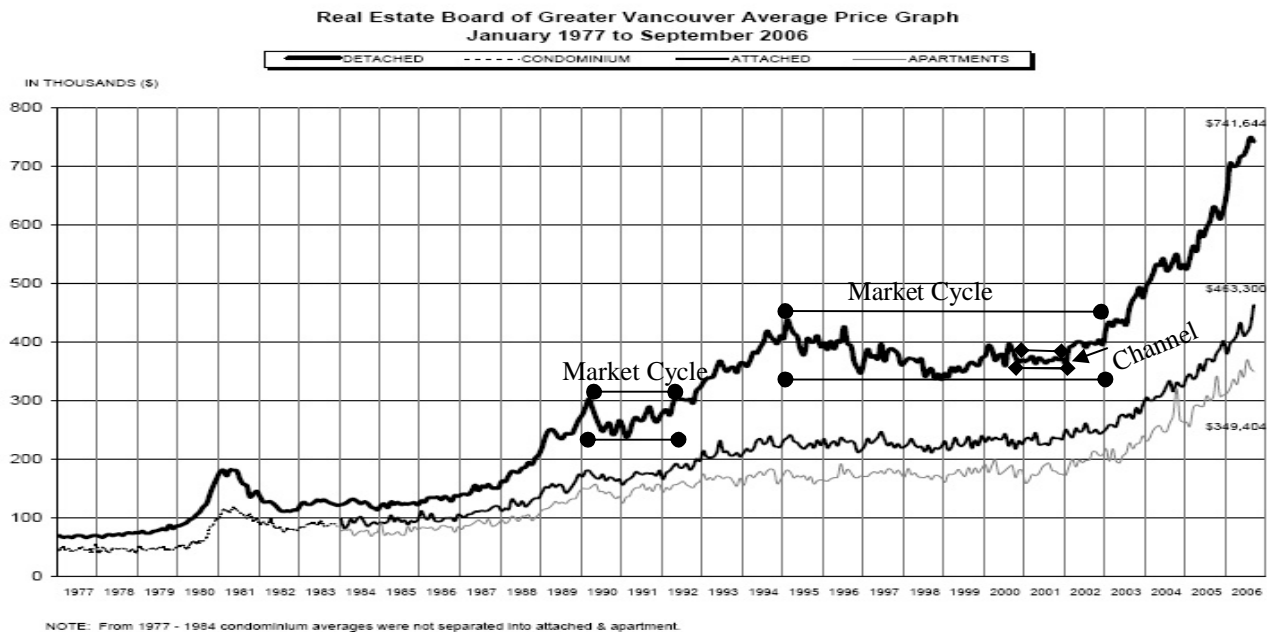


Where are Real Estate Prices Going?



The Average Price graph of the Real Estate Board of Greater Vancouver spans about 26 years of price history. This long term view provides us with wonderful price perspective of real estate values in Greater Vancouver. Trending data arranged in this way not only shows us where the values have been, but more importantly, by virtue of its trending nature, it can help us read the future by indicating where values are going. Whether one is buying or selling real estate, this information can be a very useful tool for determining market timing.

To illustrate the timing aspect, I've drawn some horizontal lines on the graph to direct your attention to a few market cycles over the years. Each cycle begins with a peak in average prices followed by a drop and eventual recovery in price to the previous high at the beginning of the cycle. Beginning in 1981, prices didn't rise to the previous highs until some 7 years later in 1988. Beginning 1990, prices took about 2.5 years to rise again to those levels. Approximately 8 years was the span of the 1994—2003 cycle. The point to all this is that all market cycles are similar in that prices peak, fall back and eventually begin rising again. When Vancouver Lower Mainland prices cross over the previous high, they are likely to continue on upwards. (Barring major disasters, I think rising prices will be the trend over the longer term. The Lower Mainland is a beautiful place to be.)

Also, certain trend formations can show you special opportunities. During the last quarter of 2000 and throughout 2001, the market was channelling, i.e. trading within a very narrow

range. This usually indicates a balance (more like a tug-of-war) between buyers and sellers with an eventual overriding strength on one side or the other. To anyone in the field actively working with many buyers and sellers, the outcome of this 2000-2001 tug-of-war was obvious. Buyers were numerous and very determined to own their first home, or buy up. It seemed clear to me at the time that a very strong market was likely just around the corner. The previous market highs of 1994 were eventually crossed about mid 2003 and the market has been flying ever higher since. With any market that advances so quickly, there must be a retrenchment someday and it may be a strong one at that.

We are hearing of interest rate hikes south of the border and many home owners are using the equity in their homes to pay their credit card bills. Things like this will have an effect on our economy at some point, with an accompanying softening in the market.

Our caution to our buyer clients is this: be prepared to hold on through the next market cycle, which could stretch out another eight years. For our sellers, you might consider taking profits on some properties, but always keep the roof over your head.

Copyright 2004 Margaret & Lawrence This information is solely advisory and should not be substituted for professional legal, medical, financial or tax advice. We cannot be held responsible for actions you may take without proper advice!