



Here is my take on Vancouver real estate. It is all about affordability. Unless you are coming in from other parts of the world with lots of cash, our 45 year and under crowd who have not bought, cannot afford these prices. Most couples would barely qualify for a \$500-\$600K mortgage plus \$200,000 equity, you are looking at \$700k-\$800k houses. Anything above that will be affected by a price drop.

When will that happen...by 2020 or before. Why? Chinese buyers will be restricted by their own government on buying foreign property. Those that do buy are buying high end properties. They also have a tendency to gamble and will sell at all costs if they see their Canadian property values dropping.

The larger factor is that most Canadians born between 1950 and 1960 have not planned for retirement. I see this every day. The biggest asset they have is their real estate. The only thing they can do is sell and downsize or rent in order to be able retire with a \$50,000 annual income, of which about \$25,000 comes from CPP and OAS. Most of those retiring still have debt outstanding for cars, house maintenance, deferred property taxes, child education and their marriages and many Baby Boomers have second families from 2nd marriages later in life. Those born in 1955 will turn 65 in 2020.

So who will buy those not updated 33ft lot, \$1.5 million dollar 1950's home? Foreigners are looking at other less expensive places to buy. Our population is too small to carry the eventual supply and lack of demand. What maybe in demand will be 2-3 bedroom condos and townhouses under 1,500 sf.

The inheritances passed on by parents born before 1930, who own property in the Lower Mainland, especially in Vancouver, could be assisted and benefit with some cash to pay down debt or invest funds for retirement.

Properties outside of the Lower Mainland are struggling to get sold for the asking price. There aren't enough buyers. Albertan's have stopped coming to the Okanagan. If you bought in the Okanagan after 2004 and are selling now, you will have lost at least 20%, if you can even sell your place. This is just the start.

The building boom with new condos coming on stream in Toronto is astronomical compared to other large cities in the world. They will come on stream by 2015. Unless the Baby Boomers downsize into them, there will be a glut and developers will be forced to drop prices. This will start a domino effect. If and when interest rates do rise, which they will, that will also slow real estate sales as fewer buyers will be able to afford or qualify.