

BUSINESS TICKER: CONSTRUCTION

Cash crunch halts B.C. condo project

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The U.S. financial crisis has put the squeeze on another Canadian condominium development whose financing has run out following the collapse of investment bank **Lehman Brothers Inc.** This time a five-tower development in Surrey, B.C., is searching for new funds one month after its major financier, Lehman, filed for bankruptcy protection.

Construction is halted at the project, The Infinity at Central City, which applied for protection from its creditors this week.

The development gained widespread attention in 2005 when the relatively low-priced units in its first tower, now completed and occupied, sold out in seven hours.

Now, it's a much different market for South Korean businessman Hee Yong Yang, who took over as developer last year. He's trying to woo new partners to complete the two buildings currently under construction.

Print Edition - Section Front



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"Unfortunately, along with many other reputable developers, Mr. Yang has been adversely impacted by ... worldwide tightening in the credit and financial markets," said lawyer Robert Millar of Fasken Martineau DuMoulin LLP, who is helping lead the refinancing effort.

The most likely scenarios are that a developer will fill Lehman's shoes with some kind of premiums paid or discount offered, or the project will be subject to a full-out sale process, Mr. Millar said.

Earlier in the month, developer Bazis International Inc., which also counted Lehman as a partner, said it had managed to secure a new financing arrangement for its \$450-million luxury condo project in downtown Toronto.

While Kazakhstan-based Bazis found its new partners in Europe, the Surrey project has apparently garnered some interest from unnamed local developers.

Unlike some other projects that have run into trouble in Vancouver, Infinity is on time, on budget, and has a large number of reported pre-sales, which could help it find new funding, Mr. Millar said.

If Infinity isn't as fortunate, buyers' deposits are protected and will be returned to them, Mr. Millar said.

While Mr. Millar hasn't heard of any other development projects in Vancouver hitting the financing wall at this time, it wouldn't be surprising, he said.

Things will be even tougher for coming developments, whose funding options were becoming scarce well before Lehman's collapse, he said.

Mr. Millar added that a number of his clients have pulled projects in recent months.

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