

## B.C. Housing sales slow

More buyers head to real estate sidelines, especially in the Kootenays and Okanagan

**Derrick Penner**

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Potential homebuyers are becoming worn down by rising fuel and food prices, wary about economic uncertainty, and less flush with equity to take on second-home purchases, the B.C. Real Estate Association believes.

While B.C. has one of the better-performing economies in the country, association chief economist Cameron Muir said slower economic growth and bad news from the U.S. housing recession is eroding consumer confidence.

The result of that, in May, was more people taking to the market sidelines, Muir said in releasing the association's monthly sales statistics. Much of the impact is being felt in the Kootenays and Okanagan.

"High gasoline prices and the spectre of rising food prices are having an impact on consumers and the way that they're looking at their household budgets," Muir said.

That concern over household financing, he said, spills over into decisions to purchase real estate, particularly recreational property, since those decisions are easy to postpone.

In the Okanagan and Kootenays, booming construction continues to push up housing supply while sales are falling. Those markets are also facing increased competition from U.S. resort destinations, where declining prices are an attractive lure for buyers.

"While last year the hottest markets in the province were amenity markets such as the Okanagan, Kootenays and Kamloops, that situation has reversed this year," Muir said in an interview.



CREDIT:

House for sale this spring in Abbotsford.

He said investors or recreational buyers have a bigger influence in those markets, and because of higher transportation costs and greater uncertainty, "many of those markets have edged into the buyers' category."

In 2008, Muir said, the more active markets have been the bigger urban ones in the Lower Mainland and Victoria, which remain in "balanced-market" territory.

Greater Vancouver saw sales drop almost 31 per cent to 3,065 units in May, compared with May 2007 and listings rose 38 per cent to 17,336 unsold units.

In the Fraser Valley, sales dropped 25 per cent to 1,531 units and listings rose almost 32 per cent to 9,400 unsold homes.

And sales have slowed considerably across the province.

B.C. recorded 8,101 sales through the Multiple Listings Service, a 31-per-cent drop from the same month a year ago.

And the total dollar value of those sales, \$3.9 billion, represented an almost 27-per-cent decline.

Average sale prices, however, are still up 5.9 per cent in May compared with the same month a year ago, which makes the average B.C. home price \$475,656.

Muir said property prices for the first five months of the year are still, on average, up 11 per cent from 2007 levels. He expects that to ease back to nine per cent by the end of the year.

"It's a gradual easing of prices, and that easing may occur a little bit sooner because of the number of listings that have come on in the spring market," Muir said.

Listings across the province in May, Muir reported, were up 43 per cent compared with the same month a year ago, with an inventory of 52,893 unsold homes on the market, the highest it has been since at least 2000.

Canada's "six-year housing boom has indeed fizzled," Robert Kavcic, an analyst with the stock brokerage BMO Capital Markets wrote in a recent note.

Sales of previously owned homes in Canada's major markets declined almost 17 per cent, Kavcic said, with activity in 19 of 20 markets below 2007 levels.

Kavcic said Calgary and Edmonton, in Alberta's oil-fuelled economy, actually experienced year-over-year price declines in May of 2.4 per cent and almost five per cent respectively.

The only other city to see a price decline, Kavcic said, was layoff-plagued Windsor, Ont.

Paul Fabri, a Canada Mortgage and Housing Corp. analyst in the Okanagan, said he expects the declines in the Alberta markets will translate into fewer sales in the Okanagan, since many of those purchases have been financed from equity gains in the buyers' primary residences.

"Well, they're not seeing those big price gains over the last year or 18 months," Fabri said.

Fabri said he has taken note of several "travelling road shows" from U.S. resort destinations, which also serve as competition for the Okanagan's recreational real-estate products.

Fabri said sales in the Okanagan are still robust, and "you've got to remember we're coming off successive record highs [for sales and price gains] over a number of years."

Tsur Somerville, director of the centre for urban economics and real estate in the Sauder School of Business at the University of B.C., said the experiences of Calgary and Edmonton are evidence that real-estate prices can decline even in locations where the economy is strong if prices get out of equilibrium with fundamentals.

"We're not magically immune to the fact that overpriced markets have to adjust," Somerville said.

However, that doesn't necessarily mean price corrections, Somerville said. Prices might simply stagnate, as they did in B.C. during the late 1990s, Somerville added, or simply slow to below-average levels.

"I'm confident that [B.C.] markets are adjusting back towards equilibrium," Somerville said. "But what I'm not clear on is what path that will take."

depenner@png.canwest.com

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