As the Vancouver Real Estate market heads into the dog days of summer, it is desperately trying to shake an abnormally sluggish first half. To suggest sales have been weak might be an understatement, as Vancouver housing sales across all property types dipped to an eighteen year low in the month of June. Home sellers and Realtors remain relatively confused and unsure when this storm will pass. Many have chosen to take their home off the market and try again at a later date. One thing is for sure: buyers have become dissatisfied and refuse to bid prices any higher, at least for now.
As always, we’ll begin by pulling back the curtain on Vancouver’s detached housing segment. While the general public is becoming more aware the single family house market has “slowed", the reality is much more grim. There were just 177 sales in the month of June. This marked the lowest total ever recorded dating to 1991, when the Real Estate Board of Greater Vancouver began compiling comprehensive market data. This marked a 35% decline on a year over year basis.

This continues a trend which is not exclusive to the month of June. Detached home sales have been at rock bottom lows for over six months, with month after month home sales trickling in. As of the first six months of this year, detached home sales have officially registered their lowest total in history. If the second half of this year is anything like the first half, expect more downwards pressure on prices. Those that need to sell will have to cut asking prices.
Speaking of price cutting, buyers haven’t been generous with their offer prices. The average percent of the original asking price - meaning how much the average home sells below its asking price - dropped to 94.1% in June 2018. This was slightly lower than June 2008 when buyers sought steep discounts leading up to the financial crisis.

If there was one positive for detached home sellers, it’s that there appears to be no ‘panic selling’, at least right now. New listings for the month of June tumbled 29% year over year, down to their lowest total in thirteen years. Despite that, for sale inventory still moved higher, increasing 8% year over year and jumping to the highest it’s level for the month since June of 2012.
Overall it’s a mixed bag on prices: the median sales price dropped 1% year over year, while the average sales price by 5%. Entry level detached homes continue to hold up much stronger than the luxury side of the housing market. Luxury homes have experienced price declines in the double digits with foreign investment drying up and tighter lending conditions factoring in.

The steady as she goes condo market has started to wobble. Despite the noise in the detached market, the condo market has been churning out rather impressive price appreciation. Those days appear to be nearing an end. The average price per square foot, a marker which has been an accurate gauge of condo prices within a sea of data confusion, officially peaked out in January 2018. Six months later, prices have failed to push new highs, despite prices generally pushing new highs in the spring selling season. The average price per square foot now sits at $1034, a 5% increase year over year. While that’s still in positive growth territory, the deceleration of price growth has been noticeable in 2018.
While condo prices have begun to stabilize, this is in large part due to a declining number of buyers. Who knows where they all went, but Vancouver condo sales sank 32% year over year in June. There were a total of 475 condo sales this month, the lowest since June of 2012.
Meanwhile, new listings increased by 7% year over year, and new listings combined with falling sales helped push active inventory higher by 40%. To be clear, while the 40% jump in inventory year over year is sure to make eyes water, overall inventory levels remain quite subdued. They'll need to continue rising in order to see prices pull back.

We continue to see the most demand at the entry level. There are likely a few reasons for this: first time buyers remain quite active in the market and it’s all they can afford. Also, investors and or speculators are still seeing prices inch higher in this segment. The more liquidity the better for someone trying to get in and out the market to make a quick buck. The sales to actives ratio for one bedroom condos sits at 43%. On the other hand, you can start to see two bedroom condos slowing, the sales to actives ratio slid to 27% in June, down a whopping 49% from one year ago. This should not come as a surprise considering the median sales price of a two bedroom unit is just a shade under $1M at $940,500, a tough price point in a B-20 world.
Sales to Actives Ratio: Vancouver Condos
Source: REBGV, Steve Saretsky
It wasn’t just the city of Vancouver which felt the pinch, as detached home sales across all of Greater Vancouver trickled in at their lowest total in recent history for the second quarter of 2018. Second quarter sales fell 33% year over year.
The Real Estate slowdown isn’t exempt to little old Vancouver. Canadian home sales slid 16% year over year in May, with the average sales price dipping 6%. It’s expected June numbers won’t fare much better when they are released in the coming weeks. It’s safe to say reducing the average Canadians mortgage size by 20% has put a dent in home sales across the nation.
PRIVATE LENDERS REJOICE

If you want to understand what’s happening in the Canadian lending space, then look no further. With unaffordability near record highs and a new mortgage stress test reducing borrowing power, buyers have turned to private lenders. In Ontario, private lenders have increased their market share by nearly double since 2015. Here’s Canadian Mortgage Inc, a private lending business, which has grown originations by 143% in 2017 and expects to nearly double again in 2018.

Source: Manager
Steady As She Goes

After years of rapid price inflation it appears BC Real Estate prices have been stabilizing. The average sales price dipped 2% year over year, while seasonally adjust prices dipped by 2.5%. Home prices in the province peaked in the spring of 2016, followed by a dip after the announcement of a foreign buyers tax, before retesting those peaks in the spring of 2017. Since then, growth has been effectively flat.

BC Real Estate Prices
Source: CREA, Steve Saretsky
Q: In 2016 MacLean’s did a piece called “The Anatomy of a Real Estate Bubble.” They predicted a fall in 2017/2018 sales resulting from sales being pulled forward into 2015/2016 from buyers buying early (FOMO). Any chance that is part of what we are seeing now?

A: Yes, part of the Real Estate cycle which is well documented by Dr. Glenn Mueller of the University of Denver is that sales tend to get pulled forward from a level of demand which is unsustainable. We can see this in Vancouver when sales were surging in 2015 and 2016, ultimately peaking at a record high in March, 2016. Many buyers moved their purchasing decision forward from a fear of missing out, while simultaneously the rising prices brought in a larger herd of investors, of which would not have existed without rapid price inflation.
JUNE 2018 IN REVIEW

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