

# Rec property still a hot commodity

Consumers motivated by quality-of-life experience when making a purchase

By ALEX FRAZER-HARRISON

With the markets these days resembling a sadistic roller coaster, a new breed of cautious recreation property investor is emerging – one that still has money to spend, but is going to be asking a lot of questions before signing that cheque.

“The appetite for real estate has changed ... and not necessarily for the worse,” says Kyle Dunn, vice-president of Sotheby’s International Realty Canada. “The irresponsibility has gone out of the market ... (product) has to demonstrate strong value.

“The key is every market is correcting a little bit, but where the pricing floor will establish itself ... that’s the unknown. But is there value out there? Absolutely.”

The key is, while many short-term investments are getting hammered, recreation real estate is a bit of a different animal as it also includes quality issues; people are buying recreation property for *themselves*, never mind whether they actually make exactly X per cent on their return over the next X number of years.

“In the long-term picture, recreation property is still a hot commodity in terms of people’s desires and that won’t change in the bigger, longer picture,” says Douglas Gray, a real estate-invest-

ment expert who runs homebuyer.ca and is author of *The Complete Guide to Buying and Owning Recreational Property in Canada*.

“The reason why it’s not so much people looking for investment return, it’s a sense of looking for a balanced lifestyle, social activities, and a quality-of-life experience,” he says. “These are primary motivators rather than buying for appreciation down the road.”

Many purveyors of recreation properties are seeing a silver lining in the doom-and-gloom clouds, especially among consumers who are looking for a lifestyle, not necessarily an investment to flip.

“When looking at recreational/retirement property abroad, people aren’t just looking at real estate, they are often looking at the lifestyle that goes along with it,” says Carolina Ibarra, president of Sinclair and Ruiz Consulting in Vancouver. “In the case of Mexico, the lifestyle is a lot cheaper in certain destinations, and in times like these with the costs of winter, Mexico isn’t a bad choice.”

And while the weaker loonie might be a headache for those importing goods from the south, it also has the potential to attract another kind of import – consumers and investors.

“The decline in value of the Canadian dollar helps Canadian real estate

tremendously,” Dunn says. “It doesn’t affect the purchasing power of Canadians buying in Canada,” and American buyers are attracted by the increased spending power they have. “Whether it’s a good thing or bad, it has slowed down the recent trend of Canadians going to buy in the U.S., and that’s good for Canadian projects.”

Recent statistics on recreation and investment property purchases in B.C. show the number of sales in September 2008 dropped 49 per cent compared to September 2007, says Rudy Nielsen, president of Landcor Data Corp. and NIHO Land & Cattle Co. Ltd., whose office compiled the stats.

“But even though the numbers slowed in September, there are still pockets that were good,” he says. “The average sales price in recreation property (in B.C.) only decreased four per cent and some pockets were overdeveloped in the first place. For example, on the West Coast, the Sunshine Coast, we think it was overbuilt. We saw prices drop 40 per cent (on detached properties).”

Other areas that tumbled according to Nielsen’s research include the North Okanagan that saw average sales prices drop 35 per cent, and the South Okanagan dipping 25 per cent. But Central Okanagan saw a 210-per cent increase between the two months, thanks in part to a massive jump in the

price paid for vacant land.

Province-wide, the average sales price in September was approximately \$268,494, Nielsen says.

“The thing to look at in this market: it’s the flippers and the ‘hype-ers’ who are having a hard time,” he says. “But I’ve been in this business for 40 years and I’ve weathered several major recessions. I’ve hunkered down both personally and in my offices, and I’ve made it through all of them.”

Nielsen says fighting the urge to sell at this time is important. “If you don’t sell, you don’t lose it (money) – you’ve got to weather the storm,” he says. “(Downturns) don’t last forever. Anyone who bought a house in B.C. the last couple of years, it might be below what you paid for it in value, but in the long run if you take a house bought 10 years ago and now look at the value, it’s increased drastically.”

Dunn says he feels a buyer’s market is upon us, but one tempered by consumer caution.

“There’s a hesitancy from buyers to make decisions when they’re waiting for more positive and optimistic news within the marketplace,” he says. “By the time that happens, the corner has typically turned. It’s a buyer’s market (now), but it’ll be a seller’s market before they make any decisions.”

