



Soaring construction costs kill condos

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VANCOUVER - Vancouver-based Eden Group has cancelled two city condominium projects, citing rising construction costs that would have created huge losses if they were to proceed.

"We're not in a financial position to proceed for a variety of reasons," company owner Bill Eden said in an interview.

The projects include the \$65-million, 119-unit Elyse at East 7th Avenue and Scotia Street and the \$30-million, 31-unit Montgomery Estates townhouse project at Oak Street and 43rd Avenue.

Fifty-five buyers made pre-sale purchases of Elyse units earlier this year, and their deposits will be refunded. No pre-sales were conducted on the Montgomery Estates development.

Eden plans to sell off both sites.

He noted that most of the pre-sale buyers in the Elyse development were investors in the project itself, who had the right to pre-purchase units.

"They're not public third-party people," Eden said.

He said the civic workers strike caused costly delays this year, and rising labour and materials expenses made construction costs prohibitive.

"There's also the uncertainty about the future of those costs and whether we can get enough people to build the building," Eden said. "If I have those factors in play, I have no idea when I can complete, which means I have no control over my costs whatsoever."

He said he wanted to save investors' money and prevent "purchasers' anguish" by shelving the projects now.

Greater Vancouver Home Builders Association chief executive Peter Simpson said Eden probably did the right thing under the circumstances.

"He looked down the road and saw endless problems with these projects. So he wanted to terminate them now, sooner than later, out of respect to

his customers," he said in an interview.

The project cancellations follow similar recent developments in Metro Vancouver - including the controversial cancellation of 32 pre-sale contracts on the Riverbend project in Coquitlam after the developer claimed rising costs had raced ahead of pre-sale prices.

"This obviously concerns us, but we don't believe it's a trend," Simpson said.

"We're going to start about 19,000 homes [in Metro Vancouver] this year, and three-quarters of those are condominiums and the overwhelming majority are completed without incident."

He said Eden's costs mounted this year following delays caused by the civic workers strike, but the strike did not cause the projects' demise.

"The problem was rising costs and the onerous development process in Vancouver," Simpson said. "Builders obviously need to plan for all this stuff, but sometimes you have the best-laid plans and they just don't work out.

"In this case, his costs just got too out of hand for him to continue. [Eden] could have hid his head in the sand and gone ahead with it, but he believes the outcome would not have been very positive."

The B.C. Financial Institutions Commission recently ordered developers to provide increased disclosure to buyers of pre-sale condominiums which have yet to be built.

The disclosure rules, which took effect Nov. 1, force developers to explain any provisions for terminating, extending or assigning purchase agreements. Buyers are required to initial the cover page of disclosure statements to confirm the provisions were drawn to their attention.

Pertinent information must also appear in "conspicuous type" on the statement's cover page.

The rules also provide for more disclosure of developers' backgrounds, including:

- Their experience in the development industry.
- Whether they have been bankrupt in the past five years or been disciplined in the past 10 years for matters relating to real estate, mortgages of land, securities, theft or fraud.
- Whether any conflict of interest exists that could affect a buyer's purchase decision.

Failure to comply with the disclosure requirements could result in the

issuance of cease-marketing orders or "administrative penalties" of up to \$50,000.

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