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Buyer Aspirations Suffering Due to Mortgage Stress Test

NANAIMO, BC – Sales of single-family homes in April board-wide dipped by 13 per cent year over year but rose by 33 per cent from March.

Last month, 412 single-family homes sold on the Multiple Listing Service® (MLS®) System compared to 475 in April 2018 and 308 the previous month. In the apartment and townhouse categories, sales dropped by three per cent and 24 per cent, respectively.

The mortgage stress test (Guideline B-20) continues to wreak havoc in the Vancouver, Fraser Valley, and Lower Mainland housing markets, which is spilling over, albeit more slowly, onto Vancouver Island. While the B.C. economy continues to be highly supportive of housing demand, the negative shock to affordability and purchasing power created by the stress test is making it extremely difficult for some buyers, particularly millennials, to enter the housing market. Prospective buyers who can afford monthly mortgage payments are unable to qualify because Guideline B-20 has eroded their purchasing power by as much as 20 per cent.

Weak housing demand has also contributed to an increase in total active residential listings across the province. In the VIREB area, inventory of single-family homes in April rose by 22 per cent from one year ago (1,056 to 1,289), the highest it's been since August 2018. Active listings of apartments climbed by 16 per cent (260 to 301) year over year and townhouses by 23 per cent (162 to 199). Whether rising inventory levels will be enough to lower prices and make housing more affordable remains to be seen.

However, despite decreased demand, prices in the VIREB area are still rising, although those increases are softening. VIREB REALTORS® are seeing price reductions on higher-priced homes while demand is still relatively strong for houses in the \$400,000 to \$550,000 range.

The benchmark price of a single-family home board-wide was \$517,800 in April, a five per cent increase from one year ago. (Benchmark pricing tracks the value of a typical home in the reported area.) In the apartment category, the benchmark price climbed to \$325,900 from one year ago, an eight per cent increase. The benchmark price of a townhouse hit \$429,700 last month, up 10 per cent over April 2018.

Regionally, the benchmark price of a single-family home in the Campbell River area hit \$421,000, an increase of four per cent over April 2018. In the Comox Valley, the benchmark price reached \$509,600, up by six per cent from one year ago. Duncan reported a benchmark price of \$480,700, up five per cent from April 2018. Nanaimo's benchmark price rose by three per cent to \$560,800 while the Parksville-Qualicum area saw its benchmark price increase by four per cent to \$582,500. The cost of a benchmark single-family home in Port Alberni reached \$307,700 in April, a nine per cent increase from one year ago.

Trend-wise, VIREB's housing market has transitioned from one favouring sellers to one that is balanced. Balanced markets offer buyers more choice and more room to negotiate. Sellers need to curb their expectations but, in turn, buyers must also be willing to pay a fair price.

"We're seeing many sellers who want to list their homes at 2016 and 2017 prices, expecting to get the same amount of money their neighbour did two years ago, which isn't realistic," says Kaye Broens, 2019 VIREB President. "On the other hand, some buyers are questioning the fair market value of a home they're interested in and choosing not to purchase, which is counterproductive."

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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