



## REAL ESTATE HEAVEN IN 2007?



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This could be the ideal time to make money in real estate – but buyers must be prepared to research projects and do their homework.

BY OZZIE JUROCK

With the economy booming, real estate prices at record highs and still ascending, a tight rental vacancy rate and thousands of people flocking into the market seeking real estate, the No. 1 question every week at Jurock's Real Estate Insider is: "Is it over, will it stop . . . should I sell now, lock in the profit?"

This question has been asked of me for the past 37 years. There are variations, but the theme is clear every year: "Ozzie, young people can no longer afford to buy . . . there are too many realtors . . . and, I wish I had bought five years ago."

Having said that, this is also not the time to say "Buy and be happy." While there has perhaps never been a better opportunity to make money in real estate, rarely have there been more dangers lurking for those who wade in unprepared, or who take too much for granted.

We are seeing an unprecedented number of developers and speculators in Western Canada's real estate market. And mistakes are being made. Promises are being broken. Lawsuits are flying.

Now more than ever, investors need steady advice they can trust.

Yes, we believe that real estate prices will be much higher 10 years from now than they are today, even with the average Vancouver house price close to a million dollars. But we won't get there in a straight line, not with the amount of potential ambushes along the way.

At the pace the market is moving, it can be risky to do anything and fatal to do nothing.

The fact is that construction costs are rising at one per cent per month (according to Concord Pacific). The fact is that a number of developer/builders of new pre-sold housing projects have trouble delivering to the buyers at the price at which the homes were sold (Port Coquitlam and New Westminster are examples). That is why I do not recommend the speculative pre-sale market that continues across the Lower Mainland.

The key message is: don't rush into buying something you don't want and don't trust. Our maxim on any



deal that we don't like is: "So what? What is next?" Remember, your decision on what you need is all that matters in any market.

But, Ozzie, people say, the market is booming, how can I lose? And they are right. This is one of the best markets ever seen, and there are opportunities, great opportunities out there.

#### SO WHAT SHOULD YOU DO?

First of all make a plan and write it down. This is important. Decide if you are a flipper, a shark or a long-term investor. It will force you to think. Buying downtown, you are really not buying for cash flow, you are looking for capital gain – you are a flipper. Can you carry the negative cash flow if you can't flip for a few years? If you want to be an investor for cash flow, go to good solid areas where rent-to-price ratios make sense and a tenant buys you the property – literally. And if you are a shark, don't buy a U.S. tax lien course, go sit in court here for a few days and see how things work in Canada.

Watch and read the news. China is becoming the No. 1 economy in the world and it needs raw materials. Prince Rupert is building a huge shipping terminal that is five days closer to Asia than any other North American port. Pipelines are built in Kitimat. You can buy homes in Prince Rupert for \$40,000. Is this a good deal for you personally?

In the Nechako Basin near Prince George/Quesnel lies a huge gas and oil field, already discovered. Smithers may become a mining centre (two large mines under way, low-cost recreational land and the potential of oil and gas exploration in the Nechako Basin.) Most of it is locked nearly five kilometres deep but new technology and higher oil prices apparently make it worthwhile to get out. Quesnel is also close to large gold and copper mines that recently began production. Williams Lake just approved a new Wal-Mart, has zero vacancy and townhouses under \$100,000. Commercial land is cheap in the area. Is this a good deal for you? Does it fit your personal strategy?

Kamloops has great cash flow (low cost condominium apartments and a healthy rental market make it hard to get hurt).

Merritt has merit, Chetwynd, Williams Lake, Tumbler Ridge and Chilliwack (a new university is coming, and a new golf course, strong local employment base combine with affordable prices) have great income-to-price ratios.

Anything in a two-hour radius from the major centres of Vancouver, Calgary and Edmonton have great capital gain potential, if not cash flow.

Baby boomers are getting older and are heading to retirement towns like Vernon, Salmon Arm, Osoyoos, Summerland, Victoria and Nanaimo.

Hope has never done well, but is actually a great recreational area close to Vancouver. Detached houses listed under \$200,000 on the MLS.

Victoria: Volume is down and some real deals may emerge.



Kootenays: \$11 million expansion at Cranbrook Airport for international jets. Alberta buyers push demand in Fernie and Kimberly and, recently, Revelstoke.

Whistler: Whistler prices are set to move up after a three-year lull.

As the old Chinese saying goes: "The best time to buy real estate was five years ago; the second best time is now." Still true, but think before you leap!

There are such opportunities all across this province and across this country. Today, you can buy anything you want. But make sure you want what you buy. It has to fit you personally. □

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