



Hard times in the playground

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At Predator Ridge outside of Vernon, B.C., you can live in a new house surrounded by serene semi-arid desert, two 18-hole golf courses, a spectacular spa hotel filled with millions of Swarovski crystals — and deer that linger along the pathways like Disney props.

A couple of years ago, a boomer retiree might have paid more than \$1-million to live at a resort like Predator Ridge, about a half hour drive from Kelowna Airport. Today, empty lots are going for \$289,000 to \$319,000 at the resort, which means golf fanatics can live the good life without necessarily taking out a mortgage on their primary residence. Those same lots have dropped about \$100,000 since 2008. Duplexes sell for around \$650,000, with marketing incentives thrown in, such as no HST or no interest paid on the first year. The resort has also started selling fractional ownership for around \$70,000. It's all symptomatic of a new day in recreational property real estate, which was the first and hardest to get hit by the economic downturn.

"Recreational property is something that you don't necessarily need, but desire," says Howard Kruschke, senior director of sales.

Predator Ridge has more than survived because it had its infrastructure in place long before the crisis hit, says Mr. Kruschke. Instead of future promises, the amenities were already there. They've even opened a new \$10-million golf course designed by Doug Carrick this year. As well, the 1,200-acre resort is building a variety of types of housing at different price levels, which draws from a broader market.

"We are definitely beating the market, and it's because of financial stability," says Mr. Kruschke. "It's changed dramatically over the last couple of years — the consumer wants to know where the money is coming from. The consumer doesn't want the risk of, 'we're going to do that in the future.' They're not willing to take that leap anymore."

The buyers' market means deals for secondary property buyers who believe the market couldn't go much lower. Developers are routinely offering slashed prices and incentives that range from free accommodation on open house weekends to zero mortgage payments for a year.

Vancouver developer Rob Chetner entered the recreational property market at its peak, with an ultra high-end 20-home Kelowna waterfront complex complete with private dock, private beach, geothermal heating, outdoor kitchens, and heated salt water pool. A couple of years ago, presales for

the Waterfront sold from \$1.7-million to \$2.2-million, for properties ranging from 2,050 to 2,400 square feet. But by the completion date of summer 2009, the market had tanked and all but one presale deal fell through. Today, 11 of the units have sold with price reductions. A unit that was previously priced at \$1.7-million is now listed at \$979,000. There are similar discounts on most of the others, including one that sold this month for \$1-million. Mr. Chetner says it's "almost painful" to see them sell for less than \$1-million.

"There is no doubt the mindset has changed for recreational property," says Mr. Chetner, who had two partners on the project. He also purchased one of the homes for his own family.

"It's not like, 'let's make a deal,' but we're being flexible and open.

"Our head is not so in the sand that we are going to stick to this price. We built these to sell them, not to just collect them. We have to do what we have to do to move them."

Mr. Chetner is definitely motivated to sell. Along with price reductions, there are incentives to buy at the Waterfront. For example, with requisite approvals and down payment, they will pay a buyer's mortgage until June 2011, including strata fees.

"We went out with a new campaign and this year is seemingly a little better," he says.

"We did [the project] at the worst time. Everything was going up and up and everybody said, 'more, bigger, better.' And that was what the market was. Had we been able to complete a year and a half prior to what we did, it would have been a wild success financially."

As was the case with so many presale developments, a lot of the buyers couldn't get financing for properties that were no longer worth the original purchase price. Some buyers defaulted and lost their down payments. Some developers made deals to keep buyers at the table.

Mr. Chetner has been selling some of the homes either at cost or below, he says. But as the market faltered over the last two years and developments fell like dominoes, other developers have had famously bigger financial difficulties. Vernon's The Rise is a 735-acre extravagant hillside Fred Couples signature golf course development that has been under credit protection for almost a year. In its heyday, there were plans for a winery to go with a vineyard. In order to boost sales, prices were slashed by 30 per cent. Real estate marketer Greg Lowe says all built homes were sold by last summer, but there are remaining empty lots. For \$350,000, a buyer can get a lot in a high-end gated neighbourhood that is 70 by 110 feet. That same lot used to be priced at \$500,000.

"People aren't jumping up to build a \$800,000 house in the Okanagan, but the value is still there," says Mr. Lowe. "If someone is looking to build, there are great deals."

Aside from the Okanagan area, Vancouver Island's recreational property market would be the second hardest hit. There are numerous projects in various states of receivership, with some having to go to the auctioneer. Anna DiFiore, marketing director for luxury beachfront resort Qualicum Landing, says her project is staying afloat because they reacted immediately to the changing market. For example, they scaled back on square footage and cost and kept the same builders. They then slashed prices by \$250,000 on average per home. Suddenly it became possible to own a beachfront home starting at \$399,000. It's kept the resort in the game. Out of 62 homes, they have 20 left to sell.

"We adjusted the pricing right away, and I see the difference," says Ms. DiFiore. "Others, they didn't adjust quick enough, and people start losing interest."

Because their demographic is largely from Alberta, the marketers are also running a "fly and buy" campaign. A potential buyer is treated to a beachfront home, dinner and a round of golf, on the house. If they end up buying, their flight is paid as well. Consumers didn't get that kind of treatment at the market's peak.

For awhile, anyway, it is the end of big money luxury resorts with oodles of square footage and space from one's neighbours. Low-density projects that were built will soon become the relics of a decadent period in real estate. So, if it's a big house and a big spread you're in the market for, this might be the time to buy.

"Would we do this type of project again?" asks Mr. Chetner. "Probably not.

"Will we develop again? Absolutely. I have to understand there's risk involved. A project is a three-, four-, five-year process and so much can change, as we've seen, in that period of time. But yeah, we'll develop again."