

Putting off the Ritz

Death of luxury Vancouver development reflects negative trends in demand and tourism

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VANCOUVER AND TORONTO — The downtown Vancouver site that was to be the home of a luxurious Ritz-Carlton skyscraper is now just a muddy pit, the empty frame of a parking garage that was to have been capped by a 60-storey tower.

The hole on West Georgia Street, surrounded by hoardings and ignored by most passersby, is a stark symbol of the end of billions of dollars' worth of spending plans blown apart by shifting trends in finance, construction and travel.

The Ritz project, a \$500-million landmark that was to combine a 20-storey hotel with 40 floors of condo units, was cancelled by Vancouver-based Holborn Group on Tuesday, reflecting negative trends in both residential demand and the tourism sector.

And in being shelved, the hotel becomes part of what amounts to a nationwide spending freeze. In its key annual survey of what businesses and governments plan to do with their money, Statistics Canada yesterday said total investment in non-residential construction, machinery and equipment is expected to fall to \$237.5-billion in 2009, down 6.6 per cent from 2008.



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Site where the \$500-million Ritz-Carlton skyscraper was slated for construction in Vancouver.



The biggest pullback is in the hotel and restaurant business, which is expecting a 37.7-per-cent drop in outlays.

That prospect is not surprising to James Askew, president of rareEarth Project Marketing, a Vancouver firm that specializes in recreational resort projects. Over the past few months, two of his clients – one in the Okanagan and one on Vancouver Island – shelved projects and he expects others may follow suit.

“It’s a smart decision, because a lot of these [projects] are multiphased,” Mr. Askew said. “The last thing you want is to jump into the marketplace just as it’s starting to change and not knowing how long it will take to correct.”

In Ucluelet, on Vancouver Island, the \$50-million Black Rock Oceanfront Resort opened last month, squeaking on to the market before conditions deteriorated.

“We sold it when interest was at its peak,” said Mike Duggan, co-developer of Black Rock and president of Boutique Hotels and Resorts, which manages several properties in British Columbia.

“I’m now focused on getting people out to the resort and letting them see for themselves – I think it has potential to draw people to a new destination in Canada.

“People are familiar with Tofino, but less so with Ucluelet,” Mr. Duggan said.

The new resort will face tough conditions. A separate release from Statistics Canada yesterday showed that American tourists to Canada were at their lowest level in recorded history for this time of year.

The depth of the planned pullback in capital spending in these tourism-related industries is somewhat surprising because, until now, employment in the sector has held up fairly well, said Douglas Porter, deputy chief economist at BMO Nesbitt Burns Inc.

“The big cutback suggests there is a much darker outlook for tourism, more broadly speaking, or at least that’s the perception the industry is taking,” Mr. Porter said.

With supply outpacing demand, it’s not a bad thing for spending on new developments to decrease, said Neil Downey, managing director at RBC Dominion Securities Inc.

“It’s probably hitting the wall, in some regards, because there’s an inability to obtain financing. But frankly, it should hit the wall, because it’s unlikely there’s sufficient demand for the next two years to require any additional capacity. We don’t need any more rooms is the bottom line.”

The downturn should be seen as a prime opportunity for renovations, Mr. Downey said, adding that labour and construction costs are likely to become more affordable.

Those trends are being closely watched by Bruce Langereis, president of Delta Land Development Ltd., the developer behind the Residences at Georgia, another high-profile office, residential and hotel project destined to rise on West Georgia Street.

That project is being largely internally financed, Mr. Langereis said, with Delta Land committed to the tune of \$100-million.

“We are pouring concrete,” Mr. Langereis said, adding that he is balancing revised construction costs with a planned completion date of 2011 or 2012. “I tell anyone who has doubts to come to the site and see it themselves.”

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