



THE
SARETSKY REPORT

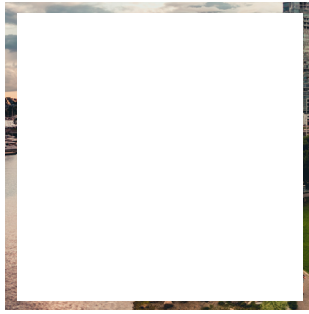
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JULY 2021

SARETSKY
GROUP

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OPENING THOUGHTS

As discussed in last month's report, the great reopening trade is in full swing. People have exited their homes and real estate has become less of a priority. We can see this in the housing data which continues to recede each month since the FOMO induced top in March. Sales here in Greater Vancouver have dropped for four consecutive months in a row, but are still running above normal levels. Meanwhile, new listings have evaporated, with sellers seemingly delaying their listings until the fall. I know what you're thinking, "this always happens in the summer, real estate is seasonal." While that is certainly true, this summer slowdown has certainly been more dramatic. For example, this July was the weakest July in 11 years for new listings. This is downright painful for home buyers who have been plagued with inventory shortages over the past year. In other words, the cupboards have been looted bare and they aren't being restocked, at least not yet. We will see a renewed wave of buying and selling in the fall, until then- enjoy

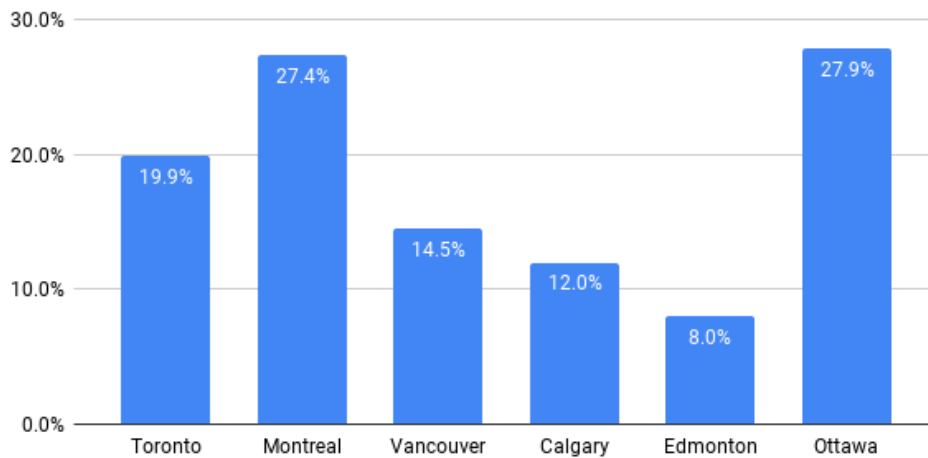
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your summer.

I can assure you we will still have inventory problems in the fall. Affordability remains illusive, recently clocking in at its worst levels in 31 years, per RBC. House prices have inflated across Canada in the major metros, and there remains an increasing likelihood of additional housing policy measures to reign things in, particularly with what appears to be a federal election looming in the fall.

Home Price Inflation by City

YY Change as of June 2021



The past month has been a rollercoaster for the Canadian economy/ political landscape. Here's a brief summary:

- After tightening lending standards at the onset of the pandemic, CMHC is now reversing course. Effective this month CMHC is reverting back to pre-pandemic underwriting practices after losing significant market share to its two private

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competitors. This reversal will bring additional financing options to insured (highly leveraged) home buyers.

- The Bank of Canada continued to wind down its emergency liquidity measures over fears of inflation, reducing asset purchases from \$3B per week down to \$2B, but maintaining its historically low interest rates.

- Speaking of inflation, the Federal Government extended its helicopter money. The following pandemic subsidies have been extended until the end of October, The Canada Recovery Benefit (CRB), The Canada Emergency Wage Subsidy (CEWS), The Canada Emergency Rent Subsidy (CERS), The Canada Recovery Caregiving Benefit (CRCB), The Canada Recovery Sickness Benefit (CRSB).

- The extension of stimulus money only adds to the election rumours. Housing will obviously be front and centre of this election and promises are already being proposed. The NDP is proposing a 20% national foreign buyers tax. While the Conservatives are suggesting a freeze on all non-resident foreign purchases of housing.

Suffice to say there is a lot going on, and predicting the next move for housing will be difficult. However, here's what we know for sure in the coming months as we head into the fall market. Government subsidies will remain in place, inventory will take awhile to recover, and mortgage rates will remain historically low. Until this changes, the bull case for housing remains intact.

A handwritten signature in black ink, appearing to be 'Steve', with a large, stylized 'S' at the beginning and a horizontal line crossing through the middle.

Steve

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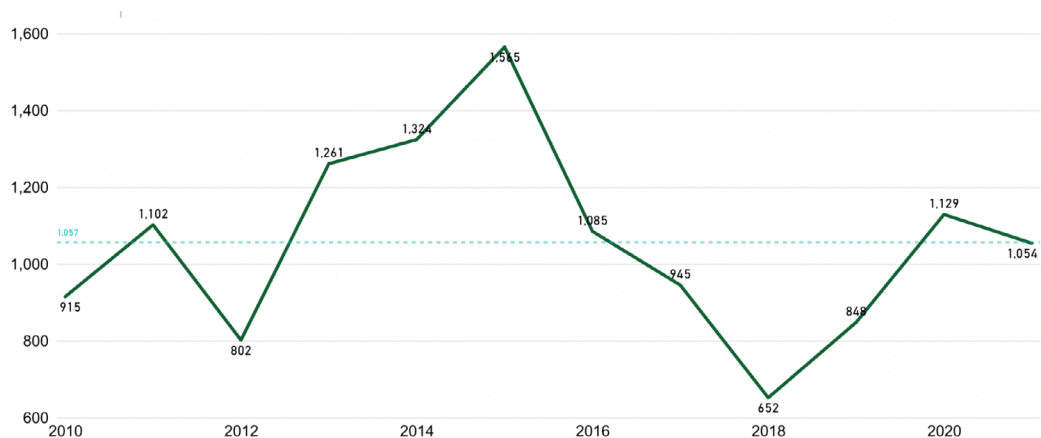


DETACHED HOUSING MARKET UPDATE

Detached sales fell on a year-over-year basis as base effects become hard to beat from last year. Expect this to be the case moving forward for the next 7-8 months. So detached sales were down from last year but from a historical basis are right in line with the 10 year average for July.

Greater Vancouver Detached Sales in July

Source: REBGV, Steve Saretsky

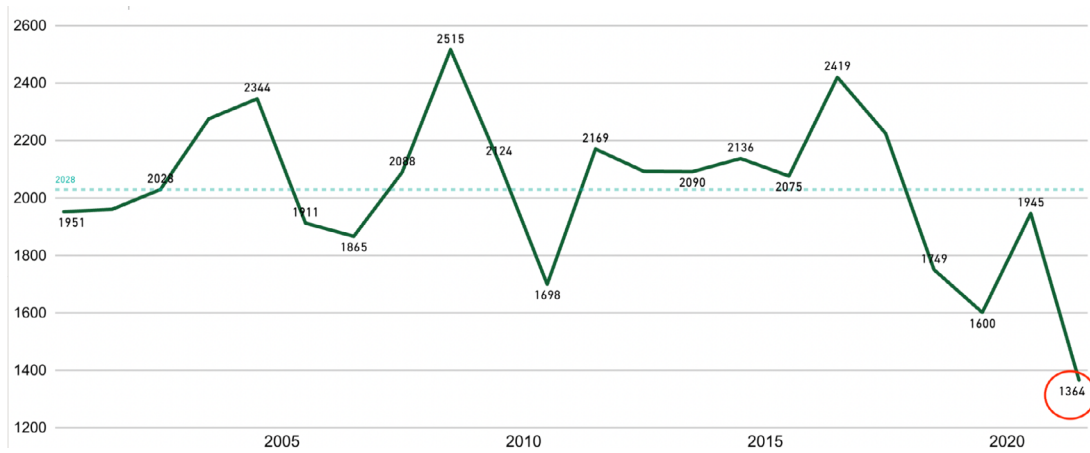


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I'd argue sales would have been higher if there were more listings coming to market. July was plagued by insanely low levels of new listings. In fact, new listings fell to their lowest levels in over 20 years!!

Greater Vancouver Detached New Listings in July

Source: REBGV, Steve Saretsky



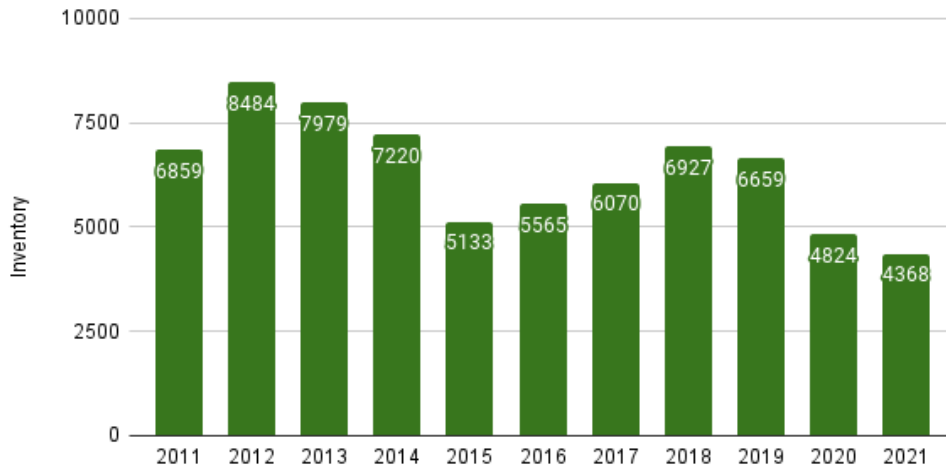
Where did all the sellers go? Honestly, I think there are just a lot of people taking advantage of looser COVID restrictions and travelling for summer holidays. Keep in mind we had record new listings for detached homes back in March and April, so clearly people aren't afraid of selling their homes. It's quite likely we see a spike in new listings for September once people get back to their normal routines.

Until then, inventory remains incredibly low. During the past decade, inventory has never been this low in July.

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Greater Vancouver Detached Inventory at End of July

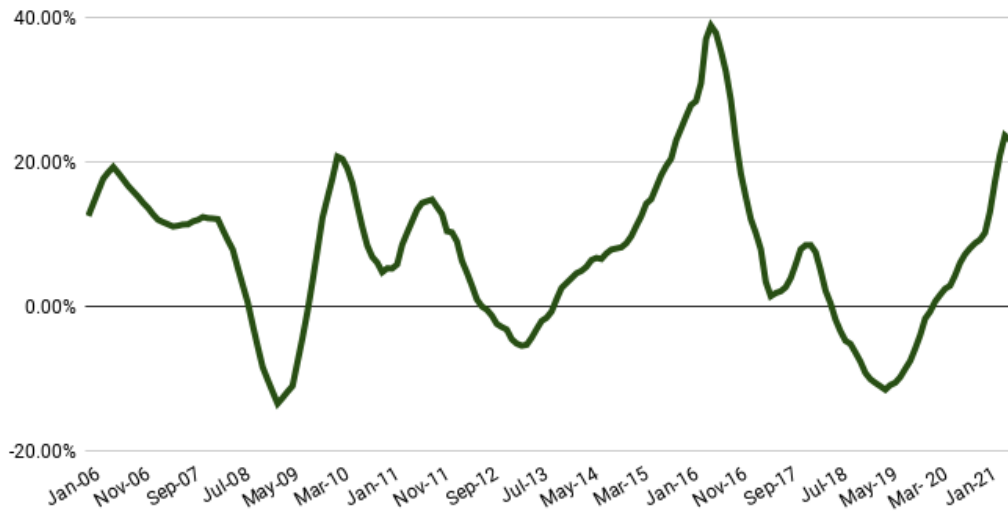
Source: REBGV, Steve Saretsky



As discussed in previous reports, the high-water mark for prices was back in March when bidding wars were rampant. The market has cooled down but the inventory shortage is keeping prices in check. The official benchmark price was flat month-over-month and is now decelerating, up 21% from last year.

Greater Vancouver Detached Prices Y/Y

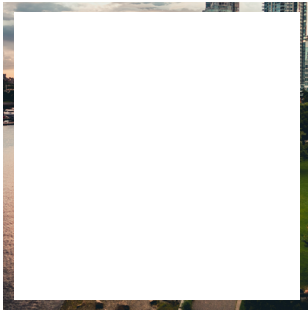
Source: REBGV, Steve Saretsky



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Price increases in the detached housing market have been excessive over the past year and its a relief to see a levelling off now. We will ultimately need to see a rebound in new listings which should help to bolster inventory. This is unlikely to happen right away, but the recovery process should start in September.

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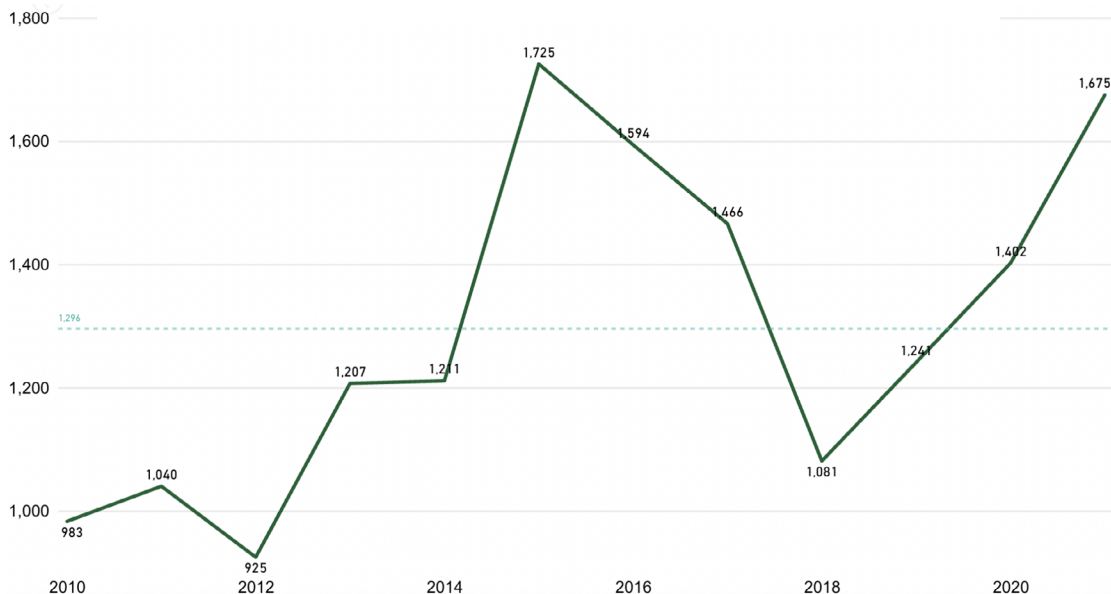


CONDO HOUSING MARKET UPDATE

Unlike the detached and townhouse markets which saw year-over-year declines in sales, condo sales were actually up 19%. It appears the condo market will likely outperform in the back half of this year. This is similar to what we have witnessed in past housing cycles, detached usually leads the market higher, before eventually pulling condos higher.

Greater Vancouver Condo Sales in July

Source: REBGV, Steve Saretsky

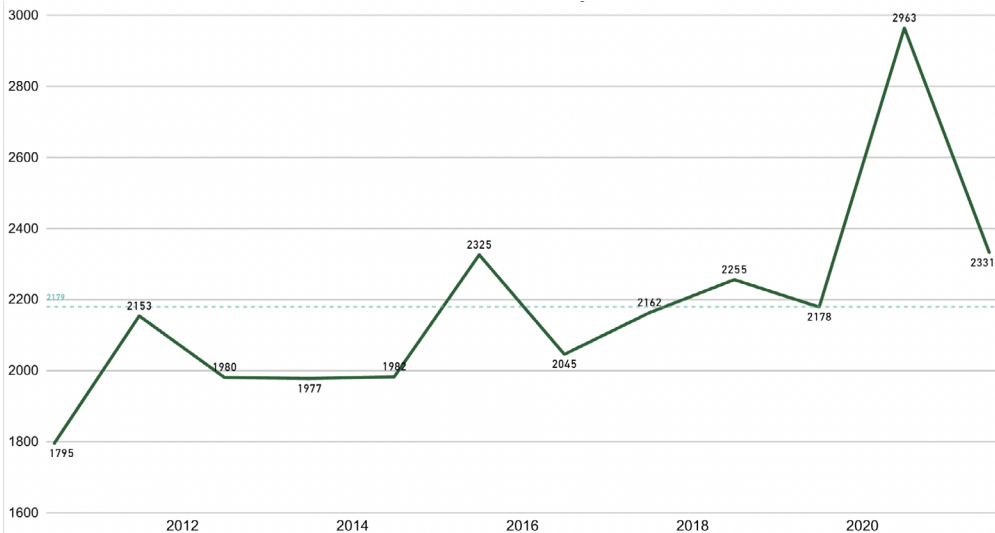


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So we have sales up 19%, meanwhile new listings actually dropped 21% from last year. Similar to sales, new listings in the condo market remain elevated above their 10 year average.

Greater Vancouver Condo New Listings in July

Source: REBGV, Steve Saretsky

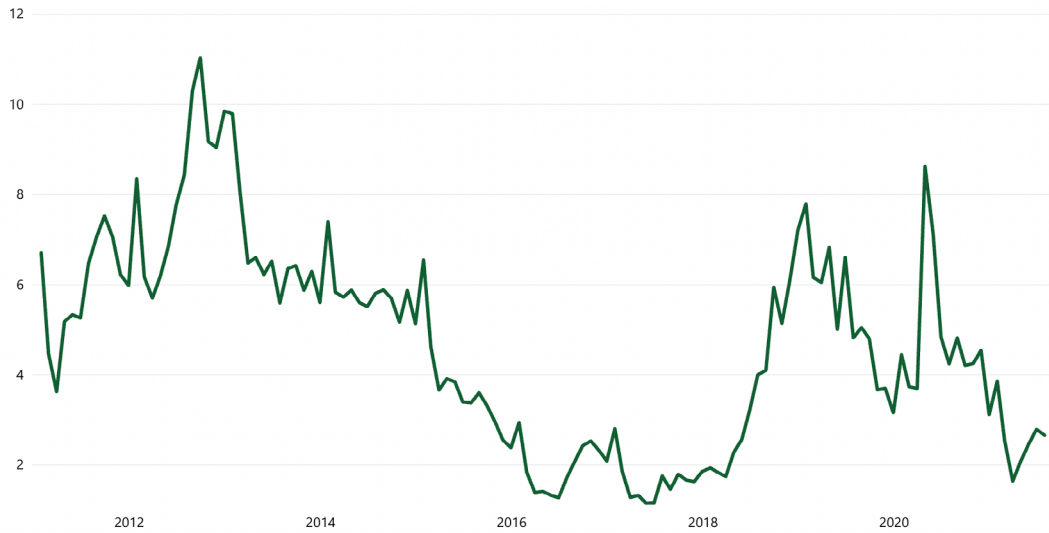


This leaves the months of inventory available at 2.7. This is a low level and indicates upwards price pressures. Keep in mind, there are still pockets of the condo market that are weaker than others. For example, the downtown market, while it has picked up, remains relatively flat.

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Months of Inventory For Sale

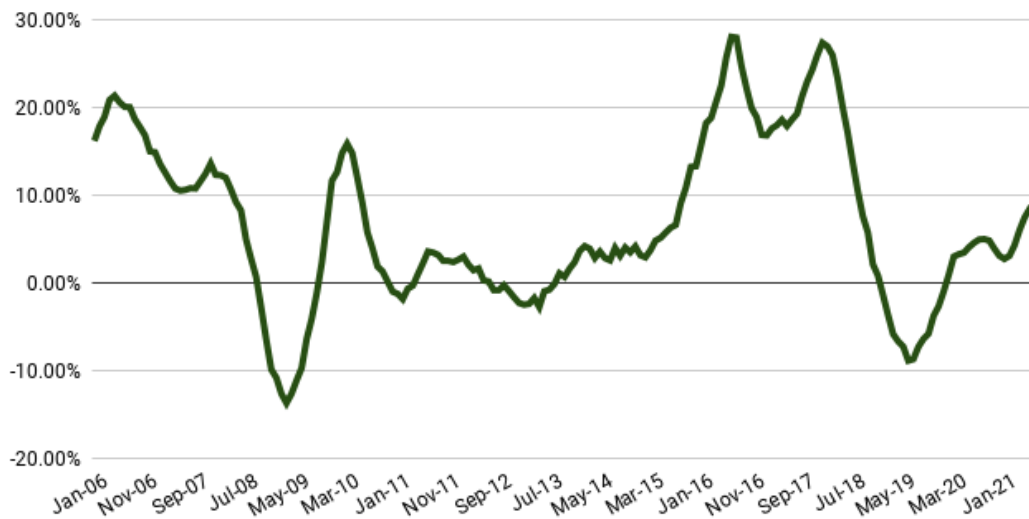
Source: REBGV, Steve Saretsky



With months of inventory favoring the sellers since January of this year, it has resulted in higher condo prices. Greater Vancouver condo prices are now up 8% from last year, per the benchmark price.

Greater Vancouver Condo Prices Y/Y

Source: REBGV, Steve Saretsky



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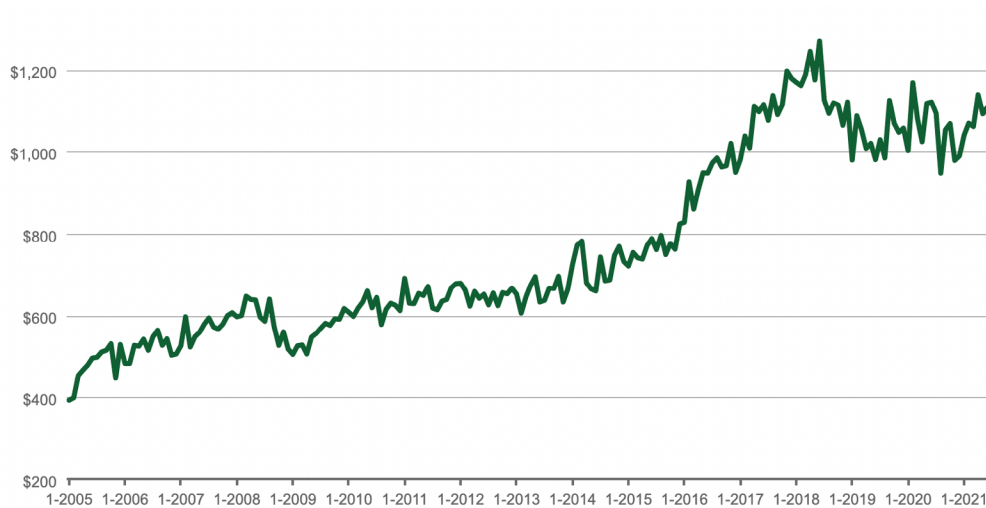
As mentioned in last month's report, I still remain cautiously optimistic about the condo market. However, unlike the detached housing market, we do have a lot more new supply being built which should keep price inflation in check.

I'm often asked, "what is the best value buy in the Vancouver market today?"

My answer has not changed since the onset of the pandemic. 2 bedroom condos in Downtown Vancouver. While the rest of the housing market is up anywhere from 10-30% depending on the product and the area, two bedroom condos are down 6.5% over the past year.

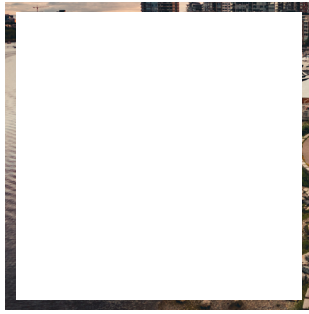
Average Price Per Square Foot

Source: REBGV, Steve Saretsky



While the Downtown area is still facing some challenges, eventually the pandemic will subside and this prime real estate will rebound. We are already seeing a significant pick-up in investor activity for one bedroom condos, and the rental market has surged back to life in recent months.

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FOMO FADING, WHERE'S THE SPECULATION?

The housing market is highly emotional. When people see prices rising and fear they will be priced out of the market, or unable to secure adequate shelter for their family, they naturally make rash and emotional decisions. Combine this with bidding wars and that's when you see prices move very quickly on the way up. One way to measure bidding wars is to calculate the percent of listings which sell above the asking price. Very rarely will someone pay more than asking price unless they are in competition. Here we can see the percent of single family detached listings sold above the asking price reached 58% in April 2021. This coincides with the last blow-off top in April 2016 when that figure reached 57%.

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Percent of Greater Vancouver Single Family House Listings Sold Above Asking Price

Source: REBGV, Steve Saretsky



The FOMO (fear of missing out) appears to be retrenching. This has always coincided with a levelling off in prices and is welcoming news for the health of the housing market.

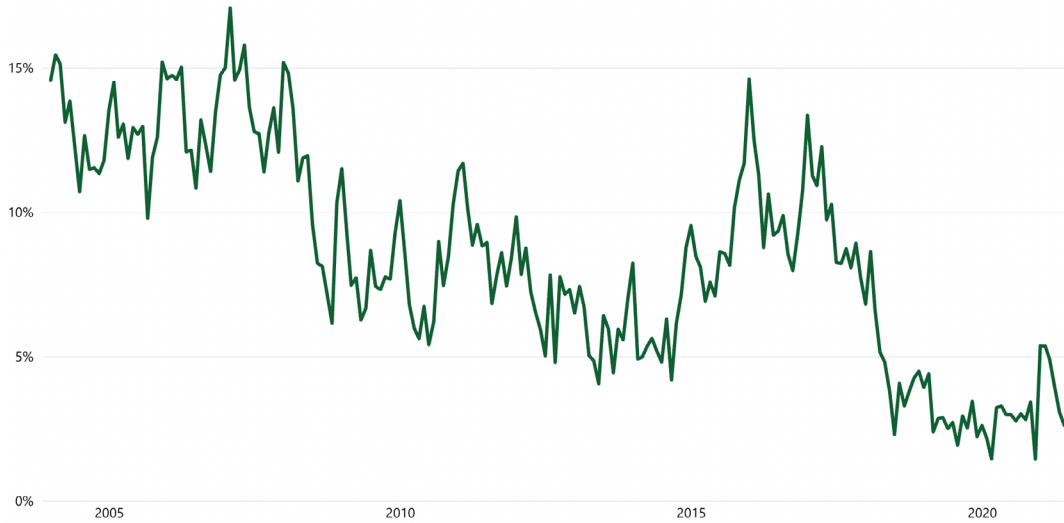
Another thing i've been keeping an eye on is speculation. Now, speculation can be defined in several different ways, but in my view it's when people are buying houses simply to hold for a year or two and then flip it for a higher price, often without having done anything to the property.

What we can see in this cycle, is that despite the run-up in single family house prices, there has been very little flipping activity. The percentage of houses bought and resold within a 24 month period peaked at just 5.4% in February 2021. This is significantly lower than the 14.6% of homes flipped in January 2016, or the 17% flipped in February 2007.

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Total Flips as a Percentage of Sales (24 Months)

Source: REBGV, Steve Saretsky



This cycle has been far less speculative, and coincides with what I've been seeing on the ground. People have largely been buying to live in, desperately seeking out more space in a pandemic driven, work from home environment.

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ABOUT STEVE

Steve Saretsky is a Vancouver residential Realtor and author behind one of Vancouver's most popular real estate blogs. Steve is widely considered a thought leader in the industry with regular appearances on BNN, CBC, CKNW, CTV and as a contributor to BC Business Magazine. Steve has advised developers, hedge funds, and fund managers on the Vancouver housing market and is a regular speaker at industry events.

Steve Saretsky provides [real estate services](#) throughout Greater Vancouver. To inquire about listing or buying a property, please email: steve@stevesaretsky.com.



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