

OUTLOOK 2009 Bold buyers will find “screaming deals” as B.C. housing prices crater over the next year

Year of the deals

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With housing sales plunging across British Columbia – descending 43 per cent so far from a year earlier and still accelerating – and landmark condominium projects collapsing under debt, 2009 is expected to see the bottom of the most spectacular real estate collapse in 20 years.

For those with cash and confidence, however, the next year – starting right now – represents a golden opportunity to purchase prime properties at bargain prices, some experts say.

“I just bought an entire subdivision in Fort St. James,” said **Rudy Nielsen**, the province’s single largest land speculator. Nielsen, president of **Niho Land & Cattle Company**, is confident the economy of northern B.C. will recover and, meantime, he says, the prices are too good to pass up.

Nielsen, however, advised urban investors to “pull back right now. I wouldn’t advise buying until at least February 2009 when we will know how this financial mess is sorting out.” Nielsen said it is time for smaller investors to “build a fort, protect what you have and look carefully” for the right property at the right price.

That is also the basic measure from B.C.’s top real estate analysts, all of who see 2009 as a crater year for the housing market – and the start of long climb back to recovery in 2010 or 2011.

“For 2009, the average [B.C. house] price is forecast to decline nine per cent to \$413,000,” said **Cameron Muir**, chief economist for the **B.C. Real Estate Association**. “Downward pressure on home prices is expected to ease by the second quarter of 2009.”

Some areas of the province which have seen double-digit annual price increases since 2007 will see similar price declines next year,

Muir suggests. Values in the Okanagan, for instance, will drop by 10 per cent in 2009, dipping to \$370,000 in the Kelowna area and to \$302,000 in the South Okanagan.

The only area in the province expected to see a price rise next year, the BCRA believes, is the Northern Lights area – Dawson Creek and environs – with a modest three per cent increase to an average detached house price of \$199,500.

At the recent B.C. Housing Outlook 2009 conference, **Robyn Adamache**, market analyst for **Canada Mortgage and Housing Corp.** (CMHC), said Metro Vancouver detached house prices will take the worst hit in 2009, falling an average of 10 per cent to \$720,000, while average condominium prices will fall eight per cent to \$338,000. The bright light, she said, are townhomes, where prices will only see a moderate drop of two per cent to \$497,000.

Realtors on the street, however, say many vendors have already cut asking prices by more than 10 per cent, and some believe prices will keep trending down in 2009.

Agent **Brent Roberts** said one luxury Yaletown condo was put on the market in November for \$770,000, a cool \$250,000 below what it would have sold for a year ago. “Some vendors just want out of the market,” Roberts said. “There are some screaming deals out there right now.”



Real estate consultant Ozzie Jurock: “The best deals come in down markets.” Jurock sees average Metro Vancouver house prices falling a further 10 per cent in 2009.

In the Fraser Valley, Roberts said, detached houses are on the market at \$350,000, in neighbourhoods where vacant building lots were selling for \$400,000 this spring.

Adamache, however, said the fundamentals of a strong economy and in-migration will keep a floor under Vancouver’s housing values in 2009. She notes that 34,000 people, net, will move into Metro Vancouver next year, while the unemployment rate is one of the lowest of all major cities and will remain in the five

per cent range through 2009. Still, she said, “In 2009, Metro Vancouver will see the first decline in average prices in 20 years.”

Helmut Pastrick, chief economist for the **Central 1 Credit Union in B.C.**, who was bullish on the housing market just months ago, is now the first to label the downturn a “housing recession.” Pastrick doesn’t expect to see recovery in sales or prices until 2010.

Instead, he expects housing starts across the province to plunge to 23,500 units next year, down from more than 37,000 in 2008, before crawling back to just 26,000 in the Olympic year.

“A poor economic outlook for 2009 and tight credit conditions extending into next year will keep housing sales on a downward trajectory for several more months,” Pastrick said. “Housing sales will decline by a further 17 per cent in 2009, following a projected 30 per cent fall this year. An easing in the credit crisis, lower mortgage rates, and an improved economy will see housing sales turning upward in 2010.”

Pastrick is also bearish on residential prices, calling for a 13 per cent drop from the peak values seen in March of 2008 into 2009, and a further five per cent downturn in 2010.

“A turning point in the price downtrend is expected in 2010,” he said, but he provided no hope for quick rebound.

Condo market

Investors own about 23 per cent of all the new condominiums across Metro Vancouver, according to CMHC surveys, which makes this sector the most vulnerable to price corrections.

Jennifer Podmore Russell, managing partner in market analyst **MPC Intelligence**, says sales of new downtown Vancouver condominiums have dropped 45 per cent this year, as compared to the first three quarters of 2007, and she sees no increase in sales next year. Podmore told the **Ozzie Jurock** Housing Outlook conference in October that the speculative buzz is gone from the condo market, replaced by a rush of investors, some holding multiple presale units, all trying to hit the sell



Photo: Richard Lam



Photo: Canada Mortgage and Housing Corp.

LEFT: Helmut Pastrick, Central 1 Credit Union of BC: "Housing recession has begun" with no recovery until 2010. RIGHT: Robyn Adamache, Vancouver analyst, CMHC: strong economy, in-migration will put a floor under falling house prices next year.

button at the same time. Podmore, however, sees as many opportunities as challenges in Vancouver's downtown market.

For buyers, she said, sharp shoppers can find exceptional value. She pointed to one new downtown tower, where seven one-bedroom suites are being resold. A look at the near-identical apartments showed that the asking prices ranged from a low of \$409,900 to a high of \$455,000. She noted that "price point is now everything" as the owner-occupier or long-term investor replaces the flippers who once accounted for nearly half of downtown condominium sales.

There are 4,178 new condominiums under construction downtown, all set to arrive on the market by 2010 or 2011. Podmore notes that, as these units get pre-sold prior to construction, even at a slower pace than in the past, there won't be much more in the pipeline. Some towers that had been planned are now on hold, she noted. Within two years, she said, there could actually be a shortage of new apartment property in the downtown area, just as Vancouver hits the international radar as the site of the Olympics.

The volatility of the condo market is seen in the number of high-profile projects that have either stopped or have developers scrambling to find fresh financing in the midst of a global credit crunch.

As of press time, the deathwatch included the giant five-tower Infinity project in Surrey, the upscale Ritz-Carlton condo-hotel tower, and

Jameson House, both in downtown Vancouver, **Pinnacle International's** waterfront development in North Vancouver, and the \$1 billion Olympic Village/ Millennium Waters project on False Creek, where the **City of Vancouver** has already provided a \$100 million loan.

If you want a deal on a new condo, the next few months may be the time to get it, according to real estate consultant Ozzie Jurock. He notes that developers now meet regularly with nervous lenders worried about presales, and developers are much more likely to negotiate on price or upgrades to get sales on the books.

The incentives in the condo market are already coming and should get even more generous next year. At least two condo projects in Vancouver are now offering a free car with any purchase, and others are offering low mortgage interest rates and cash back to buyers.

According to CMHC, there are at least 800 new and unsold condominiums across Metro Vancouver, a near nine-fold increase from a year ago, and the glut will increase in 2009 as thousands of new strata units hit the market.

Vancouver Island

The B.C. Real Estate Association forecasts that detached housing prices will fall seven per cent on Vancouver Island next year, to \$308,000, and will drop six per cent in Victoria, to \$455,000, as sales in both markets decline.

Island realtors report that a surge in listings could drive prices even lower into next year, as the sales-to-listing ratio has fallen in most up

Ozzie Jurock says: "We'll be fine in 2009"

Ozzie Jurock, British Columbia's best known real estate consultant and investor, has seen housing and financial crashes before and he is confident B.C. will ride out the current downturn with ease.

In 1992, Jurock notes, some 787 U.S. banks had collapsed amidst the savings and loan crisis. At that time, Jurock was buying real estate and urging his clients to do the same.

"It was an easy call to make," Jurock said. "Just as easy a call to make for real estate values now, because the fact is that values grow where people want to go ... and people want to live and play here in Western Canada."

"In today's gloomy environment we must remember that urban real estate always has a use and thus always has a strong asset value.

"We like all urban real estate in Western Canada from Edmonton to Vancouver and most everything in between. No matter the short-term gyrations, urban properties have been a spectacular investment. Downtown used condos on Howe Street rose from \$95,000 in 2001 to \$350,000 in 2008. The average house price climbed from \$16,000 to \$700,000 in Vancouver over the last 40 years.

"But we did not get there in a straight line," he said.

In Western Canada for 2009, Jurock said he is only concerned about Saskatchewan, "where volumes are slowing, inventory is soaring, and prices are bound to reverse sharply."

"On average for 2009 we look for prices to firm in Edmonton and go down in Calgary by a further eight per cent, and Vancouver

by 10 per cent."

He cautions that overbuilt condo areas – he singled out downtown Calgary and Vancouver and the Okanagan – will see sharper price decline.

"Recreational areas will not escape as they always follow – down or up – markets in the major cities. Previous downturns have lasted from one to three years and seen an average of some 17 per cent decline from top to bottom. I would not be surprised to see that this time also."

However, Jurock recommends buying waterfront. He notes that there are now 67 waterfront homes for sale on the Sunshine Coast, up tenfold from a year ago.

From an investor's perspective, Jurock said, "we like cash-flowing properties anywhere there is a good employment base, low vacancies, capital investment and a good price-to-rent ratio."

His picks for such markets include Edmonton, the Kootenays and a number of smaller centres in both Alberta and B.C.

"From a home purchase perspective there will be some great deals in new construction [in 2009]," he added.

Jurock believes that we are in the midst of the most unreported inflation of all times, "because we print more money than ever. All that extra cash created out of thin air will continue to compete with the money you and I make and drive hard asset prices, like real estate, eventually higher again."

"Don't worry," Jurock said. "The best deals come in down markets. On the way up, risk increases every day. On the way down, it decreases every day."

His final advice: work with a sharp realtor, do your research and make an offer.

Island markets to the 36 per cent level, down from 70 per cent earlier this year.

"There are 120 condo apartments for sale in Nanaimo, about double the level of a year earlier, and sales are down to about 20 a month. We will be seeing some desperate sellers over

the next while," said **Randy Forbes**, manager of the **Coast Realty** office.

CMHC is relatively bullish on Victoria, forecasting that the average price of a resale house will drop 6.2 per cent next year, but that new home prices will remain unchanged. ♦