

# Real Estate Slowdown?

You probably won't notice.

BY NORMAN GIDNEY

After half a decade of house prices doubling and housing starts hitting their highest point since 1990, you'd think 2007 might bring a pause in construction and development activity in Greater Victoria.

Breathe out: it's not going to happen.

**A** couple of sessions with Colliers commercial real estate people at their annual reception and the "Crystal Ball" dinner put on by the Canadian Home Builders' Association, produced forecasts that are mostly rosy.

There is a slowdown coming, but it's a good one — the cost of building things will stop going up so fast. Since 2000, construction costs in B.C. have risen 65 per cent.

"Prices aren't going to fall, but the rate of rise is going to fall," said Phil Hochstein of the Independent Contractors and Builders Association. Construction costs will rise, but in a single digit, a pleasant change from the double-digit percentages of the last several years — 11 per cent last year and in 2005, 10 per cent in 2004.

Price hikes will moderate, but getting guys to work on a job will not be any easier. "The problem is you're going to have to find trades to do the work. They'll give you a price, they'll stick to it, but they'll never show up to do the work," Hochstein joked, to emphasize his point about labour shortages.

Economist Cam Muir from the B.C. Real

Estate Association had a similar warning. All those high-rise projects busy with cranes are going to be late in finishing, a year or more past the original estimate. He was talking about Vancouver, but the phenomenon isn't limited to the big city.

For home builders here, Muir painted a picture quite different from the U.S., where housing starts dropped from a 2005 high of 2.2 million to a current annual rate of 1.5 million. Some U.S. cities have seen house prices drop between three and eight per cent.

House prices have moved in the other direction in B.C. Taking a page from the "it's all relative" school of comparison, Muir noted that Victoria's 13-per-cent rise in MLS house prices in 2006 was one of the smallest in the province. Kamloops had the worst — or best, depending on whether you're a buyer or a seller — a 25-per-cent jump in one year.

Lee King of the Canada Mortgage and Housing Corp. also sees a bit of a slowdown this year. Housing starts will dip, but only compared to 2006, which was the strongest total since 1990. Other factors buoying up housing prices are the CRD's extremely low unemployment rate and cheap mortgage money. And people keep coming here and they all have to live somewhere. Since the beginning of the decade, the CRD has been drawing 2,500 new residents a year.

For more and more of those newcomers, the place to live seems to be Langford. Last year, it topped the regional housing charts with 900 new housing starts, including single-family and multiple units. That's 50 per cent more than either Victoria or Saanich.

Home resales through the Victoria Real Estate Board's MLS dipped a little last year below the 2005 peak of 7,000-plus home



Gateway Green office tower at Blanshard and Fisgard

sales, but are still “exceptionally strong.”

The CMHC is predicting the price curve will be not as steep. Last year, the average MLS house sale was \$521,000; the year before it was \$464,000. This year it's forecast to hit \$530,000.

“We will not see double-digit price increases in this region in 2007 and 2008,” King said.

He listed more than a billion dollars in major construction projects, some of them now underway and close to completion, and others starting up this year or next, adding up to more than \$1.1 billion. Equally fascinating is the table of major residential projects totalling almost 12,000 homes and condos. Most are being built now and the rest will start later this year or in 2008. Most have a multi-year buildout schedule that puts completion well into the next decade.

In the commercial real estate industry, significant price rises have occurred, and shortage of supply is the main reason. The Victoria office market is at zero vacancy for Class A office space — an historically low number, according to Colliers. No new office building has gone up downtown since St. Andrews Square 11 years ago.

But the space shortage and rising office rents are starting to generate new projects. One of the first is Gateway Green, at Blanshard and Fisgard Streets, across the street from the old Bay store, which itself is being redeveloped for condos and retail. It's a 15-storey building with 150,000 square feet of Class A offices, a project of Victoria's Tri-Eagle Development Corp. The Radius mixed-use tower a block north of the old Bay will also have 12 storeys of first-class office space.

The space shortage may be worst in the warehouse-industrial market: only 0.3 per cent vacancy, compared to 4.5 per cent in western Canada. “There is virtually nothing on the Victoria market,” according to Ty Whittaker of Colliers. He estimates that 95 per cent of the land zoned for industry has been developed and believes it's time for municipalities to expand business park sites. Many businesses are trying to expand and need more space. “They just can't find it,” he said.

The situation has gotten so unbalanced that lease rates for industrial and manufacturing buildings now are about the same as for Class C office space, or \$9 a square foot.

Those residential mega-developments you're used to reading about in Greater Victoria aren't limited to this end of the Island anymore. A huge residential-commercial-industrial project is proposed for the south end of Nanaimo. Island Wolf Properties Ltd. has bought 726 acres straddling the Island Highway at the Duke Point Highway turnoff. The site stretches from Cedar past the Snunemyxw First Nations reserves on the Nanaimo River to the southern end of Nanaimo harbour. This joint venture of the Snunemyxw and Northwest Properties of Burnaby — owner of Country Club mall in Nanaimo and Discovery Harbour Centre in Campbell River — is still being planned and will take 10 to 15 years to build out.

What may be Vancouver Island's biggest project yet is Sage Hills, covering 2,040 acres close to the old coal mining village of Cumberland, and about 10 kilometres south of Courtenay. IAC Independent Academies Inc. is the development company, formed specifically for this \$2 billion project, and it is proposing to build 5,100 housing units, two golf courses, a private school, and a sports academy. There will be a campus of University Canada West, the private college started by former UVic president David Strong.

The Sage Hills project also brings on Roger Wheelock, who spent 30 years at Butchart Gardens, most of that as general manager, and now a Victoria-based consultant. He's president of Learning Wise International, a subsidiary of Strong's main company, which will operate the UCW campus and private school at Sage Hills. ■

#### MAJOR CONSTRUCTION (CMHC figures)

Langford Goldstream Station	\$20M
Upper Harbour Place II offices	\$20M
Westshore Town Centre (Canwest)	\$30M
Oak Bay Beach Hotel	\$40M
Hull's Corner, Langford	\$50M
Tuscany Village mall	\$50M
Parkside Victoria resort and spa	\$55M
Millstream Village, Langford	\$56M
CRD sewer upgrades	\$61M
Royal Roads University	\$62M
Town and Country mall	\$100M
New buildings at UVic	\$106M
Royal Jubilee Hospital tower	\$126M
Silver Spray Resort, Sooke	\$130M
CFB Esquimalt projects	\$170M

#### BIG HOUSING PROJECTS (CMHC figures)

5300 Cordova Bay Rd., Saanich	215 units
Berwick Royal Oak, Saanich	228 units
Selkirk Waterway	420 units
Railyard	482 units
Bayview Songhees	597 units
Lagoon Estates, Colwood	600 units
Sunriver, Sooke	650 units
Dockside Songhees	900+ units
Lakeview, Langford	923 units
Olympic View, Colwood	950 units
Royal Bay, Colwood	2,880 units
Bear Mountain, Langford	3,000 units

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