

# Business Edge

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## Sizzling condo scene defying affordability

**Pre-sales move at torrid pace as demand grows**

**By Monte Stewart - Business Edge**

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Greater Vancouver planners and politicians must find ways to make housing more affordable to future generations of homebuyers, says one of the city's top condo sellers.

"(Affordability) is done - it's over," said Bob Rennie as he delivered his forecast on the region's condo market at a recent Urban Development Institute luncheon at the Four Seasons Hotel.

Rennie, whose firm Rennie Marketing Systems pre-sells and helps design condos on behalf of developers before construction is complete, said politicians and planners must provide developers with incentives to serve buyers at the lower end of the market.

The City of Vancouver and many other Lower Mainland municipalities already offer bonus density to developers, particularly those that redevelop heritage buildings. But Rennie said municipalities should go a step further and provide more density to develop properties that sell for lower prices.

"Give them 10,000 square feet more if they'll provide housing below (\$250,000) or (\$399,000) or whatever that size and threshold is," said Rennie.

He said the Woodward's department store mixed-use re-development project on the Downtown East Side, which many developers, planners and politicians view as the key to the poverty-stricken area's resurgence, will serve as an example of the region's future diversity.

"Just as we accept different cultures and nationalities, we have to bring different income levels together," said Rennie, whose firm sold the Woodward's condos in one day in April. "Our goal is to get both rich and poor living together."

But such a goal won't be easy to achieve in today's expensive construction and housing



*File photo by Wayne Chose, Business Edge*  
Bob Rennie says Greater Vancouver planners must find ways to make housing more affordable to future generations.

marketplace. In the last four years, downtown waterfront condo prices have doubled to more than \$1,500 per square foot, while other downtown units sell for \$650 per square foot.

New Burnaby condos have jumped 45 per cent to \$450 per square foot from \$310 per square foot in 2004. But Maple Ridge units have stayed the same at \$305 per square foot.

Rennie noted Great West Life scrapped plans to build condos at 939 Beatty Street after purchasing the site from Concert Properties, while Bentall Capital also nixed its Metropolitan project.

But most Greater Vancouver condos to be built between now and 2011 - an average of 1,000 units per year - have already been sold.

"I've been doing pre-sales for 17 years, so they've always existed - (but) never at this pace," said Rennie.

He predicted small condo projects will become more common as developers try to build affordable and sustainable properties while facing a lack of available land. But Robert Fung, president of the Salient Group, whose firm specializes in redeveloping heritage sites, questioned whether Rennie's prediction will come true.

"Small is expensive to build, so I don't know (if) that's a trend," said Fung.

"The trend is going to be to continue to find ways to effectively reduce your costs of intensity - by being bigger. So we're seeing very large projects now. We're seeing projects that are getting additional density through community-amenity components. Those are all very positive things for the community. But it's anybody's guess where construction costs are going and how that is going to impact the market overall."

Fung's projects include the Terminus project in Gastown and the Bowman Block on Beatty Street, just around the corner from Woodward's. He said Rennie, often described as a "condo king," has a better handle on the Vancouver market than most in the industry.

"Construction costs are a huge concern," said Fung. "They're not fixed. If you pre-sell projects, you're fixing your revenue against uncertain construction costs.

"In the city of Vancouver, we have a growing delta between social housing, assisted and market housing. That's going to become a problem if our government programs to build housing suddenly dry up."

Vancouver's condo prices are driven by construction costs, said Fung, adding the high pricing is not a case of developers making loads of money.

Ward McAllister, the Urban Development Institute's national president, said the most interesting part of Rennie's speech was his discussion of the Woodward's project, which will include 200 non-market housing units, a Simon Fraser University campus, a new grocery store, other new retail outlets, upgraded existing stores and enhanced public space.

"(Rennie's) good work down there is going to transform that whole area," said McAllister, who is also president and CEO of Vancouver-based developer Ledingham McAllister. "I take great delight in showing visitors around our great city and great province; but, I tell you, that is one area I avoid."

McAllister said developers have been grappling with how to make housing more affordable in each of the last five years.

"I always think, 'Now we're capped out on prices', but prices just continue to escalate," said McAllister. "It's really a factor of how successful this region has been. People just want to be here. It's tough when demand is outstripping supply like that."

McAllister said politicians and planners must buy into a regional growth strategy. The province, he added, should impose penalties on communities and municipalities that don't accept their fair share of growth.

"We have a very limited supply of land," said McAllister. "So we have to use it wisely and efficiently, but we all have to accept our fair share of growth. And there are a number of cities and communities in our region that don't. They just say: 'No, we don't want any more growth. We're happy with a single-family neighbourhood.' And that's just not fair."

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