

WELCOME TO A NEW YEAR/NEW ORDER?

As I started analyzing the YTD '08 vs YTD '07 figures attempting to come up with something meaningful, I got a call from one of the folk who regularly receive my e-mail update questioning the Vancouver Sun article (Jan 6) entitled "Real Estate sales slide more than one third in 2008";.

Two concerns emerged – i) disbelief that the value of his home could possibly have dropped by over a third and ii) that the Tax Assessment notice received the day before clearly contradicted the headline. We had a lengthy discussion and I asked if he'd mind my using his questions (and conclusions) in this Update – not disclosing his identity. He kindly agreed.

Firstly, the "more than one third" referred to the number of sales '08 vs '07 for Greater Vancouver (that mixed herd of properties including Whistler ski lodges, downtown investment condos, Tsawwassen waterfront mansions, cabins in Indian Arm, co-ops in Coquitlam, building lots in Maple Ridge etc; pardon my attempt to drive home the diversity of "products" in this supply/demand bag). As an aside, I find it very interesting that most markets (e.g. stock market, commodities etc) don't dwell on the number of deals (or sales) but rather the resulting "supply/demand" transaction value.

Who should care if I choose not to accept an offer on my home and if others choose not to buy current offerings. Only the "value" established by the willing seller/willing buyer is meaningful – the number of transactions is simply a product of supply/demand factors.

The Tax Assessment value on the other hand is nothing more than a somewhat imperfect attempt to ascribe a relative value to the individual pieces of the property stock of the province by the Provincial Government in the form of the B.C. Assessment Authority. The more pertinent issue here is "are we paying a fair proportion of the local municipal tax budget?" It seems evident and somewhat amazing that well over 50% of taxpayers feel they are shouldering an unfair proportion of that budget. All that one can hope is that the owner of a property that would sell for \$500K pays roughly half of the tax paid by the owner of the \$1MM one. Otherwise an appeal of that assessment based on verifiable evidence may be in order.

What do we know for sure? Clearly there is a drop in that magic level at which one's home would have sold at the height of the Vancouver market (Mar/May '08 ??) and a sale today. AND equally clearly there is a (fairly significant) increase in what one would have sold one's North Shore home in early 2006 vs early 2008 (estimates would place this at anything from 15 to 25%). The actual 2008 drop is difficult to ascertain with any accuracy but I'll go out on a limb and guess that it may be in the 10 to 20% range. Some homes could be higher/lower based upon prevailing supply/demand factors and specific variables such as condition (maintenance) or urgency of sale. Remember that the relatively few sales we are seeing in the Oct-Dec stats likely have the "must or need to sell" group over represented.

The question is oft repeated "what would my home sell for if I had to sell it now (say by end of January)?" My advice, at the risk of appearing facetious, is "don't think about it" unless you absolutely have to sell now OR if you are wishing to "trade up". It is as academic a question as "what would my house have sold for in Mar/May '08 with low inventory and high demand". This masochistic negativism will only depress you! We are in the throes of an inevitable cyclical correction exacerbated significantly by international economic ills (largely US initiated). What we do have in spades though is a major dose of pessimism regarding the immediate future. I've heard this "buyers' market" described as one in which very few buyers have any conviction to buy. As I've noted before, the fact is that nobody really "has to" buy. Douglas Coupland's commentary in a recent Globe and Mail article is particularly pertinent – it's entitled "Gloomageddon" and the article's byline is "What's extraordinarily different with this downswing is society's collective neural response to it". View it at

<http://www.theglobeandmail.com/servlet/story/RTGAM.20090106.wcogloom07/EmailBNStory/specialComment/home> - well worth some considered thought.

After the foregoing, I believe that wishes for a Happy New Year are all the more important, as is a personal belief that we must not succumb to the "Gloomageddon factor". Positive thinking for a positive year!

Again, visit my website to see and "hear" the new developments. Continue my commitment to keep you... www.OnTopOfTheMarket.ca - the "go to" site for North Shore Real Estate analysis and jumping off point for FULL market listing information.

To join the group getting the e-mail version of this “update” - send a request now to alanskinner@shaw.ca and you’ll be assured receipt; phone me at (604) 988-7368 or visit www.OnTopOfTheMarket.ca