

# silver lining

for rec property buyers seeking a quality-of-life experience

BY ALEX FRAZER-HARRISON

The sky isn't falling yet, but for real estate investors, the current market turmoil has led to some sleepless nights over the past few months.

The recreation property market is no exception, especially looking forward, say experts.

"It's hard to say how it will directly affect recreational property," says Elton Ash, executive vice-president for Western Canada with Re/Max. "I think some general assumptions can be made. With our dollar trading in the 80-cent range, it will slow Canadians going south of the border buying recreation property."

Up to Sept. 1, "there was a tremendous number of Canadians taking advantage of the U.S. price corrections in the Sunbelt especially," Ash says. "Now, that flow will slow. Coupled with consumer confidence levels being affected, I would have a sense Canadians will be a bit more cautious with spending discretionary dollars; typically, recreation property falls into that discretionary category."

This caution is creating a breed of careful consumers, adds Kyle Dunn, vice-president of Sotheby's International Realty Canada.

"The appetite for real estate has changed, for lack of a better description, and not necessarily for the worse," he says. "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."

Indeed, while some markets, including certain aspects of the real estate market, continue to predict doom and gloom for the foreseeable future, purveyors of recreation properties are seeing a silver lining in the clouds, especially among consumers who are looking for a lifestyle, not necessarily a investment to flip.

"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 investment 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. These are primary motivators rather than buying for appreciation down the road."

Carolina Ibarra, president of Sinclair and Ruiz Consulting in Vancouver, echoes the lifestyle versus investment perspective.

"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," she says. "In the case of Mexico, the lifestyle is a lot cheaper in certain destinations, and in times like these with the costs of winter coming around, Mexico isn't a bad choice."

The weakening dollar could actually be good news for Canadian properties attracting domestic and U.S. buyers, says Dunn.

"The decline in value of the Canadian dollar helps Canadian real estate tremendously," he 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 sales in September 2008 dropped 49 per cent over 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, which saw average sales prices drop 35 per cent, and the south Okanagan, which dipped 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 sale price in September was approximately \$268,494, says Nielsen.

"I wouldn't say this is a buyer's market yet, but it's close to a buyer's market," he says. "The thing to look at in this market, it's the flippers and the 'hypers' who are having a hard time. 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 also feels a buyer's market is in play, but tempered by consumer caution. "It has changed to a buyer's market, but 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."

So, are there still hot spots for those looking for buying recreation property? Definitely, says Gail Wallace, founder of Canadians Investing and Retiring Abroad ([invest-retire-abroad.com](http://invest-retire-abroad.com)).

For example, Mexico remains strong be-



cause of its affordability, while areas such as Phoenix continue to attract Canadians taking advantage of lower prices. There is also continued interest in exotic destinations like Costa Rica and the Mediterranean.

"Developers are all very optimistic, looking at different, more creative ways to market the properties they have," Wallace says, adding her voice to those saying consumers wanting to invest in a retirement or recreation property in the long-term are still going to be interested.

"It's already the lifestyle they've chosen for themselves," she says. "It may be a jog in the road, but we'll work through it."

Gray expects the well-known hot spots to remain hot, such as the Okanagan and Vancouver Island. The only question consumers need to ask is, "what about pricing? Is it reflecting the reality of a market correction?"

Also, Gray advises getting a real estate lawyer to look at any documents; for example, if you buy into a condo project that's 20 per cent sold and 80 per cent remains vacant, "will the 20 per cent owners become responsible for 100 per cent of the costs rather than a prorated portion? That's why you need to have a lawyer look at the documents."

**LEFT:** Vaseux Lake in the Okanagan Valley near Oliver, B.C. sits next to some of the Okanagan's most prolific grape-growing lands.

— Tourism B.C.