

City's land in short supply

By Penticton Herald Staff

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While Penticton's limited land base is putting an exclamation mark on the question, the city is not alone in its struggles to increase density, a housing market analyst told a group of real estate professionals Thursday morning. "With the city's land supply shortage, Penticton has no choice but to go up," said Paul Fabri, market analyst for Canada Mortgage and Housing Corporation (CMHC).

"All municipalities around the province have been struggling in some way with the question of density . . . though high-rise towers are a relatively new phenomenon," added Fabri.

But Penticton's land shortage has limited the supply of single-detached homes for real estate listings for the past decade. Construction of multiple-family units surpasses single-family homes in 2004 and the trend shows no sign of reversing. Some of the multiple-family growth has helped satisfy what Fabri referred to as a pent-up demand for the higher-end market, but unlike other communities in the Okanagan Valley he doesn't see a large enough supply of single-family homes coming on stream soon enough to significantly impact the price.

Even so, he warns against the local housing market and especially the higher-end units relying too heavily on extra-provincial investment.

"Relying more on Alberta buyers over local buyers means the market is becoming uni-dimensional, putting more eggs in one basket," said Fabri. "That means any change in the Alberta economy will have an impact here."

Most of the Alberta investment in the Okanagan Valley is in the discretionary housing market from people buying into the Valley for the lifestyle either for retirement or vacation purposes by drawing on a sudden increase in equity in the Alberta housing market -- discretionary spending is usually the first thing to go when the economy slows down.

Fabri warns, too, that the increased competition drawing from the same well of buyers could run the well dry when the thousands of units in the construction and planning phase from Kamloops to Osoyoos come on line in the next few months. Overall, though, while Fabri said a softer resource sector in the near future may provide a flattening out of sales and prices, overall demand will continue to be strong for a number of factors, not the least of which are stable and low interest rates and a strong overall economy, both provincially and locally.

Interest rates are not likely to go up any time soon due to the lower-than average economic growth in central Canada, while B.C. and Alberta economic growth is again expected to lead the country.

And population growth figures, which are due out next week from the 2006 census, are expected to show a five per cent growth rate in Penticton, which would make it one of the fastest-growing among B.C.'s mid-size cities.