



Eroding consumer confidence puts a pause in B.C. housing market

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News that housing sales in British Columbia are slowing down should not come as a surprise.

For the past six years there's been a remarkable boom in the residential real estate market. Booms can go bust. But this isn't a bust -- at least not yet: It's a breather.

Sales in Metro Vancouver dropped 31 per cent last month from a year ago while listings rose 38 per cent. In raw numbers, 3,065 units were sold, 17,336 were unsold. The total dollar value of sales across the province fell nearly 27 per cent to \$3.9 billion.

Still, average prices in B.C. were up 5.9 per cent in May over the same month last year and property prices for the first five months of 2008 rose 11 per cent, although the increase is expected to settle back to about nine per cent for the year.

Indeed, the surprise is that the market has been so resilient in the face of eroding consumer confidence and a weakening economy.

Canada recorded a decline in gross domestic product in the first quarter and there's little to suggest a rebound in the second. Two quarters of falling GDP defines a recession although continuing job growth and rising incomes have mitigated the impacts of the economic slump.

However, the effects of soaring food and fuel prices are not so benign. People are panicked by the rapidly escalating costs of essential goods. Consumer confidence dropped to a seven-year low last month as Canadians worried about their future finances and reconsidered major purchases. Sales of new vehicles in B.C., for example, fell nearly 11 per cent in April from a year earlier.

With the price of regular gas at \$1.48 and Premier Gordon Campbell's carbon tax set to push it above \$1.50 as of July 1 -- if it's not already there -- consumers are changing their behaviour, adjusting their buying habits for cars, groceries, restaurant meals and vacations. A poll conducted by Investors Group found that two-thirds of Canadians say the rising cost of gasoline, energy and food will reduce the amount of money they can save and invest.

Naturally, this mood of pessimism has influenced the housing market. People concerned about their household budgets tend not to buy recreational

property. That is being felt most acutely in the Kootenays and Okanagan, where the market has reversed from favouring sellers to buyers.

The B.C. Real Estate Association says urban markets in the Lower Mainland are "balanced," but markets are not stagnant. Buyers and sellers should brace themselves for what could be a long run of rebalancing.

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