



April 2009

Real Estate Tracker

## Real Estate remains an excellent long-term investment

The Real Estate Board of Greater Vancouver is celebrating 90 years of continuous operation in 2009. Over those many years, the Board has witnessed numerous market cycles. Sales have increased and decreased. Prices have gone up and down. Those cycles are as constant and inevitable as spring following winter.

Economists tell us that accuracy of forecasts depends on whether the underlying data remains unchanged. If one factor changes, the future changes with it. So as we try to make sense of today's market, it's important to also seek knowledge from the past.

What history shows us is that while prices go up and down, property values at the peak of the next cycle inevitably surpass the ones before. That is one certainty we can offer people who are trying to interpret today's numerous and sometimes conflicting reports about the status of the real estate market.

As I rummage through old Board documents, I see that a 6 bedroom home in Dunbar Heights cost \$3,500 in the 1920s, that a 4 bedroom family home in Kerrisdale cost \$14,000 in the 1950s and that an average home across Greater Vancouver hit \$100,000 in 1980. Today's property values are much higher.

In the more recent past, here's what I can tell you. In May 2008, home prices and sales started to decrease across the Lower Mainland. As we moved into the summer, the market became entangled in the global economic challenges that continue to affect us today.

Over the past 12 months, home prices in Greater Vancouver, as calculated by MLS Link Housing Price Index, have declined 14% for detached and condominium properties, while townhome prices have declined 9%. After 5 years of unprecedented growth in home values in the Lower Mainland, this is not particularly surprising or necessarily unwelcome.

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

We live in a beautiful part of the world. Our city attracts a numbers of new immigrants each year, all looking for a home both metaphorically and literally. Greater Vancouver's population has grown nearly 10 times in size over the last 90

years, from 230,000 people in 1920 to approximately 2.3 million today. That growth continues; so does the demand for housing.

People are asking residential realtors if this is the right time to buy a home. They want some certainty that prices 'have hit bottom'. The truth is that no one knows when prices have stopped falling until months after they've begun climbing again, when analysis of MLS statistical data provides confirmation.

We do know that today's short-term conditions are creating long-term opportunities. Buying opportunities haven't been this strong in a decade.

If you are thinking of buying, consider:

- If you're deciding whether to buy or sell a home, in any market, it is critical that you properly assess your own personal and financial circumstances against current housing opportunities. This is how opportunities are found and mistakes are averted.
- Ask yourself these questions: Are you buying a home as a primary residence and planning to live there for some years? Are you able to attain financing? And are you able to service the mortgage payments?
- Buyers currently have the advantage. Prices and sales have declined over the past year; so have interest rates.
- There are ample housing options on the market for buyers to consider. That said, we've seen a reduction over the last 4 months in the number of homes for sale. Our February statistics show that 14,500 properties are currently listed for sale, down from nearly 20,000 last October. However, the February property listings are 37% higher than those listed in February 2008.

Housing market statistics offer an aerial view of the real estate activity in a region. Real Estate is local and wise real estate decisions are made by those who understand local conditions.

A house is a significant investment. It often gets lost that what we're really buying is a home. It's not like purchasing stock where you can see daily or weekly changes in value. A home has utility, unique to virtually any other investment. The joys and pains that are experienced through home ownership are the ups and downs of life.

In short, our homes are where our families live, laugh and grow. Add to that the benefit of knowing that buying a home has always been, and will continue to be a secure long-term investment.



Nic Dominelli Shari Letsos Hamed Shaibaf

Call for your **FREE** property evaluation in today's market

**Nic Dominelli**  
**604.818.8145**

[www.nicdominelli.com](http://www.nicdominelli.com)

[ndominelli@shaw.ca](mailto:ndominelli@shaw.ca)

Royal LePage  
Coronation West Realty  
604.939.6666

WALK TO CURE DIABETES

**JDRF** Juvenile Diabetes Research Foundation

*dedicated to finding a cure*



The Dominelli Real Estate Group is a proud sponsor of the **Juvenile Diabetes Research Foundation** participating annually in the "Walk to Cure Diabetes". Thank you for your support again in 2008!

### Inside this issue:

- Metro Vancouver Real Estate Sales Bounce Back 2
- There's No Secret Sub-Prime Crisis in Canada 2

The Dominelli Group

Phone: (604) 939-6666

Fax: (604) 939-3808

# THE DOMINELLI GROUP

... "giving you the market advantage"

Real Estate Tracker

## Metro Vancouver Real Estate Sales

**Bounce Back** - Numbers down from one year ago, but a strong surge in the month of March across Lower Mainland and the Island

Real estate sales have bounced back in March compared to February, up 53% in Metro Vancouver, 48% in the Fraser Valley and 34% on Vancouver Island.

Moreover, in some areas prices showed signs of recovery as well.

The numbers are still down significantly from last March but are still encouraging, said Paul Penner, president of the Fraser Valley Real Estate Board, where prices have eked up slightly.

"All the stats are encouraging," Penner said. "They are going in the right direction."

Fraser Valley realtors had more than 1,000 sales in March, the first time that level has been reached since last July. But sales are still down 24% from a year ago.

Benchmark prices are also down, just over 10% from last March, through many areas saw small price increases between March and February.

Overall, the average benchmark price was 1.3% higher than in February, at \$409,662, though condominiums were down slightly and townhouses were flat.

Things are looking up, Penner said. "Traffic is way up, the amount of phone calls coming into the office has increased dramatically, the activity is definitely up," he said.

But Penner won't predict if the market has reached bottom.

"Hopefully this trend will continue and so far I haven't seen anything that would lead me to believe it won't" he said.

Vancouver area sales jumped the most among the boards reporting numbers Thursday, yet volumes were also down about 24% from last March. And benchmark prices were down month over month for detached homes and townhomes, though not for condominiums.

In March the benchmark price for a detached home in Greater Vancouver - which extends from Squamish to South Delta and Pitt Meadows - was \$649,342, down from \$653,452 in February, and 15% lower than it was in March 2008.

Townhouses were \$420,563 in March, compared to \$426,268 a month earlier, and 11% cheaper than in 2008.

Condominium prices went from \$333,134 in February to \$337,099 in March, which was 13.5% lower than a year earlier.

The Vancouver Island Real Estate board - which covers Vancouver Island north of Victoria and Saltspring Island - had 31% more sales of single-family dwellings [the only stats that are provided] in March than a year earlier, despite its 34% jump from February. Prices for the month were up 3.45%, though still 6% lower than a year ago.

"I think consumer confidence is starting to return," said Ray Francis, president of the VIREB.

Prices have dropped and with low mortgage rates, people are willing to get into the market, Francis added. "And we live in the most beautiful place in the world, or at least in Canada," he said.

## There's No Secret Sub-Prime Mortgage Problem in Canada

A foreclosure on a family home is a heart-wrenching human tragedy. Fortunately, they remain relatively rare, and pose no systemic threat to Canada's financial system, in stark contrast to the sub-prime mortgage meltdown that ravaged the U.S. economy.

Despite what you may have read elsewhere, Canada does not have a sub-prime mortgage crisis. Non-standard, or non-conforming mortgages, sometimes referred to as Alt.A, are not sub-prime. They are given to borrowers with good credit histories and have low loan-to-value ratios. However, they do not meet bank guidelines for conventional mortgages (good employment history, credit score above 700, 25 per cent down, gross debt service ratio below 30 per cent.) Sub-prime mortgages, on the other hand, are given to borrowers with bad credit and little or no income, have high loan-to-value ratios and often a low asset base. In the U.S., some of these loans were dubbed Ninja mortgages -- no income, no job, no assets.

Benjamin Tal estimated that, in the U.S., those with bad credit account for only 30 per cent of the non-conforming market, but two-thirds of total losses.

Non-conforming and sub-prime loans represented between five and six per cent of all mortgages written in Canada in 2006, 2007 and 2008, compared with 22 per cent in the U.S., and analysts put the maximum potential at no more than 10 per cent. The federal government's reversal of its ill-considered loosening of insuring criteria governing the Canada Mortgage and Housing Corp. and the general credit tightening globally will likely keep the share of the market below that potential.

As the housing bubble inflated, U.S. sub-prime lenders began to aggressively market their services to Canadians, but they have captured only a tiny portion of the mortgage market, which is dominated by the chartered banks, with the vast majority of high-ratio loans insured by CMHC. The recession has curtailed the activities of non-bank lenders, although they may resume when the economy recovers.

Individuals must take responsibility for their personal finances, not borrow more than they can afford, be wary of teaser rates and other sharp marketing practices, and understand the terms of their mortgages.

Last month, Prime Minister Stephen Harper told CNBC in New York that Canada has avoided the sub-prime mortgage problem that has bedevilled the U.S. He was right then and has not "grossly underestimated" the impact of sub-prime lenders in Canada.

While there has been a doubling of foreclosures last year over a year earlier, B.C. has the lowest rate of non-conforming mortgages in the country. And here's another factoid to consider: The percentage of Canadian mortgages in arrears for three months or more was just 0.3 as of December 2008.

Like other nations, Canada is coping with the global recession. While it is better positioned than many others, it still faces job losses, falling exports, low resource prices, weak consumer spending, declining government revenue and rising debt levels.

One problem it doesn't have is a sub-prime mortgage crisis.

---

*"Oh, by the way, if you know of anyone who is thinking of buying or selling a home who would appreciate this same level of service, just give me a call with their name and number. I'll be happy to follow up with them for you"*  
Hamed (604) 719-3569