

March Sales: Down go the Prices

by Andy Dodge, CRA

The low demand which has plagued Westmount since last September is finally having its impact on sale prices, which now have dropped some 10 percent in the last six months. We are now looking at price levels equivalent to 2006, having lost all the momentum of the last two years.

Agents have reported 10 home sales in March, which is usually the busiest month of the year in Westmount with an average 24.4 sales. The total volume this year is only 25 one- and two-family dwellings, just over half the 47 reported in the first three months last year. The March prices ranged from \$400,000 to \$1,700,000, with four of the 10 sales over \$1 million. Both the highest and lowest prices, as well as two other sales, were less than municipal evaluation which is supposed to represent market value of mid-2005, an indication we are not far from those levels. The biggest markdown was 23.3 percent, while one sale recorded a 43.5 percent markup, the only one over 20 percent.

Average price of the 10 sales climbed back over \$1 million after having been under that figure for the previous two months. Adjusted to reflect the “typical” Westmount house, however, we are barely over the \$1 million mark. Put another way, buyers are wondering if they should invest that amount of money in a falling market, and until they decide that there is a future for real estate, this type of major investment will be difficult.

Two condominiums, both in apartment buildings, sold in March, bringing the total for the first quarter of the year to five, compared with 11 in the first quarter of 2008. The slowdown in volume has followed the pattern of one- and two-family dwellings, but prices appear to be holding for now, perhaps only because they represent less of a financial commitment for the buyer.

Houses are slow to move in adjacent-Westmount areas, too, with only two new sales, one just east of the city limits and one on the west side. Buyers appear to be opting for condominiums and shares of duplexes, particularly in eastern Notre Dame de Grâce and southern Côte des Neiges, since these require less of a financial commitment. So far there have been nine condo-duplex sales this year, compared with only six for all of last year.

As we noted last month, rentals are way up, including 12 Westmount houses since the beginning of the year, for anything from \$2,300 to \$10,000 per month. These are people who don't want to commit their life savings at this point in time.

Until there is a resurgence of confidence in the real estate market, we can expect that buyers will not be willing to commit large amounts of money especially borrowed money while the future is still so uncertain.