

## OPINION

## Housing market needs more relevant data available

**Flying blind: Neither buyers nor sellers have enough information to know if they're making wise decisions****HARVEY ENCHIN**

VANCOUVER SUN



Robert Shiller, co-winner of the 2013 Nobel Prize in economics, warned in 2008 that Canada could face a housing bust similar to the collapse that crippled the U.S. economy.

That didn't happen, of course, yet Shiller, upon whose work the S&P/Case-Shiller Home Price Index is based, didn't change his tune. He told a Canadian business news show in 2012 that Vancouver's housing bubble was inflating faster than San Francisco's when that city was at the height of its bubble.

"I have Vancouver doubling (house prices) in 22 years," he said, referring to a chart he had prepared for the occasion. "So that's even bigger than (the bubble in San Francisco). I'll tell you one thing, I'm not investing in Vancouver real estate."

It just so happened that sales in August that year fell by 30 per cent from a year earlier. But — and this is an important but — prices barely budged. In fact, the benchmark price for detached properties edged up 0.2 per cent.

While the total number of listings rose 13 per cent from the same month a year earlier, prices for single family detached homes continued to rise. Vancouver residential real estate seemed to defy the immutable economic laws of supply and demand.

Real estate is a complicated investment. One can be

dispassionate about stocks, bonds, commodities and currencies, but a house is also a home. It's where you live, raise your family, celebrate milestones, and sometimes die. And, as the late comedian George Carlin once explained, it's where you keep your stuff.

The No. 1 rule of investing (after don't lose money) is this: Don't let emotion cloud your reasoning or, to put it another way, never fall in love with a stock.

However, emotion is the main force in play in the purchase of a home.

What's more, there are few objective measures to guide decision-making (and offset emotion). Stocks offer corporate financial statements for fundamental analysis, stochastic charts for technical analysis, a plethora of ratios, such as price-to-earnings, that can be used to assess value, and widely watched indexes that allow for monitoring the market minute by minute.

That's not to say there are no statistics about the housing market. It's just that they're not as useful to the buyer or seller of property as they are to real estate agents who earn commissions on both sides of a transaction.

In a note last week entitled *Flying Blind*, Canadian Imperial Bank of Commerce economist Benjamin Tal said: "The gap between the importance of the real estate market to the economy and the lack of publicly available information on it is mind-boggling."

Canada either doesn't collect data that would reveal market trends, or doesn't share with the public much of the information it does collect, Tal argues. For example, we don't know

*Maybe the pundits are right when they say buying a home isn't really an investment, it's a lifestyle choice. After all, if a Nobel Prize-winning economist like (Robert) Shiller can't pick the top of the market, what hope is there for the rest of us?*

the share of foreign investors in the condo market, the average down payment or the distribution of mortgages sorted by actual mortgage rates or debt-service ratios. It's not only consumers who are in the dark about the real estate market; so are policy-makers.

The Canadian Real Estate Association (CREA) provides a mountain of data every month on sales activity, average prices and number of new listings. It also publishes the MLS Home Price Index, which tracks prices in 10 metropolitan markets. Still, as sophisticated as it is, the HPI is of little help in deciding whether, where or when to buy a home.

The sales-to-listings ratio allows the real estate industry to declare a buyer's market when there are more homes for sale than there are buyers. The Real Estate Board of Greater Vancouver assumes, for instance, that a ratio of three sales to five buyers (a ratio of 55 to 60 per cent) is a seller's market. A ratio of fewer than seven sales for every 20 listings (a ratio of less than 35 per cent) would be a buyer's market. But, as we have seen in the Vancouver market, prices may continue to rise irrespective of the volume of sales to listings. It's not a practical tool for the

prospective homebuyer or seller.

The Teranet — National Bank National Composite House Price Index is independent of the CREA and tracks properties with at least two sales over time using public land registries in order to calculate any increase or decrease. However, the value of the index is limited by the number of properties that can qualify for inclusion and the timeliness of the data.

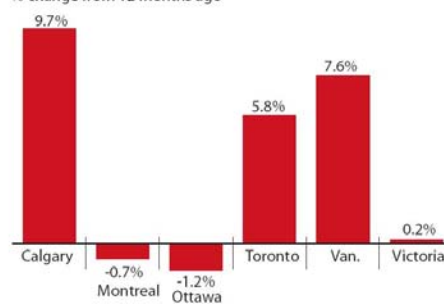
Some real estate analysts use the price-to-rent ratio to determine if it makes more economic sense to rent or buy. But this measure also has limitations, in that a house for sale may not be comparable to what's available to rent and vice versa, making this ratio highly hypothetical.

More detailed data about a specific property can be retrieved through a land title search, but there are fees to pay and a steep learning curve for the novice researcher. Even real estate agents hire lawyers to do this work for them.

BC Assessment can quickly supply a description of a property, its assessed value, the price of a recent sale and sales of other properties in the vicinity. But all of this still falls well short of the information that one can obtain about other

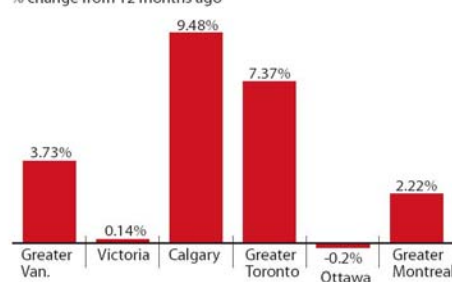
**Teranet — National Bank House Price Index for March**

% change from 12 months ago



**MLS Home price index for March**

% change from 12 months ago



investment products.

It seems odd that you can more easily gather information about an \$8 stock than an \$800,000 home, but that's the way it is.

Maybe the pundits are right when they say buying a home isn't really an investment, it's a lifestyle choice.

After all, if a Nobel Prize-

winning economist like Shiller can't pick the top of the market, what hope is there for the rest of us?

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