

June, 2010.

The real estate markets in the secondary home/discretionary areas, globally, are still sluggish/quiet. No one "has to" buy a recreational or resort/retreat property, in any particular timeframe, and so such a discretionary purchase can be put on hold.

The buyer/consumer is always in charge of the where and the when of a purchase in any such secondary marketplace, and in uncertain economic times, there can be an absence of activity.

This has been the case for some substantial time period, locally.

Back in January 2007, the Wall Street Journal reported that all of 2006 had been "stable/inactive", and globally so. A long drawn out "pause" had developed, and it was certainly not unique to Salt Spring Island and the Southern Gulf Islands. The WSJ noted that listings remained stable (and fairly "thin") and so did prices, but the buyer had become inactive. When that happens, of course, it's not about price. Various realtors/companies and sellers began to dramatically reduce prices, in an effort to jumpstart action. It didn't work...when the buyer folds their arms, and says "I don't know; I'll think about it", it's not about price points but about confidence in a market.

Between 2002 and 2005, sales volume rose around 60% on Salt Spring and the Southern Gulf Islands, and prices doubled, according to appraisers. The sudden quietening then, in that buoyancy, was both sudden and confusing to sellers and to realtors. The buyer profile, post-internet, on the Islands, had become a mainly out of province, if not out of country, person. Thus, our area was affected by events in the home regions of that non-local buyer, and not so affected by B.C. economic indicators.

In October, 2007, I attended a major international real estate conference, and was very interested to hear a realtor from Valencia, Spain describing his market...it applied totally to what was occurring on Salt Spring Island. The WSJ was right then...this "pause" was a global phenomenon in all secondary home markets.

By Fall, 2008, it was very clear to everyone, around the world, that the indicators of economic bubbles/resulting collapses had begun much earlier, and we all could easily understand the previous 2 1/2 years of "pause" in our local Gulf Islands region.

Around March, 2009, an unexpected upsurge in action, in the primary residence/city markets, particularly in Vancouver and in Toronto, created a very hot market in the entry level price category. B.C.'s real estate guru, Ozzie Jurock, noted that this extreme activity did not cross over into any rural area. This meant that Vancouver Island (outside of Victoria), Gulf Islands, Sunshine Coast, and B.C. Interior communities did not see action. The media reports had people thinking that this uptick was "everywhere", and this was not, at all, the case.

Some sales certainly did take place, but it was only spotty, and only up to a certain price point, on the Gulf Islands (and I understand this was also the case on Vancouver Island and on the Sunshine Coast). Entry level residential properties, in other words. Undeveloped land, upper tier residential property options, and commercial opportunities were extremely quiet, if not non-existent. Again, in discretionary markets, a purchase can be put on hold. Buyer uncertainty means lack of action.

In February, and again in April, there were four higher end properties that did sell. They were residential options, and they were all new homes. No need, then, to renovate or restore or tear down/rebuild. They did sell for substantially less than list, but they were all between 1.5 and 3 million (Canadian) dollars.

I do think that there may be a move back into fine hard assets, simply as a bid to preserve capital. There is a definite concern over currency health (possible devaluation?), and also a desire for a safe haven lifestyle. The Islands Trust's protective stance on behalf of preserving the unique qualities of the Gulf Islands has had the outcome of creating a protected investment area. A cap on growth, over time, will deliver a higher priced enclave area, re real estate matters. It's just simple economics, of supply and demand, and is the outcome of the creation of the Trust.

Right now, then, with all the economic uncertainty, the fact that there is no clear roadmap, yet, for the "true" 21st Century, and a large population seeking stability, safety, a pleasing lifestyle, it is a good time to be a buyer. Low interest rates, motivated sellers who understand the buoyant years between 2002 and early 2006 are no longer with us, excellent selection of properties to consider, especially interesting buys in undeveloped land, etc.....it's an odd fact of life, though, that people are hesitant until they see definite signs of a shift into positive territory. Only the advance investors are acting right now...savvy them!

In our secondary home area, along with many such others around the world, we have been "static" since early 2006 (though not well understood, at the time, at all), and so we are now into our fifth year of this kind of sluggish sales picture. If it's true that real estate falls into seven year cycles, then this really is a time to be repositioning one's thoughts on hard asset investments. Timing is all, we say, but it really is the case.

More information on why you may wish to consider a stellar property on Salt Spring Island or on another Southern Gulf Island? Call me!

How may I help you to buy your special Salt Spring Island or Southern Gulf Islands property?

Look forward to connecting with you.