

May 2009

**Lower Mainland Housing Update**

Housing sales are up for the fourth consecutive month and to their highest level since March 2008. Housing sales made a cycle turning point this past January and it appears that prices turned in March or April. The end of the housing recession came early than expected and the price decline was not as severe as previously thought. Record low mortgage rates are a powerful market force. The strong sales upturn continues through June and likely into the fall months but a temporary setback occurs at some point.

Housing sales increased 15% to 3,800 units seasonally adjusted in May from April in the Real Estate Boards of Greater Vancouver and Fraser Valley. Actual May sales usually decline from April but this month, sales rose 19%, which usually occurs during a rebounding market.

May sales are up 9% year-over-year sales, the first such gain since December 2007. However, all of this increase is in the Vancouver area while the Fraser Valley remains with an 8% loss. Year-to-date sales are off 24% with Vancouver down 20% and the Fraser Valley off 31%.

Sales are driven higher by record low mortgage rates (five-year closed term at under 4%) their significant positive impact on purchasing affordability for buyers needing financing. Lower housing prices also help affordability.

New listings coming onto the market edged up 2% in May to 5,835 units seasonally adjusted from the previous month. This could mark the end of the year-long downtrend but it is too early to reach this conclusion with confidence based on one month's data. Notionally, though, supply should begin to increase with improving market conditions.

Active listings declined 8% to 20,206 units seasonally adjusted in May and are down 29% from last December's peak. Given the sales strength and the reduced flow of new listings, active listings look to head lower for a few more months.

Market conditions as indicated by the sales-to-active ratio, tightened during May. The sales-to-active listings ratio rose to 19% from 15% in April and 7% at the November 2008 low. In the Vancouver area this measure climbed to 21% while it rose to 14% in the Fraser Valley indicating that market conditions are tighter in Vancouver.

The Lower Mainland MLS® Housing Price Index (HPI) increased 0.8% in May to 206.5 seasonally adjusted. This is the second monthly increase in a row and reinforces the view that prices have turned the corner. This view is buttressed by the positive near-term outlook for sales.

Record low mortgage rates are a powerful force driving sales higher even during an economic recession. The unprecedented amount of monetary stimulus applied to the economy by the Bank of Canada is having its intended effect. Housing sales are usually the first to respond to monetary stimulus and help lead the economy out of recession. The heavy economic lifting by housing is from new construction not housing sales, but a necessary precondition for more housing starts is more sales and higher prices.

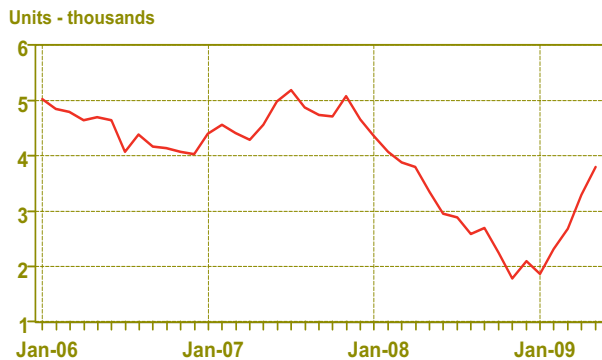
Mortgage rates bumped up this past week as lenders increased longer closed term rates by 0.20%. The posted five year fixed rate is 5.45%, however, the contract or discounted rate remains 4% or less. The first increase in mortgage rates since last October at the height of the financial crisis is potentially an important development though it depends on the causes. Likely it reflects the increased demand for mortgage funds with the upswing in national housing sales and in refinancing activity. The increase is not likely due to credit constraints with the substantial improvement in mortgage securitization activity. Mortgage rates are expected to remain low for many more months and the market can cope with small increases.

June sales usually slip lower than in May but the strong uptrend should overpower the seasonal influence and put sales up to about 5,500 units and possibly higher. Housing prices also continue on their new uptrend.

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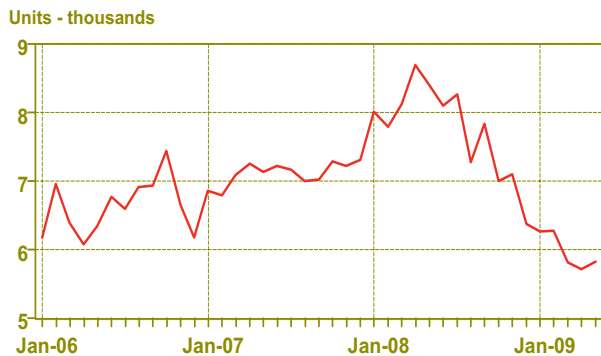


**MLS® Residential Sales, Greater Vancouver and Fraser Valley**



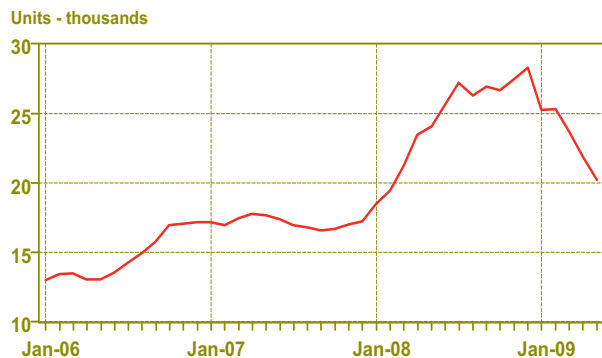
Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: May-09

**MLS® New Residential Listings, Greater Vancouver and Fraser Valley**



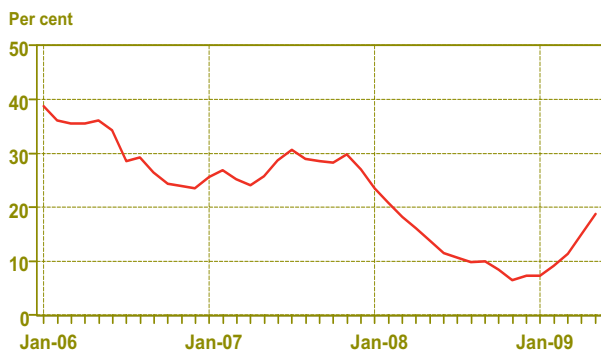
Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: May-09

**MLS® Residential Active Listings, Greater Vancouver and Fraser Valley**



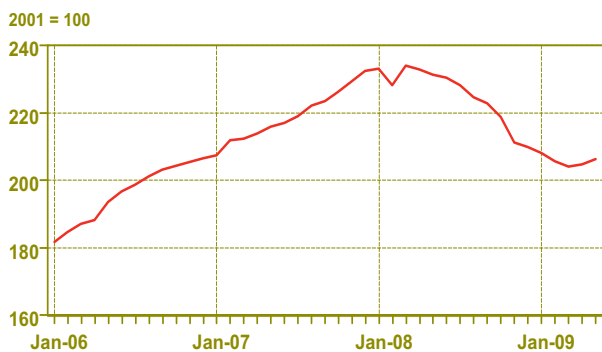
Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: May-09

**MLS® Residential Sales-to-active Listings Ratio, Greater Vancouver and Fraser Valley**



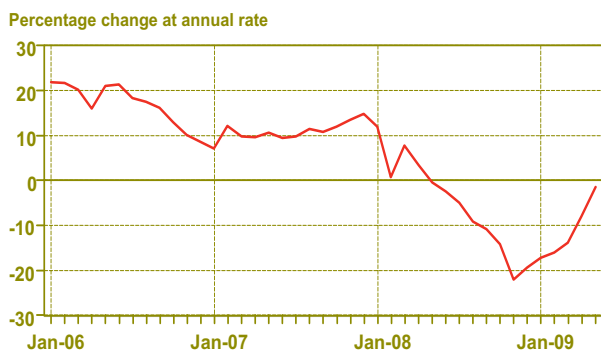
Source: REBGV, FVREB, C1CU. Note: Seasonally adjusted. Latest: May-09

**MLS® Housing Price Index, Greater Vancouver and Fraser Valley**



Source: REBGV, C1CU. Note: Seasonally adjusted. Latest: May-09

**Change in MLS® Housing Price Index, Greater Vancouver and Fraser Valley**



Source: REBGV, C1CU. Note: Based on seasonally adjusted HPI. Latest: May-09