

Value of B. C. building permits falls

CONSTRUCTION | An economist points out that the decline is from a record level

BY FIONA ANDERSON
VANCOUVER SUN

The value of building permits issued in B.C. fell by 27.4 per cent in January, with drops in almost all construction sectors, according to a report released Monday by Statistics Canada.

Permits for \$762 million of activity were issued in the province during January, down from \$1.05 billion in December. Residential permits were down 33.1 per cent — from \$785.2 million to \$525.5 million — while non-residential permits fell 10.7 per cent — from \$264.9 million to \$236.6 million.

But the decline comes after a record month in B.C. “So, yes, it’s a decline, but

from a record level,” Statistics Canada economist Étienne Saint-Pierre said in an interview.

The only sector to buck the downward trend was single family dwellings, where the value of building permits eked up 0.3 per cent to a new record. But that increase may be due to increased costs of construction and not increased activity, as the actual number of units approved was only 1,355, a number high by historical standards, but not a record, Saint-Pierre said.

“The increase in prices inflates the value of permits, but for sure what is clear is there is a strong demand for single family dwellings in B.C.,” he said.

The strength in demand for single-family dwellings is throughout Western Canada.

“In Western Canada the economy is doing very well, so consumer confidence is good, the mortgage rates are still very advantageous [and] people are moving from the Eastern part of the country to the Western part of the country,” Saint-Pierre said. “So that generates a lot of demand for dwellings.”

The small increase in single family permits was more than offset by a drop of almost 60 per cent in the value of permits for multi-family units.

That doesn’t reflect what’s actually happening in the residential construction industry where more developers are looking to build multi-family units, Peter Simpson, CEO of the Greater Vancouver Home Builders’ Association, said in an interview.

Ninety-four per cent of new

detached homes in the Lower Mainland are priced at more than \$350,000 because of rising costs, Simpson said.

“So what builders are doing is looking at ways to introduce new housing forms like row housing and high density communities with town houses and condominiums,” Simpson said. “They are trying to make housing more affordable by offering other forms of housing.”

He calls the drop in multi-family permits a “timing issue.” “There’s lots of new [multi-unit] projects on the way,” he said. “I’m seeing a lot of activity out there.”

In the non-residential sector, industrial buildings, such as warehouses, led the drop, with a 63.5 per cent decline from December. Commercial building permits, including office buildings and hotels, dropped 11.1 per cent while permits for institutional building such as

schools were up 30.1 per cent.

The increase in institutional building permits was from a very low level in December, Saint-Pierre said. Also, the non-residential is “very, very volatile”, so it is difficult to draw any conclusion based on one month, he said.

In Vancouver, the total value of building permits dropped 17.3 per cent in January compared to December, from \$499 million to \$412.6 million. The January figures were still a 14.7 per cent improvement over the \$359.9 million worth of permits that were issued in January 2005.

Canada-wide the value of building permits was down 19.3 per cent to \$5.1 billion from the record high of \$6.3 set in December. Residential permits were down 21.4 per cent, while non-residential permits dropped 13.4 per cent.

fionaanderson@png.canwest.com

China’s rise will eventually help B.C., expert says

ECONOMY | Job losses inevitable, professor says

BY WENCY LEUNG
VANCOUVER SUN

China’s rise as an economic powerhouse will inevitably cause temporary unemployment and periods of lower wage growth in developed countries, but improvements to B.C.’s transportation, high-tech and education sectors could help temper any losses, a leading Asian economy expert says.

Wing Thye Woo, a professor of economics at University of California-Davis and an adviser to the United Nations on Asian economic development, said jobs in accounting and low-skilled manufacturing are expected to be hit for at least the next five to seven years due to intense competition from China and India.

“The pains are inevitable,” Woo said during an interview Monday. Woo will be in Vancouver today to deliver a lecture, titled “The Global Adjustment to China’s Return to a Crowded World Stage,” at Simon Fraser University’s Harbour Centre campus.

Policy-makers need to prepare for those periods of adjustment, and provide training in areas of potential growth, he said.

B.C., for instance, will likely see a hike in transportation jobs and employment at the Port of Vancouver as trade increases with Asia, Woo said.

He suggested that the province could also benefit from developing its universities and post-secondary institutions to lure Asian students as an “education centre for the Pacific Rim.”

The province’s natural resources will remain in high demand, he predicted. But in addition to exporting raw materials, B.C. has the potential to lead in the creative use of those resources, such as designing furniture and other value-added goods from its forestry products, Woo said.

If Canada excels in the creative design of such goods, “where [they are] made does not really matter,” he said.

The export of processed agricultural products is also an area of possible growth, he said. “China and India are naturally food-importing countries.”

Woo said migration will rise and patterns of movement will change as China and India become more prosperous. North Americans will increasingly seek business opportunities in China and India, while wealthier Asians may buy second homes here, or attend North American schools before returning to their native countries to work, he said.

Woo said Western countries have been reluctant to welcome China on the world stage in the aftermath of the Cold War. But he warned that protectionist measures on Chinese imports would only “postpone the pain” of job losses.

Imposing trade barriers would increase international tensions, making it more difficult to coordinate efforts to quell terrorism and reduce environmental mismanagement, Woo said.

“If we handle the rise in China correctly, the world is in for a boom that will carry on for a long time.”

wleung@png.canwest.com

Number of B.C.ers looking to buy homes dropping

BY FIONA ANDERSON
VANCOUVER SUN

HOUSING | The number of British Columbians who say they are likely to buy a home dropped significantly in the last year, according to a survey by RBC Royal Bank.

Only 11 per cent of those surveyed in the province said they were very likely to buy a home in the next two years, down from 16 per cent a year earlier.

While 31 per cent of British Columbians surveyed said they might buy, it’s the “very likely” statistic that reflects the market, said John Wright, senior vice-president of Ipsos Reid who conducted the 13th annual home-ownership survey on behalf of RBC.

The decline in the number of likely buyers could be for a variety of reasons, said Inde Sumal, regional manager, Mortgage Specialists, with RBC Financial Group.

“It could mean the housing market has been exceptionally strong over the last few years and now people have already bought,” Sumal said. “It could mean that affordability is high.”

The survey also found that people in B.C. and across Canada expect mortgage rates to increase, another reason buyers may decide against buying a home, Sumal said.

Of those surveyed, homeowners in B.C. had the most expensive homes, averaging \$313,370, well over the Canadian average of \$214,337. British Columbians also carried the country’s largest mortgages on average, \$128,086 compared with the national average of \$95,840.

Georges Pahud, president of the Real Estate Board of Greater Vancouver, is not concerned about the lower inten-

tions to buy, even though sales in the Vancouver area fell 4.1 per cent in February, compared with the month a year earlier.

“People’s preferences and what they do are different things,” Pahud said. “[So] I don’t attach a lot of importance to this report.”

Pahud believes home sales may be lower in 2006 than 2005, but 2005 was a record year and the market can’t expect every year to be a record.

“If we are slower in 2006 than 2005 we will still be better than 2001 and 2002,” he said.

Economists are predicting a strong market for the foreseeable future and so does Pahud.

“Interest rates, employment, confidence in the economy, immigration: all those elements are there and none of them indicate anything but a positive outlook,” he said.

Potential realtors are anticipating a strong market as well, if the numbers registering to be licensed is any indication. About 4,500 people took the licensing course in 2005, and 2006 is looking to be the same, said Anthony Cavanaugh, communications officer with the Real Estate Council of B.C.

Across Canada, buying intentions were the lowest since 2000, with 29 per cent of Canadians surveyed saying they might buy a home, but only 10 per cent saying they were very likely to do so, down from 13 per cent a year earlier. Only Alberta and the Atlantic provinces bucked the trend, with the number of Albertans who said they were likely to buy remaining steady at 18 per cent while the number of Easterners looking for a home increasing to 14 per cent from eight per cent, Wright said.

fionaanderson@png.canwest.com



Costs on the Shangri-La project are up “tens of millions” of dollars from when it was first proposed as a \$250-million tower. Developers have been able to recoup some of the losses.

PETER BATTISTONI/VANCOUVER SUN

Shangri-La quietly becomes even taller

CONSTRUCTION | Suites on a new top floor quickly sold out

BY DERRICK PENNER
VANCOUVER SUN

The Shangri-La tower in Vancouver’s West End is breaking its own records as the city’s tallest structure even before it begins taking shape above ground.

Ian Gillespie, head of project co-developer Westbank Projects, said his firm quietly added a 61st floor to the building’s plan several months ago, squeezing in seven extra suites driven a little by demand and a bit by necessity.

Gillespie said the additional units were easy to sell. The developer simply put word out to potential buyers who were unsuccessful during the first rounds of sales.

Plus, Gillespie added, “[the] extra floor was a fairly cost-effective floor to add.” And with its suites ranging in price from \$900,000 to \$1.7 million, the additional space gives Westbank several million dollars in additional revenue to help balance escalating construction costs.

Gillespie did not specify the exact amount, just that costs on the mega project are up “tens of millions” of dollars from when

it was first proposed as a \$250-million tower.

Gillespie said developers have been able to recoup about one-third of the additional costs from increasing prices on the 40 per cent of units that were not sold in the first round of pre-sales.

Another third is being made up from contingency funds in the building’s existing budget, with the remainder coming “out of [our] pockets, quite frankly, and the margins aren’t what [we] expected them to be when we started.”

Gillespie said his firm can absorb the costs rather than having to “value-engineer” by cutting elements out of the project to reduce costs.

Shangri-La is now planned to be a 61-storey, 648-foot tall luxury hotel and deluxe condominium tower, and Gillespie said he and his partners aren’t interested in “sacrificing quality.”

“If you cut corners, people are going to see that,” he added.

Gillespie, and partner Ben Yuen of the Peterson Investment Group, hired James Cheng to design the iconic tower that will form the ceiling of Vancouver’s skyline.

Right now, however, the pro-

ject is still a hole in the ground.

Since pouring the Shangri-La’s core foundation footing last October, a 100-foot by 100-foot by 12-foot deep block of steel-reinforced concrete, Ledor Construction Ltd. has built the first three of what will be seven underground levels.

Bruce Dale, the project’s construction manager, said planning is key to making sure the job runs efficiently.

Planning has gone as far as contemplating putting a cafeteria for workers into the building half way up to ease demands on vertical transportation.

Dale added that contractors are also building mock ups of hotel suites and condominiums, from studs down to finishes, so designers can work out details and workers will know how to build a room before they’ve even built a room.

“You want to be out of reaction [mode],” Dale said. “You want to be as proactive as you can.”

Gillespie said that so far, the project is only a few days off its initial schedule, which will still see Shangri-La completed between the spring and summer of 2008.

dpenner@png.canwest.com

Buying intentions

The number of British Columbians intending to purchase a home lags other regions of the country in most categories. The RBC survey found that residents (by percentage):

| | Canada | B.C. | Alta. | Sask/Man. | Ont. | Que. | Atlantic |
|-------------------------|--------|------|-------|-----------|------|------|----------|
| Own a home | 66 | 65 | 71 | 74 | 67 | 62 | 65 |
| Likely to buy | 10 | 11 | 18 | 10 | 10 | 7 | 14 |
| Planning to buy: | | | | | | | |
| A detached home | 71 | 65 | 66 | 67 | 71 | 73 | 90 |
| A bigger home | 51 | 46 | 53 | 51 | 52 | 50 | 58 |
| A re-sale home | 74 | 79 | 76 | 69 | 73 | 72 | 73 |
| A new home | 26 | 21 | 24 | 31 | 27 | 28 | 27 |

Lionsgate believes in ‘story-driven vehicles’

From D1

Lionsgate paid \$3.3 million US for the 2004 Toronto Film Festival acquisition.

The company’s latest coup comes as its Tyler Perry’s *Madea’s Family Reunion* is No. 1 at the North American box office for the second straight week.

Lionsgate’s very size is one of the secrets of its success. That and its penchant for backing films based on their story power — not their star power.

“Lionsgate doesn’t believe in star-driven vehicles; they believe in story-driven vehicles, which is the way it should be,” said David Miller, senior vice-president, equi-

ty research in media and entertainment at Sanders Morris Harris Group, who has rated Lionsgate a strong buy.

Miller said that strategy is one that makes the company attractive to investors.

“We believe the story is king, and if a story will resonate with audiences it is going to cut through the clutter and is going to be successful,” he said.

Also, while the big studios can afford to incur losses at the box office to promote DVD sales, Miller said the much smaller Lionsgate takes a different approach.

“One of the reasons we have the stock rated a strong buy is that

Lionsgate seeks to make money in all frames,” he said, from the theatre release through to the DVD and television releases. “Other studios look at the theatrical frame as a loss leader for the other two frames.”

“Other studios take substantial losses to promote the DVD.”

It’s a strategy that Miller terms more shareholder-friendly than Lionsgate’s larger competitors, and it’s one he points out has led the company to a string of successes.

“If you look at every single film Lionsgate has released over the last four years, at least 90 per cent have made money,” he said.

On Sunday, the independent

studio, which has chalked up 25 Oscar nominations in the past seven years and now has a total of seven awards, won Best Motion Picture for *Crash*, a film about racial tensions in Los Angeles; Best Original Screenplay; and Achievement in Film Editing.

Crash was the underdog in the awards race, its profile not helped by a release last spring which Lionsgate worried would leave it overshadowed by more recent contenders.

The company sank \$250,000 — a part of its \$3-million to \$4-million Oscar campaign — to produce and send out its 130,000 DVDs.

“If you look at most Oscar nom-

inees, they tend to be released late in the awards season,” said Peter Wilkes, senior vice-president of investor relations at Lionsgate. “*Crash* was released in May, so we felt it was important to keep its visibility high.”

“We were also able to do it because the film was already released on DVD in September so we weren’t cannibalizing our DVD revenue.”

While figures vary on the value of an Oscar nomination and an Oscar win, it is expected Lions Gate’s award campaign will deliver a \$5-million US boost on the nominations alone, and another \$5 million to \$10 million for the wins.

The company continues to make money on the film through the DVD release and television licensing, and with the best picture designation it will be a key movie in the company’s 5,000-title library.

While most of the company’s executives are based in Santa Monica, Lionsgate remains a Canadian-domiciled company and produces more than \$60 million a year in content in Canada. Production on Lionsgate’s *Rogue* begins in Vancouver in April.

Shares in Lionsgate Entertainment closed at \$10.90 on the Toronto Stock Exchange Monday, up from Friday’s close of \$10.70.

gshaw@png.canwest.com