

Booming Sea to Sky real estate market heads sideways

But few worry even as Squamish mill closes, Whistler retail slumps and property assessments flatline

Frank O'Brien/Western Investor

Two years ago, the Sea to Sky Highway corridor was hailed as the golden road to the 2010 Winter Olympics, but the economy along the West Vancouver-to-Whistler route has started to go sideways.

Squamish, the hottest housing market in the province over the past three years, is nervously awaiting the fallout from the shutdown of the local pulp mill, which threw 350 out of work in December.

In Whistler, retailers, condo rental owners and hotel operators are dealing with poor back-to-back Christmas snow seasons and the virtual disappearance of Americans, a double whammy that has triggered cut-rate room rates and further squeezed store owners paying some of the highest lease costs in B.C.

Even the area's housing values have flatlined.

Whistler is now one of the only places in B.C. where residential assessment values are lower than they were in 2004, when values spiked sharply immediately prior to Whistler's being chosen as the site for the 2010 Olympics.

There is little new development in Whistler, which is now virtually built out, and demand for new projects still appears strong.

California-based **Hilton**, for instance, has seen brisk sales of condo-hotel units at its new Whistler Hotel and Spa, which was renovated from the old Delta Whistler.

Said **Drew Meredith**, the one-time mayor of Whistler and now president of **Whistler Real Estate**, "Whistler had its party three years ago. Now we're back to reality."

He believes, though, that the hangover will be temporary, and retailers in Whistler Village, which for the first time has vacancies, share his hope that it will be relatively painless.

Many of the Village leases are long-term deals, Meredith noted, but he added that landlords have been looking at incentives to keep tenants in place.

According to Tourism Whistler, visitor numbers to the mountain are down from the two million-per-ski-season peak of four years ago. The 2004-2005 ski season saw 1,981,000 visitors, up from 1,898,000 a year earlier.

The combination of a higher Canadian dollar, border security concerns and better snow in such U.S. resorts as Vail, Colorado, has reduced the number of American visitors to Whistler.

Early data on room nights bookings - including both hotel and condo suites - show that nightly rentals were down 13 per cent this ski season compared with 2004-05. A Tourism Whistler spokesman said reports confirm that U.S. bookings led the decline.

Meanwhile, Whistler's smaller southern neighbour has troubles of its own.

Western Forest Products shut down its Woodfibre pulp mill in mid-December and there's little hope of its reopening.

Squamish council passed a motion to support the Woodfibre employees in their efforts to save the mill.

Workers and council are researching what kind of government financing is available and have inquired about Community in Transition funding from the Ministry of Community Services.

The group is also looking into prospective buyers.

But Western Forest Products spokesman **Gary Ley** said the mill is not viable for a number of reasons, including the strong dollar and intense competition from pulp mills in Australia, Indonesia and South America.

But the pulp mill closure could have a positive impact on the town, local realtors say.

"Let's be honest," said **Gerry Halstrom** of **Sea to Sky Premier Properties**, "the Woodfibre mill pumps out a lot of air pollution. It has been a detriment to real estate values."

Halstrom added that it's hard for people to lose their jobs, but in the long term, the mill's closure could be a net benefit to a region where tourism and commuters already mean more to the economy than the forests.

The Woodfibre mill sits on a waterfront parcel and has a ferry dock, which could mean it could eventually be rezoned for residential.

Squamish housing prices are not expected to maintain their province-leading price acceleration pace, which included a 118 per cent increase in the past five years and 11 per cent from 2004 to last year.

"The days of the easy money in Squamish are over," Halstrom told the Jurock Real Estate Outlook conference last fall, but he also forecast a strong future for the mill town once the highway upgrades are complete.

"The population of Squamish will double," he predicted.

Some fear that the heady prices - the typical new condo in Squamish now sells for \$240 per square foot - have led to a glut of product on the market in the Squamish and Howe Sound corridor.

Along with a record number of condominiums and townhouses being built in Squamish itself, new housing developments are proceeding at Britannia Beach, Furry Creek and Porteau Cove.

Black Tusk Realty realtor **Lisa Bjornsen** estimated that 100 new condominiums are now being pre-sold and another 300 will hit the Squamish market this year.

She noted though that pre-sales were strong last year and that there has been a steady shift towards Greater Vancouver buyers.

She estimated that more than 26 per cent of buyers are now Lower Mainland commuters. With the highway upgrades it will be quicker to commute to Squamish from the downtown core than to Langley, she said.

Squamish is also looking towards the opening of the new \$100 million **Quest University**, Canada's first private, non-religious university.

Now under construction, Quest is expected to open next year with 200 to 300 students paying high tuition for liberal arts and science degrees.

As well, Squamish is in the midst of an aggressive waterfront redevelopment that will turn 60 acres of mostly former industrial land into a cruise ship terminal, marina and residential and retail projects, according to **Mike Chin**, CEO of **Oceanfront Development Corp.**, an arms-length corporation set up by Squamish Council to handle the redevelopment.

The site includes 44 acres of fee-simple waterfront.

A short-list of five developers has been culled from the original 15 that answered a request for proposals for the redevelopment: **Concord Pacific**, **Intrawest**, **Solterra Developments Corp.** (which recently purchased 20 acres of land from Squamish), **Townline Homes** and **Qualix Landmark**.

Chin, a former consultant who worked on the development of Vancouver's Expo 86 lands, said the Squamish master plan was worked out with an 11-member advisory board that includes the Squamish First Nation and other stakeholders.

The overall developer for the site is expected to be named in April.

The town of Squamish will act as a joint developer, with its share of profits turned back into civic improvements, Chin said.

The master plan already calls for improved public waterfront access and upgrades to the aging downtown.

Oceanfront and the chosen developer will fine-tune the project over the next few months, Chin said.

He expects construction to begin as early as November. Downtown retailers, who fear a loss of traffic as **Wal-Mart**, **Home Depot** and other big-box retailers set up along the highway, would likely welcome the revitalization.

Western Investor is a division of Business In Vancouver Media Group. Published monthly, it focuses on commercial real estate in Western Canada.

Squamish

Population: 19,000

Average house price: \$420,300

Average condo price: \$210,000

Average family income: \$43,000

Main employment: construction, tourism

Whistler

Population: 9,800

Average house price: \$1,400,000

Average condo price: \$600,000

Average family income: \$58,900

Main employment: tourism