

# Home prices rise on building costs

Developers paying more for land and materials

BY DERRICK PENNER  
VANCOUVER SUN

Vancouver's soaring new home prices are being mainly driven by escalating construction costs, a factor that is increasing the risks that developers assume, a real estate market research firm says.

Jennifer Podmore, managing partner of MPC Intelligence, said consumers should realize the prices developers charge closely relate to what it costs to build them, rather than market demand.

"It means if they're paying more for land and more for construction, their return margins are the only thing [that can] shrink," Podmore said.

"They're still making a healthy profit, it's still worth it for them to build," she added, but developers will start to take more time before deciding to buy land and nail down construction costs before starting new projects.

Podmore said the quantity-survey firm BTY Group estimated that overall construction costs increased eight per cent in 2005 in the Lower Mainland.

However, some individual components of that figure increased by much more. Podmore said window and curtain-wall construction costs increased 10 per cent and the prices for concrete form work escalated a whopping 35 per cent.

Michael Audain, chairman of

Polygon Homes Ltd., said his firm has shaved points off its profit margin to accommodate increasing costs, though he wouldn't reveal what Polygon "considers an acceptable margin" to be.

Audain added that Polygon has also lost out on bids for development sites because its equation for construction costs, plus land costs, plus profit margin equalled a selling price that was too high.

"I've never known a time since I've been in business when it has been so difficult to forecast what your costs are likely to be six-12 months out," Audain said.

Audain added that with crude oil hitting prices over \$70 US a barrel, which will increase the prices of petroleum-derived materials and transportation costs, he doesn't believe estimating costs will get any easier anytime soon.

Bosa Development Corp. is currently building only one development in Vancouver, but Eric Martin, the company's vice-president, development, said he is not unfamiliar with the cost and price squeeze.

"Prices are plateauing, [but] costs keep going up and margins are shrinking," Martin said. "That's exactly what's happening. It's very similar to other markets we're working in."

Martin added that the situation is also similar to the early 1990s. In the late 1990s, Martin said

Bosa stopped building in the Vancouver market for three years because costs would have exceeded profit.

Hani Lammam, vice-president for Cressey Development Corp., said his firm has seen even more dramatic increases in costs, such as an almost 50-per-cent rise in concrete form work in the last 12 months.

However, Lammam also believes the steepest of increases could be behind the development sector as construction prices, particularly labour, have caught up with the market.

"Construction trades went through a very long period of lean times [when] they were just paying the bills," Lammam said. "Now they're making some money."

Lammam added that Cressey hasn't reduced its profit margin on any projects because the market has been strong and it locks in its costs before going to the market. The company would not proceed with a project, he said, if it couldn't achieve its margin.

Lammam doesn't believe prices can go much higher either because "we are reaching the limits of affordability."

Audain added that the lack of affordable housing for younger and first-time buyers could limit the region's economic growth potential.

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## Contract talks start early at Highland

BY MICHELE YOUNG

KAMLOOPS — Contract talks between Highland Valley Copper officials and the union representing its 782 workers have started earlier than usual at a time when profits are huge.

Richard Boyce, president of Steelworkers Local 7619, said Monday he expects negotiations will be affected by the prices of copper, molybdenum, gold and silver — all of which are thriving.

"We're hopeful were going to get a really good deal," he said, adding the mine near Logan Lake made more than \$600 million last year for Teck Cominco.

"Today, with copper being what it is, were actually making close — after all the bills are paid — \$2 million in profit every 24 hours."

The collective agreement expires at the end of September. The next negotiation session is expected in late April or early May.

"The company invited us to come to the table and reopen the process early."

The current contract, reached three years ago, saw negotiations begin in August and end in a deal six months later. But even that was a far cry from 1999, when Highland Valley laid off workers for four months as a result of dismal copper prices.

Canadian Press

## Chartwell expands housing interests in Canada, U.S.

Chartwell Seniors Housing Real Estate Investment Trust is spending \$316 million on acquisitions and development projects in Canada and the United States, including enhancing its position as B.C.'s largest operator of seniors residences with a \$25.9-million purchase of the remaining 50-per-cent interest in Langley Gardens and Village Square.

Chartwell said Tuesday it will expand the size of its property portfolio by 3,387 suites by acquiring interests in 25 sites in Canada and the United States and expanding two existing facilities, developing a new independent-living site and adding a third-party management deal.

The REIT's share of the price of the acquisitions is about \$295.3 million while the development projects and mezzanine financing total \$20.9 million.

The trust later announced plans to raise \$185 million in a bought deal to help finance the acquisitions, issuing 13.3 million units at \$13.90 each. It expects to close the financing May 9.

"With these announcements, so far this year we have added over 3,400 suites to our growing portfolio, and the REIT is over halfway to achieving its stated goal of investing \$625 million in new acquisitions for the year," Stephen Suske, vice-chairman and president, said

in a release.

"In addition, these transactions are expected to be accretive to distributable income per unit, enhance the value of our property portfolio and will be readily absorbed by our strong operating platforms."

Dominion Bond Rating Service noted Tuesday that the acquisitions will eventually increase Chartwell's portfolio of owned and managed suites by 17 per cent, bringing it to a total of 23,222 suites.

"These transactions represent positive developments that are factored into DBRS's current ratings as part of the ongoing growth initiatives at Chartwell," the rating service stated.

"The transactions improve the diversity of properties and scale of operations, which should continue to enhance cash flow stability looking forward," it added.

Chartwell, along with joint-venture partner ING Real Estate Australia, is expanding its U.S. portfolio of seniors housing properties by acquiring two portfolios of high-end, retirement homes in the United States.

The portfolios, costing the partners a total of \$308.2 million US, comprise 2,183 suites at 12 sites located in Ohio, Florida, Virginia, Colorado, Michigan, Tennessee, Alabama and Oklahoma.

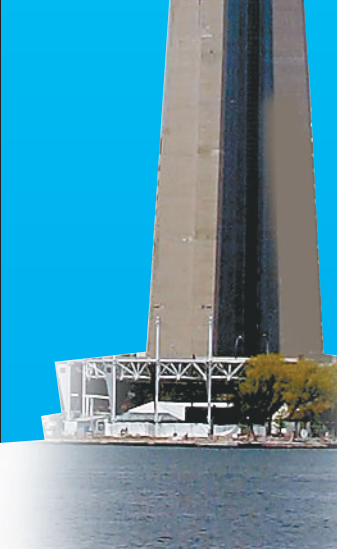
Canadian Press

### Too much information

Data collected from the Atlas detector would fill 4.5 million CDs a year, a stack that would be 10 CN Towers high.

The ATLAS Data Centre, a \$10.5-million ultra-sophisticated computing facility will be housed at TRIUMF, the national laboratory for particle and nuclear physics in Vancouver. It will analyse data from the ATLAS project at CERN's Large Hadron Collider facility in Switzerland. The most powerful and sophisticated particle accelerator in the world, it is capable of reproducing Big Bang-like conditions by smashing particles together that have been accelerated to velocities just shy of the speed of light. A central part of the LHC facility will be the ATLAS detector, an instrument engineered to measure the after-effects of those collisions. With roughly 40 million collisions per second, the detector is set to generate enormous amounts of data.

Source: Canada Foundation for Innovation news release



VANCOUVER SUN

## Universities here join in massive experiment

BY GILLIAN SHAW  
VANCOUVER SUN

A consortium of Canadian universities led by Simon Fraser University is playing a key role in what is being billed as the biggest science experiment in history.

Central to Canada's participation in the project is the Atlas Data Centre to be housed at TRIUMF, a national laboratory for particle and nuclear physics established in Vancouver that is owned and operated by a consortium of Canadian universities.

The data centre will be among 10 Tier-1 facilities that will be analysing and storing data generated by what's called the Atlas project being carried out at the CERN labs in Switzerland.

The project is a particle physics experiment unprecedented in size and scope. CERN's LHC, the most powerful and sophisticated particle accelerator in the world, will be capable of reproducing Big Bang-like conditions by smashing together particles that have been accelerated to velocities just shy of the speed of light.

The Atlas detector, an instrument that measures the after-effects of those collisions, will provide physicists with information to study nature at its most fundamental level, according to project participants.

With approximately 40 million collisions per second, there will be a vast amount of data, enough to fill 4.5 million CDs a year.

"It is an enormous amount of data, we have never analysed this much data," said Mike Vetterli, a professor at SFU's department of physics and the project leader for the Canadian consortium.

"This is a coup for Canada, we are one of only 10 of these sites worldwide." Other Atlas Tier-1 sites will be in the United States, the United Kingdom, Germany, France, the Netherlands, Italy, Spain, Taiwan and a federation of Scandinavian countries.

As well as being a science experiment of unprecedented proportions, Vetterli said the project is creating the biggest computing grid for large-scale computing that has ever been built.

Likening it to the early days of the World Wide Web, Vetterli said the grid is at the stage the Web was in the early '90s. The grid allows links among large computer centres that are transparent to users. Vetterli said the expectation is that 10 years from now it will impact the way large-scale computing is done, just as the Web revolutionized the global sharing of information.

"It is certainly the beginnings of its deployment on a worldwide scale," he said.

Members of the Canadian university consortium besides SFU are the University of Alberta, the University of British Columbia, Carleton University, McGill University, Université de Montréal, the University of Toronto, the University of Victoria and York University.

Installation at the Tier-1 centre is scheduled to begin this summer, with full-scale testing slated for the early fall.

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## Pattison Group first to benefit in DaimlerChrysler overhaul

BY CHRIS VANDER DOELEN

A major overhaul of DaimlerChrysler Canada Inc. will result in the first Chrysler stores for the Jim Pattison Group, the largest car dealer in British Columbia, with 15 stores.

Two new B.C. Chrysler dealerships are being built by the Pattison group, including one in Surrey and one in a community yet to be announced.

Altogether there are going to be

fewer Chrysler dealers in Canada in the future, but they're going to be bigger, more modern and sell more cars than the current stores, DaimlerChrysler Canada Inc. president and chief executive officer Steven Landry said Tuesday.

The company wants to reduce its 476 stores, some of which date back 80 years, to a time when they had only two competitors — Ford and General Motors.

Last year, Chrysler dealers invested \$50 million of their own

money building new stores and upgrading old ones. This year, they have already spent \$26 million and Landry expects them to invest up to \$75 million on 31 separate projects approved so far.

Special attention is being paid to stores in large urban areas, such as Toronto and Vancouver, where the bulk of sales take place.

With national sales up six per cent in the first quarter, the new Dodge Caliber already a sales hit and nine more new vehicles ready

to pop out of a richly loaded product pipeline, DaimlerChrysler Canada Inc. is feeling pretty good about its prospects these days.

But some of the work still ahead for the company includes improving service for consumers, an ongoing upgrade of its national dealership network, and increasing the size and quality of its stores, Landry said in an interview.

Nationwide, only a couple of dealers remain in financial trou-

ble, down from a dozen a few years ago. Eighty-eight per cent of the national dealer network is now profitable, up considerably from years past when Chrysler was restructuring and short of new product.

Most dealerships now earn between a one-per-cent and 1.5-per-cent return on sales, Landry said. The goal for financial health and a vibrant dealership is 1.5 per cent, although a lucky few earn more.

Financial health is crucial for dealerships so they are able to provide customers with the level of service head office expects them to. But with interest rates heading up, dealership carrying costs are rising, and Landry said his team is keeping a close eye on the struggling stores.

"Some dealers are spending more on advertising and more on carrying costs than we'd like them to," he said.

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