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RESIDENTIAL

Banking on the Games afterglow

The ultra-green athletes village came in on time but way over budget. How much will the units fetch once the party is over?

BY FRANCES BULA

The man responsible for salvaging any profit from Vancouver's financially troubled Olympic athletes village – and saving local taxpayers from potential losses – is euphoric these days.

“Those opening ceremonies – that should add \$25 a square foot to what I can get at the village,” Bob Rennie says gleefully over lunch on the third day of the Games, as the street below the restaurant ran thick with thousands of 2010 Olympic Games tourists. Mr. Rennie, officially known as the city's best-known condo marketer but unofficially as one of the city's major power brokers, is kidding, as he often does. Well, sort of.

The reality is that many are hoping there's an element of truth in Mr. Rennie's humour.

Among them are brothers Peter and Shahram Malek who run Millennium Developments and who pledged \$70-million of their assets to keep the athletes village project going when their financing started to collapse at the beginning of the recession. Another group is the City of Vancouver, which is owed almost \$200-million for the land and was forced to loan the Maleks \$800-million for their construction refinancing.

Both are depending on a healthy real-estate market to recoup the village's \$1-billion cost. It would be a relief if the reflected glory from the Olympics would make a difference once the athletes go home.

Certainly the village, after a year of rocky news coverage, has been basking in the Olympic glow. A recent New York Times Magazine essay on the Games by Liberal Leader Michael Ignatieff was accompanied by a picture worthy of an architecture magazine. The site looked like a modernist marvel on the water. Television shots frequently highlight it. Media outlets report that athletes love it.

And, amid the frenzy of the Games, the village, as part of the city's Southeast False Creek district, received LEED Platinum certification, making it the greenest neighbourhood in North America.

The question is: Will that make a difference? And will it be enough given the circumstances of the village's finances and the current state of the market?

Many are dubious. “The problem with Millenni-



Vancouver's athletes village recently received LEED Platinum certification, making it the greenest neighbourhood in North America. That level of greenness also added greatly to the complex's construction cost, however. ANDY CLARK/REUTERS

A LANDMARK WORTH ITS SALT



The historic Salt Building is functioning as a social centre for the athletes during the Games. JEFF VINNICK/GETTY IMAGES

One Olympic village building that the City of Vancouver doesn't have to worry about selling after the Games is the historic Salt Building that is its heart.

The building, one of the few remaining legacies of the industries that used to dominate this south-eastern shore of False Creek, was transformed from a derelict structure covered with pigeon droppings to a social centre for the athletes during the Games.

That restoration by the architecture firm Acton Ostry, which has earned a heritage award, converted the former salt-refining building into a unique space. Massive roof trusses that allow the ceiling to be supported without central pillars are exposed, and natural light floods in through the clerestory windows along the roof line.

Pierre Gallant, the head of the

Architectural Institute of B.C., believes the restoration to be outstanding. “The architects cleverly managed to maintain the spirit and historical significance of the original landmark while breathing new life into not only the building, but also into its surrounding community.”

After the Games, the building will be leased to a privately run brewpub at the north end that faces the plaza, with a bakery and café alongside, while the south end will be preserved for public uses.

“It's the most public of the buildings there and that south end is like the front porch to the village,” says Scot Hein, the City of Vancouver urban designer who oversaw the village's development.

» Frances Bula

um is their costs,” says Cameron McNeill, another major development marketer who points out that the village was built at the peak of prices for labour and materials. “Will the market bear the \$1,100 a square foot they need? I think that's stretching it. I think it's going to be extremely difficult for them to recoup their costs.”

Mr. McNeill, the head of MAC Marketing Solutions, is selling a building across the street from the village, the James. He's pricing it in the \$700-a-square-foot range. That's the average price Mr. Rennie got for the first 250 village condos before the crash.

It means the remaining 500 condos have to sell for much more on average for the project to break even. Although Mr. McNeill believes in the long-term benefit of the Games and agrees the city made the right move by taking over the village's finances to make sure it was completed, he can't see how the remaining condos will fetch those prices.

Development consultant Michael Geller, who recently oversaw the planning of Simon Fraser University's UniverCity project, said the athletes village project will likely sell at prices high enough to recover the \$800-million in construction costs. “But I am worried about the city recovering the \$193-million it was supposed to get for its land.”

University of British Columbia business professor Tsur Somerville said that extensive research has provided zero evidence that Games cities experience real-estate booms after

the tourists go home.

“I don't deny that there are going to be some purchasers who like the Olympics and say, ‘I want to buy something in Vancouver.’ That exists but it's not enough to move the whole market,” Mr. Somerville says.

The Olympic athletes village was never meant to have these problems. For a decade before the Olympics, the neighbourhood – industrial waterfront land the city had slowly acquired over the years – had been planned as a showcase environmental district, a place that would pioneer the latest in green building technology, urban agriculture, innovative energy systems and more.

Vancouver committed itself to building an athletes village there as part of the Vancouver-Whistler bid in the late 1990s and promised to use \$30-million of federal money contributed for a Games legacy to build social housing into it.

A new set of left-wing councillors elected in 2002 wanted to see the village's sustainability enhanced by having a good social mix – one-third market condos, one-third “affordable” housing, one-third social housing.

That aim was scaled back when a more right-wing council was elected in 2005, but the idea of having the village as a green showcase remained. As a result the Maleks, even after paying a then-record price for the city's land, came under extraordinary pressure from city planners to make the village as green as possible.

They complied, building eight blocks worth of buildings

with rooftop gardens, energy-efficient heating systems and materials, rainwater collectors, grey water-recycling systems and more. But those efforts, along with rising construction prices, made their costs soar. By October of 2008, they were \$150-million over budget and their financing agency, the New York hedge fund Fortress Investments, stopped providing monthly advances.

The city had to step in, first with some of the monthly payments and then, in February of 2009, by taking over the financing completely.

Now the city, which reverted back to a centre-left council in 2008, finds itself in the same position as any caught-by-the-crash speculator, hoping that market prices will rise enough to make the real-estate bet pay off.

Mr. Rennie believes what will ultimately work in the village's favour are the fundamentals of real estate: supply and demand.

(Although the developers will have to add some financial sweeteners to make the math work over all. They're expected to sell off the retail spaces that occupy the lower parts of some buildings, rather than continuing to lease them out. And they'll also likely have to sell another 110 rental apartments, on top of the 750 condos.)

Realistically, Mr. Rennie doesn't expect demand to shoot up because of the Olympics. But he does expect it to be strong for the same reasons it always has been in Vancouver. People do want to move here.

The supply-side picture is strong, too. “Any oversupply from the hype of the Games is gone. Thousands of developments went on hold or were shelved,” he says.

Although developers are now starting to put themselves in gear again, the village has one advantage. In a city where buyers are often forced to buy units by looking only at plans and model suites, which often don't match reality, the village is built.

As for the Olympic glow? Will it help him sell the unit where gold-medal snowboarder Alexandre Bilodeau once slept?

“We are a brand society and Vancouver doesn't have a lot of legendary addresses,” Mr. Rennie says. “It doesn't necessarily add value, but it makes choosing between here and down the block easier.”

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Recent Asset Transactions

GREATER TORONTO AREA

Sector	Municipality	Address	% Transferred	Price	Unit Price	Parameter
Apartment	North York	2850 Jane St.	100%	\$10,800,000	\$71,523	per unit
Apartment	North York	110 Cottonwood Dr. & 46 Foxden Rd.	100%	\$4,402,400	\$100,055	per unit
Office	Scarborough	2200-2206 Eglinton Ave. E. & 1020-1030 Birchmount Rd.	100%	\$45,700,000	\$105	per sq. ft.
Res Land	North York	9-21 Leona Dr.	100%	\$3,200,000		0.725 acres
Res Land	Mississauga	1745, 1765 & 1775 Thorny Brae Pl.	100%	\$5,900,000		5.206 acres
ICI Land	Aurora	14985 Leslie St.	100%	\$3,450,000		11.526 acres
ICI Land	Ajax	Harwood Ave. S.	100%	\$5,500,000		8.957 acres
ICI Land	Markham	Highway No. 7	100%	\$3,150,000		3.043 acres

GREATER CALGARY AREA

Sector	Section	Address	% Transferred	Price	Unit Price	Parameter
Apartment	Calgary-N.E.	1603 McGonigal Dr. N.E.	100%	\$1,346,108	\$149,568	per unit
Retail	Calgary-S.E.	170 Glendeer Cir. S.E.	100%	\$4,150,000	\$269	per sq. ft.
Industrial	Calgary-N.E.	3700 19th St. N.E.	100%	\$3,150,000	\$116	per sq. ft.
Industrial	Calgary-S.E.	7710 40th St. S.E.	100%	\$3,880,000	\$185	per sq. ft.
ICI Land	Calgary-N.W.	40 Royal Vista Dr. N.W.	100%	\$7,086,000		8.120 acres

GREATER VANCOUVER AREA

Sector	Municipality	Address	% Transferred	Price	Unit Price	Parameter
Office	Vancouver	2450 Ontario St.	100%	\$11,250,000	\$294	per sq. ft.
Office	Vancouver	777 West Broadway	100%	\$26,000,000	\$345	per sq. ft.
Office	Vancouver	422 Richards St.; 450-496 West Hastings St.	100%	\$4,322,000	\$253	per sq. ft.
Retail	Maple Ridge	9975 272nd St.	100%	\$1,600,000	\$102	per sq. ft.
Retail	Vancouver	Unit 129, 755 Burrard St.	100%	\$2,713,000	\$1,156	per sq. ft.
Retail	Vancouver	819-829 West Pender St.	100%	\$8,500,000	\$467	per sq. ft.
Retail	Chilliwack	8287 Young Rd.	100%	\$2,550,000	\$196	per sq. ft.
Industrial	Vancouver	1355 & 1375 Vernon Dr.	100%	\$7,100,000	\$714	per sq. ft.

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