

REAL ESTATE ROUNDUP

Real estate boom gone bust threatens to hit B.C. hard, reports say

Analysts say overcoming a crisis in consumer confidence is one of the property market's biggest challenges

Dark clouds ahead

Canada's real estate boom of the past few years is over, and B.C. stands to be one of the hardest-hit provinces by the contraction, Scotiabank senior economist Adrienne Warren said in a November 20 report.

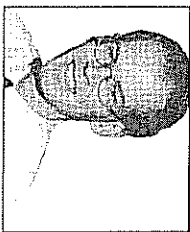
While the realignment in pricing stands to be a mere 10% to 15% nationally, with B.C., Alberta and Saskatchewan bearing the brunt of the downturn, much of the run-up in home prices seen earlier this decade will remain intact.

Warren doesn't foresee the kind of retrenchment taking place south of the border.

Nor does the Canadian Association of Accredited Mortgage Professionals (CAAMP), which recently released its annual report on Canada's mortgage markets.

"It is unlikely that Canada will experience mortgage market problems like those in the United States," the report stated. "One of the key factors precipitating the difficulties in the U.S. was resetting of mortgage rates – very few Canadian borrowers will see rate increases at their next renewals."

CAAMP's report agrees with Warren that B.C. will suffer disproportionately in the downturn, however, because investors were more



PETER MITHAM

active here than elsewhere in Canada.

"In consequence, it is likely that the housing market contraction will be exaggerated in British Columbia," the report stated.

Residential mortgages totalling \$3.6 million were issued to B.C. homeowners in 2007, a 16.4% increase from

The latest report from

Central 1 Credit Union

suggests no amount of buyer activity will

send prices rebounding

in the near-term

2006, B.C. accounted for 77% of new residential mortgages in Canada last year, ranking second to Ontario.

CAAMP anticipates national mortgage lending to

slow to \$171 billion through 2010, but remain above levels seen during the first part of the decade. The outlook is a topic of many discussions taking place at CAAMP's annual conference currently taking place in Vancouver.

Prolonged downturn

forecast

Urban Land Institute senior vice-president Dean Schwanke struck a relatively bearish note in November when he told the local chapter of the institute that U.S. housing markets could hit bottom by the end of 2009.

By contrast, Cameron Muir, senior economist for the B.C. Real Estate Association (who added that he didn't want to be Pollyannaish), believes B.C. could see an upswing in housing markets as early as spring 2009. The chief problem afflicting markets, he said, is a crisis in confidence. He expects buyers to jump back into markets once they realize the downturn hasn't cost them their jobs, and that home prices have dropped significantly during the winter's angst about the economy.

But the drop in prices – approximately 6% in Metro Vancouver since October 2007, according to BCREA stats, and a further 9% next year, according to Canada

Mortgage and Housing Corp. forecasts – won't necessarily stimulate feelings of financial well-being. Indeed, the latest report from Central 1 Credit Union suggests no amount of buyer activity will send prices rebounding in the near-term. Given that sales have been in recession for close to three years, Central 1's analysis indicates it could be 2012 before prices begin to strengthen.

Sutton Westcoast Realty broker Gary Serra agrees. He urges homeowners to be realistic – and flexible – if they want to sell their homes in the current climate.

"We are in a significant down-market," he said in a recent letter to clients. "They last a minimum of 18 months and up to four years. After that, it does not bounce back. It stays flat for three to 10 years. Then we will get prices soaring again."

Serra says vendors must price properties to sell rather than assert their own expectations of value. He sometimes even recommends underpricing properties because a lower-than-market price will often generate enough demand to garner an above-average price relative to market conditions.

"Stuff that's priced well is still selling," Serra said. "The buyers are there."