MARKET STATS

OCTOBER 2023

Sales Volume Down But Prices Remain Steady: October 2023 REBGV Market Analysis

The REBGV housing market remains resilient in the face of challenging economic conditions. Over the past few months, we've witnessed an increase in home values, amounting to $31,351 since June. This brings the average home price in Greater Vancouver to $1,301,970, marking a noteworthy year-over-year increase of $62,063. Among the various housing segments, the detached category continues to display strength, with a monthly increase of $63,931 and impressive annual gains of $178,362. Furthermore, the attached asset classes are performing admirably on a yearly basis, with the condo segment up by $41,802 and the townhouse segment up by $18,189.

While aggregate home values haven't surged at the rapid pace observed earlier in 2023 and remain slightly below the peak levels of February 2022, the resilience of the Greater Vancouver housing market is undeniable. This resilience should instill confidence in both prospective homebuyers and investors. It's clear that the Greater Vancouver housing market maintains its attractiveness and demonstrates its ability to withstand the prevailing economic challenges. Notably, average home values have surged by 11.4% since the January lows of this year, a remarkable feat given the economic realities faced by Vancouver residents.

The stability of the housing market was highlighted in the recent release from the Bank of Canada. "Normally, house prices move pretty lockstep with interest-rate increases," Bank of Canada senior deputy governor Carolyn Rogers said at a news conference Wednesday, where she was discussing the bank's decision not to hike its rate further. "As interest rates come down, house prices go up a bit. And they'll come off as interest rates come back up," she said.

"We're not seeing the decline in house prices that we would expect," she continued, adding that there is a "structural lack of supply" of housing in Canada, and that until it is fixed, "interest rates on their own are not going to help us get back to a housing affordability situation or solution."

One of the primary challenges for potential homebuyers remains the persistent shortage of housing supply. However, there is a glimmer of hope on the horizon as inventory levels show signs of improvement, reaching 10,879 active listings in October, the highest since July 2021. With more properties available on the market and a moderation in demand due to higher borrowing costs, resulting in slower sales, the housing market is shifting towards a more balanced state. In October, the number of home sales remained relatively subdued, with 1,986 transactions recorded. Notably, the sales figures for detached homes saw a modest increase of 0.35%, while the condo asset class experienced a more substantial rise of 5.8%. In contrast, the townhouse segment saw a slight decline of 1.32%.

“With properties coming to market at a rate roughly five per cent above the ten-year seasonal average, there seems to be a continuation of the renewed interest on the part of sellers to participate in the market that we’ve been watching this fall,” Andrew Lis, REBGV’s director of economics and data analytics said. “Counterbalancing this increase in supply, however, is the fact sales remain almost 30 per cent below their ten-year seasonal average, which tells us demand is not as strong as we might expect this time of year.”

While more inventory for buyers to choose from is a welcome relief for homebuyers, some have questioned whether more homes available for sale are a sign of distressed homeowners, unable to meet their mortgage commitments. Recent research from Royal LePage suggests that while higher interest rates are stressful for Canadians, the number of people who are missing mortgage payments remains at historical lows. In fact, only 15 out of every 10,000 mortgages in Canada are in arrears for more than ninety days.

With more inventory available than in previous years, this fall and winter may be an excellent opportunity for prepared and qualified buyers to make their move. Economic data indicates that the Canadian economy is contracting and that inflation, while still higher than the Bank of Canada's target, has also slowed in recent months. These factors reduce the likelihood that the Bank of Canada will raise rates again in the coming months, and we may even see an interest rate decrease in 2024. A stable or slightly lower interest rate environment will compel buyers to move off the sidelines, driving up competition for homes once again. As such, we may look back on the next six months as having been the best opportunity for homebuyers looking for more choices with less competition to have entered or moved up in the market.

OCTOBER

Market Stats

DETACHED

$2,244,796 SALE PRICE AVG.	4,529 INVENTORY
580 SALES	32 DOM AVG.
96.8% LIST PRICE VS. SALES PRICE	

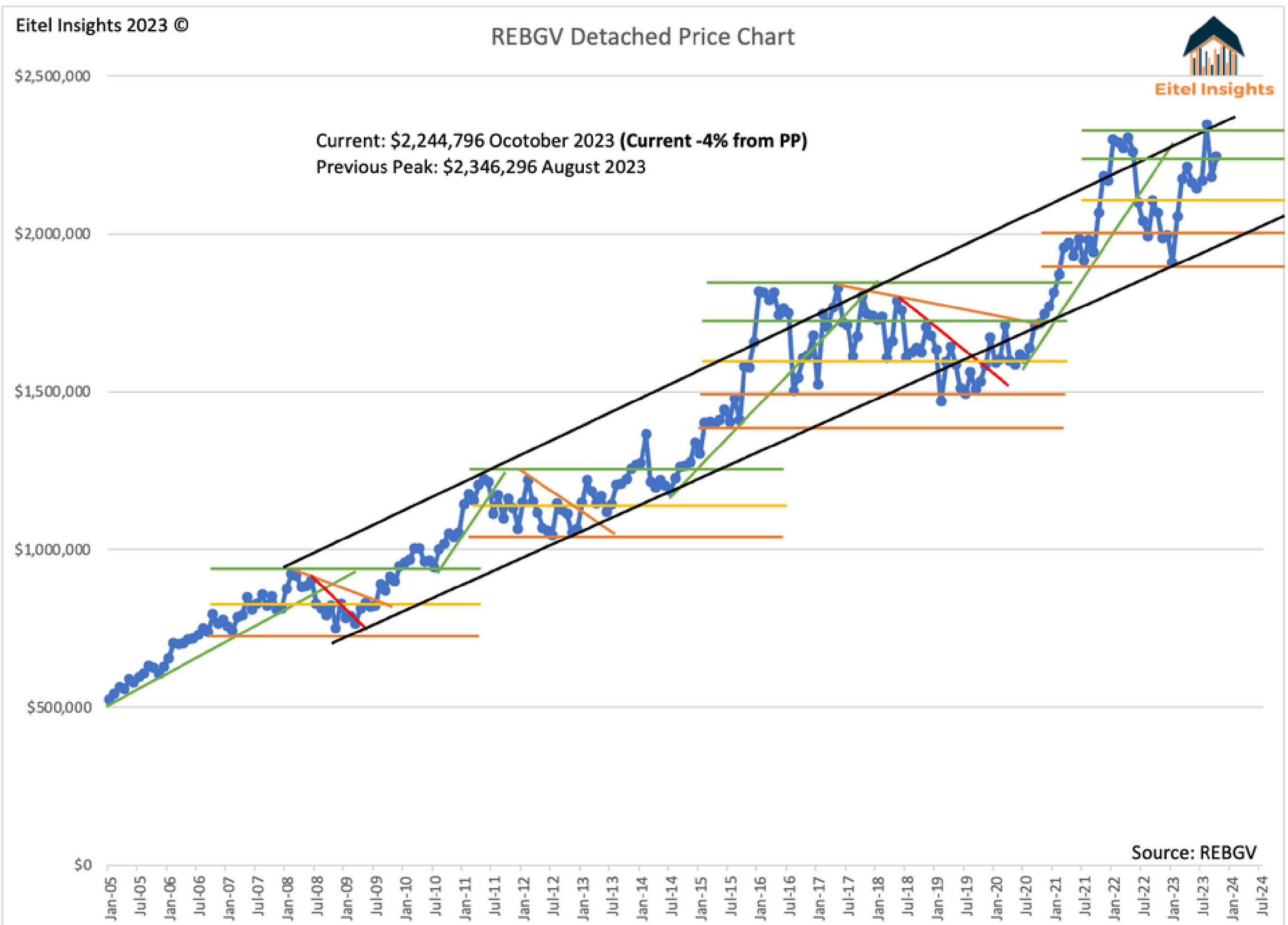
TOWNHOME

$1,129,070 SALE PRICE AVG.	1,200 INVENTORY
298 SALES	21 DOM AVG.
98.8% LIST PRICE VS. SALES PRICE	

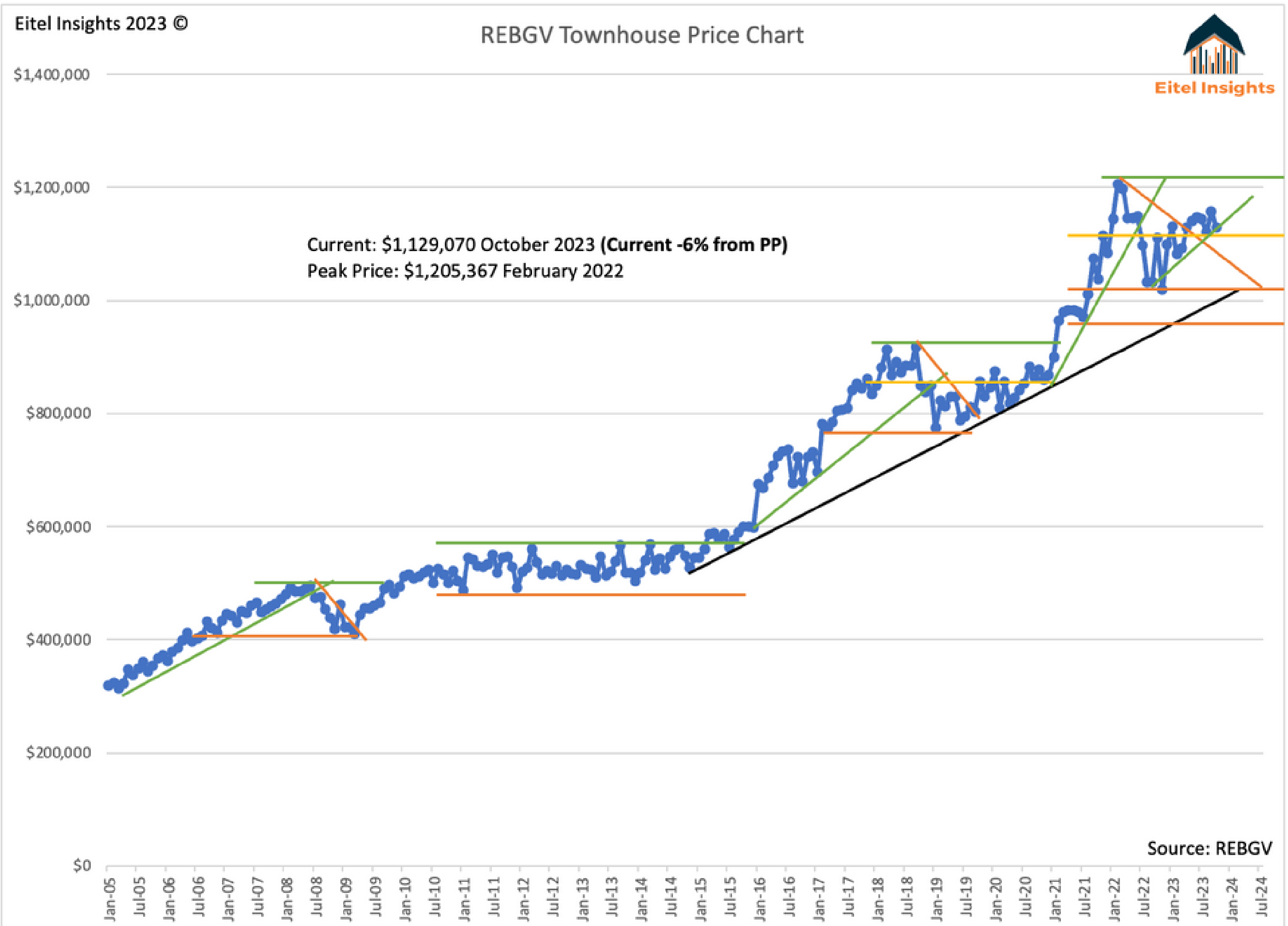
CONDO

$810,580 SALE PRICE AVG.	4,705 INVENTORY
1,046 SALES	25 DOM AVG.
98.3% LIST PRICE VS. SALES PRICE	

Detached Price Chart



Townhouse Price Chart



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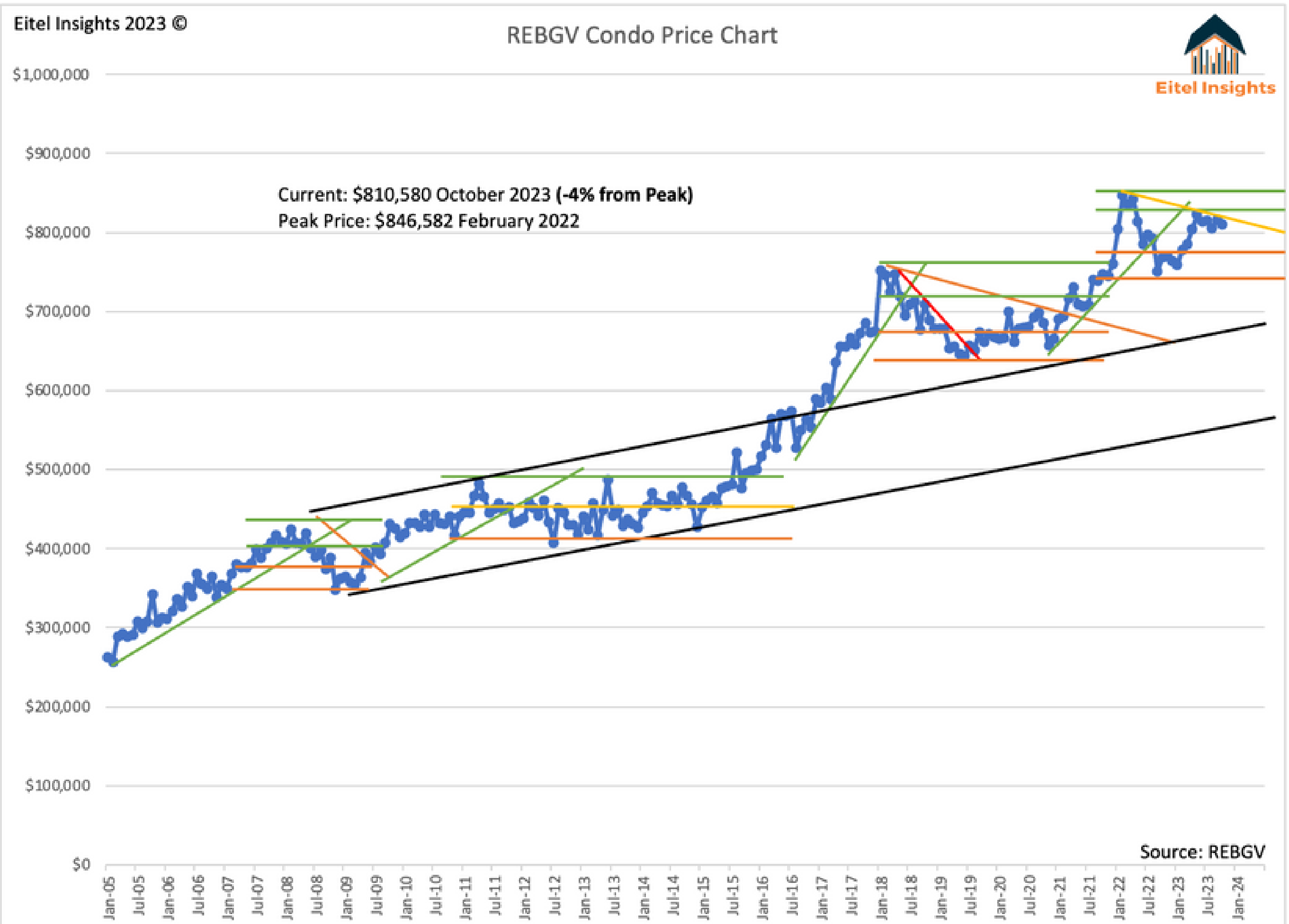
Condo Price Chart



Bank of Canada says it is not seeing the decline in house prices it had expected

The Bank of Canada says higher interest rates have not dragged down home prices as much as expected, because a shortage of homes in the country is keeping values elevated.

The central bank kept its benchmark interest rate unchanged Wednesday at 5 per cent – up from just 0.25 per cent in March, 2022, when the bank began a series of rapid rate hikes intended to bring inflation under control. Over that same period, the typical price of a home across the country has fallen 13 per cent, a modest decline considering the sharp increase in borrowing costs.

"Normally, house prices move pretty lockstep with interest-rate increases," Bank of Canada senior deputy governor Carolyn Rogers said at a news conference Wednesday, where she was discussing the bank's decision not to hike its rate further. "As interest rates come down, house prices go up a bit. And they'll come off as interest rates come back up," she said.

"We're not seeing the decline in house prices that we would expect," she continued, adding that there is a "structural lack of supply" of housing in Canada, and that until it is fixed, "interest rates on their own are not going to help us get back to a housing affordability situation or solution."

Bank of Canada Governor Tiff Macklem, at the same news conference, said structural problems in the housing market are contributing to high inflation and impeding the bank's efforts to cool growth in consumer prices.

The typical home price across the country fell as much as 17 per cent after the Bank of Canada started raising interest rates last year. But home values started to rebound in February this year after the central bank said it would take a break from hiking rates. That break lasted four months, and home prices have started to fall again. The country's typical home price was $741,400 in September, according to the Canadian Real Estate Association's home price index.

The average monthly rent in Canada has topped $2,000, and typical home prices in Toronto and Vancouver are more than $1-million. The cost of housing in smaller cities is significantly higher than it was before the pandemic, with home prices up by at least 50 per cent in places such as Guelph, Cambridge and Barrie in Ontario.

The federal government has taken steps intended to spur the creation of more housing. It recently announced a tax break designed to help developers build more rental units, along with plans to boost government-backed financing for the sector. The Ontario government has also cut taxes for new rental home construction.

Ms. Rogers welcomed these government efforts. “We’re really pleased to see the degree of focus that governments are putting on this issue right now,” she said. “That’ll help if we can address that structural imbalance. Not only will that help housing affordability, it’ll help inflationary pressures, too.”

Ms. Rogers noted that the bank’s target is not to reach a specific level of interest rates or mortgage rates. The focus, she said, is on bringing inflation back under control.

The central bank’s interest-rate decisions directly affect variable-rate mortgages, which have become more expensive with every rate hike. Many of these borrowers have not had to face higher payments, though, because most Canadian banks automatically extend the lengths of amortization periods in these cases, to keep payments steady. Those borrowers will eventually have to make higher payments when their mortgage terms end and they are required to go back to their original amortization periods.

Ms. Rogers said the Bank of Canada is paying close attention to the mortgage renewal cycle. Three of Canada’s largest lenders have disclosed that about 20 per cent of their residential mortgage borrowers are seeing their balances grow, because their monthly payments no longer cover all the interest they owe.

Source: The Globe and Mail

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