

**FEATURE** Land pressures increase as Metro Vancouver prepares to welcome 1.2 million more people

# Finding room

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WESTERN INVESTOR

**W**ith multi-family residential land topping \$1 million an acre – and many single-family building lots selling for more – Metro Vancouver is facing crunch time on the land issue. In its recently released and long-awaited land use and growth plan, *Metro Vancouver 2040: Shaping Our Future*, the challenge is laid out clearly: where to find land to house another 1.2 million people who will move in by the time your toddler is a homeowner.

The plan has been under discussion and draft since 2002, and is meant to guide the region toward sustainable land use over the next 30 years by containing urban sprawl and protecting agriculture, which accounts for one-fifth of all the land.

The plan, however, also recognizes that industrial land has been shrinking, so it is now deemed of “regional significance.” That means that any municipality that wants to get land out of an industrial zone needs to get the approval of the Metro Vancouver board. As well, the plan now breaks up what used to be “urban” lands into industrial, mixed employment, general urban and rural residential.

But the bottom line is higher density developments in a region that is already the most vertical in Western Canada. This policy has set up a three-way power play between land owners who plan to sell, developers looking to build and municipalities trying to cash in.

“If the zoning says the density on a site is three [meaning three times the square footage can be built], a developer will know he can probably really get four, maybe five,” one insider said. This is because municipalities from Vancouver to the deepest suburbs are encouraging higher density housing.

However, as **Avison Young** principal **Robert Gritten** noted, municipalities are now charg-

ing dearly for the higher density, so the developer – and the eventual homeowner – will be paying more regardless. In many municipalities, the development cost charges for each new condominium or townhouse can be \$10,000 or more.

Some vendors, meanwhile, are putting sky-high prices on their land. In one recent case, a 20,000-square-foot site in Vancouver with multi-family potential was offered to developers for \$20 million, or about \$250 per buildable foot based on the zoning.

“Such prices are unrealistic,” said **Stephen Webber**, an agent with **DTZ Barnicke** who has worked on a number of multi-family and mixed-use land deals.

Still, Webber conceded that there is a shortage of residential land and prices have already surpassed expectations of just a few years ago. Single-family building lots are fetching seven-figure prices in Vancouver, Richmond, Burnaby and North Vancouver. One 40-foot-by-122-foot building lot on West 14th Avenue, Vancouver, is being advertised for \$2.1 million.

Last month in central Coquitlam, a tear-down rental house on a larger-than-average city lot attracted multiple bids from builders – and sold for \$30,000 over its \$629,000 asking price.

## Buildable costs

On the south shore of False Creek, perhaps the most valuable residential real estate in Canada, land costs now demand at least \$117 per buildable foot for condo developers, based on a recent sale of a 25,000-square-foot site. While construction costs have come down, they still equal about \$230 per square foot for

## Running out of residential land?

**Metro Vancouver has much more room to grow than other major urban centres**

Area	Land mass	Population
Hong Kong	426 sq. miles	7.1 million
New York City	321 sq. miles	8.4 million
London, UK	620 sq. miles	7.5 million
Metro Vancouver	1,111 sq. miles	2.2 million

Source: Western Investor

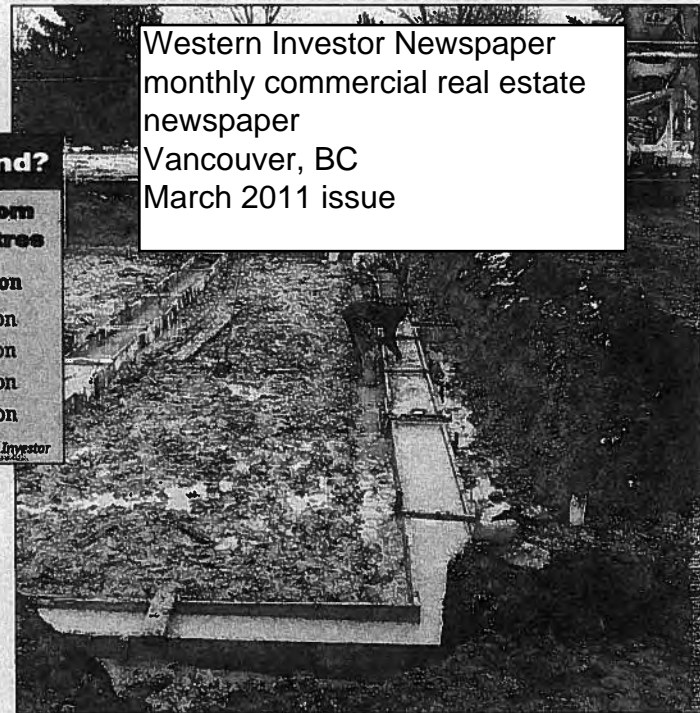
wood-frame buildings. Add in soft costs, and a builder has to recover \$400 to \$500 per square foot just to break even. Across Metro Vancouver, the cost of land equates to from \$80 to \$100 per buildable, Webber estimated.

Gritten notes that at least one South False Creek development site sold last year at \$175 per buildable foot, and he said there is no indication that land prices will come down. He noted that Metro Vancouver is unique due to the Agricultural Land Reserve (ALR) that was set up in 1973 and remains politically sacrosanct.

There is currently 61,288 hectares (151,297 acres) of Metro Vancouver land in the ALR, which represents 21 per cent of the total land base.

The municipalities with the most ALR land in the region are Langley, Delta, Surrey, Pitt Meadows and Richmond. Pitt Meadows, Langley and Delta, in fact, have over half of their municipal land base in the ALR.

“No politician has the will to challenge the ALR,” Gritten said, “but it is a serious issue.” He said there are numerous cases of non-pro-



Western Investor Newspaper  
monthly commercial real estate  
newspaper  
Vancouver, BC  
March 2011 issue

**Land costs can add \$100 or more per square foot to a new Metro house before it is even built. Government-imposed costs will then nail 12 per cent to 19 per cent in costs on top of that.**

ductive farmland that could help ease the land supply – and housing prices – in the Lower Mainland if it were released from the reserve.

Some Fraser Valley land deemed agriculture, for instance, is being turned into lots for “palatial houses,” said Abbotsford realtor **Todd Ratcliffe** of **BC Farm & Ranch Realty**.

Ratcliffe said a popular purchase is five-acre hobby farms that sell for between \$700,000 and \$900,000. If the land was zoned residential, it will easily be five times the cost, he noted. But, as residential land, it could also be used to create dozens of units of multi-family housing, or 20 or more detached houses.

Developers today are running on what inventory they have, but the future won't be in finding greenfield sites. Gritten said that transit nodes along the Skytrain and Canada Line stations would likely be the prime areas for verti-

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# Lower Mainland

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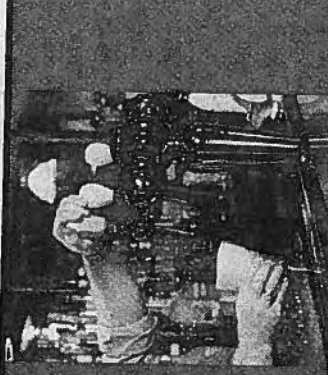
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## SQUEEZE from A9

cal development.

Like most real estate professionals, Gritten is convinced that nothing will be done about releasing ALR land for housing in the near future. In fact, the reverse could be seen.

## Putting land back into ALR

This year Delta council voted unanimously to support returning 538 acres in its Southlands area back to the Agriculture Land Reserve. The recommendation has to go to public hearings, which are usually weighted toward farms and away from private development. In a municipal mail-out survey on the issue, roughly 60 per cent of respondents preferred maintaining the controversial land for agriculture.

The ruling is a blow to **Sean Hodgins**, principal of **Century Group**, which owns the land and had presented a planning vision for it that included retaining one-third for agriculture, one-third for parks and recreation and schools and one-third for housing.

Following the decision, Hodgins wrote a letter to the Delta mayor and council.

"It was only about one year ago that I sat with you at the municipal hall as you assured me that you would do your best to find an approach to Southlands that would benefit the community. The present recommendation, by contrast, is a matter of short-term expediency taking precedence over the interests of the citizens of Delta and of agriculture," he wrote.

Hodgins also noted it was Delta council back in the early 1980s that applied to have the Southlands, then known as the Spettifore land, excluded from the reserve.

## Fees, levies, taxes

**Peter Simpson**, president and CEO, Greater Vancouver Home Builders' Association, said the cost of scarce land – "we are hemmed in by mountains, the ocean, the U.S. border and the ALR" – has become the number one issue for home builders, but it is made worse because of spiralling government costs.

Citing a **Canada Mortgage and Housing Corp.** (CMHC) study on government-imposed costs, done in 2009, Simpson said various fees, development cost charges and taxes now add from 12 per cent to 19 per cent to the cost of a single-family house in the Metro region. Vancouver and Surrey, in fact, were found to have the highest government-imposed costs among 30 Canadian municipalities, at \$99,124 and \$95,914, respectively. The CMHC study was done before B.C.'s harmonized sales tax on new homes came into effect, Simpson noted.

But before Metro Vancouver residents start to fear that we are running out of residential land, it must be noted that a vertical direction – more highrises – could provide a solution. Consider this: Hong Kong has a total land mass of 426 square miles, only one-quarter of which can be developed, yet it has a population of more than seven million. Metro Vancouver, covering 1,111 square miles, has a population of 2.2 million. ♦



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