

STATE OF THE INDUSTRY

After a lengthy period of prices rising steadily in the Lower Mainland, we are in a softer market, says veteran developer David Podmore of Concert Properties.

"We have to recognize that prices have been softening for quite a while now," says David Podmore, president and chief executive officer of Concert Properties. "It hasn't been a sudden downturn – I think it really started last spring." Podmore, who has been a key developer in the local industry for 35 years, and whose company was recognized in both 2004 and 2005 with the "Grand SAM Award", presented by the Canadian Home Builders' Association, predicts the weakening of prices and activity will be more pronounced in the higher end single family and condo market than in product priced in the low and mid ranges. "We're clearly headed for a more normal market," he says. "Many developers haven't been around long enough to be in a normal market but in the 1980s and 1990s, you were delighted to see limited or no presales for a project and to be selling homes from a completed product."

A return to normal conditions is not necessarily a negative, he stresses. "There will likely be more opportunities for people to buy at more reasonable prices," he says. "It's also good for the industry because it creates more stability. The days of builders building without their own equity are clearly over and that's a good thing."

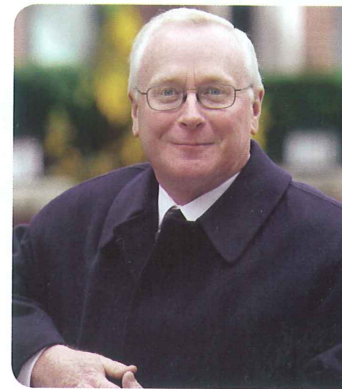
Another key change to the current market is the disappearance of the speculative buyer. "These buyers have largely disappeared, as have the international buyer because of the difficulties they are facing in their own countries." Take the U.S., for example, the focus of much media attention in recent weeks. "We can't take the attitude that we are immune to the U.S.," adds Podmore. "We're a major producer of

metals, forest products and energy and the U.S. is our market."

In the past, Podmore has cited high construction and land costs as the main challenges facing the development industry. Today, he says the industry still grapples with these issues but with the market conditions shifting, there are also more pressing problems. "Right now, several municipalities are swimming against the current, imposing higher development fees and charges," he says. "This is not the time to be doing that. We're going to see building permits and applications falling, and if you compound this by imposing more fees, it's going to impact affordability and the ability of builders to deliver and will ultimately contribute to the overall downturn in construction activity."

What does all of this truly mean for homebuyers? Generally speaking, for the immediate future, it translates into more time, more opportunities and generally, better buying conditions, says Podmore. "It's a good time to buy if you are buying for shelter and plan to live in your home for more than a couple of years," he says, adding that he sees particularly good opportunities in retirement markets such as the Interior and Vancouver Island. "It may not be ideal if you are planning to buy to flip." He warns against taking on too much debt to purchase a home. "Don't buy beyond your means. You shouldn't be spending more than 30 per cent of your income on shelter."

"Above all, take advantage of the opportunity to buy in at lower values, just don't be concerned over the one or two-year horizon," he says. "And keep in mind that we live in an exceptional area that will always have a tremendous amount to offer."



David Podmore is President and CEO of Concert Properties.