

## REAL ESTATE ROUNDUP

# More developers cutting condo prices

Real estate recovery in the cards, but timetable varies, according to speakers at UDI lunch

**Not so fast**

Another press release hit the desk last week regarding a residential developer slashing prices to sell product.

Hard on the heels of the **Onni Group's** price reductions on units at seven Lower Mainland condo projects by 25% to 40%, single-family home developer **Morningstar Homes** announced discounts of more than 15% on properties in Coquitlam and North Delta. All units in an initial offering of 22 homes on the January 24 weekend sold "within days," to quote the press release. An additional 27 were released to the market last week.

But fast sales, while they make good news, are hardly normative – not historically, and even less so today. It's a comment more than one veteran of the industry is voicing these days, most recently **David Podmore**, president and CEO of **Concert Properties Ltd.** during a talk to a joint meeting of the **Real Estate Institute of B.C.** and local mem-



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bers of the **Appraisal Institute of Canada**.

During a sombre, wide-ranging talk to the assembled crowd of real estate industry professionals, Podmore said the downturn is the fifth he's been through in his career and unlike any of the others.

"I think we would be naïve to think the impacts are over. The impacts are going to be much more significant as we go through the spring, summer and fall," he said.

Speaking of the need for the industry to reinvent itself, Podmore said he expects the market to be more like the one



**Industrial strength:** Colliers International expects prices for industrial properties in many Metro Vancouver areas to dip this year. Colliers, which listed this property at 7440 Fraser Park Drive in Burnaby for \$6,150,000 last May, is attracting interest from buyers with a new price of \$5.5 million

that prevailed in the 1980s and 1990s. He predicted that longer sales times will become more common, with developers accepting presales of just 20% before construction and sales programs post-construction that take six to 12 months to complete.

Podmore added that the lack of fast sales isn't necessarily a bad thing, because developers will have to become

more astute managers to survive in the more temperate market.

**Not so soon**

Curiosity about the future attracted a crowd of more than 1,100 people to the annual forecast luncheon the **Urban Development Institute** hosted in Vancouver on January 23.

The sold-out event featured **Polygon Homes Ltd.** chairman **Michael Audain**, **Colliers International** executive vice-president **Avtar Bains** and **Rob Macdonald**, president of **Macdonald Development Corp.**, sharing their expectations for the year ahead. While everyone was sanguine about the prospects for recovery, there was little agreement as to when it would happen given the myriad factors at play in local markets.

Describing the current market as a correction rather than a full-blown housing recession, Audain said he doesn't expect the current lull (his sixth downturn) to last for long. Rather, he anticipates the pace of homes sales to pick up late this spring.

Meanwhile, Macdonald expects to see signs of a recovery in October 2009, though he warned that those who had drunk of "the Kool-Aid laced with the cyanide of socialism"

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– David Podmore,  
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could derail B.C.'s recovery by handing a majority to a party other than **BC Liberals** in May's provincial election.

Indeed, three speakers agreed on the strength of B.C.'s prospects despite the economic gloom. Macdonald went so far as to describe the Athlete's Village rising on southeast False Creek, once completed, as "the happiest place on earth next to Disneyland."

Bains struck an equally optimistic note, minus the *bon mots* Macdonald proffered. With access to credit clipped and debt difficult to obtain,

Bains said Metro Vancouver asset values are falling and creating opportunities for private equity players to snap up properties formerly the domain of institutional investors.

He added that the lack of access to credit will also make cash flow a key concern for investors seeking reliable investments in the uncertain economic climate. Bains believes property managers are becoming key players locally as investors seek to maximize asset performance.

"The security and reliability of the investment is more important than hitting a home run," he said, noting that Vancouver offers this in spades. "There will be no collapse of the real estate market in Vancouver."

**Not so high**

Speaking of the economy's downward influence on pricing, nowhere is that truer than for industrial properties, whose prices have risen tremendously over the past few years.

Reports from three of the major brokerage houses last month were consistent in forecasting lower prices on industrial properties.

"Some areas will likely see a price correction in 2009," remarked **Avison Young's** report, while **CB Richard Ellis** sees overall industrial vacancies in Metro Vancouver rising to 3% in 2009 as local manufacturers and exporters feel the effect of slower times in the U.S. That means owners can bid adieu to the gains seen in 2008, **Colliers International** reports, as industrial sale prices dip 5% to 10% to levels not seen since 2006. Land prices could drop 15% in some areas. Colliers notes that the Fraser Valley is particularly vulnerable, with a plethora of planned developments "having little or no success securing tenants." ■

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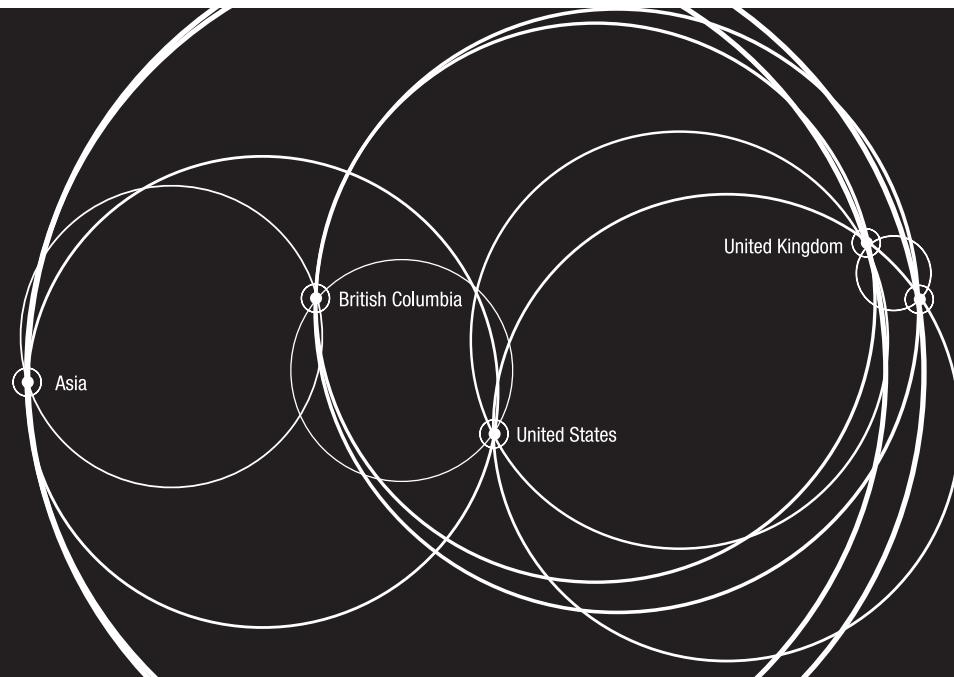
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