



THE
SARETSKY REPORT

.....

FEBRUARY 2019

SARETSKY
REAL ESTATE

Housing markets are somewhat similar to a cruise ship trying to pull a U-Turn. They are painfully slow at changing course and generally once the ship has begun turning in a particular direction it is not simple to revert back. Thus, without sounding like a broken record, the trend for the Vancouver housing market remains in tact, one in which sales remain historically weak and prices continue to descend lower. In Vancouver home sales across all property types fell 36.5% year-over-year and was one of the worst February's on record from a sales volume perspective. One could certainly argue these are unprecedented times, one in which an entire generation of have never seen sales volumes this low. It should come as no surprise that prices are trending lower across all property segments. This abrupt slowdown in housing will have knock-on effects and we are beginning to see that reflected in Canadian GDP numbers, the economy has contracted in three of the past four months as of December. So what does the Spring market have in store for us? Let's take a look.

Overview / 2
Chart of the Month / 10
Saretsky's Chart Book / 11
Deep Dive / 14

[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

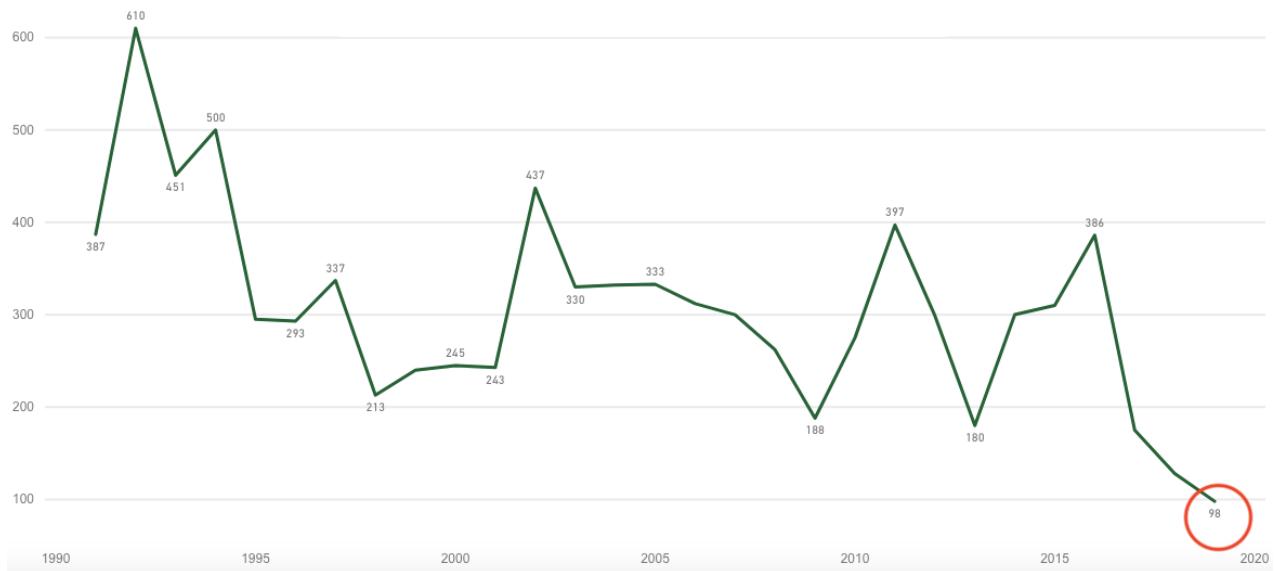
OVERVIEW

DETACHED MARKET

As reported last month, Vancouver detached sales had their worst January dating back to 1990. This same phenomenon repeated in February. The city of Vancouver recorded just 98 sales, a 24.6% decline from last year and the lowest total we have on record. Yes we will see more sales in March as the spring market gets underway, however that is a normal seasonal uptrend and unfortunately is likely nothing to get too excited about.

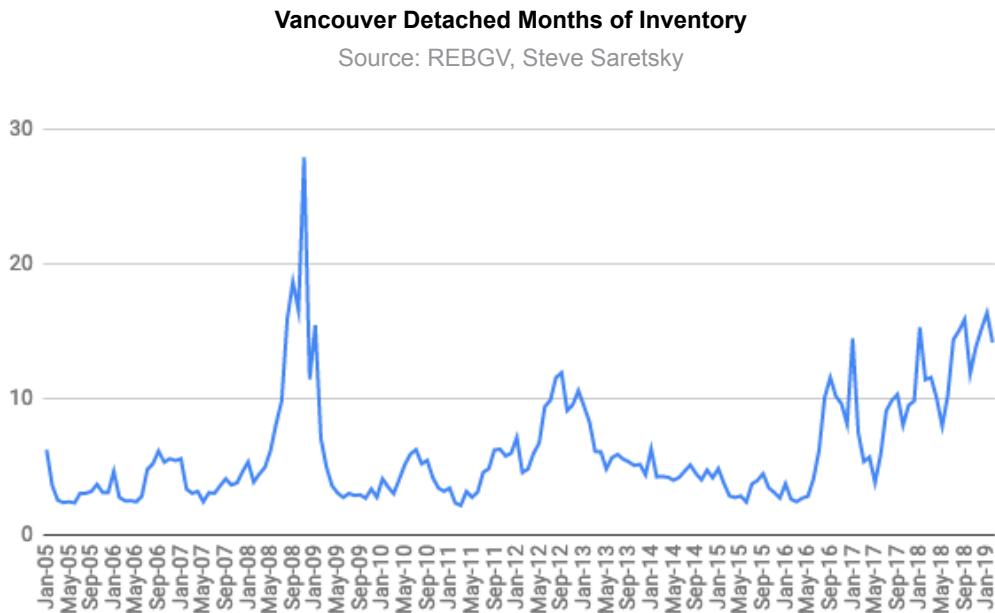
City of Vancouver Detached House Sales in February

Source: REBGV, Steve Saretsky



[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

The bump in sales expected for the spring market is likely to be crowded out by an increase in new listings and quite frankly an overwhelming build in inventory. As of the end of February there is 14 months of inventory for sale, well above a healthy balanced market of 4-6 months of inventory.



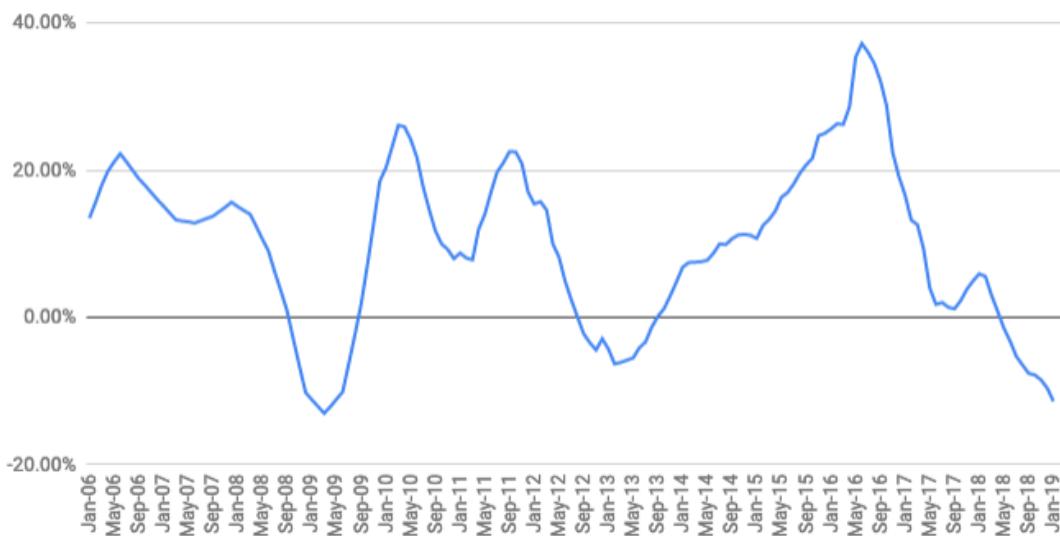
As a result, sellers are having to slowly and surely lower their prices (remember the analogy of a cruise ship turning). The price correction in Vancouver's detached housing market has been a slow bleed, it has been nearly three years since prices peaked out in the spring of 2016. There are economic/housing studies which illustrate sales volumes peak two full years before prices start to fall, and Vancouver seems to be a real life example of this psychological

[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

phenomenon in which sellers stubbornly anchor to peak prices. In the psychology realm this behaviour is known as an “anchoring bias” and is part of the reason price corrections can be long and drawn out as we are witnessing today. The official home price index now suggests Vancouver detached home prices have fallen 11.5% year-over-year, although the reality is prices have fallen significantly more, particularly for more expensive homes on the West Side which have dropped closer to 30% from peak valuations.

Vancouver Detached Prices Year-Over-Year

Source: REBGV, Steve Saretsky



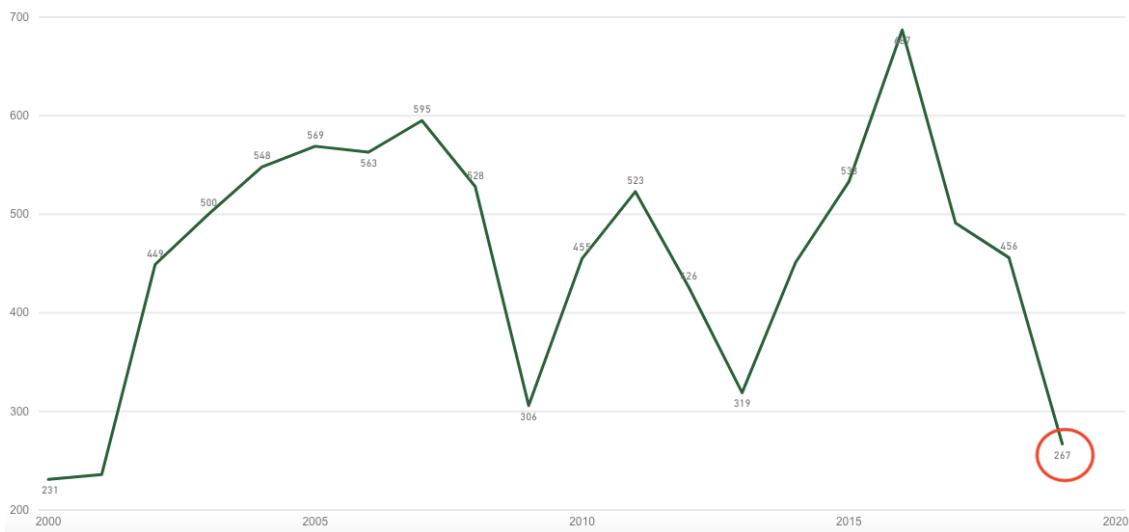
[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!

CONDO MARKET

The Vancouver condo market continues to experience very weak sales numbers. February sales fell 41% year-over-year and were the lowest for the month since 2001. An eighteen year low in condo sales, particularly considering the growth in supply and population is really something to behold. This weakness has ultimately debunked the once widespread belief that condos would not be

Vancouver Condo Sales for February

Source: REBGV, Steve Saretsky



impacted by a housing market correction which at first appeared to be isolated to luxury detached homes.

[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

Condo inventory increased 83% year-over-year and remains low in a historical context. However, due to the significant weakness



in sales, the months of inventory sits at 6.4 which is indicative of favouring buyers. New listings were up 5.8% from last year but are relatively normal from a historical context. This suggests sellers not panicking to list and conditions remain orderly. However, with a nearly 40,000 units under construction inventory is likely to continue to outpace sales and should place further downwards pressure on prices.

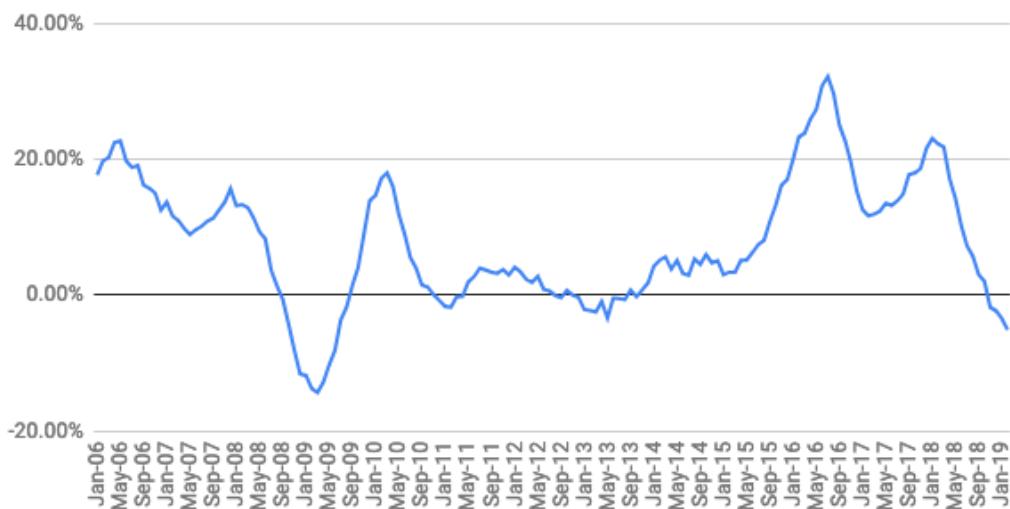
The official home price index notes Vancouver condo prices have

[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

dipped 5.1% year-over-year. While the average price per square foot shows an 8.6% decline. Again, this number can vary depending on the metric used but it is safe to say condo prices have slipped about 10-12% from peak.

Vancouver Condo Price Change Year-Over-Year

Source: REBGV, Steve Saretsky



SUMMARY

The housing market overall continues to slow across all segments, largely being driven from the top down. With luxury homes being hit as much as 30% and perhaps in some cases slightly more, buyers are desperately seeking value. In other words it makes less sense to pay \$1 million for a condo when you can buy a detached house

[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!

for slightly more. As a result condo sales have plunged and prices have been in correction mode for nearly a year, however it is only recently that this has been gaining more mainstream attention. Price headwinds are likely to be further exacerbated by the buildup in new construction that is coming in record numbers over the next couple of years. Again this poses risks to pre-sale condo purchasers, many of whom are speculative by nature (most developments have reported investors make up 50% or more of total purchases) thus we are seeing an increasing number of condo assignments for sale.

Sticking with the construction space, we expect to see a steep drop-off in new housing starts as developers fret over deteriorating market conditions and access to financing becomes increasingly more difficult. The pre sale absorption rate fell to 15% in February, off its cycle high of 94% last January.

However, construction activity is arguably more concerning in the single-family construction space, which has witnessed the 12 month sum of new housing starts drop off by 15% since peaking in January 2018. These are difficult times to be a single family builder, especially for those who were building luxury single family homes as foreign capital dried up and detached sales plunged to record lows. Unfortunately the outlook remains bleak, as there is currently 50 months of inventory for homes above \$3M across Greater Vancouver.

The knock-on effects of a weak housing market has undoubtedly leaked into the construction sector and this is now showing up in official Canadian GDP numbers out of Ottawa. Annualized Q4 GDP came in at just 0.4%, well below forecasted growth of 1%.

[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

On a monthly basis the Canadian economy has now contracted in three of the past four months.

Given the well documented slump in the Canadian housing market, which finished 2018 with the fewest annual home sales since 2012, and plenty of research which suggests housing leads the business cycle, the complete miss on Q4 GDP numbers was most definitely avoidable. Further, household credit which has propelled asset prices to extreme valuations and extended the Canadian credit cycle well beyond expectations continues to decelerate. Household credit growth slumped to 3.09% year-over-year in December, the weakest pace of growth since June, 1983.

Thus, the combination of weaker credit growth and rising interest rates has put a dent in Canadian households. As noted earlier, this has already shown up in home sales with the knock-on effects spilling over into consumer spending and construction. Consumer spending advanced at its weakest pace in this decade long business cycle (+0.7%), while construction fell for the seventh consecutive month, now down 6.3% year-over-year, and residential investment sinking 15%.

Will Ottawa come to the rescue? So far it seems there is little appetite for reversing policy. A lifeline from Canadian finance minister Bill Morneau is being rumoured to be coming in the form of 30 year amortizations for first time buyers. However, will that be enough to offset an unprecedented decline which saw Greater Vancouver home sales fall to their lowest total for the month of February since 1985? Are we really witnessing the demise of the great Canadian credit cycle? Time will tell.

[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

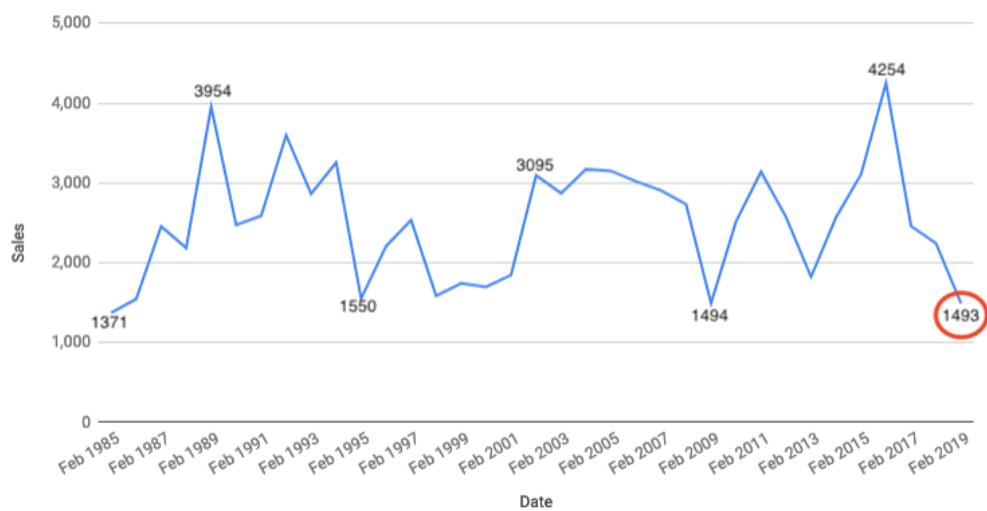
CHART OF THE MONTH

A BLAST FROM THE PAST?

Greater Vancouver home sales (all property types) had the worst February since 1985 just barely edging out February 2009. Given that policy makers work on a lag one has to think help is still a ways out.

Greater Vancouver Home Sales in February

Source: REBGV, Steve Saretsky



[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!

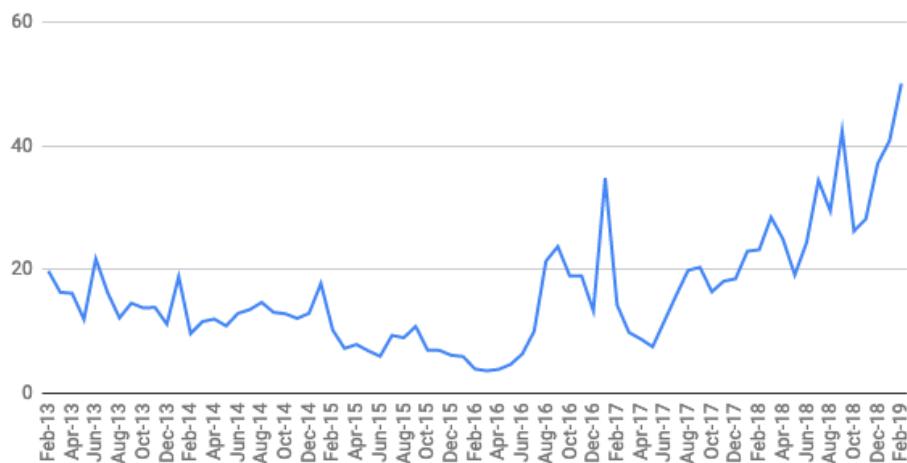
SARETSKY'S CHART BOOK

LUXURY WOES.....

The number of homes for sale in Greater Vancouver priced above \$3M continues to grow. There is now 50 months of inventory for sale. One has to think the recent addition of BC's annual speculation tax targeting satellite families won't help this segment.

Months of Inventory for Greater Vancouver Homes Above \$3M

Source: REBGV, Steve Saretsky



[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!

OH CREDIT, WHERE ART THOU?.....

Household credit growth continues to slump. As of December household credit growth fell to 3.09%, the weakest pace of growth since June 1983. Is it any wonder home sales are the lowest since 1985.

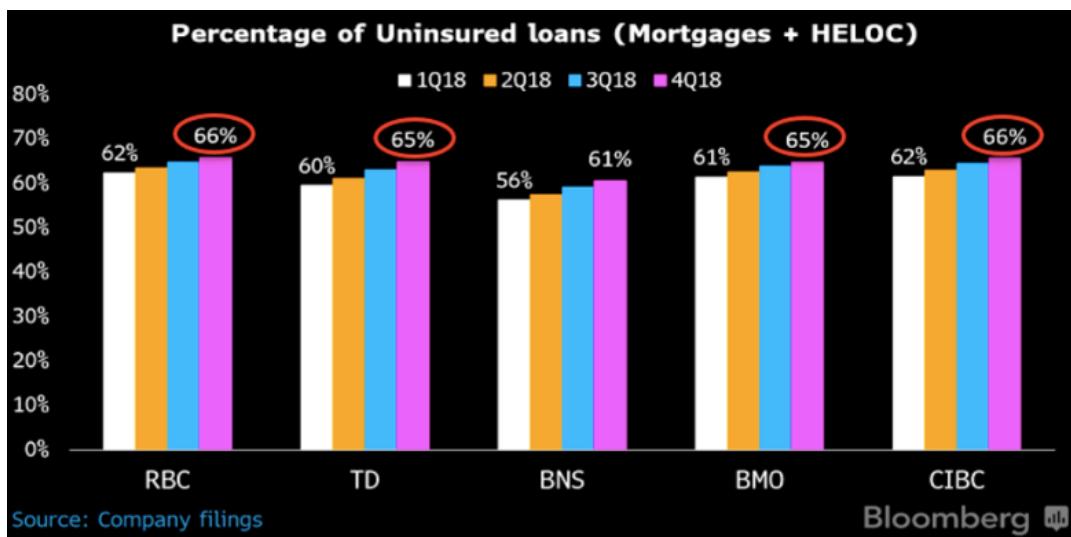
Household Credit Growth Y/Y



[CLICK HERE TO SIGN UP FOR THE SARETSKY REPORT!](#)

DE-RISKING THE TAXPAYER?

CMHC continues to de-risk taxpayer liabilities. Insured mortgages fell 8% year-over-year in December. As a result, Canadian banks are witnessing continued growth in uninsured mortgages. In December uninsured mortgages had grown a whopping 14.8% year-over-year.



[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!

DEEP DIVE

This section provides a brief overview of the month that was across the Vancouver real estate market, including the percent change from one year ago in the condo, townhouse and detached markets.

CONDOS

	FEB 2019	FEB 2018	% CHG (YR)
NUMBER OF SALES	267	456	- 41%
NUMBER OF NEW LISTINGS	768	720	7%
INVENTORY	1,683	911	85%
SALES TO ACTIVE RATIO	16%	50%	- 68%
MONTHS OF SUPPLY	4.5	1.7	171%
AVG DAYS ON MARKET	34.3	19.0	80%
MEDIAN DAYS ON MARKET	15	8	88%
AVG PRICE	\$855,622	\$967,001	- 12%
MEDIAN PRICE	\$698,800	\$785,000	- 11%
AVG PRICE PER SQ FT	\$1,002	\$1,096	- 9%
MEDIAN PRICE PER SQ FT	\$995	\$1,061	- 6%
% OF LISTINGS SOLD OVER ASKING	12%	48%	- 76%

[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!

TOWNHOUSES

	FEB 2019	FEB 2018	% CHG (YR)
NUMBER OF SALES	39	60	- 35%
NUMBER OF NEW LISTINGS	117	128	- 9%
INVENTORY	284	206	38%
SALES TO ACTIVE RATIO	14%	29%	- 53%
MONTHS OF SUPPLY	5.2	2.7	93%
Avg Days on Market	28.1	21.2	33%
Median Days on Market	7	10	- 30%
Avg Price	\$1,128,103	\$1,226,162	- 8%
Median Price	\$979,900	\$1,150,000	- 15%
Percent of Listings Sold over Asking	23%	35%	- 34%

DETACHED

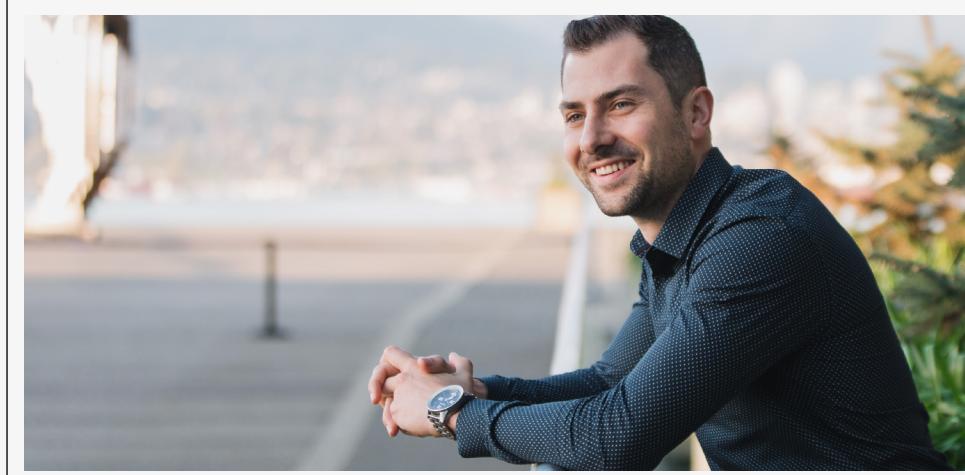
	FEB 2019	FEB 2018	% CHG (YR)
NUMBER OF SALES	98	130	- 25%
NUMBER OF NEW LISTINGS	341	463	- 26%
INVENTORY	1,496	1,384	8%
SALES TO ACTIVE RATIO	7%	9%	- 30%
MONTHS OF SUPPLY	11.3	6.9	64%
Avg Days on Market	40.5	47.4	- 15%
Median Days on Market	17	20	- 15%
Avg Price	\$2,070,030	\$2,646,361	- 22%
Median Price	\$1,705,000	\$2,095,000	- 19%
Percent of Listings Sold over Asking	12%	15%	- 16%

[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!

ABOUT STEVE

Steve Saretsky is a Vancouver residential Realtor and author behind one of Vancouver's most popular real estate blogs, Vancity Condo Guide. Steve is widely considered a thought leader in the industry with regular appearances on BNN, CBC, CKNW, CTV and as a contributor to BC Business Magazine.

Steve Saretsky provides [real estate services](#) throughout Greater Vancouver. To inquire about listing or buying a property, please email: steve@stevesaretsky.com.



[CLICK HERE](#) TO SIGN UP FOR THE SARETSKY REPORT!



STEVE SARETSKY
PERSONAL REAL ESTATE CORPORATION

STEVE@STEVESARETSKY.COM | STEVESARETSKY.COM

SUTTON WEST COAST REALTY
301-1508 W. BROADWAY. VANCOUVER, B.C. V6J 1W8