

A downturn veteran's advice: 'modify, evolve, even re-invent'

Developer David Podmore's dinner address to homebuilders echoed in 'liquidation' sale



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As he was developing his credentials and career, Concert Properties president David Podmore spent some quality time at the Banff School of Advanced Management. Graduates were presented with dinosaur lapel pins as a reminder of the school's straight-shooting motto — "adapt or perish."

Adapt or perish pretty much describes the daunting mission for many industries these days as they struggle to find opportunities among myriad economic challenges. Podmore was the featured speaker at a recent dinner meeting presented by the Greater Vancouver Home Builders' Association. So respected are his opinions, you could hear a pin drop during his 45-minute presentation to more than 200 developers, builders, renovators, sub-trades and suppliers. Podmore's career in the development industry has spanned more than 33 years, during which he has always found time to volunteer his time and expertise to assist various community and business causes and projects. Currently, he chairs both the Vancouver Convention Centre Expansion Project and B.C. Pavilion Corporation. He is also vice-president of the BCIT Foundation and a member of the B.C. Progress Board.

And if that isn't enough to fill up his spare time, Podmore has just been appointed to Vancouver Mayor Gregor Robertson's advisory group on the Olympic Village. Podmore joins nine other prominent members of the development community to provide expert advice and assistance to the city.

"This is the fourth or fifth downturn I have been through, and this one is not at all similar to the others. Over the past seven years we experienced rapidly rising construction costs and home values. We are in a very different environment now; the world is changing every single day," Podmore told the dinner gathering.

"Should we be doing things the same as we were when real estate was robust, when commodity prices were high, when forest products were selling at record levels, when our dollar was strong against the U.S. dollar? No, we have to constantly modify, evolve, even re-invent ourselves."

Now, we all are acutely aware — thanks to constant media reminders — that the sluggish economy has put at risk thousands of jobs, including many in the homebuilding industry.

Each housing start creates almost three full-time jobs for one year, and the real-estate market has not been on fire lately. Do the math — fewer sales equals fewer starts equals fewer jobs. Government and media focus on unemployment numbers. What are they this week? Five per cent in B.C.? The other day, a young guy remarked today's economic situation is like the Great Depression.

The 20-something fellow likely knows very little about the '30s. Besides, the unemployment rate in 1933 was 25 per cent, a heck of a stretch from five per cent. Preferring a glass-half-full outlook, I offer the fact our employment rate today is 95 per cent.

While the housing market is taking a bit of a breather generally, Podmore continues to breathe life into his thriving company, keeping his staff busy on the development of four condominium projects in Vancouver and Victoria, construction of rental apartments, refurbishment of industrial/commercial property and management of a growing portfolio of independent-living communities across Canada.

"At Concert we are setting aside significant resources to jealously protect our staff. I am proud of them, I don't want to lose them and I don't want to lay them off during slow times. I am sending some employees back to school, reassigning others so they can learn a different aspect of our business, and encouraging many of them to volunteer for the 2010 Olympics," said Podmore. An

optimist by nature — current challenges notwithstanding — Podmore is bullish on the prospects for B.C. He said international interest in this region remains strong, and the Olympics will focus more than three billion pairs of eyes on the attractiveness of living and investing here.

Which brings me back to Podmore's comment about "re-inventing ourselves." Many members of the residential construction industry have been doing just that, while others recently found innovative ways to distinguish themselves and their businesses from the rest.

A new-home marketing manager recently found herself unemployed. If the builder isn't building, there is nothing to market, so the marketing position is redundant. This isn't her first pink slip, but the first time it happened she was shaken by the experience. Now she considers her situation an opportunity to re-invent herself and explore options she had always considered to be out of her comfort zone. A finishing carpenter dreamed of expanding his business by starting a millwork shop, but he was always too busy to take the first step. He now has more time to chase his dream so when the market turns around he hopes to be set up to manufacture the molding and trim he is now only installing.

Some tradespeople who worked on new construction are finding their skills are coveted by home-renovation contractors who until now turned away jobs because of the shortage of skilled labour. B.C. homeowners are expected to spend \$7 billion on home renovation and improvement this year.

And during the housing boom, older workers delayed retirement to satisfy the demand for skilled labour. After all, there was serious money to be made. They can now finally hang up their tool belts.

Still on the topic of re-invention and thinking outside the box, just last week a prominent marketer and well-known developer raised more than a few eyebrows throughout the industry, media and public by boldly announcing with great fanfare "the largest real estate liquidation sale in Canada."

On sale are 375 condominium suites discounted up to 40 per cent. The sale by the Onni Group of Companies represents a portfolio of more than \$150 million worth of completed and ready-to-move-into condos at seven developments in five Metro Vancouver municipalities.

Cameron McNeil, president of MAC Marketing Solutions, told me 88 would-be buyers contacted his office to request information immediately following the announcement. The number of enquiries swelled to 1,250 in just 24 hours, and had surpassed the 3,000 mark after five days.

The goal, of course, is to reduce Onni's inventory of completed homes. An industry insider compared the marketing of homes in today's market to removing a Band-Aid — you can peel it off slowly, or rip it off fast. McNeil certainly ripped it off fast at Onni's Flo in Richmond. Last Sunday, people lined up overnight for a chance to buy a condo on a first-come, first-served basis. When the sales office opened at 5 p.m. on Monday, 100 people were in line. By evening's end, sold signs were placed on the 55 condos in the sale.

"The excitement is building. Many prospective purchasers had been sitting on the fence, waiting for a good reason to buy a new home. Savvy buyers now recognize there are some outstanding deals to be made and they are taking advantage of this limited-time opportunity," said McNeil. Onni's offering is not the only sweet deal in town. Other builders — both detached and multi-family — offer discounted prices on their inventory homes as well. It makes perfect sense for builders to adopt sell-off strategies because every day a home remains in inventory, financing charges continue to mount.

If you are in the market for a new home, there are some remarkable opportunities available. Mortgage interest rates are very low and banks are busy approving loan applications from credit-worthy clients. Once inventory has been cleared, and demand again overtakes supply, expect higher prices.

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PHOTOS BY STUART DAVIS/VANCOUVER SUN

The right price at the right time brought out a crowd Monday, both inside and outside the Flo sales centre in Richmond.

Among homes offered was a 900-square-foot two-bedroom initially priced at \$472,900. It sold Monday for about \$110,000 less.

Condo 'bulk' sale attracts plenty of buyers

By Thursday night, more than 220 contracts had been signed for the Onni apartments

BY MICHAEL SASGES
VANCOUVER SUN

The first opportunity for people to relieve one of our big developers of older stock at newer prices put bodies in a sales-centre lineup this week and for the first time in a long time.

At 5 p.m. Monday, about 100 people were outside the Flo sales centre in Richmond, the attraction 55 ready-for-occupancy apartments priced to sell. By 8 p.m., all 55 had been sold.

By the end of evening Thursday, and two other evening sales events, 228 contracts had been signed. (The fourth sale was scheduled for Friday evening, after our deadline here at Westcoast Homes.)

The least-discounted apartment was sold at 75 per cent of its list price the week before; the best-discounted home, at 60 per cent.

The 228 homes are part of a 375-home "bulk" sale. The developer is Onni; its broker, MAC Real Estate Solutions.

Most of the homes are "returns." Speculators purchased them when Onni first sold them, MAC told real estate agents, with the intention of selling them, for a higher value than the pre-sale value, before completion. Unable to sell them, they never completed and forfeited their 15-per-cent deposits.

Once returned to Onni, the homes become Onni expenses, for strata fees, for example, or property taxes. Sold a second time, they are no longer Onni expenses.

The organizer of the "bulk" sale, MAC's Cameron McNeil, is very aware that Onni's competitors and customers might be concerned that the sale will bring down all property values in the vicinity of a bulk-sale property.

To Onni's competitors, McNeill's response goes like this: Onni's situation is unique. Its 40 years in business give it the financial muscle to write down the value of 375 finished homes in seven new-home projects in five municipalities, if sold quickly. (McNeill expects to complete all sales by March, if not earlier.) This bulk sale values these unique properties only, and not yours.

To Onni's customers, who paid the old prices, McNeill says: This sale not only spares you the value uncertainty that results from empty homes down the hallway, but completes your new communities quickly.

Onni and MAC announced the sale on Jan. 15. Two days later, 2,000 people had registered an interest; four days later, 3,000 people. The response was far greater than MAC expected, McNeill says of the increase in staff numbers, to 60 from 40 last weekend. "I'm feeling much better today than a week ago. We really stuck our necks out there."

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