

Condo projects feel pinch

Shrinking demand forces builders to cut back on finishing units

BY BILL MAH, THE EDMONTON JOURNAL APRIL 2, 2009 6:37 AM



Jason Roofing employees Simon Arsenych (left) and Jesse Spencer face the snow and ice while installing metal roof tiles on the new Venetian Condos downtown in Edmonton Alberta on Tuesday February 24/2009/.

Photograph by: John Lucas, Edmonton Journal

Slow sales will force builders to shelve more than a third of the multi-family homes now under construction in Edmonton in 2009, says a new report.

As part of its spring and summer newsletter reviewing 11 Canadian cities released Tuesday, commercial real estate firm Avison Young looked at how a large influx of multi-family units now being built would affect the Edmonton region's rental market vacancy rates.

It concluded that the impact on the rental market of a coming bulge of condos under construction will be lessened by the fact that many of the condos won't be finished this year.

"While the 8,000 multi-family units currently under construction are concerning, it is anticipated that at most 5,000 will be completed in 2009, as poorer sales activity forces builders to delay construction and halt some projects altogether," said the report.

"At the moment it is estimated that 700 have been halted indefinitely with potential for more to come."

Paul Chaput of Avison Young's multi-family investment sales office was the author of the Edmonton

portion of the report, which is aimed at investors of rental housing.

"A lot of people think the sky's falling and it's really not. Is it going to affect vacancies? Absolutely," Chaput said.

"But going through the process, you see that the 8,000 number is really not the real number. It's more like 5,000."

Avison Young forecasts apartment vacancy will rise to between four and 4.5 per cent in 2009, up from 2.4 per cent in 2008.

Condo buyers who have put down deposits may see delays in getting their homes, he said. "A lot of these have a minimum requirement based on their development financing. It's hard to say but it's usually 50 per cent to 65 per cent pre-sales for a lot of these projects. Some of them are going to complete maybe later than scheduled but it's no different than what happened in the good times -- guys trying to find skilled labour and it took a little longer to complete.

"Usually, it's once you've put your deposit down, you're kind of locked in there."

But condos with deposits are the ones proceeding, said Guy St. Germain, president of the Edmonton branch of the Canadian Home Builders' Association. He agreed with the report conclusions, but said there's another side. "What's going to happen -- to give it a positive spin -- is that it's going to be a more competitive market," said St. Germain, vice-president of Nearctic Group. "Already some builders are selling them below replacement cost because it's engendering a lot of competitiveness."

Construction costs are also falling, he said. "But definitely, there is a market correction going on."

He pointed to one project his own company is involved with -- the Strathearn Heights redevelopment -- that would be delayed if it was ready to go.

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