

## No 'correction' predicted as prices dip

Figures may signal better news for buyers, less upward pressure on prices

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Vancouver Sun

*Tuesday, December 05, 2006*

Real estate sales across the Lower Mainland this year are continuing at a pace about 10-per-cent below last year's record clip, regional real estate boards reported Monday.

And although the number of active listings is also up more than 30 per cent compared with last year, inventories haven't reached levels that would signal a correction, says Tsur Somerville, director of the centre for urban economics and real estate at the Sauder School of Business at the University of B.C.

On Monday, the Real Estate Board of Greater Vancouver reported MLS-recorded sales of 2,358 units, about 20-per-cent below the same month a year ago. Active listings in Greater Vancouver totalled 11,308 in November, up 30.6 per cent.

The average price for a Greater Vancouver single-family home was \$765,256 in November, a 3.8-per-cent decrease from October.

The Fraser Valley Real Estate Board reported November's sales, at 1,194, declined 26 per cent compared with November a year ago. Valley listings of 7,391 were up 37 per cent compared to last year.

The average Fraser Valley single-family home sold at \$487,392 in November, with no change from October.

However, Somerville said new listings declined from October to November, and dropped more than the decline in sales from month to month.

To him, that is a sign sellers aren't flooding the market, and "unless we see



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this dramatic increase in inventory, there isn't a need to worry about any kind of catastrophe."

Somerville added that the important factor to remember is that the overall framework of the Lower Mainland's real estate market is a strong economy, which is strong for more reasons than a robust residential construction sector.

Somerville said the last two celebratory years where people said, "'Buy real estate, it goes up, we're doing great.' That party's ending. And that's probably a good thing. No, it is a good thing."

Carol Frketich, regional economist for Canada Mortgage and Housing Corp., calculated a rough estimate of existing-home inventory of about 4.8 months, compared with three months a year ago.

Frketich said that suggests there will be more choice for buyers, and less upward pressure on prices.

However, she doesn't see much room for downward pressure on prices while provincial economic indicators, such as job growth, wage growth and overall economic output, pointing upward.

"We don't see any economic developments out there that would force people to put their homes on the market, which would be an indicator you could see a price correction," Frketich said. "People are putting their homes up for what they hope they can get, and there's still sales happening, so demand is still there."

Rick Valouche, president of the Real Estate Board of Greater Vancouver, said 2,350 sales for the month still represents a strong month, even if it was 20 per cent below 2005.

"The good news is that the active-listing base is increasing," Valouche added. "It's at 11,000, but we've got to get it around the 14,000 mark to be in a normal market."

Dave Rishel, president of the Fraser Valley Real Estate Board said he looks forward to seeing more balance in the market, because "if prices [keep going] up the way they were, we'd all be in trouble."

Condominium presales still form an unknown in Greater Vancouver's markets, Somerville added.

Somerville said a large number of pre-sales that were made within the last two years are starting to come into completion, and no one knows how many of them are held by investors who plan to sell.

If there has been more unseen speculation by investors looking to cash in on the rising prices of their condos under construction than has been anticipated, and a lot of those purchasers sell into a softening market, "that is something that could make things dicier," Somerville said.

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