

## Hot, Hotter, Hottest?

Could there be a theory emerging, following our record breaking heat wave, that the real estate market in B.C. (and particularly Vancouver) is emulating this weather pattern? If you harbour any scepticism &hellip;read the current statistics below!

A short diversion if I may &ndash; as close as I get to a &ldquo;rant&rdquo;; do I rant? You be the judge. The Vancouver Sun reported a few days ago, rather flamboyantly and, I feel, a little misleadingly, with this headline - &ldquo;&hellip;markets race to record July home sales&rdquo;; reporting an &ldquo;89% increase over same time last year&rdquo;. Reporting the number of sales in the &ldquo;month that started the slowdown in 2008&rdquo;; vs. the &ldquo;month this year with the lowest inventory of homes for sale for over a year&rdquo;; does distort the picture somewhat &ndash; but, what an attention grabber! Exaggerated by the unleashing of significant &lsquo;pent-up demand&rsquo;; and, just because the months happen to both be &lsquo;Julys&rsquo;; &ndash; an anomaly occurs.

It&rsquo;s a little like saying &lsquo;the 12th of July 2008 reported 4 sales and the 12th of July 2009 reported 8 sales, therefore the market is twice as buoyant&rsquo;. A better and more reasoned comparison is Jan - July 2009 vs. Jan - July 2008, thereby smoothing out the spikes and troughs &ndash; be they daily stats or single (unusual) months. It seems news is created with one &ldquo;bite sized chunk&rdquo;; being compared to another &ldquo;bite sized chunk&rdquo;; as is repeatedly the case with TSX business reports. You know; the type that report &ldquo;market dips dramatically&rdquo;; [a 219 pt drop in the Index on Wednesday] and the Thursday headline blaring &ldquo;stock market rebounds well&rdquo;; [a 196 pt rise in the index]. Wouldn&rsquo;t, at a minimum, weekly reports on direction and magnitude be a little less theatrical and maybe a calmer way of considering the facts? Do we, the buying public, require this sort of reporting as a necessary ingredient to persuade us to buy the newspaper? Ah, the &lsquo;journalism&rsquo;; vs. &lsquo;headline impact&rsquo;; debate continues.

Now, having made an argument for the &lsquo;calm&rsquo;; approach to information dissemination, I will say that, yes, the real estate market, including ours on the North Shore, is showing an undeniable improvement from late 08/early 09. My belief is that, if we lost say 20/25% (in average property value) in the worst parts of the late &rsquo;08 downturn, we have likely regained 50% of that and are gradually approaching 10% off the late 2007 position. I said last month I&rsquo;d comment on the &ldquo;whither demand&rdquo;; question and, while this is the more enigmatic partner in the supply/demand waltz, I believe there is very little reason for demand to deteriorate at a greater rate than the current slippage in supply.

Thus, it is likely that the interplay between the two &lsquo;partners&rsquo;; will cause current price levels to be maintained and it is as likely that a very gradual price increase will emerge in the more desirable segments of the market. The higher end (luxury) market will in all probability take a little longer &ndash; maybe a couple of years or more - to regain its pre-downturn levels. Increases are evident but not to quite the same extent as the lower and middle price points.