will affect Vancouver, says Bob Rennie, whose Rennie Marketing Systems sells Lower Mainland condominiums like proverbial hotcakes. U.S. housing prices took their biggest drop in 35 years in September.

But after a few months, those buyers will be back in, Mr. Rennie predicts, driven by factors that include the coming the 2010 Olympics, a shortage of land and the perception of Vancouver as a safe place to invest.

Mr. Rennie is currently selling what he says is the most expensive real estate in Canada: the Fairmont Pacific Estates on the downtown waterfront, where water-facing units are going for about \$2,000 a square foot and unit prices range from \$1-million to \$4.5-million.

His firm also recently sold 40 per cent of the units in a new Burnaby high-rise over a weekend.

"If that's slow, we'll take it all day long," he says.

Mr. Webber, who works in commercial real estate, is confident he'll sell his house, a nearly new, three-bedroom detached townhouse in waterfront Steveston. And he doesn't sound overly dismayed that he's had to drop the price from an original \$679,000 to \$659,900, which is still well above what he paid three years ago. He says his home is in a popular neighbourhood, "shows well" in real estate jargon and garners compliments from everyone who walks in the door.

"Every weekend we seem to have someone through the open houses who is really interested, who says 'you'll be hearing from us,' " says Mr. Webber, who's already purchased a bigger home in another part of the city. "But nothing has happened."