

THE VANCOUVER SUN

B.C. housing market still hot although Vancouver price hikes have tapered off: Supply unable to keep up with demand

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Byline: Michael Kane, with file from Eric Beauchesne

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British Columbia's housing market remains hot despite slowing sales, separate housing reports Thursday suggest.

But a closer look at one report's statistics reveals that price increases in Vancouver tapered off dramatically over the summer and declined marginally in two categories.

"While the year-over-year price increases look really good, the most recent data suggests that the market here is cooling down, albeit from a really excited place," said Tsur Somerville, director of the Centre for Urban Economics and Real Estate at the University of B.C.'s Sauder School of Business.

In contrast, Gregory Klump, chief economist with the Canadian Real Estate Association, said sales activity in B.C. and Alberta is easing to more normal levels but it will likely take until late spring before year-over-year price increases drop below double-digits.

And it was reported continuing "frenzied levels of activity and double-digit price gains" across the West, saying robust market conditions can be expected to continue for some time.

In Vancouver there are year-over-year price gains of 17.2 per cent for the average bungalow to \$704,250, while the average price of standard two-storey property rose by 13.8 per cent to \$794,000 and the average condominium rose 13.3 per cent to \$366,250.

However, the numbers also show that price increases in Vancouver stalled in the third quarter after rising rapidly in the first two quarters and dropped marginally for detached bungalows (minus 0.5 per cent) and condominiums (minus 0.7 per cent). The standard two-storey house was up 0.2 per cent.

By neighbourhood, prices in all three categories are up or steady in Vancouver East and Vancouver West, but down in North Vancouver and West Vancouver.

While Vancouver has seen a slight reprieve from a severe shortage of inventory, supply is still unable to meet demand, and that will force higher prices.

In an interview, Binnie said people continue to move to British Columbia for jobs, for the weather, and because it is a nice place to live.

"We've got an economy that is really good and the job market out there today is as tight as I have seen it in 30 years. Those two factors -- population growth and the economy -- impact the real estate market more than anything else."

Binnie discounted concerns about affordability, noting that four out of five new arrivals to B.C. are from outside the country, and many have money, while first-time buyers are opting for apartments or moving further east to find a property they can afford.

But he said B.C. will be affected by a slowdown in the U.S. economy, particularly in the vital sectors of lumber and tourism, and that will influence the housing market.

"All the signs indicate that we are going to be easing off from the kind of growth that we've experienced over the last one or two years, but what is hard to figure out is actually how much we are easing off."

Inventory levels in greater Vancouver are still not high enough to achieve balanced conditions, said Cameron Muir, senior market analyst with Canada Mortgage and Housing Corp. Muir expects balance "sometime in 2007 as home prices rise to the point at which many households simply can't afford to buy a home."

Nationally, sales increased last month and remain on track to set a new annual record, the Canadian Real Estate Association said, reporting that seasonally adjusted sales rose 0.7 per cent to 39,725, with increases in Saskatchewan, Ontario, Quebec, New Brunswick, Nova Scotia and Newfoundland and Labrador more than offsetting lower sales in B.C. and Alberta.

The Canadian housing market is not expected to suffer the downturn being witnessed south of the border, noting the economic and financial fundamentals driving the residential real estate sector in Canada are markedly different than those found in the United States.

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TAPERING OFF

Gains in the prices of homes in the city are being offset by declines on the North Shore:

Detached bungalow

Vancouver West \$925,000

three months ago: \$900,000

Vancouver East \$512,000

three months ago: \$483,000

North Vancouver \$580,000

three months ago: \$609,000

West Vancouver \$800,000

three months ago: \$840,000

Standard two-storey

Vancouver West \$1,150,000

three months ago: \$1,100,000

Vancouver East \$536,000

three months ago: \$505,000

North Vancouver \$610,000

three months ago: \$640,500

West Vancouver \$880,000

three months ago: \$924,000

Standard condo

Vancouver West \$550,000

three months ago: \$550,000

Vancouver East \$275,000

three months ago: \$254,000

North Vancouver \$270,000

three months ago: \$283,500

West Vancouver \$370,000

three months ago: \$388,500

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