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Market Update - Year End 2008
January 2009

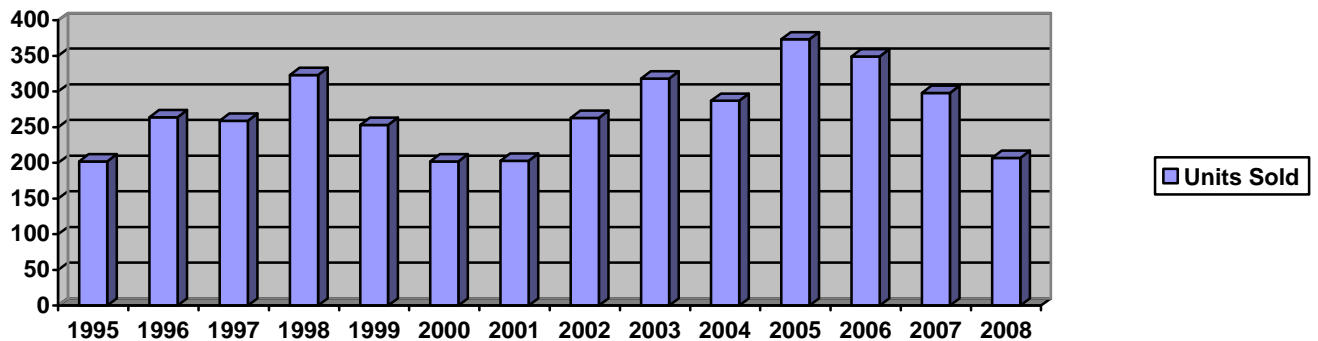
I have been writing Quarterly and Year-End North Shuswap Real Estate Reports for the past 15 years. A few times in the fall 2008 I thought I may not write a Year-End Report because I have nothing to tell you. After all, what do I know? What do any of us know? Then I remembered why I started my Reports in the first place. It was people like you that asked if I could find a way to keep them posted about the North Shuswap Real Estate market. More than ever, it is my job to put into print what I see and to tell you about it. If it makes sense to you, then good.

This Year-End Report is the longest I have ever published. I apologize for that but this year it takes more ink and paper to say what I have to say. As always, I welcome your comments. I do value your thoughts and input.

2008 Statistics

2008 MLS statistics show sales in the North Shuswap of 38 homes; 51 lots; and 1 commercial sale. That puts us back to sales volumes similar to that of 1995; 2001 and 2002. A full 27% below sales volumes of 2007. 2005, 2006 and 2007 were record setting years.

Century 21 Lakeside Realty Ltd. – Sold Units by calendar year



Note the graph above showing Units Sold for our company, do you see the cycles? 1998; 1999; 2000; 2001; 2008 & 2009 all good times to buy. And please don't say "Yeah, but it's different this time."

Of the 38 homes sold 13 were lakeshore and of the 51 lots sales only 1 was lakeshore. Almost all sales were in the first half of 2008. There were no homes sold and only one commercial lot sale in the last quarter of 2008. The last North Shuswap home to sell was in September.

The Buyers and Sellers are from all parts of BC and Alberta and as always, the majority of Buyers and Sellers are from BC, contrary to popular myth.

Sales In General

The first half of 2008 saw just lower than normal levels in sales when compared to 2007 stats. There was little concern as the feeling was that summer would bounce back and we would be fine. While lakeshore sales dropped off the charts early, all other types of property showed promise and there was little concern. As summer turned to autumn the market was falling faster than I could keep up with.

Lakeshore

The spring of 2008 found interest in all lakeshore properties lower than previous years. In the spring we blamed the decline in interest to a number of theories. By the fall of 2008 we knew our theories were incorrect as the real reason became obvious.

A typical lakeshore buyer can be expected to be better informed about all types of markets, including the real estate market. The typical lakeshore buyer had formed the opinion early in 2008 that it was time to exercise financial caution, and they did.

Lakeshore sellers knew the same news at the same time as the lakeshore buyers knew it, but it was the buyer that reacted first by backing off for now.

Web site activity on lakeshore listings remains as high as it has always been because the buyers still have interest in owning lakeshore.

Web Activity

It is true that sales for the last half of 2008 were low but web site activity was good throughout the year. In November and December 2008 the number of web site visits fell to half that of previous months with approximately 35,000 hits each of those months, while all previous months averaged approximately 75,000 hits per month.

The new web site www.century21.ca continues to grow at a rapid pace with half a million visitors each month.

Buyers are still shopping and not everyone is convinced of what network news has to say about the state of the economy.

Observation

By about September of 2008 many of us metaphorically pulled the blanket over our heads to hunker down and wait it out. We bought food and fuel and paid the light bill, but everything else was on hold. By December I noticed people saying things like 'What's it all about? I still have a good job and money in the bank. Interest rates, inflation and unemployment are very low. What's it all about?'

I see a pent up anxiety building. I see sales of all commodities, including real estate, improved by spring 2009 as more and more people pull the blanket off their heads and get on with their lives.

I am one of many that think my days of watching network news are over. News today is about bent metal, flames, tears and sorrow. The more of it there is, the greater the audience market share and the more an advertising time slot is worth. You notice they never report on successful airplane landings, just the bad ones. They never report on the people that are okay, like you and I. They only report about those with the pistol in their mouth. It makes good news, good market share and money.

Buyers & Sellers

I see both buyers and sellers optimistic about pricing for 2009. Buyers see 2009 prices far lower than the prices of 2008. In my opinion, buyers are too optimistic about just where prices will level off. The reason is simple ... very few North Shuswap properties have a mortgage and I am not aware of any hardship among sellers. Push come to shove, it's not a difficult decision for sellers not to sell for a year or two. Also, the seller does not see it as a hardship to own a place at Shuswap Lake for a few seasons more. Sellers are aware that they may have to lower their expectations, but at some point, taking their property off the market becomes a better choice for them.

I have had buyers tell me that their advisors say 2009 prices will be way down over that of 2008. Are these the same advisors that said to stay in the stock market? The fact is, I believe 2009 prices will be lower than 2008 by 10 to 15 percent.

In a nut shell, it's the same-ol' same-ol', buyers and sellers will disagree on price and that is no different than in any other season, year or market.

Happy People

Yes, there are happy people. There are older investors that over the decades have made a ton of money in bad markets while everyone else was afraid to do anything. They are shopping now for future investments and development. Those investors in their 60's and 70's see this downturn as probably their last opportunity to buy in a low cycle.

BC Foreclosures

Mortgage foreclosures in BC are the lowest in Canada and the lowest in BC in 10 years. A leading indicator would be mortgages that are 3 months in arrears and these continue to be at record lows. There is little to compare between western Canadian and the US mortgage industry or the mortgages problems in the US.

Strata Titled Mini Storage

Yes it is true. The 5 acre site behind the Home Hardware in Scotch Creek is being developed into a strata-titled Mini Storage. You get to own it instead of renting it. What I can tell you so far is ... these units are 17'x50' with 12'x14' doors at both ends. The 19 units in 'Phase I' are expected to be ready late May 2009. If you wish to be kept posted about this, please let me know.

Ozzie Jurock

With the permission of noted Real Estate author Ozzie Jurock, I am including with my report a portion of his November Real Estate Insiders Newsletter entitled "Yeah, but!" Ozzie's article "Yeah, but!" says it all. After reading the article, if you should say "Yeah, but", please read it again.

There are also links to Ozzie's web site if you should wish to subscribe to the best western Canadian Real Estate Newsletter there is. And if you want the best North Shuswap Real Estate Newsletter ... you're stuck with me.

Regards,
Al Christopherson

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A Case of the Yeah, But ...

By Ozzie Jurock
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Yogi Berra said: *It is déjà vu all over again.* That is how I feel today. I wrote 10 years ago, in September of 1998, that we were having a case of the Yeah, but! I think we are there again.

Here is what I said then: *It is wildly unpopular to be positive in **British Columbia** these days. We are down, we feel down, and we want to be down and down we are.*

*Particularly in the Real Estate Market, we like to wallow in our self-imposed misery. No matter what the uplifting statement, it is always countered with a frown followed by a seemingly knowledgeable: **Yeah, but.***

*I find it amazing. In 1960, the average Vancouver home sold for \$13,105. Thirty-eight years later (1998), the **Real Estate Board of Vancouver** reported the average sale price as \$346,540 (Sept 98 family home).*

Assuming long-ago you had plunked down ten per cent or \$1,310 as down payment and hung in there; you would now be gloating over a 26,455-per-cent return on that original down payment. And you have a roof over your noggin to boot. Amazing. Exercise in fantasy but if this lift kept right on trucking for the next 25 years, by the year 2023 that \$13,000 home will be commanding \$7,119,420. And antique you will still have a roof over your gray hairs.

*But at various times in our history, the **Yeah, but** scare people out of their wits. They are told the real estate's day is gone; that this is a New World and that this or that factor will sink real estate investment. Of course, the Chinese have disproved that theory for 2,000 years; the Europeans and North Americans have founded their empires on real estate. In fact, ownership of even the humblest real estate has been the greatest wealth builder bar none for the average person. It has made the average North American wealthier than his counterpart in any other part of the world. In fact, it is the defining difference between rich and poor nations. But no matter to the naysayer this time it is somehow different.*

Today, for some inexplicable reason it is all right for investors to be exhorted to invest for the long-term when it comes to highly speculative mutual funds, to stay the course even while they suffer outlandish losses in their portfolios.

Sound familiar? Only difference to the above is that the \$346,540 average single family home price in September 2008 stood at \$818,400!

When I look at the collapse in the Mutual Fund sector – where in some cases over 90 percent (!) in value was eroded several times in the last 30 years, something you NEVER see in real estate and now the **NASDAQ** at 48% lower than last year, ditto for the **DOW** and the **TSX** 46% lower since June I shake my head. I can't recall any time when I have seen any such losses in real estate in such a short period of time.

I also said in the same in 1998 newsletter: *Most losses in real estate come from foolish investments following the wrong trend, listening to a guru, and getting swept up in an emotional pre-sell binge. Yeah, but, say the naysayers now Vancouver has it, now it is different this is now 1998. Of course, we had the 'Yeah, buts' in the past too ...*

Again sound familiar? I could share with you the '**Yeah, buts**' of yesteryear but take a look at the '**Yeah, buts**' of today:

A YEAH, BUT' SURVIVAL KIT:

First check whether the **Yeah, but** is true, reported falsely with a bias or regurgitated nonsense. Today we must listen to statistic after statistic about how down the US markets are, how it is the end of the world. I am called by reporters that just want me to support the negative bias they are reporting and when I dare to say something positive, I am treated like a lunatic. I spoke to a few hundred Realtors® in the last two weeks and I am appalled at some of the negative vibes people right in the industry are giving out. Those are people that **KNOW** or should know that the purchase of one's home has been the best thing for 40 years even if bought at previous worst times like 1998, 1987, 1982, 1974 – see above. Re-read that newsletter carefully and note the comparison to today.

So, to survive the yeah butters, first learn to ask: Is it true? Then what effect will this really have and then learn to reply either with a firm: Not true! Or So, what? In fact, the 'So, whats?' are a great answer to the 'Yeah, buts'.

Yeah, but in the US 3.4% of all homes are in foreclosure. So, what? 94.6% of homeowners are paying.

Yeah, but ... in the US one in 143 homes is in foreclosure. **So what?** 142 are not!

Yeah, but ... all housing markets are crashing in the US. **Not true.** Data from **Integrated Asset Services LLC** of Denver shows that 75 of 360 countries showed month-to-month increases in price. Compared to September of 2007, Western and Midwestern housing prices improved slightly while Northeast and South continued to weaken.

The top 5 markets showed an increase in price in September compared to a year earlier are: LaPaz, Arizona, up 12.1% (and 22% higher than August), St.Clair, Illinois, up 9%; Plumas, California, up 7.5%; Cocke, Tennessee, up 6.5%; Washington, New England, up 5.1% ... there are dozens more.

Yeah, but ... sales volumes are crashing. **Not true.** The US markets with the steepest decline in prices, have now the largest increase in sales between 35% and 45%.

Yeah, but US unemployment is rising at 6.1%. So what? Of that number some 4% is built-in second and third generation welfare and in any case ... **So, what** again. 94.5% are working. (BC was at 7.8% in 1998, East Germany at 12%).

Yeah, but the US is creating a huge debt. The outcome will be a banana republic like South America. True, huge debt. **NOT true** ... Banana Republic. The US is a \$13.2 trillion dollar annual economy. The economy of France barley fits into California, Turkey into Washington and Canada into Texas. It is NOT a Banana Republic.

Yeah, but you have to admit that money is created out of thin air. **True!** I say it all the time and the outcome will be more inflation of hard assets after we go through the valley of clearing out excesses.

Yeah, but ... Ozzie, we are getting older in BC we have more people in the age group of 44-60 than any other. **True! So, what?** They have all the money, they can afford to buy the second home and the recreational property and when they die they leave the money to their kids here in BC and Alberta where over a trillion will be inherited by the next generation. **AND** we are also getting more new births in BC than anywhere else!

Yeah, but people will not want to live in big houses anymore. **Not true!** We need big houses, because we still have our kids living with us. They used to leave at 19, now they come back with 2 more kids at 24.

Yeah, but ... some developments have gone down. **So what?** They needed to, we were overbuilt. Normal! Also, \$113 billion in projects are still going ahead in BC.

Yeah, but ... pre-sales are not moving anymore. **So what?** Again, when we overbuild, we will see developments fail. Normal! It happened from 1995 to 2000 as well. When everyone stopped building we cleared out inventory and started again in 2000.

Yeah, but real estate sales volume is falling. **So what?** Our volume is falling as measured against 2007, and measured against most other years volume is higher.

Yeah, but vendors can't get their price. **True.** **So, what?** Buyers can get theirs. Who says that vendors are entitled to ever-increase prices EVERY YEAR. Traditionally Vancouver's prices have reversed 8 time in 30 years only to make new highs later.

Yeah, but prices are down a lot. **So, what?** Downtown Vancouver new condos are becoming affordable. Over 100 Westside properties are listed at \$100,000 or more below assessed value. Vendor take-back financing will make a come back.

Yeah, but ... it is harder to raise financing than ever before. **Not true!** In the early '70's we could only get 75% financing, there was no easy mortgage money available in the eighties, every deal had a second mortgage. In 1990 the average 5-year mortgage was 13.5%. In our monthly **Real Estate Action Group** there was over \$20 million raised this year through joint ventures. Just become more innovative.

Yeah, but ... Realtors® have to leave the business. **So what?** The professionals will stay and do well. That is what the market needs anyhow.

Yeah, but the gloom forecasters may be right this time. **Never. Harry Browne, *How To Profit From A Monetary Crisis*** told us in 1974 to sell real estate. **Howard Ruff** told us 20 years ago to sell, move into the hills, buy dried food and a machine gun (presumably to protect the dried food). **Ravi Batra** forecast the Depression of 1990. And **John Erdman** wrote *The Crash of 1979*. Do I hear *The Crash of 2009*? Even if they were right, **so, what?** We'd all be in the same boat anyhow.

Yeah, but ... employment is slowing. **Not true.** In the last 8 years BC had the highest employment gains in Canada. Employment stands at an all-time record.

Yeah, but unemployment is rising. **Not true!** At 5.4% BC is in 44-year record low territory. (See the US above as per built-in unemployment.) In any case, 94.6% are working.

Yeah, but ... forestry is down. **True** ... but **so, what?** BC still accounts for two thirds of Canada's lumber exports, half of it is chemical pulp exports, 40% of it is paper exports.

Yeah, but mining is down ... **not true** and **so, what?** More gas and oil leases sold than ever, almost \$2 billion worth in 2008. Also BC still produces 98% of Canada's copper ore exports, 7% of Canada's coal exports and 40% of Canada's national zinc exports.

Yeah, but ... energy is down ... **So, what?** It is down for everybody. BC ranks second nationally in producing natural gas, BC ranks third in producing hydroelectricity.

Yeah, but ... with the economic recession there will be fewer tourists. **Not true** or at least with the falling dollar tourism in Canada is downright cheap for Japanese and Americans.

Yeah, but ... now we have an 80 cent dollar again. **So, what?** Helps our exports. Helps tourism. Helps foreign buyers buy real estate. Low dollar helps BC and Alberta exporters.

Yeah, but ... there is so much change ... **True!** And isn't it wonderful? We can re-invent ourselves. Opportunity abounds.

Yeah, but ... Ozzie, I can't help it, I am worried. **So what?** It is a proven fact that 90% of all the things we worry about NEVER happen! The 10% that will happen, don't worry, get into some action about what you worry about.

Yeah, but ... all the people we watch on TV can't be all wrong and they say we are going into a deflation / depression / crash / years of misery. **Not true!** They can, and have been, all wrong. Those are the same people that said about your stocks: *Stay the course*, while they sold to you. They also said, that the markets after 20% decline would go up again and then all the way down. They said the small investor is back (nonsense, he has been wiped out). Get away from them. Most people today have CNN or BNNitis. Before they get to work they are already regurgitating the bad news from Asia and Europe and expect the worst in North America. Do not be one of them. For your own mental and physical health get away from the naysayers. Markets become the stories people tell about them. Money is made by those that keep their own counsel.

Okay, enough with the **Yeah, buts**. For now ... But I will create a 'positive news' section in our weekly *Facts by Email* and I urge you wherever you are to send me any and all positive news you find. I will group them by economy, tourism, people, work-related, country, etc. and send you a final version of a **Yeah, but survival kit**.

Yeah, but are there no real problems on the horizon for BC?

Of course there are. **I am bullish but not foolish.**

Forestry in BC is hurting, Oilsands projects in Alberta may be delayed, employment may slow down. Yes, we have problems. The world has changed and is continuing to change; today's new world seems like a frightening place but so were the nineties, the eighties, the seventies and the sixties. In 1961 not one house sold in Burnaby. In 1969 I couldn't give away brand-new \$19,900 full basement homes. In 1974 the US stock market crashed by 40% and the gloom descended on Vancouver's housing market too. Headlines had 'Realtors® prowling like hungry tigers' or 'Real Estate prices will never recover again'. In 1981 and 1982 real estate values did crash by 45% in 18 months. 5-year mortgage terms were written at 16.5%. In fact, all of the eighties saw five-year mortgage terms at an average interest rate of 12.45%, never less than 10.75%. In 1988 the end of the real estate world was predicted following the 1987 crash.

Had you listened to all the doom and gloom of 1961, 1974, 1981, 1982, 1983, 1986 and 1988 and not bought a house you would have done a serious disservice to yourself and your family. Of course, this is a new world. You have to apply some new principles. Get some unbiased advice, listen to where the **Yeah, buts** come from, make some intelligent decisions. Discard some of the old standbys. Note that now when you sell and forget about location, location, location; trend and time identifiers will rule. It is also true, that we are at the end of this cycle and it may well be a downturn of the longer variety. The last 3 of which lasted 3 years on average and saw an average of 17% declines in price. (Average meaning some lost more and some lost less.) We said in October 2007 to take some chips off the table to protect what you have becoming more and more important. Remember, that most people that are complaining about prices going down are talking about prices being down as opposed to 2007. We are still much higher than 2006, 2005 etc. (In most markets in the US prices have not gone below 2005 and 2004 as well.)

No matter what business you are in, not just real estate, your best market remains between your ears. Stay positive, upbeat and you will attract business, people and friends to you. We have choices as Bill Batman said: IN tough economic times, with screaming headlines there are two kinds of people: Those that run and hide (and cry around the water cooler) and those that become filthy stinking rich! Which are you?

I have had the privilege to lead big real estate companies, make speeches and write a real estate newsletter during my 38 years in and around the real estate world. I know this: **There are no good or bad markets, only good and bad deals.** I have seen the absolute worst deal in the so-called very best markets (i.e. some condo hotels at Whistler in 1995 and 1996) and I have seen the very best deals in poor markets. I have listened to the gloom and the boom. I told them to buy (carefully) in 1998. Every year for thirty-eight years somebody tells me that there are too many Realtors® in the business, that no one can afford to buy anymore (yep, they said it in 1969 too) and then they say: I wish I had bought 10 years ago.

Don't become involved in the gloom. Prices rise on properties in places where people want to live – such as BC and not in northern Saskatchewan, where you can buy a building lot for a buck because people don't. People will want to live in the opportunity-rich West – the most fabulous of all places in the world – FOREVER. The whole world crowds our immigration offices for a chance to come here, work and play here. We are already here!

Real estate shopped wisely, purchased with good sense and good unbiased, independent advice (hint, hint, wink, wink) will outperform all other investments you will make in your life. It always has and it always will.

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