

SARETSKY

REAL ESTATE

MONTH IN REVIEW

MARCH 2018

As Vancouver Real Estate enters the busy spring season, market watchers are paying close attention to overall activity. Mortgage financing has become more difficult following the new B-20 mortgage guidelines. 2017 Mortgage pre approvals will now be expiring and so we will see all prospective buyers stress tested from here on out. Further, the BC NDP went ahead with an increased foreign buyers tax, higher property transfer taxes, and a 2% annual speculation tax targeting homeowners who do not pay BC income tax and leave homes empty. Let's view the month that was, March 2018.

- Overview
- Saretsky's Chart Book
- Chart of the Month
- Ask Saretsky

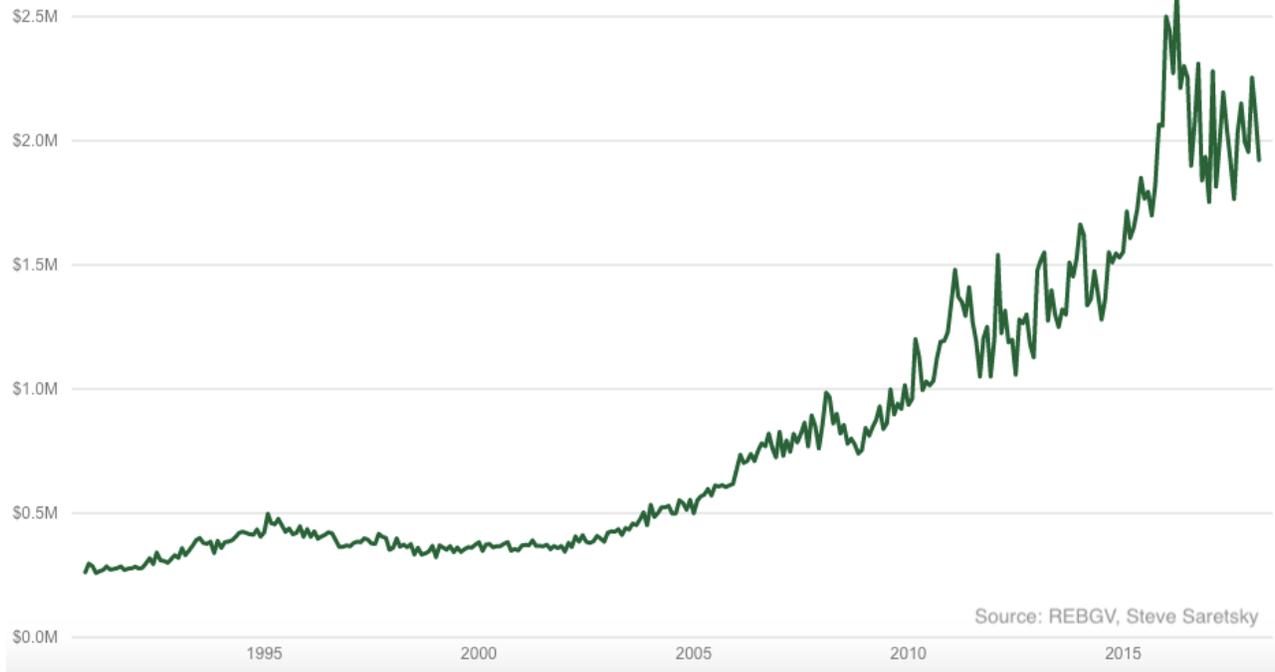
OVERVIEW

The Vancouver Real Estate market continues to diverge between the detached and condo markets. The Vancouver detached market is under significant downwards pressure following anemic sales and rising inventory levels. Detached sales for the month of March fell 44% year over year; the 136 sales was the lowest total in more than 25 years.



As a result, inventory levels have been steadily climbing, rising 13% on a year over year basis and hitting a five year high in March. Many buyers and sellers have been slowly adjusting to the changing market conditions. While sellers have been reluctant to slash prices, buyers have been willing to hold out. The median days on market crept up by 50% to an average of 21 days, which was also a five year high. As seen in the charts below, detached prices are noticeably on the downtrend since peaking in the spring of 2016. With a sales to actives ratio of 9%, there will be continued downwards pressure heading into the spring selling season.

Vancouver Detached Median Sales Price

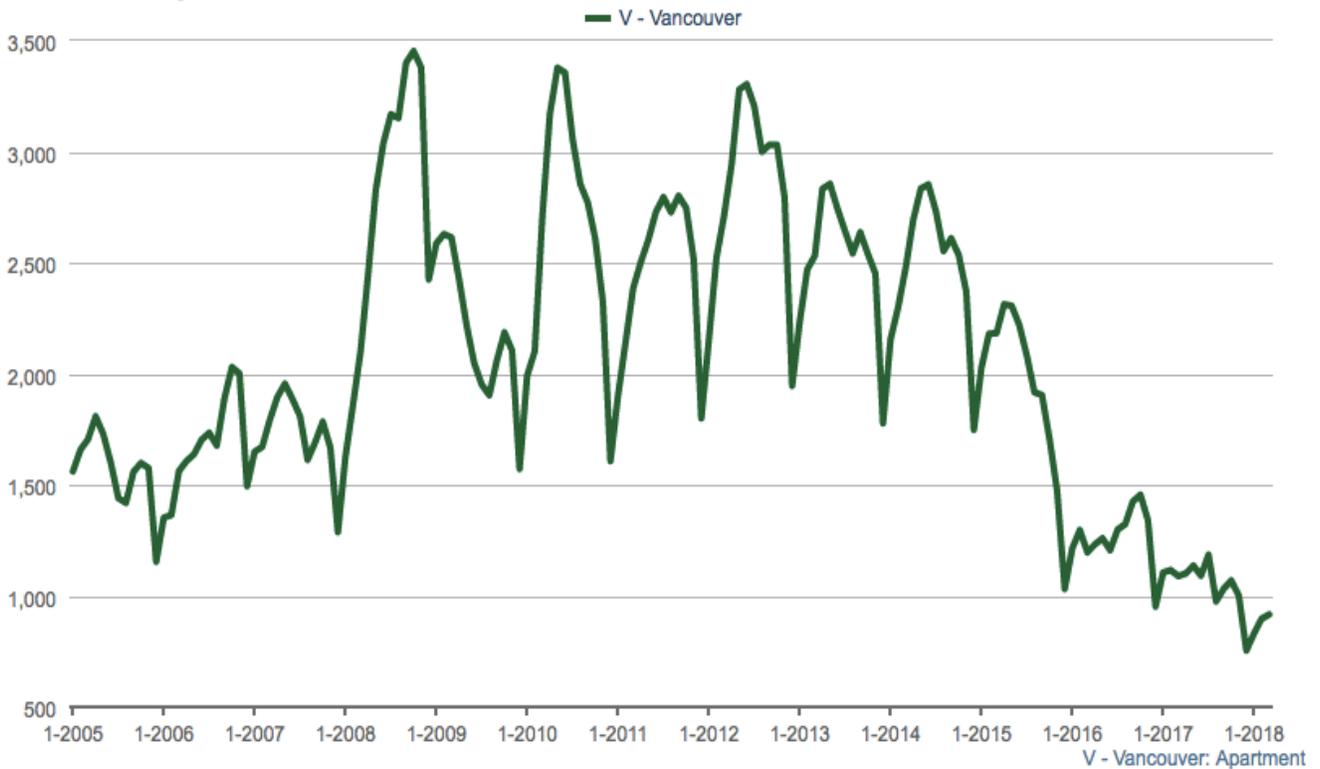


Vancouver Detached Average Sales Price

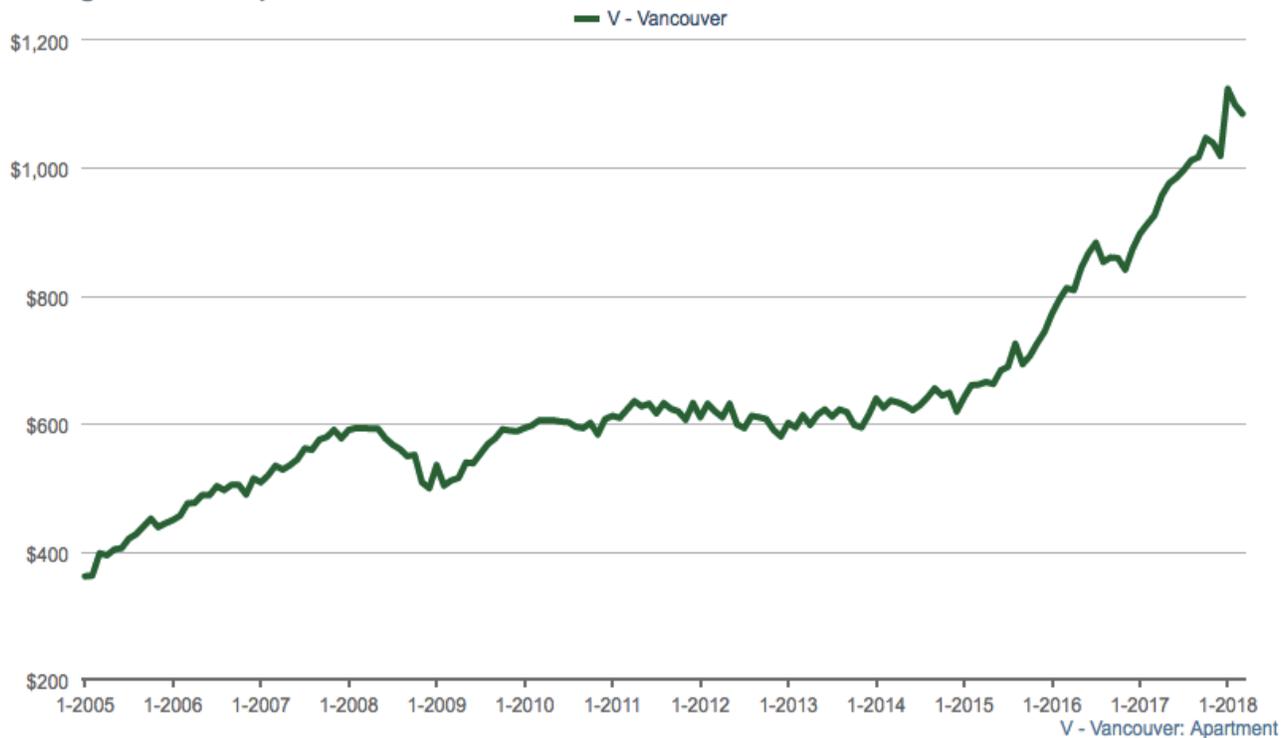


The Vancouver condo market is beginning to show some weakness in overall demand. Sales fell for a second consecutive year for the month of March: the 508 sales were the fewest since March, 2013. However, inventory remains at crisis levels, sinking 16% on an annual basis. As a result, fewer buyers are still competing for the limited available inventory. Multiple offers remain common, particularly for more affordable units. The average sales price dipped for the second consecutive month to \$924,099 but remains up by 18% on a year over year basis. The average price per square foot also dipped slightly to \$1085.

Total Inventory



Average Price Per Square Foot



Recent price activity shows Vancouver condo price growth has slowed significantly and might be nearing a top. However, due to inventory weakness, upwards pressure remains, which is also noted in the sales to actives ratio of 56%.

However, more new supply is on the way, with completions of new units ramping up. With the majority of these presale buyers not being end users, these units will ultimately be re-sold to the open market or rented out. This should alleviate some pressure on supply constraints down the road, but that could be many months away.

CHART OF THE MONTH



Vancouver detached sales for Q1 2018 recorded just 352 sales, a twenty-seven year low. The new low was a 66% decline in total sales from the market's previous peak in Q1 2016. The huge drop off in sales means sellers will have to quickly adapt to the changing market conditions as liquidity dries up. This will certainly be reflected in Canadian credit markets as banks become less inclined to lend into a declining market. Financial regulators should be watching attentively.

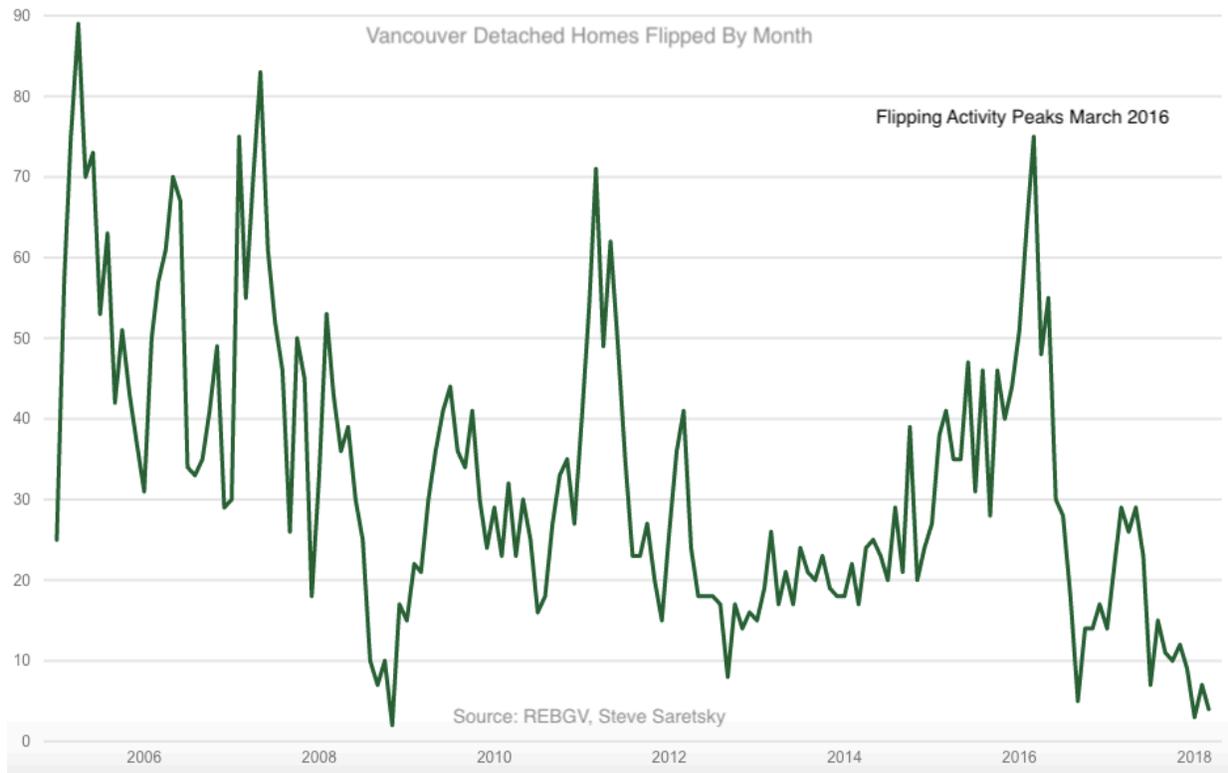
1. Will condos continue to garner multiple offers?
2. Are speculators facing a liquidity crunch?
3. Will rising interest rates saddle households?
4. Will inflation force the ahnds of Canada's central bank?

WILL CONDOS CONTINUE TO GARNER MULTIPLE OFFERS?

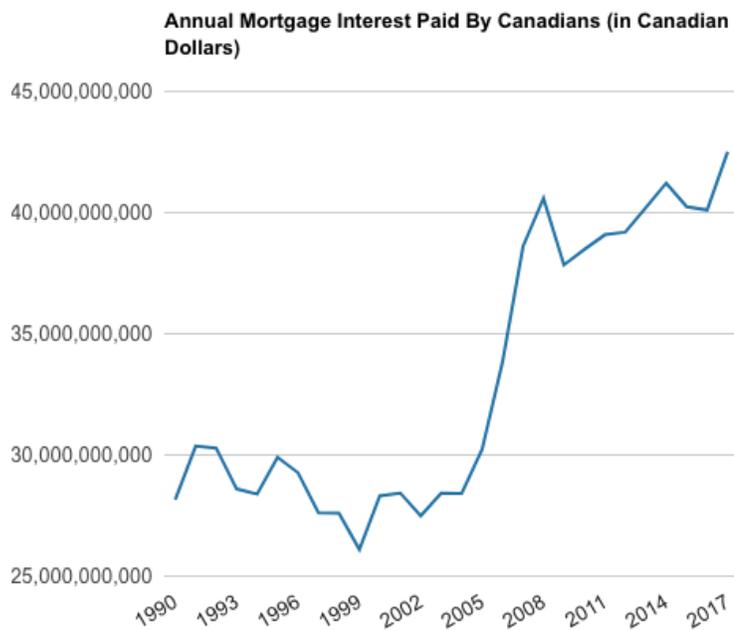
The percentage of Vancouver condos which sold over the asking price hit 48% in March, 2018, suggesting the bull market is far from over. Bidding wars remain prevalent.



ARE SPECULATORS FACING A LIQUIDITY CRUNCH?



Vancouver detached home flipping (a home bought and re-sold within 24 months) is hovering around 10 year lows. Detached home flipping peaked out in March 2016 and has since tumbled to November 2008 lows. Speculators have been caught in a liquidity crunch.



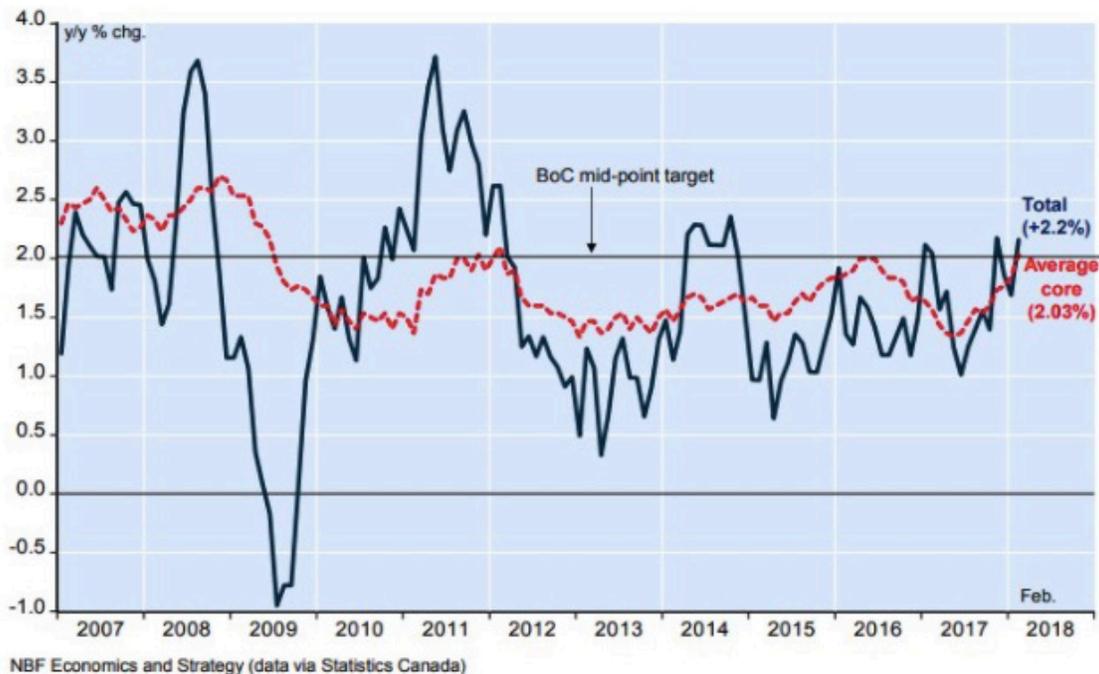
WILL RISING INTEREST RATES SADDLE HOUSEHOLDS?

Following two Bank of Canada interest rate hikes in 2017, and new B-20 mortgage guidelines which reduces rate competition, Canadians paid an additional 5.97% of mortgage interest over the year prior. This was the fastest growth rate since 2007.

(Source: Better Dwelling).

WILL INFLATION FORCE THE HANDS OF CANADA'S CENTRAL BANK?

Inflationary pressures are beginning to surface. Average core inflation in Canada ticked upwards to 2.03%. Not only is that above the Bank of Canada's mid-point target, but it is also the highest since February 2012. Vancouver CPI inflation reached 3.27%. This could force the Bank of Canada to raise interest rates should inflationary pressures persist.



ASK SARETSKY

Q: Hi Steve. At what dollar value are you seeing the most activity in the condo market? At what dollar value are things slowing down in the condo market?

A: Thanks for the question. The hottest segment is definitely one bedrooms and more affordable two bedroom units. Or more specifically, anything under \$800,000 is selling very well with a sales to actives ratio of 94%. Things start to slow down after that, especially over the \$1M mark. This seems to be trending towards more and more of a local market as evidenced with incredibly weak sales in the detached market yet we are still experiencing bidding wars at the entry level.

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