



THE  
SARETSKY REPORT  
.....  
NOVEMBER 2019

**SARETSKY**  
GROUP

The Greater Vancouver housing market enjoyed another solid bounce in the month of November, helping to solidify the current recovery in the housing market. However, as we have preached the past few months, we still believe caution is warranted. Sales activity across Greater Vancouver recorded a whopping 55% jump from last November, thanks in part to incredibly weak base effects (November 2018 sales were the weakest since 2008). We have recently witnessed an easing of financial conditions thanks in part to global central banks aggressively easing monetary policy, this has helped not only lower borrowing costs but encouraged prospective buyers off the sidelines. As a result, we are seeing increased sales activity combined with a drop in total inventory for sale, and thus a flurry of media headlines suggesting we are on the precipice of another bull market. But are we really? Let's dive in.

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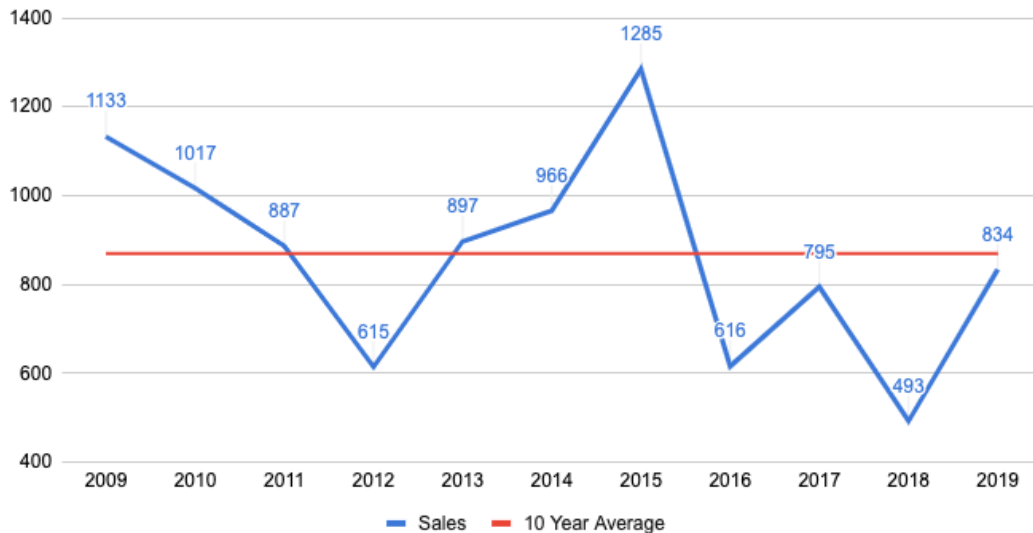
# OVERVIEW

## DETACHED MARKET.....

Greater Vancouver detached sales increased 60% year-over-year in November. Again, weak base effects are responsible for the head turning increase, as November 2018 recorded the fewest detached sales since November 2008. What we can see in the chart below is that despite the huge increase in sales this month, detached sales for the month of November were still 4% below the 10 year average.

**Greater Vancouver Detached Sales in November**

Source: REBGV, Steve Saretsky

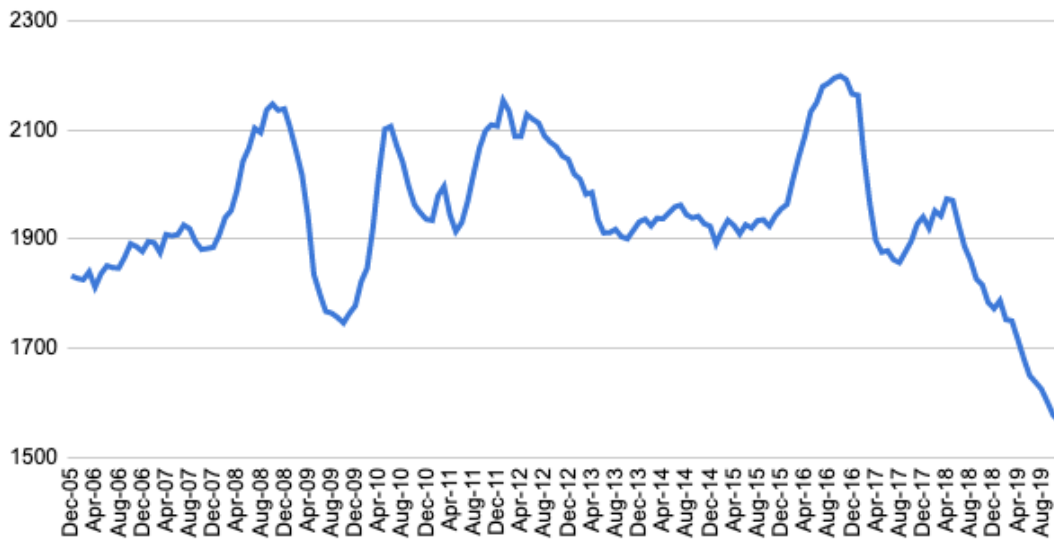


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Meanwhile, as sales volumes have increased, new listings have plummeted. New listings were 11% lower than last November, and continue to fall on a 12 month moving average basis.

### Greater Vancouver Detached Listings (12-Month Average)

Source: REBGV, Steve Saretsky



So why are new listings falling? There's likely no one answer but a couple do come to mind. First, we aren't building a whole lot of new single family housing. Second, sellers aren't being forced to sell. Interest rates and economic prospects remain accommodative for sellers to hold-out if they can't get their price. We are not in a "Big Short" situation where interest rates are rising, credit taps have turned off, and foreclosures are flooding

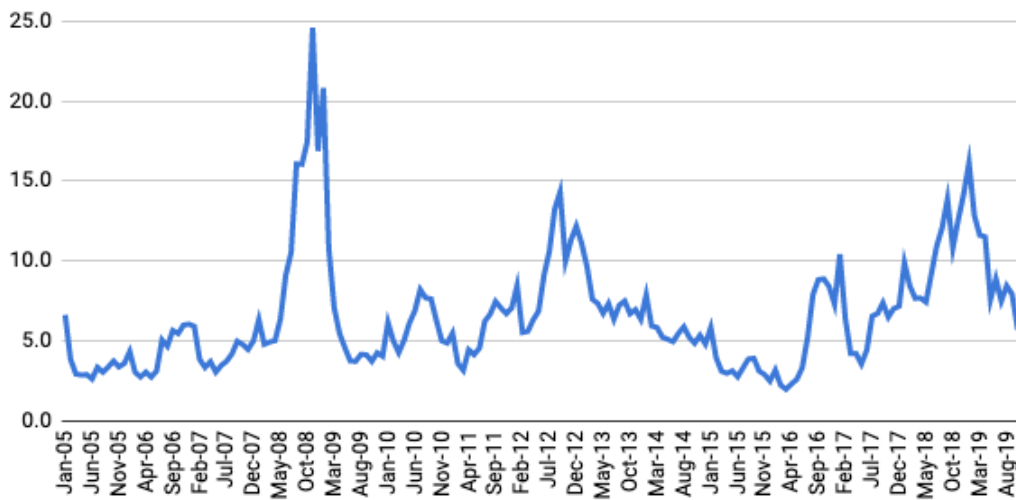
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the market. In fact it is quite the opposite, at least right now.

As a result, with sales picking up and new listings falling, we have witnessed a drop and further stabilization in the months of inventory for sale. As of today, there is 5.9 months of inventory for sale, which teeters on the edge between a balanced market and one that still favours the buyers. The latter being the most reflective of overall market conditions today.

### Greater Vancouver Detached Months Of Inventory

Source: REBGV, Steve Saretsky



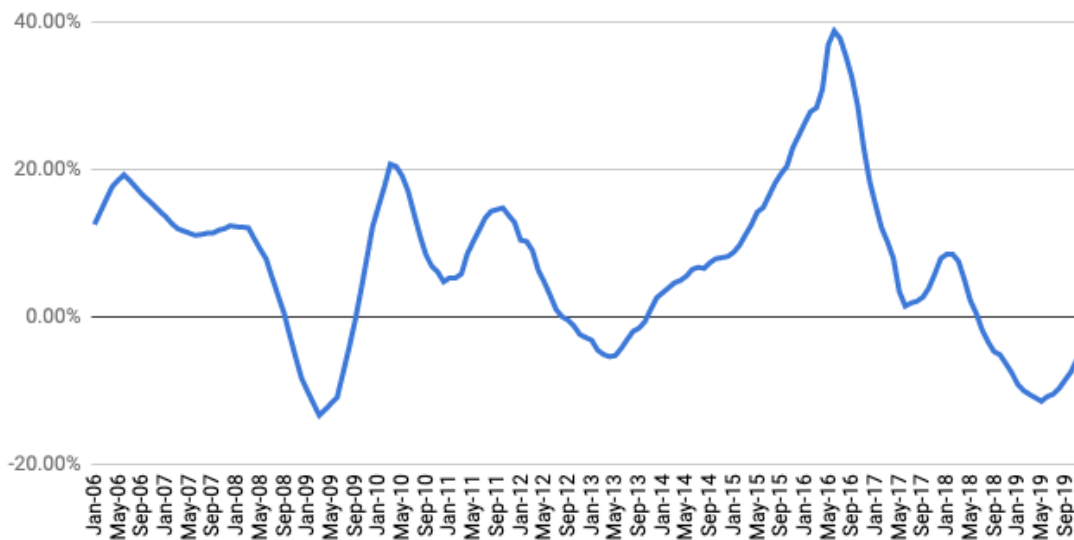
Keep in mind, inventory is growing in higher price brackets. The luxury housing market, ie homes priced above \$3M, has a whopping 19 months of inventory for sale.

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As inventory conditions fluctuate, so too will prices. For example, we are still seeing healthy activity and stable prices for entry level detached homes. But again, as you begin to increase in price, market conditions soften significantly. Overall, the MLS home price index shows detached homes declined 5.82% from November 2018 but recent momentum points towards positive growth in the near future assuming conditions remain constant.

### Greater Vancouver Detached Prices Y/Y

Source: REBGV, Steve Saretsky



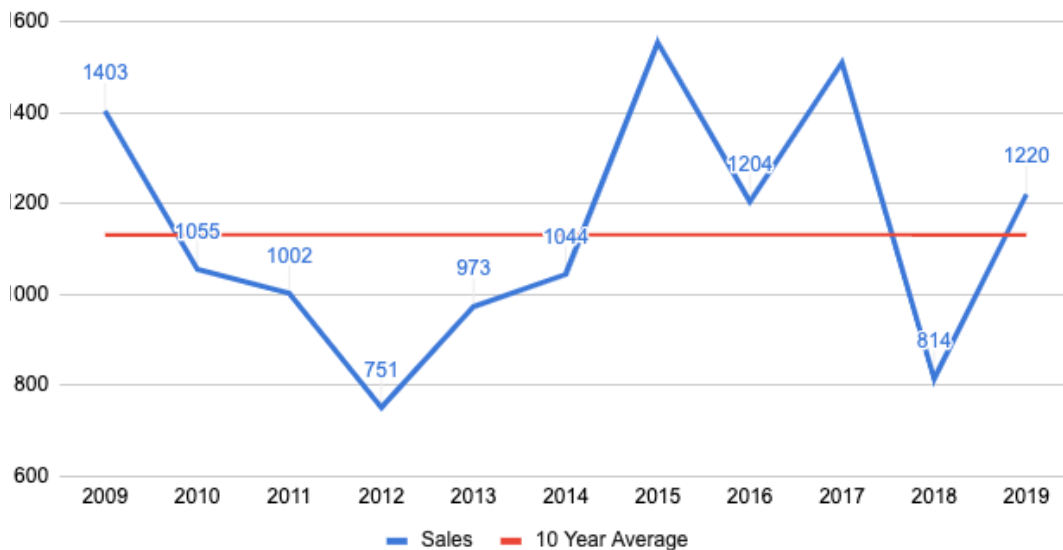
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## CONDO MARKET.....

Condo sales increased 50% from November 2018 levels, once again, weak base effects played a huge roll. Condo sales remain well below the frenzied levels during 2015-2017, but are just slightly above ten year averages. What we are seeing is a much more local market. People are still struggling with unaffordability and so condos remain the only option for many buyers.

### Greater Vancouver Condo Sales in November

Source: REBGV, Steve Saretsky



Similar to the detached market, new listings are plunging, falling 17% from last year. Again, we believe holding power and

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perhaps a renewed sense of confidence in the Vancouver market is keeping sellers, and for that matter investors, from selling their units. Is this sustainable? We believe it is not, given there are a record number of new apartment units under construction.

### Greater Vancouver Apartment Listings, 12-Month Average

Source: REBGV, Steve Saretsky



There are over 36,000 units under construction and are expected to complete over the next couple of years. However, as it stands today, new listings remain quite low.

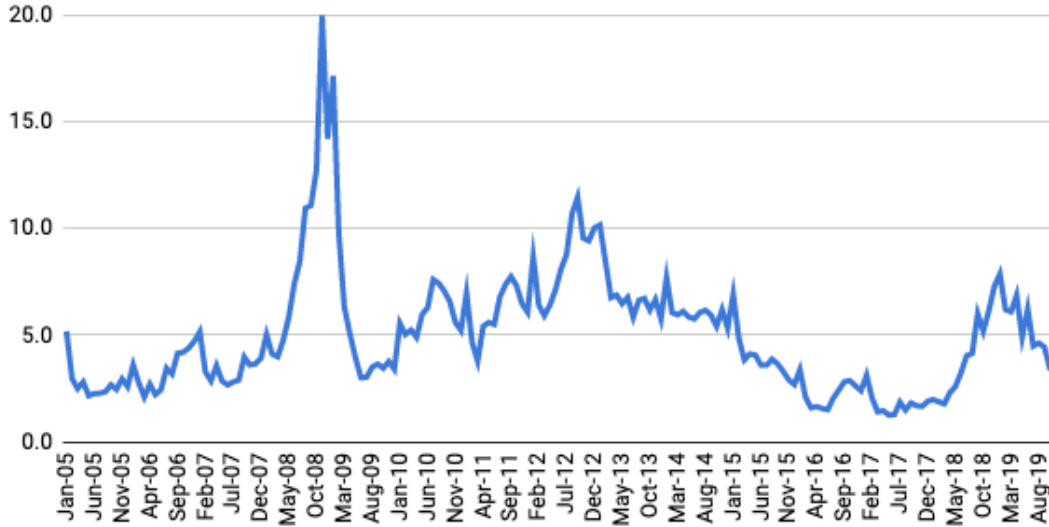
With condo sales bouncing higher and new listings falling, the months of inventory has remained stable at 3.4 months of supply.

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### Greater Vancouver Condo Months Of Inventory

Source: REBGV, Steve Saretsky



Anything below 4 months is considered a market that favours the seller and tends to apply upwards pressure on prices.

As it stands today, the MLS home price index, which is a lagging indicator, is not showing price increases for condos. However, in four of the past five months we have seen the average sold price per square foot edge slightly higher. Further, with the sales to actives ratio sitting at 30% (indicative of a sellers market) this is pointing towards higher prices in the near term. Again, this does not mean we are entering a new bull market but we could still see some price growth coming. Once again, this is assuming all else stays the same! More on that later.

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### Greater Vancouver Condo Prices Y/Y

Source: REBGV, Steve Saretsky



In summary, the condo market has bounced back to life and looks strong, particularly for anything that resembles affordability. Affordability is the name of the game in the Vancouver housing market today.

### SUMMARY.....

The reflation trade is on. Thanks to global central banks slashing interest rates and the US Federal Reserve expanding their balance sheet once again ( Don't call it QE), financial conditions

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have eased and asset prices are reflatting once again. We can see this in several corners of the financial market, whether its the S&P 500 reaching new highs, the VIX (volatility index) plummeting, or US new home sales growing at their fastest pace in more than twelve years. The Vancouver housing market is just one beneficiary of this increased liquidity in what has become an increasingly synchronized global asset based economy. The question everyone wants to know, will it last? While that is certainly well above my pay grade, what we can focus on is the here and now in the Vancouver housing market and some things we see coming down the pipe in the near future. Sales are clearly increasing, and housing demand is showing to be surprisingly robust. Prices are no longer falling, unless you start looking upwards of \$2M. The luxury market remains soft, in part because Chinese demand remains a fraction of what it was. Per BC Government data, foreign buyers were involved in \$135M of residential transactions across the province for the month of October. That number continues to drift lower and remains well below the cycle high of \$400M in June of 2017.

This probably explains why the pre-sale market remains soft, the absorption rate was just 23% in October, well below where developers would like it to be. There is particular weakness in pre-sale concrete condos which essentially became a luxury product marketed overseas. Now that demand has dropped off, the number of concrete condos brought to market in 2019 should fall by over 75 per cent when compared to 2018. Per MLA Canada, On average, our market sees anywhere from 8,000 to 12,000 concrete condo units brought to market per year. 2019 will likely see less than 3,000.

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With developers pulling back on new launches, we are seeing a drop off in new land acquisitions as well. Per Altus Group data, third quarter land sales fell 48% year-over-year. Although this is somewhat of a lagging indicator due to reporting standards. What we know for sure is that developers remain cautious as profit margins have compressed. Again we will continue watching this space as it plays a pivotal role in the local economy that is highly levered to real estate.

Coming full circle, future activity hinges on several unknown and uncontrollable factors. More specifically whether or not central banks can prolong this cycle. I think everybody knows this cycle is extended and growth is slowing. Meanwhile Geopolitical tension remains elevated and Chinese capital, which was a significant driver of housing demand, remains a fraction of what it was.

However, it appears locals have been passed the baton, and for now they're running with it. Five year fixed mortgage rates remain below 3%, the labor market is still in tact, and population growth is steady. And so, Canadians continue to borrow money. Residential mortgage credit growth is accelerating once again, now growing at its fastest clip since July 2017. That should tame any further suggestions to remove or amend the B-20 Mortgage stress test. In summary, its become a local market once again, however the affordability problem has not gone away, and so prospective buyers are stuck trying to buy anything that resembles affordability, although the supply of which remains scarce.

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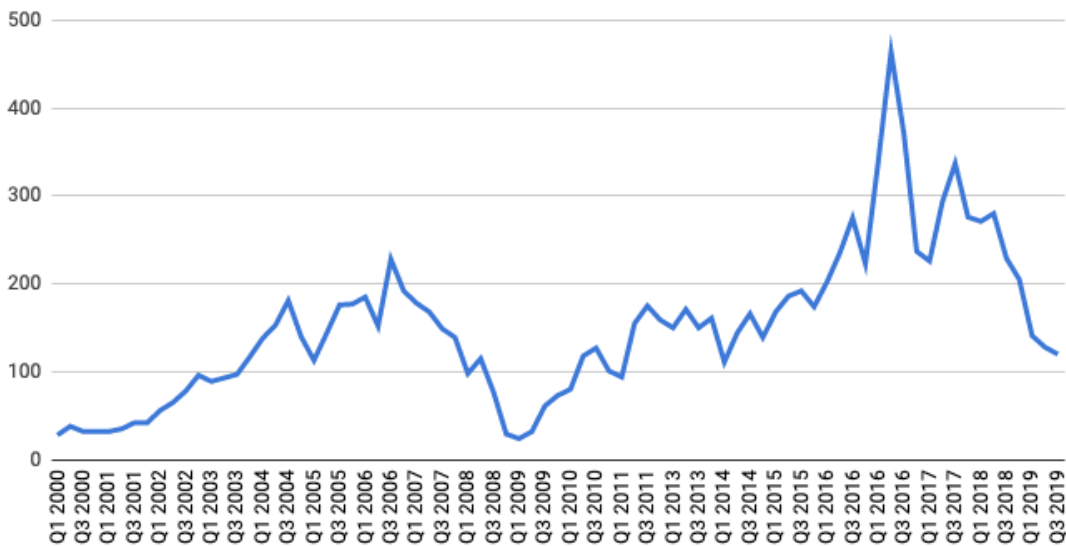
# CHART OF THE MONTH

## STILL CAUTIOUS.....

The latest Q3 2019 data from Altus Group shows developers remain cautious on new land acquisitions. Q3 land sales fell 48% year-over-year. We should expect land sales to begin edging higher next year.

**Metro Vancouver Land Sales By Quarter**

Source: Altus Group Steve Saretsky



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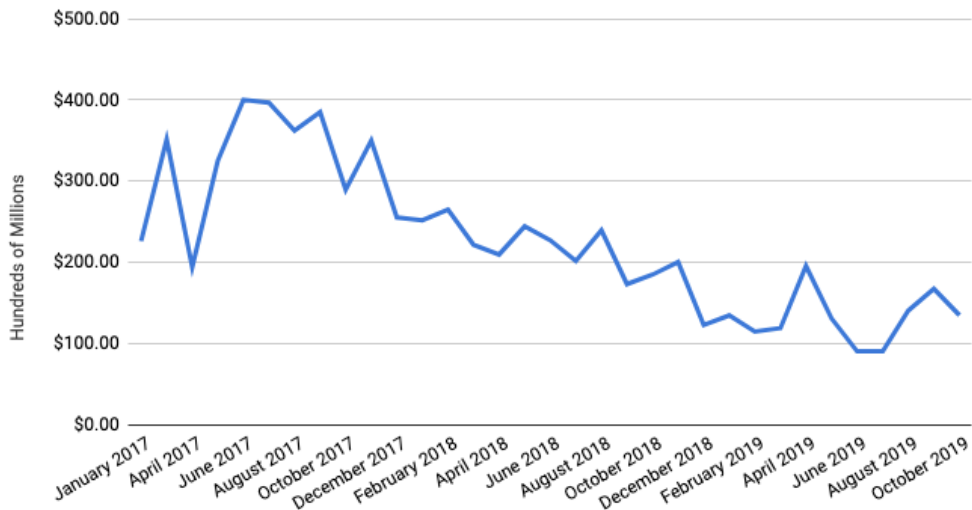
# SARETSKY'S CHART BOOK

## NOT WHAT IT USED TO BE.....

As of October, property transfer tax data from the BC Government shows foreign buyers were involved in \$135M of residential transactions across the province. That remains well below the cycle high of \$400M in June of 2017.

### Value of Foreign Residential Purchases in BC (Hundreds of \$Millions)

Source: BC Stats, Steve Saretsky



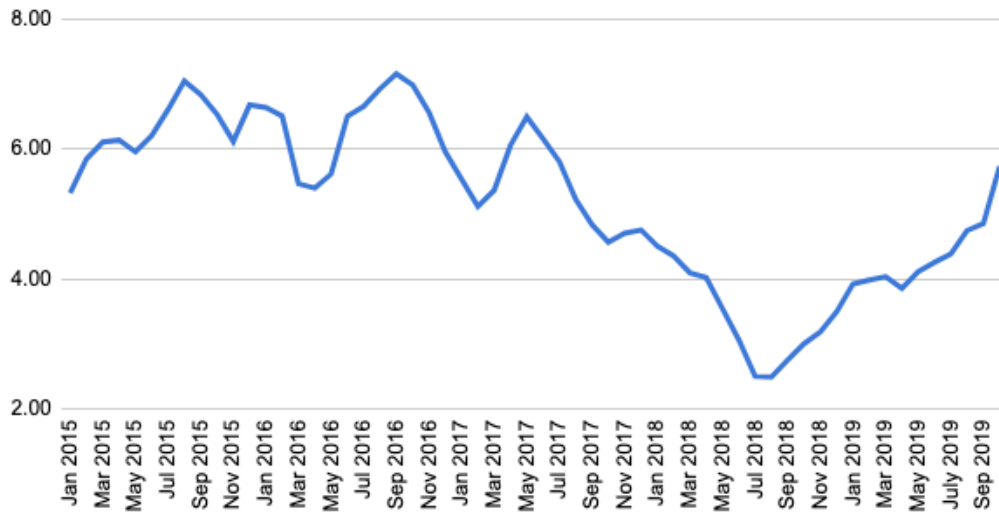
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## WHAT STRESS TEST?.....

Residential mortgage credit growth on a 3 month annualized basis is growing at 5.74% as of the end of October. That's the quickest pace of growth since July 2017.

### Residential Mortgage Credit Growth 3-Month Annualized

Source: Bank of Canada, Steve Saretsky



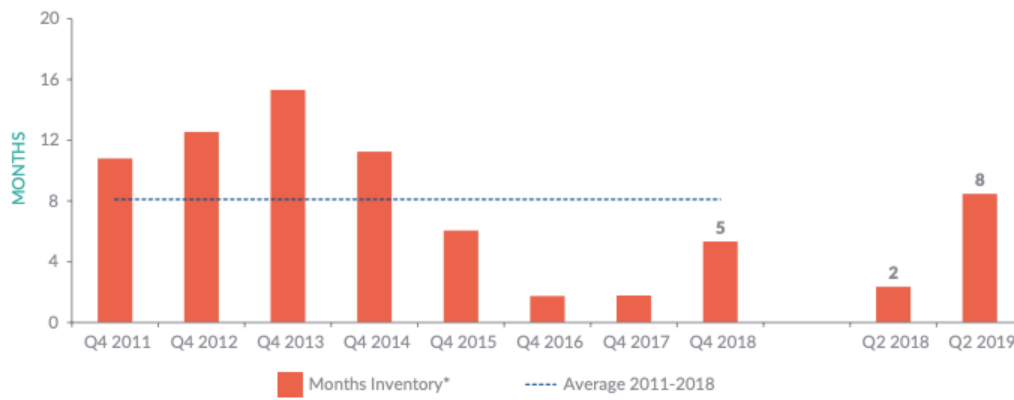
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## INVENTORY REPLENISHING.....

This one is from Altus Group, which notes that pre-sale condo inventory is building. As of Q2 2019, there was 8 months of unsold inventory for sale. This is now right in line with its long term average.

### New Condominium Apartment Months of Remaining Inventory: Vancouver Market Area

Source: Altus Group, Steve Saretsky



\* Based on sales in previous 12 months

Source: Altus Group

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## DEEP DIVE

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

### GREATER VANCOUVER - CONDOS.....

	NOV 2019	NOV 2018	% CHG (YR)
NUMBER OF SALES	1,220	814	50%
NUMBER OF NEW LISTINGS	1,369	1,660	- 18%
INVENTORY	4,140	4,942	- 16%
SALES TO ACTIVE RATIO	29%	16%	79%
MONTHS OF SUPPLY	4.2	4.5	- 7%
AVG DAYS ON MARKET	44.3	34.0	30%
MEDIAN DAYS ON MARKET	28	23	22%
AVG PRICE	\$670,845	\$689,331	- 3%
MEDIAN PRICE	\$589,000	\$578,000	2%
AVG PRICE PER SQ FT	\$778	\$788	- 1%
MEDIAN PRICE PER SQ FT	\$744	\$735	1%
% OF LISTINGS SOLD OVER ASKING	9%	8%	15%

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## GREATER VANCOUVER - TOWNHOUSES.....

	NOV 2019	NOV 2018	% CHG (YR)
NUMBER OF SALES	397	256	55%
NUMBER OF NEW LISTINGS	439	500	- 12%
INVENTORY	1,460	1,661	- 12%
SALES TO ACTIVE RATIO	27%	15%	76%
MONTHS OF SUPPLY	4.5	5.1	- 11%
AVG DAYS ON MARKET	42.1	39.8	6%
MEDIAN DAYS ON MARKET	23	29	- 21%
AVG PRICE	\$829,139	\$838,829	- 1%
MEDIAN PRICE	\$757,500	\$758,000	0%
PERCENT OF LISTINGS SOLD OVER ASKING	7%	4%	86%

## GREATER VANCOUVER - DETACHED.....

	NOV 2019	NOV 2018	% CHG (YR)
NUMBER OF SALES	834	520	60%
NUMBER OF NEW LISTINGS	1,068	1,198	- 11%
INVENTORY	4,757	6,056	- 21%
SALES TO ACTIVE RATIO	18%	9%	104%
MONTHS OF SUPPLY	7.1	9.2	- 23%
AVG DAYS ON MARKET	56.9	54.2	5%
MEDIAN DAYS ON MARKET	30	38	- 21%
AVG PRICE	\$1,581,916	\$1,703,087	- 7%
MEDIAN PRICE	\$1,335,000	\$1,350,000	- 1%
PERCENT OF LISTINGS SOLD OVER ASKING	9%	6%	59%

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## CITY OF VANCOUVER - CONDOS.....

	NOV 2019	NOV 2018	% CHG (YR)
NUMBER OF SALES	450	297	52%
NUMBER OF NEW LISTINGS	541	668	- 19%
INVENTORY	1,485	1,899	- 22%
SALES TO ACTIVE RATIO	30%	16%	94%
MONTHS OF SUPPLY	4.0	4.6	- 13%
AVG DAYS ON MARKET	40.6	30.5	33%
MEDIAN DAYS ON MARKET	24	21	14%
AVG PRICE	\$847,097	\$888,208	- 5%
MEDIAN PRICE	\$715,000	\$693,000	3%
AVG PRICE PER SQ FT	\$979	\$1,020	- 4%
MEDIAN PRICE PER SQ FT	\$975	\$941	4%
% OF LISTINGS SOLD OVER ASKING	13%	8%	65%

## CITY OF VANCOUVER - TOWNHOUSES.....

	NOV 2019	NOV 2018	% CHG (YR)
NUMBER OF SALES	67	48	40%
NUMBER OF NEW LISTINGS	81	85	- 5%
INVENTORY	288	313	- 8%
SALES TO ACTIVE RATIO	23%	15%	52%
MONTHS OF SUPPLY	5.1	5.4	- 6%
AVG DAYS ON MARKET	26.7	38.6	- 31%
MEDIAN DAYS ON MARKET	18	31	- 42%
AVG PRICE	\$1,039,012	\$1,017,627	2%
MEDIAN PRICE	\$995,000	\$933,000	7%
PERCENT OF LISTINGS SOLD OVER ASKING	16%	2%	688%

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## CITY OF VANCOUVER- DETACHED.....

	NOV 2019	NOV 2018	% CHG (YR)
NUMBER OF SALES	174	118	47%
NUMBER OF NEW LISTINGS	240	282	-15%
INVENTORY	1,126	1,521	-26%
SALES TO ACTIVE RATIO	15%	8%	99%
MONTHS OF SUPPLY	7.9	10.9	-28%
AVG DAYS ON MARKET	49.2	51.9	-5%
MEDIAN DAYS ON MARKET	22	27	-19%
AVG PRICE	\$2,094,987	\$2,534,107	-17%
MEDIAN PRICE	\$1,750,000	\$1,900,000	-8%
PERCENT OF LISTINGS SOLD OVER ASKING	19.0%	8.5%	124%

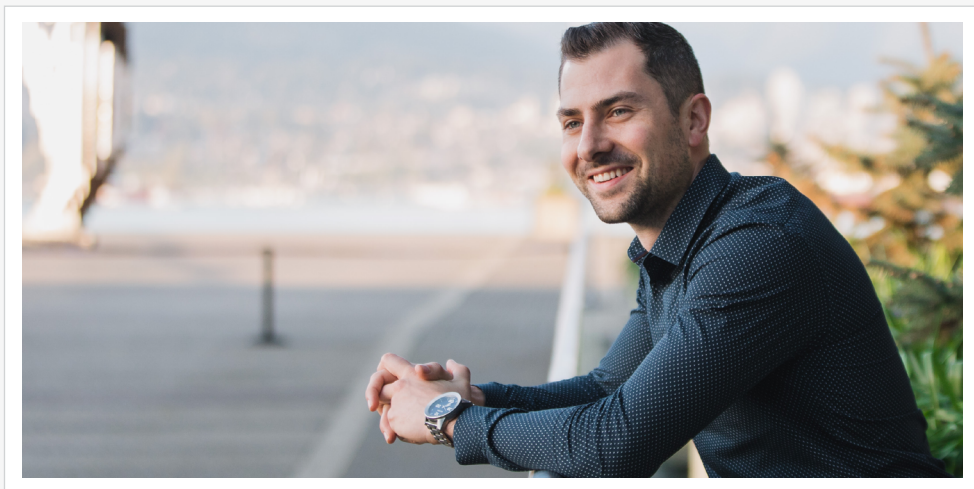
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## ABOUT STEVE

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Steve Saretsky is a Vancouver residential Realtor and author behind one of Vancouver's most popular real estate blogs. 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 has advised developers, hedge funds, and fund managers on the Vancouver housing market and is a regular speaker at industry events.

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





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