

# What is happening with unfinished developments post-boom

BY CARLA WILSON, BILL CLEVERLEY AND RICHARD WATTS, TIMES COLONIST APRIL 5, 2009



Former site of Oak Bay Beach Hotel, in Victoria. The stalled hotel redevelopment with condominiums is illustrating the downturn in today's real estate market.

**Photograph by:** Adrian Lam, Times Colonist

Holes in the ground, price discounts, auctions of unsold condos, construction delays -- they're all signs of a worldwide slowdown in multi-unit residential construction that is being felt in Greater Victoria.

Not long ago, excited buyers would line up for the chance to buy a condominium unit in buildings not yet out of the ground. Developers couldn't get buildings up fast enough to satisfy demand in the hot real-estate market.

But many builders are now vying for infrastructure and institutional contracts funded by governments to keep the economy running. And in the real estate sector, condominiums are in a much more difficult situation, says Tsur Somerville, a University of B.C. associate professor and director of the UBC Centre for Urban Economics and Real Estate.

"I think that is going to be the sector that takes longer to get started again because that's where we did a lot of building," Somerville says. "We built far more than we really need, which is why you have a lot

of empty ones."

The situation won't change until there is a significant turnaround in the world economy, Somerville says.

The slower economy and an increase in unemployment will result in fewer housing starts in Greater Victoria in 2009, according to a forecast from Canada Mortgage and Housing Corp. Housing starts are expected to drop 29 per cent this year -- to 1,350, compared with 1,905 last year.

According to the B.C. Real Estate Association, the total value for B.C. residential properties sold in February dropped by 52 per cent from the same month in 2008, to \$1.55 billion.

Although Greater Victoria sales numbers surged by 49 per cent last month, average prices and the total value of residential sales trail March 2008. Total dollar volume through the Victoria Real Estate Board fell by 23 per cent to \$256,167,229 for 581 residential sales last month, compared with 661 residential sales totalling \$332,984,236 in March 2008.

Average prices for condos and single-family homes in the capital region were down by 10 per cent last month, compared with the same month last year. The average price for townhomes was down 11 per cent.

Low consumer confidence is an issue when condo inventory is high, says Greg Baynton, president of the Vancouver Island Construction Association. "Two years ago, we would swallow up this inventory so quickly. The whole foundation of everything has really, really changed."

A few years ago, builders struggled with soaring construction costs as material prices skyrocketed. The developer of the Bambu condo project in Chinatown cited high building costs, a shortage of skilled labour, and site complications when he cancelled the project in 2006.

Construction costs are now declining, but money for financing is tight. Because new office space is more in demand, it's more likely to get built than new residential space these days.

Case in point is developer Stan Sipos's plans for 947 Fort St. in Antique Row. When first approved in 2006 the project was to be ground-floor retail on Fort with ground-level townhomes fronting Meares Street -- all topped by six floors of condominiums.

Sipos is now planning a \$20-million, six-storey building with office space on the upper floors, while retaining retail and townhouses on the main-floor level.

"Obviously condominiums have reached a saturation for a little while and, even in our market, that's normal," he says.

While he hopes to be excavating in 45 to 60 days, Sipos says it's "incredibly difficult" to find financing

these days.

"There are so few lenders out there that are willing to be involved and then when you talk about all this calamity going on in the real estate market, nobody knows what to do. So it just seems to take about four times as long and probably two to three times the work to get anything started."

While lenders used to be willing to finance up to 70 per cent of construction costs on projects, they are now reluctant to go beyond 50 per cent, Sipos says. "So the ability to do things is greatly curtailed."

But there is a shortage of new office space in the city, he says.

Concert Properties has had success with condo projects such as the Astoria and the Belvedere in the Humboldt Valley and the Chelsea in Fairfield and is wrapping up 365 Waterfront on the Gorge waterway. The company is now looking to build a 10- or 11-storey office tower in the 700-block of Yates Street.

In 2005, real estate agent Eric Charman won approval for a \$14.5-million condominium building on the site at 726-728 Yates St. But Concert expects to seek rezoning to build offices, with ground-floor retail for that site and the lot to the east, says senior vice-president Alan Whitchelo.

"What we looked at was where was the most logical location for a good office building," Whitchelo says. Since there are plans for a number of residential projects downtown, Concert decided to build offices rather than residential units, he says.

Some developers are reaching out more aggressively to homebuyers. Langford's Bear Mountain golf resort is advertising some properties at 40 per cent off, as are the builders of the 114-unit Reflections condo project, also in Langford. Reflections developers held an auction mid-March to try to find buyers for unsold inventory.

Condo developer Phil LeSeur, who has projects at Bear Mountain, hopes sales will pick up this fall. Sales efforts are focusing on the local market, rather than Alberta, which was once a key market but has slowed, he says. "My understanding is we have a two-year supply of inventory [in Greater Victoria]."

Banks want more equity, more pre-sales and more deposits before considering financing, he says. "It is just a different world than it was three years ago when the market was hot and everyone wanted to jump on board."

**WHERE THEY STAND:** A look at 20 projects around the region

## Radius

Developer: Townline Ventures

Location: Blanshard/Caledonia, Victoria

Type of project: Mixed office, residential

Height: Towers of 13 storeys (office) and 17 storeys (118 residential units)

Size: 350,000 sq. ft. residential; 244,000 sq. ft. commercial

Construction value: \$160 million

Started: Sod turned July 2007

Planned completion: September 2009

Reason for delay: Financing

Status: Rezoning approved in May 2007. Reported sold in September 2008 to Townline Ventures, which said it would proceed with office-commercial space, probably this spring.

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### **Bambu**

Developer: Originally Amadon Group, then Anthem Properties, Vancouver

Location: 528-532 Pandora Ave., Victoria

Type of project: Retail, 161 loft-style

condominiums

Height: Eight storeys

Status: Approved in 2004

Construction value: Originally \$24.5 million

Construction date: About 140 of 161 units were pre-sold but the project stalled in 2006 because of rising construction costs.

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### **Bayview**

Developer: Bayview Properties

Location: Songhees, Vic West

Construction value: \$1.2 billion

Type of project: Commercial/residential condominium

Height: Three towers: 10 storeys, 17 storeys and 21 storeys

Status: One 10-storey tower completed and being occupied. Height allowances increased in November 2008 for other two towers to 17 storeys from 11 and 21 storeys from 13.

Comment: Owner Ken Mariash says detailed drawings and planning are being done for the redesigned towers, which have a smaller footprint. Construction will start in the next year or two, depending on market conditions. "We'll start some drawings and things and feel our way in terms of how much of the economic downturn hits here," Mariash said.

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#### **601 Herald St.**

Developer: Formwerks/Primewest Partners Inc.

Location: 601 Herald St. at Government Street, former site of Victoria Brake Specialty Co.

Type of project: Residential/commercial (main floor)

Size: 26,200 sq. ft./ 27 units

Height: Four storeys

Construction value: Not available

Status: On hold

Comment: Primewest president Paul Williams says while the project's design is being refined and construction costs are easing, "realistically we'll have to wait for the real estate market to thaw before we'll consider bringing the project forward."

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#### **Dockside Green**

Developer: Vancity Credit Union and Windmill West

Location: 15 acres, former industrial land, Vic West

Type of project: Mixed-use sustainable community including residential, live/work, retail, office, light industrial, play areas and cultural centres.

Size: 1.3 million sq. ft.; 26 buildings; 1,200 residential units

Construction value: \$1.2 billion

Status: Construction underway. Phase one: 95 homes in two condo buildings of five and eight storeys completed. Phase two to open soon: Two residential towers of nine and 10 storeys; bakery, coffee shop and restaurant nearing completion; wastewater treatment plant completed; biomass heat generating plant nearing completion.

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### **819 Yates St.**

Developer: Emaar Canada

Location: 819 Yates St., Victoria, immediately east of the Capital 6

Type of development: Residential with ground-floor retail

Height: Two towers, 17 and 12 storeys

Size: About 140,000 sq. ft. (between 150 and 170 units)

Construction value: \$40 million

Status: Pending

Comment: Company representative Dana Samis says Emaar is now surveying the market and finishing drawings, looking at a construction start of later this year or early next, depending on the market.

"We're still fully committed with going ahead with our project .... We think the design and the offering will be perfect for what downtown Victoria is looking for."

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### **726-728 Yates St.**

Location: 726-728 Yates St., Victoria

Developer: Concert Properties

Size: 110,000 to 120,000 sq. ft.

Height: 10 or 11 storeys

Type of development: Office/retail main floor

Construction value: Not available

Status: Rezoning to be sought for change in use. In 2005, real-estate agent Eric Charman had approval to build a 12-storey, \$14.5-million condominium but shelved it, saying he had no interest in proceeding. Charman has since sold the property to Concert Properties, which is in the process of acquiring the adjacent lot to the east and hopes to build an office building on the site.

Comment: Alan Whitchelo, Concert's senior vice-president of commercial/industrial acquisitions, says the company hopes to have a rezoning application before Victoria city council in about a month.

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### **Uptown**

Location: 3555 Douglas St., at Saanich Road, Saanich

Developer: Uptown development, former Town and Country Shopping Centre, Morguard Investments

Type of development: Retail, office, residential

Size: 550,000 sq. ft.

Construction value: \$150 million to \$200 million

Status: Construction of phase one and two underway, including demolition and reconstruction of shopping centre

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### **947 Fort St.**

Developer: 947 Fort St., Stan Sipos

Location: 947 Fort St., Victoria

Type of development: Office, retail, residential

Height: Six storeys

Size: 50,000 sq. ft.

Construction value: \$20 million

Status: Pending. In September 2006, council approved ground-floor retail, townhouses facing Meares and five storeys of condos above. Condo market softened and the developer opted to pursue office development instead of condos, along with retail and a few townhouses. Demolition is complete.

Comment: Developer Stan Sipos says some design details and modifications have to be cleared by city hall but he hopes to be excavating within 45 to 60 days. Sipos says financing for development is "incredibly difficult" these days. "I've never seen anything like it. There are so few lenders out there that are willing to be involved."

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### **Thetis Cove Estates**

Location: Hallowell Road, View Royal

Developer: Thetis Cove Estates Ltd., Kevin Weaver

Type of development: Waterfront mixed-use commercial/residential on 3.3-hectare site

Size: 400,000 sq. ft., including 30,000 sq. ft. commercial, 250 residential units including single-family and townhomes, and live/work. Development permit approved in 2007.

Height: Included one tower of eight storeys

Construction value: \$150 million

Status: In receivership. Environmental remedial work has been done; First Nations artifacts archeological review completed.

Comment: Receiver Chris Corps said a deal with a potential buyer had been negotiated but that buyer was unable to secure financing. Corps said Thetis Cove was a great project, in many ways similar to Dockside Green. But it got hung up in trying to negotiate a rail crossing and by the time that was completed, the economy was on the wane. "The proposal was, I think, at the end of the day a very sound one -- sort of an underrecognized gem. ...They were going to rehabilitate the waterfront and restore some of the marine habitat and were committed to it being a LEED project."

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### **Oak Bay Beach Hotel**

Location: 1175 Beach Dr.

Developer: Oak Bay Beach Hotel

Type of development: Hotel complex; 100 rooms ranging from 450 to 750 sq. ft.; 20 strata condominium units

Height: Five storeys

Construction value: \$52 million

Status: Pending. Old hotel torn down in 2007; marketing underway; financing sought through a March bond offering. Anticipated construction start: November 2009.

Comment: Owner Kevin Walker said initial response to the bond offering has been strong. "We're just about to cross \$10 million committed," he said. "That was a much quicker uptake than we were expecting. We'll wait and see to ensure that that momentum is sustainable but ... we're now talking about a November start."

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### **Orono**

Developer: Lineage Holdings Ltd., Jeffrey Bayles

Location: 2871 Jacklin Road near Orono Avenue, Langford

Type of project: Originally mixed residential condo/commercial

Height: Four storeys

Size: 90 condo units

Construction value: \$20 million

Planned start: May 2008

Planned completion: 18 months

Reason for delay: Market conditions; banking requirements

Status: Stalled. Redesign process now underway to change to a rental apartment building.

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### **Capella/Bolzano**

Developer: Robert Quigg, QBM Developments Inc., Vancouver

Location: Player Drive on Skirt Mountain, next to Bear Mountain Resort, Langford

Type of project: Four towers, condominium, vineyard, winery, spa

Height: 27 to 45 storeys

Size: 653 units

Construction value: \$1.4 billion

Planned start: July 2007

Planned completion: June-July 2010 (first tower)

Reason for delay: Market conditions

Status: Stalled

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### **Highlander**

Developer: 18 on18 Developments Ltd. Its officers are Phil LeSeur, Len Barrie and Fraser McColl

Location: Bear Mountain, Langford

Type of project: condominium

Height: 16 storeys

Size: 213 units

Construction value: \$90 million to \$100 million

Planned start: Construction is expected to resume in July.

Planned com

pletion: Late 2010 or early 2011

Reason for delay: Market conditions

Status: Construction halted last year and is now being retendered to take advantage of lower building costs.

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### **Westhills**

Developer: Westhills Land Corp.

Location: South and southwest of Langford Lake

Type of project: Mixed housing, single-family and condo towers, commercial development and village

Height: Up to 20 storeys in some cases

Size: 6,000 homes on 191 hectares around a village centre

Construction value: \$4 to 5 billion

Planned start: Fall 2008, pushed back to spring 2009

Planned completion: 30 years

Reason for delay: n/a

Status: Westhills chose to test the market by completing 67 affordable (starting at \$349,000) housing units first and postponed the building of off-site infrastructure such as some roads.

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### **Soaring Peaks**

Developer: Soaring Peaks Developments Ltd., Phil LeSeur

Location: 2089 Champions Crt., Bear Mountain, Langford

Type of project: Condominium tower

Height: 17 storeys

Size: 151 units

Construction value: Estimated at \$100 million

Planned start: Originally May 2007, now 2010

Planned completion: Originally 2009, now 2012

Reason for delay: Market conditions and retendering

of construction

Status: On hold, no construction work

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### **Colwood City Centre**

Developer: Turner Lane Development Corp., Les Bjola

Location: Corner Sooke Road and Goldstream Avenue, Colwood

Type of project: Mixed highrise residential, office, commercial

Height: Up to 29 storeys

Size: At least 12 towers arranged on the 5.7 hectare site

Construction value: \$1 billion

Planned start: Rezoning approved May 2008

Planned completion: Over 20 years

Reason for delay: n/a

Status: No construction work started yet. Plans and permit applications now in progress.

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### **Aquattro**

Developer: Woodburn Management, Peter Daniel

Location: Adjacent to Esquimalt Lagoon, Colwood

Type of project: Mixed residential, highrises, townhomes, terraced buildings, low-rise condominiums.

Height: Up to 12 storeys

Size: 28 buildings on 50 acres, 563 units

Construction value: \$350 million

Planned start: June 2007

Planned completion: Five to seven years, depending on the market. Pre-sales have slowed as property flippers move on.

Status: Four buildings under construction, one near completed and one a month away.

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### **Silkwind**

Developer: Urbia Developments

Location: 2708 Wale Rd., Colwood

Type of project: Residential condominium

Height: 23 storeys, 77 metres

Size: originally 150, now 173 units

Construction value: \$44 million

Planned start: Originally 2007, now summer 2009

Planned completion: Originally 2009, now spring 2011

Reason for delay: Redesign of floor plans to decrease size and increase number of units

Status: A hole in the ground but marketing of units, starting at \$290,000, is expected to begin late April.

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## Michelle Towers

Developer: Russ Ridley

Location: 302-324 Belmont Rd., Colwood

Type of project: Highrise condominium

Height: Two four-storey towers

Size: 96 units

Construction value: n/a

Planned start/

completion: n/a

Status: First proposed in 2006, the initial Michelle Towers concept called for two highrise towers, subsequently rejected by the municipality. It has since been downscaled, renamed Pacific View, and planning work is in the initial stages.

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