



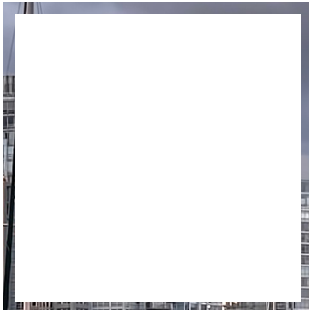
THE
SARETSKY REPORT
.....
MAY 2022

SARETSKY
GROUP

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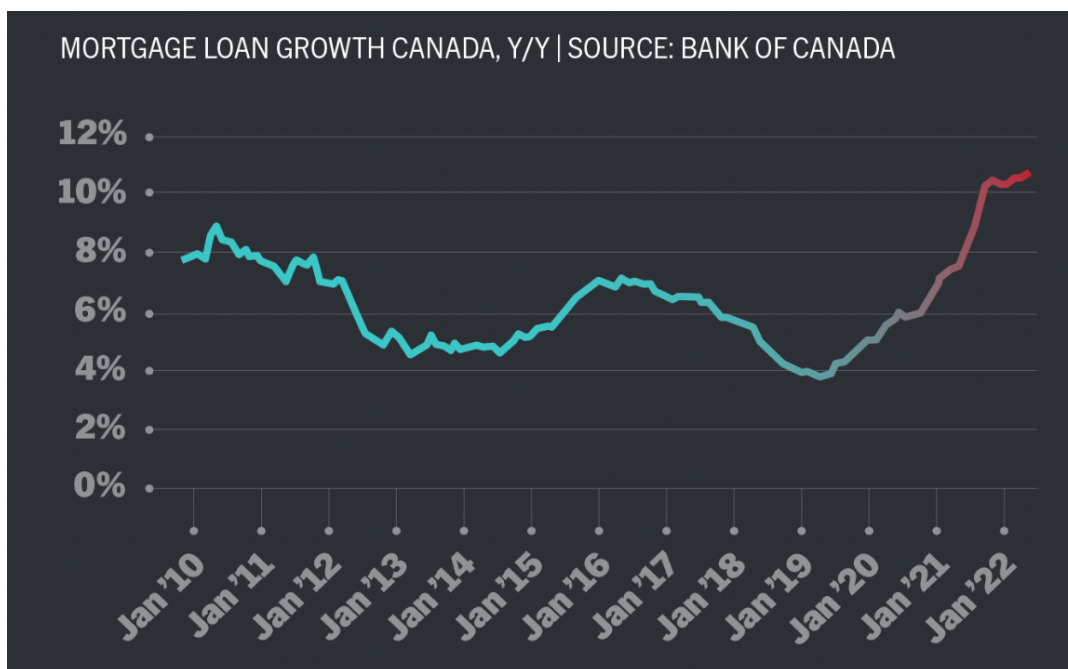
OPENING THOUGHTS

Last month we discussed the beginnings of a slowdown, and that theme continues this month. For the first time since 2010, the lowest nationally-available uninsured 5-year fixed rate mortgage is now north of 4%. This means that any buyer opting to make a purchase using a 5 year fixed rate will be stress tested at a minimum of 6.25%. Now add record home prices and wage growth that has failed to keep pace with the rising cost of living and you can see that something has to give. The highly levered Vancouver housing market is going to struggle with mortgage rates north of 4%. Need I remind you that in 2018, when mortgage rates were hovering around 3.5%, Greater Vancouver home sales slumped to an eighteen year low. Thus there should be no surprise that sales activity has fallen precipitously since the end of February, and April home sales fell 34% year-over-year. Prices need to adjust for the higher cost of borrowing. There are now signs that process is underway, which we'll discuss later in the report.

While we're discussing the cost of money, let's turn our attention to the Bank of Canada who is largely responsible for creating the most recent housing boom. Remember, they lowered rates to zero, pumped

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\$5B/ week of QE (money printing), told Canadians to borrow money because rates would stay at zero until the end of 2023, and then said housing activity was just a bit of pent-up demand. Meanwhile, residential mortgage credit growth ripped, growing at its fastest pace in 14 years. Oops.

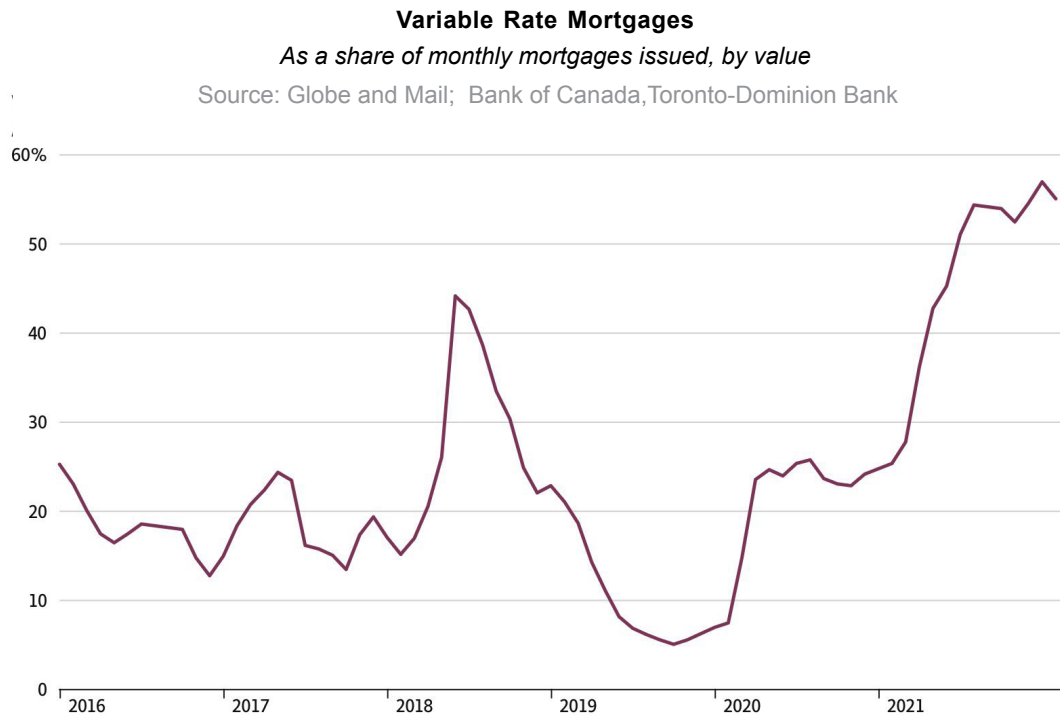


Yes, those guys made a big mistake and are now trying to make it right. It turns out rates aren't staying at zero until the end of 2023, in fact they're going up aggressively. The bank raised rates 50bps in April, the single largest rate hike in over two decades. Meanwhile, they've all but guaranteed another 50bps rate hike in June! Just the other day they noted, "We need higher rates to moderate demand, including demand in the housing market. Housing price growth is unsustainably strong in Canada." In other words, they're a year too late and now tightening into

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a significant slowdown, and so they're about to make another mistake, this time on the tightening side.

This is particularly important because over the past six months, 54% of all new mortgage originations in Canada are variable rate mortgages. That's way up from the decade average of 25%. Basically buyers have been funneling into variable rate mortgages thinking rates would stay low for a long time. This is about to change, as variable rate mortgages will move up to 3% once the bank raises rates again in June.

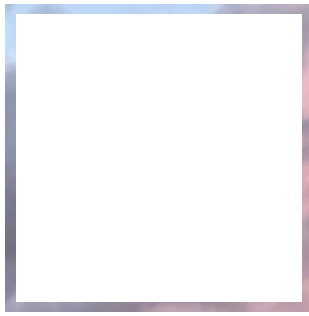


We basically have central bankers telling us they want to push asset prices lower in order to quell inflation. Some of them have called their

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desired policy a “reverse wealth-effect”. Take that as you will, but I don’t think it makes sense to fight them, just like it didn’t make sense to fight them when they told you they were going to pump the system full of liquidity two years ago.

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NO FUN IN THE SUBURBS

What's rather ironic is that many of the big bank forecasts are calling for a plethora of rate hikes this year, yet assume house prices will remain flat. Unfortunately that theory is already falling short. House prices are sliding, albeit mostly in the suburbs for now. It's pretty clear that prices for detached and townhouse units peaked in February. Bidding wars were insane at the time and buyers were grossly overpaying. There are now plenty of examples of identical homes selling 10-15% lower today than they did in February.

Sold
R2645526
 Board: V
 House/Single Family

Coquitlam
 Westwood Plateau
 V3E 2R3

Residential Detached
\$1,499,000 (LP)
\$1,850,000 (SP)

Sold Date: 2/1/2022
Mass. Type: Feet
Frontage(feet): 0.00
Frontage(metres): 0.00
Depth / Size: 0
Lot Area (acres): 4.585.00
Lot Area (sq.ft.): 4,585.00
Flood Plain:
View:
Complex/Subdiv:
Services Connected: Electricity, Natural Gas, Sanitary Sewer, Storm Sewer, Water

2/1/2022 If new, GST/HST inc: Original Price: **\$1,499,000**
7488 Bedrooms: **5** Approx. Year Built: **1991**
 Bathrooms: **3** Age: **31**
 Full Baths: **3** Zoning: **RES**
 Half Baths: **0** Gross Taxes: **\$4,250.25**
 Rear Yard Exp: For Tax Year: **2021**
 P.I.D.: **017-005-931** Tax Inc. Utilities?: **No**
 Tour: [Virtual Tour URL](#)

View: **Yes: MT BAKER VIEWS**
 Complex/Subdiv:
 Services Connected: **Electricity, Natural Gas, Sanitary Sewer, Storm Sewer, Water**

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Style of Home: **2 Storey, Basement Entry**
 Construction: **Frame - Wood**
 Exterior: **Vinyl**
 Foundations: **Concrete Perimeter**

Renovations:
 # of Fireplaces: **2** R.I. Fireplaces:
 Fireplace Fuel: **Natural Gas**
 Fuel/Heating: **Forced Air**
 Outdoor Area: **Patio(s) & Deck(s)**
 Type of Roof: **Asphalt**

Legal: **LOT 6 SUBJECT LOT 4838 GROUP 1 NEW WESTMINSTER DISTRICT PLAN N9P2756**

Amenities: **Air Cond./Central**

Site Influences: **Central Location, Private Setting, Private Yard, Recreation Nearby, Shopping Nearby**
 Features: **Air Conditioning, CthWsh/Dryr/Frdg/Stve/DW, Garage Door Opener, Hot Tub Spa/Swirlpool, Storage Shed, Vaulted Ceiling**

Finished Floor (Main):	1,543	Floor	Type	Dimensions	Floor	Type	Dimensions	Bathrooms	
Finished Floor (Above):	0	Main	Living Room	14'7" x 14'5"	Below	Bedroom	10'4" x 8'8"	Main	4
Finished Floor (Below):	1,150	Main	Dining Room	12'2" x 10'0"	Below	Bedroom	9'5" x 11'1"	Main	4
Finished Floor (Basement):	0	Main	Kitchen	9'1" x 11'9"	Below	Recreation Room	20'9" x 13'5"	Main	4
Finished Floor (Total):	2,693 sq. ft.	Main	Eating Area	17'6" x 10'0"	x	x	x	Below	4
Unfinished Floor:	0	Main	Family Room	16'5" x 12'5"	x	x	x	x	
Grand Total:	2,693 sq. ft.	Main	Master Bedroom	12'5" x 12'5"	x	x	x	x	
FF Area (Total 2nd Res):	sq. ft.	Main	Walk-In Closet	5'7" x 8'7"	x	x	x	x	
		Main	Bedroom	10'11" x 11'1"	x	x	x	x	
		Main	Bedroom	9'6" x 11'2"	x	x	x	x	
		Main	Patio	15'4" x 11'1"	x	x	x	x	

Sold
R2677816
 Board: V
 House/Single Family

Coquitlam
 Westwood Plateau
 V3E 2R1

Residential Detached
\$1,450,000 (LP)
\$1,525,000 (SP)

Sold Date: 4/29/2022
Mass. Type: Feet
Frontage(feet): 0.00
Frontage(metres):
Depth / Size:
Lot Area (acres): 0.10
Lot Area (sq.ft.): 4,398.00
Flood Plain:
View:
Complex/Subdiv:
Services Connected: Electricity, Natural Gas, Sanitary Sewer, Storm Sewer, Water

4/29/2022 If new, GST/HST inc: Original Price: **\$1,450,000**
Feet Bedrooms: **5** Approx. Year Built: **1990**
 Bathrooms: **4** Age: **32**
 Full Baths: **3** Zoning: **RS-4**
 Half Baths: **1** Gross Taxes: **\$4,659.58**
 Rear Yard Exp: **Southeast** For Tax Year: **2021**
 P.I.D.: **016-497-414** Tax Inc. Utilities?: **No**
 Tour:

View: **Yes: MT BAKER VIEWS**
 Complex/Subdiv:
 Services Connected: **Electricity, Natural Gas, Sanitary Sewer, Storm Sewer, Water**

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Style of Home: **2 Storey, 2 Storey w/Bsm't.**
 Construction: **Frame - Wood**
 Exterior: **Mixed, Vinyl**
 Foundations: **Concrete Perimeter**

Renovations:
 # of Fireplaces: **2** R.I. Fireplaces:
 Fireplace Fuel: **Natural Gas**
 Fuel/Heating: **Baseboard, Forced Air, Mixed**
 Outdoor Area: **Patio(s), Deck(s) & Deck(s), Sundeck(s)**
 Type of Roof: **Asphalt**

Legal: **LOT 1, PLAN N9P6600, DISTRICT LOT 4838, NEW WESTMINSTER LAND DISTRICT**

Amenities:

Site Influences: **Private Setting, Private Yard, Recreation Nearby, Shopping Nearby**
 Features: **CthWsh/Dryr/Frdg/Stve/DW, Drapes/Window Coverings, Vacuum - Built In, Vaulted Ceiling**

Finished Floor (Main):	1,161	Floor	Type	Dimensions	Floor	Type	Dimensions	Bathrooms	
Finished Floor (Above):	929	Main	Living Room	12'11" x 16'7"	Below	Den	12'7" x 11'3"	Floor	#Pcs
Finished Floor (Below):	0	Main	Dining Room	14'10" x 9'11"	Below	Bedroom	8'10" x 11'10"	Above	4
Finished Floor (Basement):	1,145	Main	Kitchen	13'0" x 9'11"	Below	Bedroom	12'4" x 10'4"	Above	3
Finished Floor (Total):	3,235 sq. ft.	Main	Eating Area	10'10" x 12'0"	x	x	x	Below	3
Unfinished Floor:	0	Main	Family Room	14'1" x 12'9"	x	x	x	x	
Grand Total:	3,235 sq. ft.	Main	Laundry	8'0" x 5'7"	x	x	x	x	
		Above	Master Bedroom	15'2" x 12'0"	x	x	x	x	
		Above	Walk-In Closet	6'4" x 7'5"	x	x	x	x	

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Sold
R2677616
 Board V
 House/Single Family

Residential Detached
\$1,450,000 (LP)
\$1,525,000 (SP)

Coquitlam
 Westwood Plateau
 V3E 2R1

Sold Date: **4/29/2022**
 If new, GST/HST inc?:
 MBS: Type: **Feet**
 Frontage(feet): **0.00**
 Frontage(metres):
 Depth / Size:
 Lot Area (sq.ft.): **4,398.00**
 Lot Area (acres): **0.10**
 Flood Plain:
 View:
 Complex/Subdiv:
 Services Connected:
 Sewer Type: **City/Municipal**
 Water Supply: **City/Municipal**

Original Price: **\$3,450,000**
 Approx. Year Built: **1990**
 Age: **32**
 Bathrooms: **4**
 Full Baths: **3**
 Half Baths: **1**
 Gross Taxes: **\$4,659.58**
 Rear Yard Exp: **Southeast**
 For Tax Year: **2021**
 P.I.D.: **016-497-414**
 Tax Inc. Utilities?: **No**
 Tour:

Yes: MT BAKER VIEWS
Electricity, Natural Gas, Sanitary Sewer, Storm Sewer, Water

Style of Home: **2 Storey, 2 Storey w/Bsm.**
 Construction: **Frame - Wood**
 Exterior: **Mixed, Vinyl**
 Foundation: **Concrete Perimeter**

Renovations:
 # of Fireplaces: **2**
 Fireplace Fuel: **Natural Gas**
 Fuel/Heating: **Baseboard, Forced Air, Mixed**
 Outdoor Area: **Patio(s), Patio(s) & Deck(s), Sundeck(s)**
 Type of Roof: **Asphalt**

Legal: **LOT 1, PLAN NWP6900, DISTRICT LOT 4836, NEW WESTMINSTER LAND DISTRICT**

Site Influences: **Private Setting, Private Yard, Recreation Nearby, Shopping Nearby**
 Features: **Closets/Dryr/Fridg/DishW, Drapes/Window Coverings, Vacuums - Built In, Vaulted Ceiling**

Dimensions	Floor	Type	Dimensions	Floor	Type	Dimensions	Bathrooms
1,461	Main	Living Room	1211 x 1677	Below	Den	127 x 113	4
929	Main	Dining Room	1410 x 911	Below	Bedroom	810 x 1110	4
1,145	Main	Kitchen	1310 x 911	Below	Bedroom	124 x 1074	3
0	Main	Eating Area	1010 x 1270				3
1,145	Main	Family Room	141 x 1129				2
3,235 sq. ft.	Main	Laundry	80 x 87				
0	Above	Master Bedroom	152 x 1370				
3,235 sq. ft.	Above	Walk-in Closet	64 x 75				

Sold
R2653022
 Board F, Attached
 Townhouse

\$998,600 (LP)
\$1,250,000 (SP)

South Surrey White Rock
 Grandview Surrey
 V3Z 0P8

Sold Date: **2/15/2022**
 If new, GST/HST inc?:
 Original Price: **\$998,600**
 Approx. Year Built: **2015**
 Age: **6**
 Bathrooms: **3**
 Full Baths: **2**
 Half Baths: **1**
 Gross Taxes: **\$3,221.19**
 For Tax Year: **2021**
 P.I.D.: **029-817-145**
 Tax Inc. Utilities?: **No**
 Tour: [Virtual Tour URL](#)

Yes: GREENSPACE & MOUNTAINS
WILLSBROOK - SOUTHBRIDGE CLUB
Electricity, Natural Gas, Storm Sewer, Water

Style of Home: **3 Storey**
 Construction: **Frame - Wood**
 Exterior: **Mixed**
 Foundation: **Concrete Perimeter**

Renovations:
 # of Fireplaces: **1**
 Fireplace Fuel: **Electric**
 Fuel/Heating: **Baseboard, Electric**
 Outdoor Area: **Patio(s) & Deck(s), Rooftop Deck**
 Type of Roof: **Asphalt**

Legal: **STRATA LOT 3, PLAN EPS3093, SECTION 23, TOWNSHIP 1, NEW WESTMINSTER LAND DISTRICT, TOGETHER WITH AN INTEREST IN THE COMMON PROPERTY IN PROPORTION TO THE UNIT ENTITLEMENT OF THE STRATA LOT AS SHOWN ON PLAN V**

Site Influences: **Golf Course Nearby, Greenbelt, Marina Nearby, Private Setting, Recreation Nearby, Shopping Nearby**
 Features: **Exercise Centre, Garden, In Suite Laundry, Playground, Pool, Outdoor**

Dimensions	Floor	Type	Dimensions	Floor	Type	Dimensions	Bathrooms
700	Main	Living Room	127 x 113	Below	Den	127 x 113	4
698	Main	Dining Room	127 x 113	Below	Bedroom	127 x 113	4
64	Main	Kitchen	127 x 113	Below	Bedroom	127 x 113	3
0	Main	Eating Area	127 x 113				3
1,482 sq. ft.	Main	Family Room	127 x 113				2
0	Above	Laundry	127 x 113				
1,482 sq. ft.	Above	Master Bedroom	127 x 113				

We are hearing from lawyers that buyers are trying to back out of firm contracts, thinking they can simply walk away from their deposit. Unless you want to get sued for damages this is a terrible idea. One buyer walking away from a deal can blow-up two or three other deals that are connected to it.

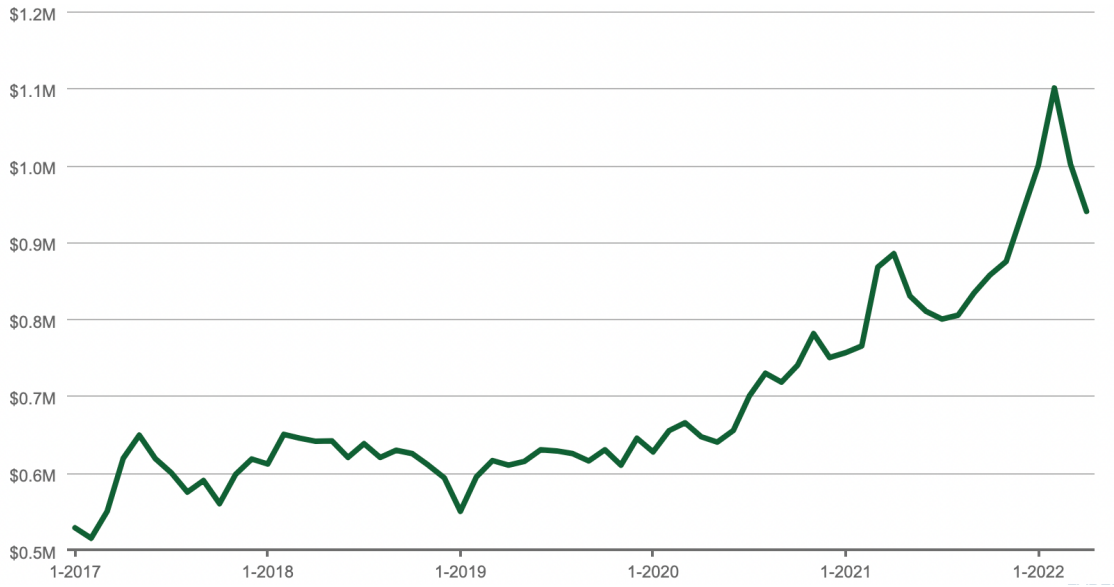
Anyways, smart Realtors are now having to coach their sellers on the changing market conditions. Pricing for multiple offers or bidding wars is now a risky strategy. What's also important to note is that price declines won't show up on the widely reported MLS benchmark price index. This index is a lagging indicator and likely won't show year-over-year price declines until 2023. However, we can see price declines already showing in the median sales price which tends to be a bit more volatile.

Anyways, price declines in the suburbs should not be surprising considering values nearly doubled in three years, the pandemic is essentially over, and mortgage rates have more than doubled recently.

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Median Home Sales

Source: FVREB, Steve Saretsky



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VANCOUVER INNER CITY CONDOS HOLDING UP WELL

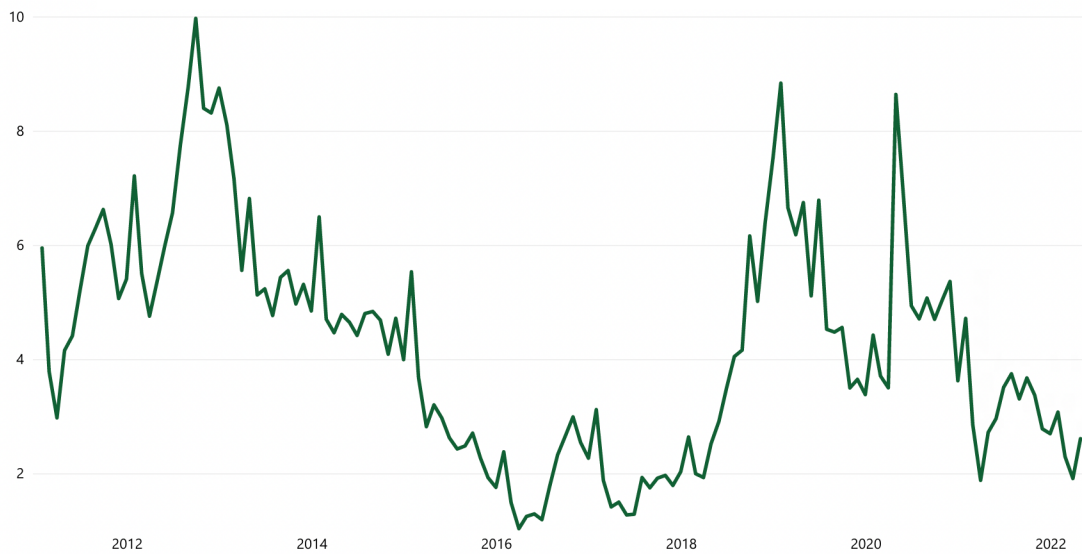
While the suburbs are selling off, condos in the city of Vancouver are holding up quite well. There's likely a number of reasons for this. As the pandemic ends, and the city comes roaring back to life, people are wanting to be closer to the action again. Rents are also up in a big way which has been attracting investors back into the market. So while much of the market is going through a correction, it's the inner city condos that have been holding up the best.

There is currently just 2.6 months of supply available for condos in the city of Vancouver, indicative of a sellers market.

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Months of Inventory for Sale

Source: REBGV, Steve Saretsky



If we look at the average price per square foot, prices ripped from December to February and have started to flatten out. The average price/sqft currently sits at \$1151.

Average Price Per Square Foot

Source: REBGV, Steve Saretsky



Each data point is one month of activity. Data is from May 4, 2022.

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If the rest of the market continues to sell-off I don't think Vancouver condos will be immune forever. However, there's a pretty strong argument to be made that price corrections, if any, will be much more muted. Price growth has been relatively tepid over the past 5 years and the city is not adding a lot of new supply. Furthermore, new supply being added is averaging \$1500/sqft, which makes resale prices look like a bargain.

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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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