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BULLETIN

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Real Estate Investment Think Bob Bracken



Market is Tentative | Pre-Listing Home Inspections

News Bulletin Spring 2018 by Bob Bracken

Market is Tentative for Sellers & Buyers

Changes in Government Legislation & Taxation Policies along with the policy statements accompanying these changes, is being felt in the Vancouver Market. Stiffer taxes on purchases by non-residents, increased transfer taxes on higher priced homes, tax levies on “vacant” homes (including vacation & secondary homes) - combined with the changes to mortgage lending rules - have signalled that every government level is determined to imprint the Real Estate market. The Governments’ actions are characterized by putting downward pressure on property values, while simultaneously taking a piece of owners’ equity & wealth. Data released by the Canadian Real Estate Association showed sales in Greater Vancouver falling 8.6 percent in March from a month earlier to 2,108 transactions - the fewest since 2013 - in contrast to the broader Canadian market, which showed signs of stabilizing in March. CREA also reports that local prices over the whole region ticked up by 1% in the month. Vancouver Detached homes’ sales profile was different, however. Both the West Side & the East Side saw the # of sales fall by 40+% in March & April vs those months in 2017, but the West Side saw Average Sale Price declines of as much as 14% in March, while Vancouver East saw an Average Sale Price increase of 3% vs 2017. A more telling stat is the Average Sale Price trend in 2018 vs 2017. Jan 2018 West Side Average Sale Price was up 14% over Jan 2017, but by April, the gap was 0%. East Side Average Price for Jan 2018 was up 14% over 2017, but by April, only 8%. That narrowing gap is an indicator of a general downward price trend, which naturally follows the downward sales #'s. While the long term outlook for Vancouver Real Estate values remains strong given its many attractive features - high quality, limited supply, strong local & international demand - the effects of Politics, Political Risk & Political Uncertainty has sidelined many buyers. Under a similar political regime during the mid 1990s, declines in population & immigration levels, property values & general economic conditions continued for several years, but this doesn’t really look like that - yet. We have a robust economy with strong employment growth & Amazon’s recent decision to expand its local operations, bringing 3000 new high paying jobs to downtown Vancouver **is a harbinger of Vancouver’s brilliant future in this century.** Real Estate markets operate in cycles, & changes like we are now seeing are a natural part of those cycles.

Importance & Value of Pre-Listing Home Inspections

Real Estate markets change, & strategies used to market & sell properties must adjust & change as well. The hot Vancouver market of a couple of years ago - with high sales, low inventory, easy access to cheap mortgages, listings priced to create multiple offers & sale prices dramatically over list prices - is gone. Also mostly gone are unconditional offers where home inspections were done quickly in advance (if done at all), where Buyers often overlooked many deficiencies regarding property condition. Now, with a changing, more tentative market, buyers are more cautious - even skittish, & inspection reports carry much more weight in the buying decision. Property condition deficiencies are no longer ignored, & often are the basis for price re-negotiation, or offer termination. **In this market, I strongly recommend a “pre-listing” home inspection be done by the Sellers in advance of their property going on the market.** The cost for this is relatively low - usually less than \$1,000 - & can provide great benefits in the marketing & sale/transaction process. A comprehensive report identifies condition issues with the property, which can allow the Seller & Agent to be forewarned & forearmed in dealing with them. Serious problems may be addressed & remedied (or at least quantified) in advance of showings, while minor problems can be dealt with quickly. The Agent may be able to disclose many of the condition issues to buyers, & this can eliminate “surprises” & perhaps blunt the consequences of another inspection report done during the Sale process. The Sellers’ inspection report can also balance a pejorative report done by a zealous home inspector acting for the Buyer, especially if that report causes the collapse of an offer, & potentially “stigmatize” a listing. Buyers & Sellers, both require more quality information & less uncertainty to proceed confidently in today’s market. A pre-listing home inspection is a quick and inexpensive method to help that along.

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