

Op-Ed Article by Dave Watt, President of Real Estate Board of Greater Vancouver. Appeared in Vancouver Sun Dec 5 08 Page A17.

Making sense of today's housing market

In recent months, economists have had the unenviable task of trying to calculate the direction the housing market is likely to take, factoring in things like unemployment rates, population and immigration figures, economic growth, mortgage rates, and that most nebulous of criteria: consumer confidence.

They agree that the decrease in housing sales and prices bears little relation to the economic indicators in BC. What has changed is public perception of our financial security, triggered by the troubled global financial markets. ...

Our MLS® statistics and Housing Price Index (HPI) tell us that, since May, residential home sales and prices have been decreasing. After five years of unprecedented growth in home values in the Lower Mainland, that's not particularly surprising or necessarily unwelcome.

Between 2003 and 2008, the HPI benchmark price of a detached home in Greater Vancouver increased nearly 70 per cent to \$761,000 from \$449,000. Condominiums over the same period increased 82 per cent to \$387,000 from \$213,000. Left unchecked at this rate, by 2013 the benchmark price of a detached home would top \$1.2 million and condos more than \$700,000.

Current trends offer moderation to a market where affordability, for much of this decade, was eroding, making home ownership unattainable to an expanding segment of our community.

Since May, residential home prices have declined 12.8 per cent, resulting in an 8.3 per cent year-to-date price reduction for detached, attached and apartment properties across Greater Vancouver.

These moderating home prices should not be confused with the U.S. housing downturn. Since 2005, prices in the U.S. have been edging downward due in large part to imprudent 'sub-prime' lending practices. Mortgages in Canada are tightly regulated and underpinned by a solid banking structure. The World Economic Forum recently identified Canada as having the world's "soundest" banking system.

The local real estate market is not immune to global economic challenges; however, Canada's disciplined lending structure has kept the mortgage landscape steady in these uncertain times.

While the current rate of foreclosures in the U.S. is nearly five per cent, only 0.28 per cent of mortgages in Canada are in arrears, a proportion that is not only low but steady, according to the Canadian Association of Accredited Mortgage Professionals (CAAMP). Low prices are not the concern as much as the view that prices are falling. Buyers are waiting to see if the real estate market has hit bottom.

Identifying the "bottom" of a market is difficult, given that certain variables must remain constant to attain real savings. For example, interest rates must remain low and that perfect house must remain available at an acceptable price. ...

For those whose finances allow it, there are excellent opportunities in today's housing market. This is a good market for long-term investors.

The Real Estate Board of Greater Vancouver has existed for nearly 90 years and witnessed numerous market cycles. Sales increase and decrease. Prices go up and down. Historically, the values at the peak of the next cycle inevitably surpass the ones before.