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IS NOW A GOOD TIME TO BE BUYING IN WHISTLER?

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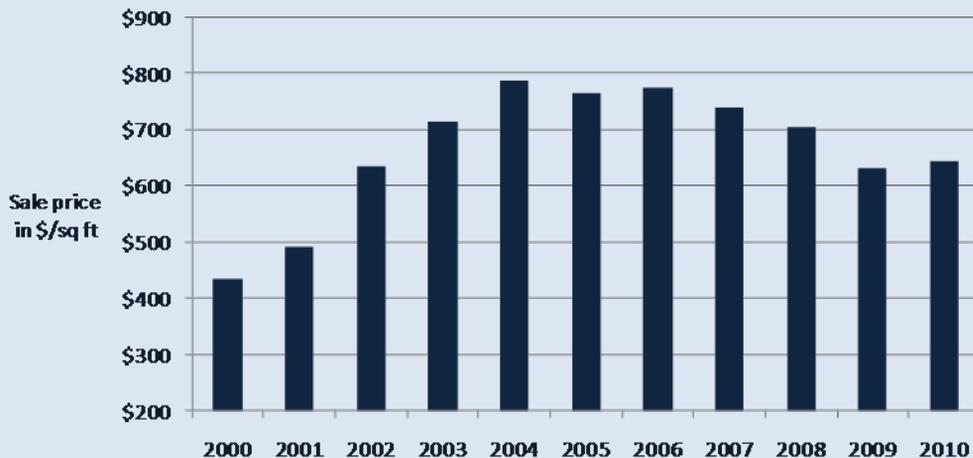
The general perception of Whistler real estate is that it is expensive. More recently, this perception has been further complicated by the fear of potential buyers that they are buying in a falling market – something no one wants to do! But how does this perception hold up against the facts? In order to examine this question, I have focused my analysis on one of the premium products in Whistler real estate, namely Phase 1 condos and townhomes in the Blackcomb Benchlands.

Blackcomb Benchlands is positioned on the lower slopes of Blackcomb Mountain, and offers a wide range of townhome and condo complexes, a number of which benefit from direct ski-in / ski-out access. A free shuttle operates for those further from the slopes. This is a prime Whistler location for those looking for a recreational property close to all the outdoor action in both winter and summer; plus the shops, bars and restaurants of both the Upper Village and Whistler Village are only a short stroll away. Phase 1 property is unrestricted in terms of usage, i.e. it can be rented nightly or used full-time by owners.

The most effective tool for analysing the sale price of condos and townhomes is the median selling price per square foot. Using the median, rather than the average, cuts out the distorting effect of sales at the high and low extremes. Focusing on a sales price per square foot enables a much more effective comparison of property sales of varying sizes, both in different geographies and over different time periods.

First, let's look at how the median selling price per square foot in the Benchlands has changed in absolute terms since 2000. As illustrated in the chart below, the median price per square foot saw a rapid rise from \$433 in 2000 to \$788 in 2004, an increase of almost 82%. A period of relative stability followed through to 2007, and then the global financial crisis triggered a significant fall in values, with prices declining by 20% from their peak to \$631 in 2009. 2010 has seen prices stabilise slightly above their 2009 levels.

Benchlands median sale price in \$/sq ft



Source: data taken from Whistler Listing System
 2004 data excludes distorting sale of Four Seasons Private Residences in that year

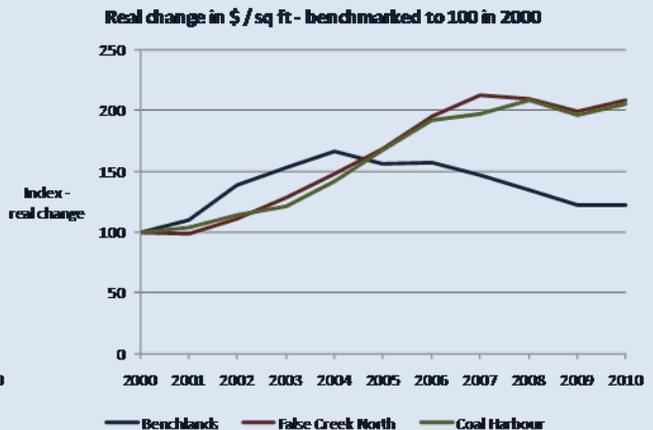
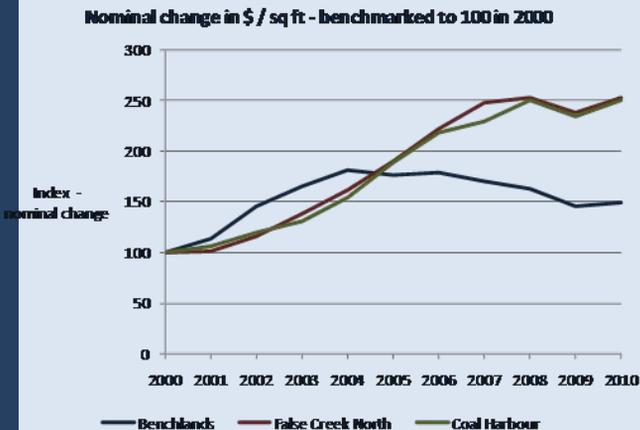
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In order to understand this price performance, in relative terms, it is helpful to examine Whistler in the context of other real estate markets. Over 50% of Whistler real estate is owned by residents of Greater Vancouver and the Fraser Valley– they are the single most important driver of the Whistler market. Their perception of value will, in large part, be influenced by how Whistler prices compare to Vancouver prices. Therefore, I have chosen to compare the Benchlands, Whistler's premium condo location, to Coal Harbour and False Creek North, two of the premium condo locations in Downtown Vancouver.



The results are illuminating. In 2000, Benchlands condos were more expensive than their False Creek North and Coal Harbour counterparts, by 51% and 40% respectively. That pricing gap widened through to 2004, when Benchlands condos were 70% more expensive than False Creek North and 65% above Coal Harbour. However, from 2004 to 2008 Benchlands condos declined while Vancouver condos rose sharply, leading to the median sale prices per square foot in False Creek North and Coal Harbour surpassing the Benchlands for the first time in 2008. In 2010 to date, False Creek North and Coal Harbour condos have sold for 12% and 20% respectively above Benchlands condos.

In looking at how selling prices have changed, we also need to take into account the effect of inflation. Since 2000, inflation in Canada has averaged just below 2% per annum, delivering a compound increase in prices of almost 22% over the period. The impact of inflation on real estate is illustrated in the charts below. The chart on the left shows the nominal change, including inflation, in sale prices for each of the areas, benchmarked to 100 in 2000. The chart on the right is produced on the same basis but strips out inflation.



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The charts show that the median selling price per square foot of Benchlands condos has increased by almost 50% in nominal terms, but by only 22% in real terms since 2000. That compares to increases of over 150% in nominal terms, and over 100% in real terms, for both False Creek North and Coal Harbour condos in the same period. Furthermore, in real terms, prices on the Benchlands are now 25% below their 2004 peak.

So what does this analysis tell us?

The outperformance of the Benchlands market in the early years of the decade has almost been completely eroded by the stagnation and decline experienced since 2004 – prices are now only 22% higher in real terms than they were in 2000. Meanwhile, the Vancouver condo market has motored ahead. Benchlands condos were looking comparatively expensive in the early years of the decade but now appear to offer real value.

In other top North American ski resorts, condos positioned in premium locations like the Benchlands sell for upwards of \$1,000 per square foot. At the current time, there is still a surplus of inventory to work through in the Benchlands, driven in large part by US owners seeking to repatriate funds at a favourable exchange rate. However, with prices at their current level, the medium to long-term prospects for buyers in the Benchlands appear favourable:

- Whistler remains one of world's top ski resorts, and the Benchlands is a premium location within Whistler;
- The improved highway has made Whistler even more accessible – it can now be reached in 1.5 hours from Downtown Vancouver and in 2 hours from the airport;
- The US tourist market remains difficult but strong growth from Australia and the Far East is helping to offset that issue;
- The bounceback post the Olympics is beginning to be felt – premium property managers are reporting booking levels ahead of 2007 on a like-for-like basis;
- The BC economy has proved relatively resilient and it continues to attract migrants and capital; and
- At some point the Chinese market in Vancouver will start to discover Whistler – this is potentially a huge untapped demand.

In conclusion, calling the bottom of any market is a difficult task. However, comparative value is easier to identify and that opportunity now appears to exist on the Benchlands. I would suggest that buyers getting in now benefit from a great selection of property, the ability to negotiate a good deal, financing that can be secured at historic lows and limited future downside. On a medium to long-term view it should prove to be a sound investment and, in the meantime, it is one that will deliver a huge amount of enjoyment!

John Garrad-Cole
November 1, 2010

