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REAL ESTATE

Developers trim prices to keep baby boom buyers in the market

Builders are willing to cut profits to attract customers with assets

BY DERRICK PENNER
VANCOUVER SUN

As home prices and retirement investments take a dive across North America, housing developers are changing strategies just to stay in the game.

Vancouver Island developer Dave Steele and his partners are betting that by making a dramatic shift in their expectations for a 62-unit, beachfront, resort-style project near Qualicum Beach, they'll be able to build some houses while others have stopped.

"Our philosophy is that we want to be there," Steele, a partner in Qualicum Landing Developments Ltd., said in an interview, to catch a slice of the demographic trend that is seeing nearly 10 million Canadians (some 1.3 million of them British Columbians) roll toward retirement.

However, to "be there" in the current market means squeezing margins and exploiting the more competitive market for construction trades to reduce prices on the initial phase of the project some 27 per cent from when the firm first drew up its plans two years ago.

Qualicum Landing is now marketing three-bedroom houses for \$399,000. It originally hoped to sell them at \$549,000. Larger two-bedroom-and-den houses with garages — with initial prices penciled in at \$679,000 — are being marketed for \$499,000.

"Obviously the economics aren't as good as they were two or three years ago," Steele said, but their hope is that setting lower prices now will secure a spot in the market and they'll make up some of that margin in future phases once property values start rising.

The Parksville Qualicum area, like other parts of the province, has seen its sales fall, prices drop and builders put projects on hiatus.

Realtors sold 41 homes in March, as recorded through the Multiple Listing Service, down two per cent from the same month a year ago. That followed from February, which saw the region rack up 25 sales, a one-third drop from the same month a year ago.

Jim Hoffman, director for Parksville-Qualicum on the Vancouver Island Real Estate Board, said that the market seems stable after a slow, snowy winter, but inventories keep rising.

Sales in the Parksville-Qualicum area, while slower than the previous year, started off more briskly than Hoffman expected this spring.

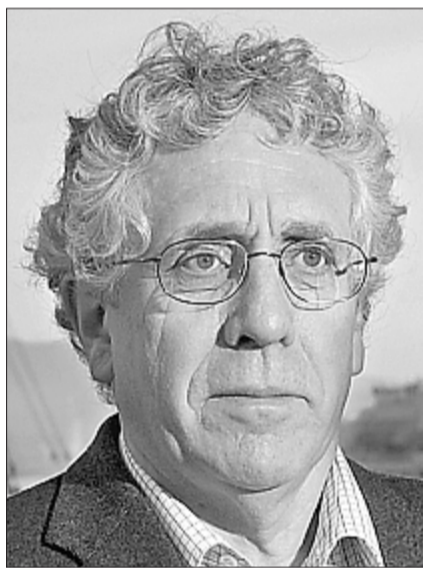
"Buyers are in control, and they're going to pick and choose," Hoffman said, which he expects will result in further "very slight" price decreases for the balance of 2009.

Alberta buyers "with a pocket full of oil money" are not a big part of the market now, Hoffman said, because they are having a tough time selling their existing homes.

"It seems to be getting back to a regular market before the boom."



Qualicum Landing hoped to sell three-bedroom houses like this in its development in Vancouver Island's Qualicum Beach for \$549,000. It's now marketing them for \$399,000.



David Baxter, director of the Urban Futures Institute in Vancouver.



David Steele, a partner in Qualicum Landing Developments.

Demographic imperative

About 10 million Canadians are defined as being baby boomers and they're marching toward retirement. Here are population figures for age groups within the boom from 1949 to 1963, including groups born just before and after that period.

	1944-1948	1949-1953	1954-1958	1959-1963	1964-1968
Age	60-64	55-59	50-54	45-49	40-44
B.C.	250,070	300,800	340,757	361,501	333,853
Canada	1,810,000	2,150,000	2,520,000	2,750,000	2,560,000

Source: Statistics Canada

Real estate markets have come off of their peaks, but people can't just focus on the downside of the correction, David Baxter, an economist and demographer with the Vancouver-based Urban Futures Institute, said in an interview.

In a crisis, such as the world financial crisis that erupted last fall, he added,

people tend to think the crisis "is going to be forever."

"Yeah, people lose sight of where we're going," Baxter said, which is towards a long wave of baby boomers washing ashore on the beach of retirement and a continually growing population through immigration.

That, Baxter added, will be the core of

housing demand into the future. And despite the recent financial meltdown that saw the collapse of stock markets wipe out investments gains for many, he said most of the boomers closest to retirement will likely still be okay.

"The big thing is changed expectations," Baxter said. "Certainly, again, there are specific individuals who are taking a big hit because of the way their investment portfolios were structured."

"That will change how they conduct themselves in the future. It will be probably not what they'd wished, but probably what a long-term trend line said you were going to get."

Boomers, particularly those born between 1949 and 1953 — of which there are almost 2.2 million (300,800 in B.C.) — own almost all the equity in their homes.

"I can't give you the strong 'this is the boomer demographic to go after,'" Baxter added, "except to say it's certainly there, and they have coin."

The peak of the boom — the nearly 2.8 million (almost 362,000 in B.C.) — were born between 1959 and 1963.

The difficulty, Baxter said, is that boomers who will remain healthier for longer than their parents, will be more likely to be capable of maintaining their existing homes and less likely to move to retirement retreats.

"What we do find, though, is that people will move as a lifestyle choice," Baxter said, "not as an imperative."

And many in the leading edge, Baxter added, will be the boomers who bought homes a long time ago and have not been affected by the paper gains and losses of the latest real estate boom and subsequent correction.

"There certainly is a segment of the market that will move on a discretionary basis," Baxter said. "And if somebody taps into that, it can be huge for them."

THE ECONOMY

Personal bankruptcies soar in B.C.

BY BRIAN MORTON
VANCOUVER SUN

Personal bankruptcies in British Columbia were 78-per-cent higher in March than in March 2008 — far more than the national average increase of 57 per cent, according to figures released Tuesday by the federal Office of the Superintendent of Bankruptcy.

The report noted that there were 960 personal insolvencies in B.C. in March, up from 889 in February and 538 in March of last year.

One reason given for the above-average B.C. rate is the high cost of living in the province.

Across Canada, there were 10,578 personal bankruptcies filed during the month, up from 6,736 in March 2008. On a monthly basis, consumer insolvencies were up 17.3 per cent from 9,020 in February.

Overall, total bankruptcies, both personal and business, jumped 51.8 per cent in Canada to 11,085 in March from a year earlier and were up 16.7 per cent from 9,495 in February. In B.C., total bankruptcies numbered 995, up 74.6 per cent from March 2008.

Meanwhile, there were 507 business bankruptcies in Canada in March, down 10.3 per cent from 565 a year earlier. However, business insolvencies were still up 6.7 per cent from 475 in February. In B.C., business bankruptcies rose 9.4 per cent, from 32 to 35 since March 2008.

Deane Gurney, president of Surrey-based Sands & Associates Trustee in Bankruptcy, said in an interview Tuesday that his company's business is up 50 per cent since September.

He said the basic problem is that too many people have overextended themselves.

"People are living so close to the edge," Gurney said. "The way the economy fell apart so quickly, they've been living off of credit and have just run out of credit."

He said a major reason B.C.'s bankruptcy rate is higher than the national average is the province's higher living costs.

"The cost of living is much higher than anywhere else other than Toronto. And people are carrying a huge amount of debt."

He said many families require two full-time jobs to make ends meet and that if one person becomes unemployed or gets sick, "it doesn't take long to have huge financial difficulties."

The Canadian economy contracted by 3.4 per cent in the fourth quarter of 2008 and that decline likely deepened in the first quarter of this year, according to government and independent forecasts. The recession has prompted many companies to slash jobs and cut production, resulting in 321,000 job losses since peak employment in October.

Consumers in Ontario had the biggest jump in bankruptcies in March, up 60.3 per cent from a year earlier.

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With a file from Financial Post

ONLINE

A car shortage?

As the shutdown of Chrysler plants in Canada and the United States enters its second week, some dealerships are starting to run out of popular models. www.vancouver.sun.com/business

INSIDE | C7

Gamers get together

The videogame industry's designers, programmers and writers gather for the first time in Vancouver to talk about building better games.

THURSDAY

Malcolm Parry's Trade Talk

Shauna Hardy Mishaw and Kasi Lubin turned a \$30,000 experiment into the \$1.5-million-and-growing Whistler Film Festival.



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