



**URBAN DEVELOPMENT INSTITUTE – PACIFIC REGION**

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## Speaker Biographies

### SPEAKERS

#### **AVTAR BAINS**

*Executive Vice President, Colliers International*

Avtar Bains joined Colliers Macaulay Nicolls in 1979. Since entering the real estate brokerage industry, he has focused his activities on the sale of investment properties, with particular emphasis on shopping centres and office buildings. He deals extensively with institutional, public and private investors and has been involved with a number of major real estate transactions including portfolio sales.

#### **ROB MACDONALD**

*President, Macdonald Development Corporation*

Robert J. Macdonald is the President of Macdonald Development Corporation whose property portfolio consists of over 1000 apartment units and a number of shopping centre and office complexes. The company primarily develops single-family lots and multi-family condominiums and, since 1990, the company has successfully delivered over 2500 residential condominiums and 800 single-family lots. Current development activity underway in British Columbia exceeds \$300 million. The company has participated in several joint initiatives with various government bodies which have created significant public benefits as well as corporate profitability.

#### **PEETER WESIK**

*Chairman, Wesgroup Income Properties / President, ParkLane Ventures*

Peeter Wesik has over 20 years experience in corporate law, corporate acquisitions, real state investing and mortgage lending. He has a B.A. and a B.Law from UBC and previously practiced law as a partner at Russell & DuMoulin (now Fasken Martineau DuMoulin). Peeter is also the Chairman or North Point Capital and 3Plogix, a logistics company.

### MODERATOR

#### **DAVID NEGRIN**

*Sr. Vice President, Development, Concord Pacific Group*

David Negrin has over 20 years of experience in the development industry and is responsible for the design and development of Concord Pacific Place, a 4 billion dollar master-planned community that will ultimately be the home of more than 20,000 people. David is also assisting in the design and development of City Place, Toronto, a 1 billion dollar master-planned community, which will provide homes for just fewer than 10,000 people. Both of these unique master-planned communities are redefining urban living and are a template for cities throughout North America.

## **Sponsors**

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## **UDI Announcement**

On **February 15<sup>th</sup>**, mark your calendars for UDI's February Luncheon featuring **Robert Booth, Executive Director of Emaar Properties.**

Robert oversees all Emaar developments in the United Arab Emirates, North Africa, the Indian subcontinent and, most recently, North America. Topics will include the world's tallest tower currently under construction; the Burj Dubai, the market context in Dubai and its comparison with the North American market, Robert's experience in the Arabic Emirates and much more.

## Forecast Summary

Presentation by **AVTAR BAINS**

Over the past year, the depth of the demand in the marketplace, locally, in Canada and in North America has been outstanding. Every aspect of capital is aggressively pursuing real estate around the world, including private equity, institutional capital, capital from public markets, and offshore.

The Institutions of Canada have two main areas to overcome:

- 1) How to grow in a market where market share is already high
- 2) How to acquire yield in a market when the compounding yield factor has increased the hurdle rate for Canadian institutional investment

Many deals are going to Mexico, Brazil, with a focus on South Africa. The market is becoming increasingly diverse, with investment flowing within and beyond national borders. Cross-market investment is accelerating.

In Canada, competition in the market is fierce with the two largest threats being domestic private equity and public markets. Recently, we hear numerous announcements of takeovers or corporate transactions, marking the beginning of this trend.

The traditional method of buying real estate one asset at a time is so difficult to do now with large scale buying and high bids. Time/Risk/Cost of new development has created a heightened appreciation for existing assets and existing cash flow. The skill set, time and inherent risk of new developments is not favorable for everyone.

So, the question is how do you grow your company, portfolio, productivity? Even though valuations and liquidity are at all-time highs, the market is forcing us to look at asset-classes that we wouldn't usually have in our business plans. Everyone must diversify in order to grow. We must look at different classes and areas out of our current geographic location particularly if those assets have reliable cash flow.

One thing is certain; we cannot view our real estate market within a Canadian context anymore. We must view ourselves on a global level; when we have so much capital transfer from jurisdiction A to B, we really are part of a world market, and Real Estate as an investment is almost a world-wide commodity.

This is one of the reasons why it is inevitable that the federal government look at a rollover provision in the tax acts. The playing field must be leveled with the balance of the marketplace.

If there is a concern, it is deal flow. Every deal that goes on the marketplace as a potential investment is unique but in the last year, every deal is a grind.

The question many wonder is when will cash be 'King' again? When is my cash going to get me value?

In looking at the U.S. market, there are a lot of economic factors that are not as good as they once were; the economy growing at slower pace, housing market slowing, debt/deficit issues. However, the capital value of real estate continues to appreciate with record pricing.

To wait for the economy to slow down and then get the deal is not going to happen and there are a few reasons why cash will NOT be King over the short term. Anyone over the age of 30 must have had their view of real estate as an investment change:

- a. Real estate was "A thought" to many investors years ago (40 companies)
- b. In the 1990's, it clearly became an asset class of "Choice"
- c. In the last three to four years, it has now become an asset class of "Necessity"

With that demand and smallness of the Canadian marketplace, CASH will not be king in the short term. Even if the economy does not perform at the same pace as it has in the past three or 4 years, there will not be a precipitous fall in real estate values.

In addition to the dynamics of real estate as an investment, in Western Canada, we are experiencing dominance with our economy. This is a compounding factor when it comes to real estate values in Western Canada. The growth of the Canadian economy is driven by the West, which puts even more pressure on our real estate values. The influence of the West on national economic affairs is not short term; rather for the next generation of Canadians, the future of the country lies in the West. In the next 25 to 30 years, we will have more pressure on our real estate assets in the West, than any other part of the country.

### **Change in Big Picture**

The marketplace is certainly more sophisticated today than it was 25 years ago; however, it is the attitude that has changed the most during that time. People's feelings, views, outlooks, appreciation and certainly their tolerance for risk in real estate investment have progressed significantly. In 2007 and beyond, big picture decisions will have as much a material impact on everyone's productivity, as the execution of those decisions.

## Presentation by **ROB MACDONALD**

### **Economic Picture**

The past ten years have been a golden era this province has never seen before; an outlook of optimism has resulted from greater economic freedoms. The North Pacific Region including B.C., the West Coast of the United States, China, and other Asian countries have the fastest growing economies in the world. As a result of the worldwide economic progress, demand for our commodities will continue to remain strong.

Our unemployment rate has dropped to all-time lows, and will fall further to 3% to 3.5%. The positive turnaround in this province over the last decade has been stunning, and this is only the beginning. In regards to the commodity production that drives this province, there are now 25 new major mining projects in various stages of approval in BC compared to zero in the 1990's. They will produce thousands of high paying jobs and billions of dollars in economic activity for decades. Our service sector has been successful, powerful and far-reaching, the petroleum sector is expanding, and the expansion of infrastructure to improve our ports, highways, bridges and inter-modal terminals is going forward. The Olympics initiative and related infrastructure presents a wealth of advertising opportunities.

All this will keep our economy growing and our population growth accelerating. Job growth and population growth supported by our strong economic fundamentals are going to support a healthy real-estate industry.

### **Microeconomic Picture**

There are supply and demand imbalances both ways. In 6 years, residential land pricing increased 600%, while condo prices tripled, and construction costs doubled. The market will eventually return to economic equilibrium and affordability will be naturally restored in the market.

The most important is the "Big Picture": BC's long term economic prospects are excellent because overall inflation is low, interest rates remain moderate, commodity prices will remain strong, job growth and immigration are positive, because the quality of life in this province is second to none.

### **Municipal Government**

A return to government that does not believe in the positive power of economic freedom and the importance of private property rights can negatively alter this great picture for our province.

When politicians and staff work cooperatively with the development community in a spirit of trust and ingenuity, great things can be accomplished. This is the direction we need to go. We should explore having a formal provincial government municipal review board as a place to appeal inappropriate municipal decisions and actions. We need to proactively work with municipalities to foster public private partnerships that can achieve positive results.

Presentation by **PEETER WESIK**

**Prediction for the Residential and Commercial markets in BC for 2007**

There are three main forces creating a positive outlook for housing demand in the next five years.

- The strong economy and positive investment climate in Western Canada
- Low interest rates and money looking for an investment return
- The continual discovery of the Lower Mainland and the rest of BC as a wonderful place to live or own real estate

In 2005, we saw a market driven by low interest rates, a good economy and pent-up housing demand. In 2006, the drivers were still low interest rates and a good economy, but the big issue was shortage of product and virtually no standing inventory. The market last year reacted to the shortage of product by paying more, resulting in price appreciation of 10 to 20% in one year.

We don't see the market carrying on with this rate of price appreciation, with the exception of anything on the water or anything unique, where there is a limited supply. We saw in the last quarter of 2006 the tail end of a phenomenon called "Over Listing," as there is no recent sales to support the sellers asking price, but as the market is trending up, the seller attempts to realize a return. At some point, the buyer no longer sees the value equation and therefore they do not buy until the prices decrease. When the prices decrease, the buyer once again sees value, which leads them to buy, and a market value correction is underway.

We think that in the single family market "value correction" has been going on for several months. But with the overall underlying demand, we expect a normal market for 2007, with real price increases in the 5 to 10% range.

**Trends, Issues and Opportunities in the Real Estate market**

The consequences of prosperity in Alberta coupled with BC's strong economic performance:

- Any real estate in BC easily accessible by car or plane from Alberta and especially any real estate on the water will be purchased by someone from Alberta
- The skilled trade shortage and high cost of construction will be a concern in real estate in Vancouver and Western Canada for a long time. Alberta will be a magnet for any worker in Canada for the next decade
- The high cost of new construction will have several consequences in the commercial real estate market, where it is far more difficult to pass on the cost to the customer
- We will all be looking at exiting buildings or existing 'bricks and mortar' as having value based solely on replacement value alone
- There will be a constraint on adding new office or industrial supply to the market. So we see existing office and industrial rents increasing at faster than the rate of inflation for the next five years
- High-growth cities such as Calgary will create opportunities for developers who understand the values of densification and smart urban growth

The next trend that we see in the marketplace and continuing is the internationalization of real estate values which means that BC is attracting buyers of residential and recreation real estate

based on values determined on an international measure as opposed to a local measure. This is an important trend to understand in the discussion of the affordability of housing in the Lower Mainland. We see Vancouver as always having residential real estate values that are the highest or among the highest in Canada, largely due to this factor.

Many have described Vancouver as a poster child of urbanism in North America. This leads to an opportunity for developers, architects and consultants to export their skills to other cities looking for the energy and livability that our dense forms of urbanism bring.

Sustainable and green initiatives have become mainstream political issues in the past 12 months. Every Federal and Provincial political platform will have the environment as a major platform. Sustainable and green initiatives have reached a political consciousness that will result in an embracing of Smart Growth or Eco-density at a local level that we think will begin a transformation of the Lower Mainland.