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Guideline B-20 Continues to Dampen Housing Sales

NANAIMO, BC – Sales of single-family homes in February board-wide dipped by 28 per cent year over year but were up 10 per cent from January.

Last month, 228 single-family homes sold on the Multiple Listing Service® (MLS®) System compared to 315 in February 2018 and 208 the previous month. In the apartment and townhouse categories, sales dropped by 20 per cent and 21 per cent, respectively. Inventory of single-family homes in February rose by 23 per cent from one year ago (812 to 999) while active listings of apartments climbed by 17 per cent (224 to 261) year over year and townhouses by 28 per cent (127 to 163).

In its *2019 First-Quarter Housing Forecast Update*, the British Columbia Real Estate Association (BCREA) expects residential sales in the province to increase 2.1 per cent to 80,000 units this year, after recording 78,345 in 2018. MLS® residential sales are forecast to increase a further 6.9 per cent to 85,500 units in 2020, while the 10-year average is 85,800 units.

BCREA believes the negative shock to affordability and purchasing power created by the mortgage stress test (Guideline B-20) is expected to continue constraining housing demand throughout the province this year, cutting the homeownership aspirations of many millennials off at the knees. While population demographics on Vancouver Island have offered some protection from B-20's negative fallout, VIREB's housing market has not emerged unscathed. The stress test is reducing demand for higher-priced properties and pushing buyers towards less expensive homes, which in turn is compressing the lower end of the market.

Thus far, however, declining demand has not reduced house prices in the VIREB area, although there are indications that prices may be softening. The benchmark price of a single-family home board-wide was \$507,800 in February, a six per cent increase from one year ago and up slightly from January. (Benchmark pricing tracks the value of a typical home in the reported area.) In the apartment category, the benchmark price climbed to \$324,500, up 11 per cent from last year and two per cent from January. The benchmark price of a townhouse hit \$413,600 last month, up 11 per cent over February 2018 and slightly higher than in January.

Locally, the benchmark price of a single-family home in the Campbell River area hit \$418,100, an increase of eight per cent over February 2018. In the Comox Valley, the benchmark price reached \$504,500, up seven per cent from last February. Duncan reported a benchmark price of \$463,100, up seven per cent from February 2018 but down slightly from January. Nanaimo's benchmark price rose three per cent to \$545,700 while the Parksville-Qualicum area saw its benchmark price increase by nine per cent to \$586,400. The cost of a benchmark single-family home in Port Alberni reached \$307,100 in January, up 14 per cent from one year ago.

Trend-wise, despite continued price increases, VIREB's housing market has transitioned from one favouring sellers to one that is balanced or near balanced. Balanced markets offer buyers more choice and more room to negotiate, while sellers may need to curb their expectations.

"When fewer buyers are competing for a property, sellers need to be far more strategic, which is why the advice of a local REALTOR® is so beneficial," says Kaye Broens, 2019 VIREB President. "We'll conduct a comparative marketing analysis using recent sales data to determine an optimal selling price for your home."

Broens adds, however, that sellers need to realize the glory days of 2016 and 2017 are over.

"We're seeing a clear disconnect between buyers and sellers," says Broens. "Many people still want to list their homes at 2016 and 2017 prices, and that just isn't realistic."

ABOUT VIREB

VIREB represents over 1,000 REALTOR® members in nearly 90 member offices on Vancouver Island (north of Victoria).

VIREB cautions that average price information can be useful in establishing trends over time, but does not indicate the actual prices in centres comprised of widely divergent neighbourhoods or account for price differential between geographic areas.

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