

Fewer condo projects started
CMHC reports the number for Greater Vancouver is down by half

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Greater Vancouver's roaring condominium market hiccuped in October with developers starting construction on only half the number of units they did in the same month a year ago, Canada Mortgage and Housing Corp. reported Wednesday, contributing to a 37 per-cent drop in housing starts.

CMHC counted starts of 783 multi-family housing units compared with 1,573 a year ago. The federal agency recorded another 473 single-family-homes started in October for a total of 1,256 new units, compared with 2,009 in October, 2005.

"That's not that surprising," Andy Ni, an analyst with Canada Mortgage and Housing said. "It's very common to see 40-50 per-cent drops month-to-month."

Ni added that multi-family projects can have hundreds of units each, so if in one month if fewer projects start than in the same month a year ago, that can cause wide swings in the number of starts.

Condominium starts to the end of October, 11,010, were still seven per cent behind the same period in 2005.

Ni said that decline has more to do with "supply-side constraints" -- the lack of available land, shortages of skilled labour -- than slipping demand.

Currently, there are 18,400 multi-family housing units under construction in Greater Vancouver, Ni said, which is close to record levels.

"Those developers and builders do have to compete for themselves for skilled labour," he added. "[So] I don't think they have any spare capacity to build more housing starts."

Maureen Enser, executive director of the Urban Development Institute, said tight supplies of both affordably developable land and skilled labour have affected the industry, but added that there hasn't yet been a drop in demand.

Enser added that developers are also seeing "a lag between the time it takes to put a project together and get it to a point where CMHC counts it."

Peter Simpson, CEO of the Greater Vancouver Home Builders' Association, said housing construction was expected to moderate in 2006, and 15,993 starts falls in line with forecasts made at the beginning of the year.

Greater Vancouver housing construction peaked in 2004 at 19,433 units dipping to 18,840 last year, Simpson said. The projection for 2006 to end with 18,450 is another slight dip, but still way ahead of the 8,200 units built in 2000.

"We're still going to see labour prices and land prices escalate," Simpson added. "We don't see any declining house prices."

However, Andrey Pavlov, a Simon Fraser University business professor currently visiting at the University of Pennsylvania's Wharton School of business, argues that builders may also be sensing the overall slowdown of sales that has hit the Vancouver market over the last year.

"[Slowing construction] is a good thing, because we're less likely to get into a severe oversupply situation," Pavlov added. "That's how we're going to get out of the current slowdown."

Pavlov said B.C.'s economy is still strong, with near full employment and rising wages even before the majority of pre-Olympic Games infrastructure projects are under construction.

"Put this all together and demand in the long run is going to be strong," he added.

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VANCOUVER'S CONDO CRAZE HICCUPS

October was a slow month for developers building condominiums and townhouses, Canada Mortgage and Housing Corp. reported Wednesday. For the year, however, numbers are close to pacing 2005's results.

October 2006

Single-Family homes: 473, up 8%

Multi-family units: 783, down 50%

Year-to-date

Single-family homes: 4,983, up 20%

Multi-family units: 11,010, down 7%

Source: Canada Mortgage and Housing Corp.

Ran with fact box "Vancouver's condo craze hiccups", which has been appended to the end of the story.