

Real Estate Update



Sales within Kelowna's real estate market continue to decline while active listings are on the rise. The number of active listings sits at 5,128 units (year-to-date March 31, 2009), up from 4,848 units in February 2009 and 4,648 units in January 2009. The number of sold units dropped by over 45% to 248 units from 458 units the year prior. Total sales dollar volumes have declined over 54% year-to-date to just over \$90.0 million compared to over \$193 million in 2008.

Demand for new and existing housing stock has softened due to slower economic and employment growth. Lower demand for secondary (discretionary) and resort oriented housing can be partially attributed to increased competition from US resort markets and burgeoning resort development throughout other parts of BC.

According to Canada Mortgage and Housing Corporation, first quarter housing starts in Kelowna dipped well below record levels seen in 2008. Both single family and multiple family housing construction experienced a slow down from the year before. Builders have been forced to reduce prices and delay new construction due

to a reduction in demand and strong price competition from the existing residential housing market. In fact, many developers and builders are increasingly finding themselves in "fire sale" or "liquidation" situations in order to sell product that has been on the market for an extended period of time or that is not generating necessary presales levels.

Looking forward into 2009/2010, absorption of excess supply will likely be the dominating factor which will impact new home construction. Low interest rates, reductions in list prices, improved affordability and longer listing periods will define a "buyer's market".

Industrial, Commercial and Investment (ICI) Market Review

The ICI market sector has experienced varied activity and movement. Office vacancy rates continue to remain at low levels. Pending new office development within the downtown core, South Pandosy area and Landmark Centre have been put on hold due to the inability to obtain appropriate mortgage financing and pre-lease agreements. Looking into 2009/2010, the focus will be on the retail auto sales sector as businesses continue to be affected by the downturn in the economy and pending bankruptcy proceedings. A focus on regional and neighbourhood shopping centres may be warranted due to a reduction in consumer spending and decreasing retail sales levels which could ultimately affect businesses' ability to pay their rent.

NOTABLE RESIDENTIAL TRANSACTIONS SPRING 2009

1240 Latta Road
Kelowna Rutland North
\$2,000,000

4400 HWY 97
Peachland
\$1,800,000

4870 Canyon Ridge Crescent
Kelowna Upper Mission
\$1,200,000

OMREB CENTRAL OKANAGAN STATISTICS YTD MARCH 2009

- ◆ Active Listings: 5,128
Previous Year: 3,935
- ◆ Number of Sales: 248
Previous Year: 458
- ◆ Average \$ SFD: \$436,002
Previous Year: \$498,507
- ◆ Avg. No. Days to Sell: 90
Previous Year: 63



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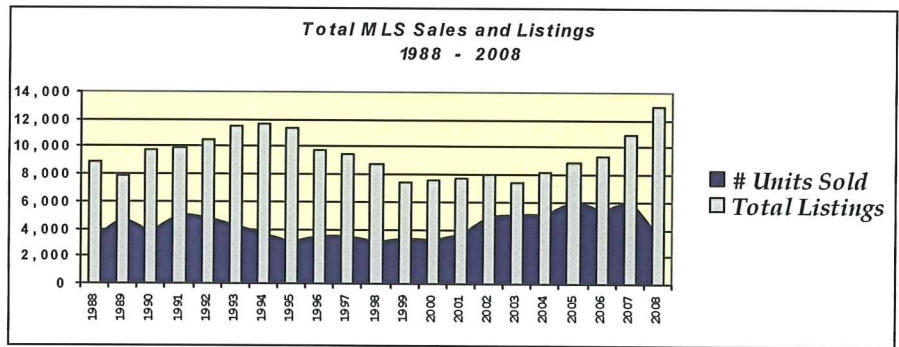
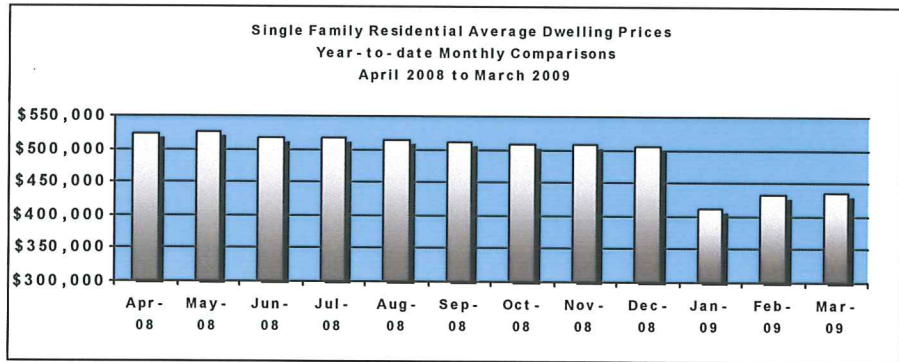
Accredited Appraiser Canadian Institute (AACI)
Professional Appraiser Appraisal Institute of Canada (P.App)
Member Real Estate Institute of British Columbia (RIBC)
Bachelor of Commerce and Business Administration, Urban Land
Economics—University of British Columbia, 1993

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Winery and Vineyard Valuation

About the Author:

Brian Pauluzzi is an Accredited Member of the Appraisal Institute of Canada working with the NCA Group (North Country Appraisals Ltd.) in Kelowna, BC. Brian has spent the last 15 years in both public and private practice and now specializes in IFRS valuations, expropriation, land development, commercial and investment properties throughout BC.

Since 1859 when Oblate missionary Father Charles Pandosy planted the first vineyard, the Okanagan has become a focal point of grape growing, viticulture and wine making. Very recently I had the pleasure of working on a valuation of a popular and high end winery and vineyard in the South Okanagan. Needless to say, winery and vineyard appraisal has be-

come a very specialized market niche. Understanding terminology specific to vineyard management (soil classifications, growing degree days, autumn freeze risk, solar radiation, rootstocks, vine age, trellising, planting densities, yields, irrigation systems, etc.), the varieties and understanding the locations wherein some do well and others thrive, not to mention the very unique

winery structures, add in the branding of some wine labels compared to others and you get a very unique valuation challenge. As more and more arable land is converted from orchards to vineyards and the demand for local wines on an international scale continues to expand, the local wine and viticulture industry will continue to be a significant asset to the local economy.



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