

Barbara Yaffe: Fear and loathing in Vancouver's real estate market

BY BARBARA YAFFE, VANCOUVER SUN MARCH 2, 2016 8:40 AM



The number of houses sold compared to the number of listings available is abnormally high in Metro Vancouver.

Photograph by: Richard Buchan, THE CANADIAN PRESS

Metro Vancouver has a finite land base and a steady stream of newcomers chasing a limited housing supply. But there is another factor contributing to the dire housing situation: the fear factor.

Observers agree that the fear of selling one's home and not being able to find another property is part of the story behind a low inventory of real estate listings, both in Vancouver and Toronto. The situation is handicapping buyers and sending prices skyward.

"Many locals are reluctant to sell, concerned they will not have a place to go to," says Andrew Hasman, a veteran realtor in Vancouver.

ReMax realtor Rhonda Sacks notes that Vancouver simply does not have enough townhouses and row houses — now being sought both by downsizers and young families — to meet demand. "There are not enough options for them, post-sale."

Adds architect and real estate consultant Michael Geller: "The sad reality is that often a large new townhouse or apartment — if you can find one in a location where you want to move — costs almost the same amount as what someone can get for their house, even if they are getting \$2.5 million.

"Moreover, there is this perception that, for the time being, prices are not going to go down."

In other words, by hanging on, a potential seller can make even more money by waiting.

The low-inventory story is being told by way of a metric known as the sales-to-active listings rate, which increasingly is being cited in news releases from the Real Estate Board of Greater Vancouver.

It reflects the number of house sales compared to the number of active listings, expressed as a percentage.

In January, the sales-to-active- listings rate in Metro Vancouver reached 38 per cent — its highest point in a decade.

And the fact that new listings do not stay on the market very long contributes to the low-inventory problem, explains Craig Munn, the real estate board's communications manager.

The rate in January of last year was just 17.7 per cent. In January 2014, it was 14 per cent.

A balanced market has a rate between 14 and 20 per cent, which ensures price stability.

Upward pressure on prices starts to occur when the rate hits 20 to 22 per cent for a sustained period. A rate of 12 per cent or less generates downward pricing pressure.

The sustained spike in the number of home sales to listings, which began in 2015, comes as new home starts are up more than eight per cent this year, to about 20,800 new units — reflecting a “stable pace of new home construction,” according to Canada Mortgage and Housing Corp.

Which adds weight to the theory that something else is happening to create the low-inventory conditions. Property owners, collectively, are surveying the situation and deciding to hang on to what they have. This, despite the fact there is big money to be made.

They know that by hanging on, they might make more money in the long run.

They also know, if they want to buy something else in their neighbourhood, they are likely to face that scourge of the real estate industry, the bidding war.

And so, realtors looking for listings are finding the most willing sellers tend to be estates or seniors requiring different housing arrangements, committed downsizers, divorcing couples, and people moving out of the area.

And it is a vicious circle because the more apprehension that potential sellers feel, the fewer listings there are. And the scarcer the listings, the higher the prices climb, reinforcing people's apprehensions.

Dexter Associates Realty, on its current real estate blog, observes that active listings for attached properties are down 43 per cent this year while detached property listings are down 38 per cent.

Dexter counted 1,285 active listings on the city's West Side in the first week of February, down from 2,023 a year ago. On the East Side, 524 active listings were counted, down from 847 a year earlier.

It's scary out there.

byaffe@vancouversun.com

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