



Okanagan's Home Team



Real Estate Trends

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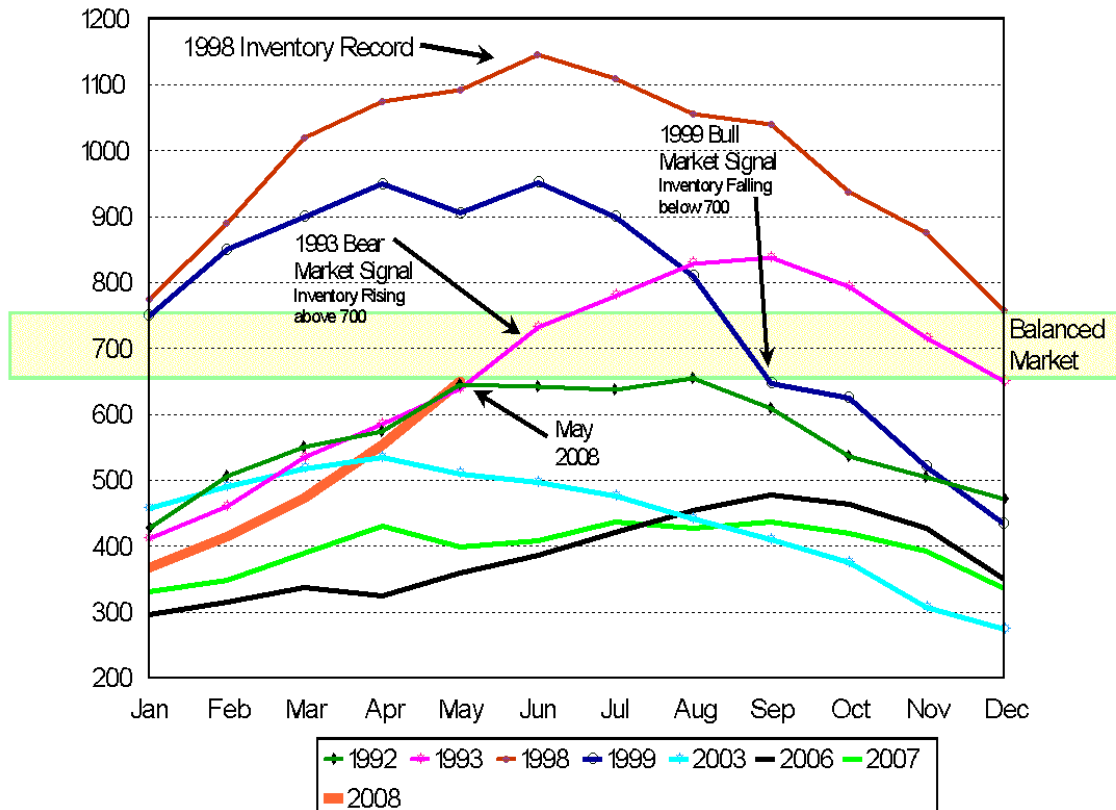


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Market Alert! Listing Inventory Rising! North Okanagan Residential Listing Counts 1992 - 2008



A slowing economy in other parts of Canada is now having its effect on the North Okanagan Real Estate market. The Globe and Mail reported on May 30th that the Canadian GDP shrank by 0.3 per cent in the first three months of this year, the first contraction in more than five years and on June 2nd reported that consumer confidence in Canada has plunged and is at its lowest point in more than seven years, according to a monthly survey by the Conference Board of Canada. And

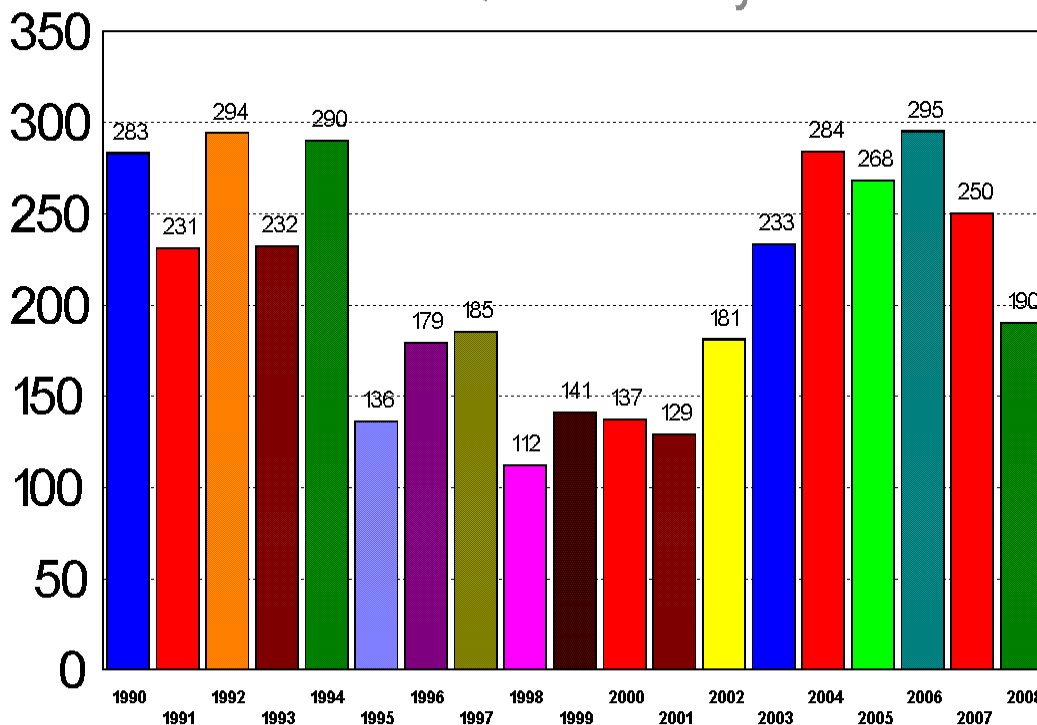
with so much bad news concerning the US housing crisis being reported in our media over the last year, it seems that the psychology has changed in our market and many other markets across Canada from *confidence* of further price increases to *caution*. Buyers are delaying purchases while at the same time more owners and investors are listing in an attempt to lock in top prices.

The “engine” behind the Okanagan Market is people moving here from other parts of Canada to enjoy our lifestyle. However, the majority of people have to sell their current home before the relocation can take place and if it’s taking longer to sell back home it’s going to delay the move to the Okanagan.

So, for the first time in many years the North Okanagan Real Estate market has turned from a “seller’s” market to “balanced” and raises the possibility of a “buyer’s” market emerging. The listing inventory of houses has been rising rapidly this year breaking through the 500 mark in April, topping the highest level since 2003, and continuing to climb through the 600 mark to end May at 650. In comparison, May 2007 had a house inventory of just over 400.

Not only are there more properties on the market, but the number of house sales are down by about 30% so far this year in the North Okanagan.

of Homes Sold In North Okanagan First Quarter of the year



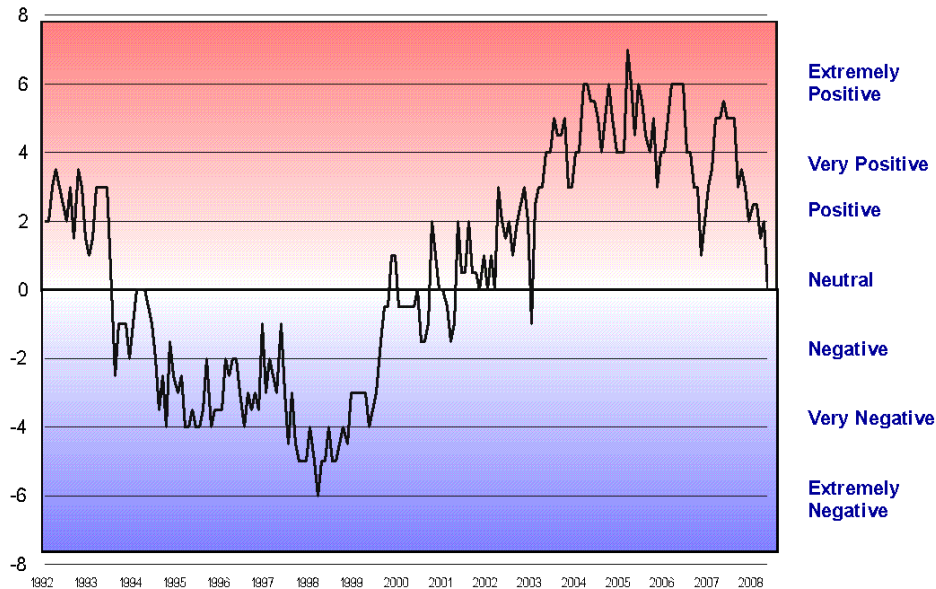
Apartment style condos are experiencing even more pressure with the number of listings up 70-80% and sales volume falling 36% so far this year. Townhouses are holding up the best with only 8% more on the market and 26% fewer sales.

Over the last 20 years of selling Real Estate, I’ve developed a system that takes into consideration both supply and demand to come up with a graphical representation of the

“Pressure on Prices”. As you see in the chart below, **we are now in a balanced or neutral market**. A further drop in sales volume, a further increase in listing inventory or a combination of both factors could result in a buyer’s market with the pressure on prices to fall.

However, if listing inventory drops and/or sales volume increases there could a return to a seller’s market and further price increases. As you can see there have been times in 2003 and 2007 where pressure has been into the neutral zone, but then rebounded to bring further price increases.

Pressure On Prices North Okanagan 1992 to 2008



I carefully picked the word “Pressure” for the above chart. Simply because seller’s feel “pressure” does not mean they will reduce their prices. Think of exerting pressure on a desk... just because you are leaning on a desk does not mean it’s going to slide across the floor. But if the pressure becomes excessive or lasts long enough, prices will come down.

In the short term perfectly timing any market is impossible, but it appears that over the next 6 months to 2 years we *could be* entering a period of flat or lower prices. However, over the long term (3 to 10 years) there are strong factors indicating a return to higher sales volume, lower inventories and higher prices. There is dramatically growing demand from a huge pool of aging baby boomers for our ideal retirement Real Estate and just because someone in Alberta or Ontario is having a harder time selling their house to make the move to the Okanagan doesn’t mean they will forget about our desirable life style. **It may delay their arrival, but they are still coming!** A survey done by RareEarth Consulting in 2008 found that **38% of retirees in B.C. and Alberta would, if given the opportunity, retire to the Okanagan.** (Source: Western Investor – May 2008 issue) For a complete study on **Long Term Trends for Okanagan Real Estate** refer to my latest report on this subject. (Call or email if you don’t have a copy)

From my perspective, an inventory of 650 to 750 houses on the market is the support level for the North Okanagan. In 1993 the numbers rose above that range to kick off a 6 year bear market and in 1999 when the listing inventory dropped below that range it signaled the start of the most recent bull market that resulted in the average prices tripling over 9 years. If our listing inventory of houses rises above 750 it would not bode well for 2009 and anyone who wants or

needs to sell over the next 2 years should seriously consider taking profits by this summer or fall. You can check for twice monthly updates to the graph on our website at www.okhometeam.ca.

US Style Housing Crisis? No!

The factors are **not** in place for a market bubble in the Okanagan with substantial price reductions.

1. Market bubbles always follow a huge construction boom creating an oversupply of new housing units, especially in the condo market. We don't have an oversupply; in fact the opposite is true due to a shortage of skilled labour.
2. Bubbles also follow a number of years of loose lending practices to speculators; something that was rampant in the US in recent years, but not here. Speculation and *buying beyond a person's means* was further encouraged due to US income tax laws that allow deduction of mortgage interest on not only the primary residence, *but vacation and 2nd homes as well!* Canadian lenders have stuck to conservative lending practices especially for vacation or rental homes requiring not only large down payments, but proof of positive cash flow.
3. This all leads to the 3rd factor for a bubble; a sudden tightening of credit with higher interest rates leading to a high rate of foreclosures which is what happened in the USA. High levels of foreclosures drive prices down and in some US markets over 10% of listed homes are owned by banks! In comparison, the entire North Okanagan has only one property listed as a court ordered sale, interest rates have fallen and lending criteria remains consistent.

All markets bring opportunities and softer markets open up great opportunities to upgrade to a more expensive residence as the price spread often narrows and one can finance the purchase with lower interest rates.

It's also a good time to watch for deals on investment properties that haven't been available recently because in a softer market it's possible to find a motivated seller. Combine that with lower interest rates, a low vacancy rate that is pushing rents higher and you've got a good formula for a great investment with a 5 year time frame.

If you'd like to talk over a personalized strategy tailored to your situation, just give us a call.



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