

# Real-time stats flag price drop

## Average price of home in Vancouver dropped 21.4 per cent in past month

Earlier this month, as surging Vancouver luxury home prices were making international headlines and local real estate boards reported continued price spikes, another set of gauges was telling a different story.



**ARLEN REDEKOP** Using a real-time average of home prices based on recent sales, national real estate brokerage Zolo has found Metro prices actually going down over the past few months, while the Real Estate Board of Greater Vancouver, using a median composite, reports a 32.6 per cent rise in the past year

These numbers revealed that average home prices in Metro Vancouver have been falling — not just in recent weeks, but also going back several months.

The various snapshots make for a muddle that might wash out over a longer period, but it's a cacophony of confusion for buyers and sellers trying to figure out what to do right now, not to mention homeowners obsessed with the rise and fall in the worth of their assets.

Zolo, a national real estate brokerage, has been attracting attention for its tracking of MLS home sales in real time. It says the "average price" of homes sold in the City of Vancouver has fallen 21.4 per cent in the last 28 days, is down 25.1 per cent over the last three months, and down 7.4 per cent from last year.

In Richmond, the average selling price of homes is currently \$779,000, down by 18.1 per cent in the last 28 days, down by 21.1 per cent in the last three months and down by 13.1 per cent from last year. In Burnaby, the numbers fell by 11.8 per cent and 21.9 per cent, respectively, according to Zolo, which posted similar drops in other areas, too.

"These numbers are based on the average value of houses for all transactions in a given period," said Zolo CEO Barry Allen. "It's not that the sky is falling, but if you are buying or selling, you need to have these real-time numbers."

Allen says his company has 300plus agents and he's not "out to disprove anything," but if prices are changing, it can happen very quickly and you need information on a rolling basis" instead of only during set reporting times.

The Real Estate Board of Greater Vancouver releases monthly stats, but it, along with others, frowns on using averages.

The latest REBGV numbers in July recorded an 18.9 per cent drop in total number of home sales compared to a year ago. The board, which represents real estate agents, described this as a return to more normal demand in the market after several months of recordbreaking activity. It didn't report a decrease in prices.

Instead, the board uses the MLS Home Price Index (HPI), which it describes as a "composite benchmark price for all residential properties" in Greater Vancouver. It posted a 32.6 per cent increase in July over a year ago.

The HPI is modelled after the consumer price index, which measures the rate of price change for a bundle of commonly used goods and services such as food, clothing and transportation. The board introduced the index in 1996 because averages can be skewed by higher or lower-end property sales and fluctuate dramatically because of this.

Instead, the HPI tracks so-called "typical" homes in a myriad of categories.

They are picked roughly annually for being "in the middle of the pack" over a long period (currently between January 2005 to September 2015) when it comes to "quantitative" attributes (such as their above-ground square footage or number of rooms) and having or not having qualitative features (such as a fireplace or access to a garage) that the majority of homes in their category have, according to Gregory Klump, who joined the Canadian Real Estate Association as chief economist in 1992 to "develop a program for the analysis of the real estate market."

If average prices can paint too volatile a picture and composite indexes might be too conservative in a dynamic market, the other measure is median price, which is the middle price in a list of sales numbers from high to low.

"This is the most realistic look at the ups and downs," said Steve Saretsky, a Vancouver real estate agent who has been blogging about the market.

Zolo's Allen agrees that median prices can be a more accurate reflection of a market if average prices get skewed.

It says that currently the average price of a home in Vancouver is \$1.1 million while the median price is just \$710,000. The difference between the two is 56 per cent of the median price. To compare, in West Vancouver, which can also be a market with extreme prices at the high end, the current difference between the two is only 12 per cent of the median, with the average price at \$2.8 million and the median at \$2.5 million.

But there is quibbling even with how to determine median prices.

With access to the version of the MLS that only agents can see, Saretsky calculated that the median price for a detached home in Richmond dropped in July to \$1.585 million.

The REBGV has it at \$1.7 million. From April to June, their calculations were closer, with both pegging it between \$1.7 million and \$1.75 million.

The board says it uses sales based on the day it processes the paperwork, while Saretsky uses sales based on when they are transacted.

It's a reasonable explanation to Saretsky, but he says the actual sale date shows median prices based "on both parties thoughts/ mindsets and current conditions ... Markets change on a weekly basis."