MAKE UP YOUR MIND — IS VANCOUVER THE MOST LIVABLE OR LEAST AFFORDABLE PLACE ON EARTH?

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<u>Make up Your Mind – is Vancouver the Most Livable or Least Affordable Place on Earth?</u>

- I sit on the UDI board and in addition to thanking my fellow board members, I would like to thank Maureen Enser, Patricia Ng and everyone in the UDI office. Everyone in this room benefits from their work.
- 2. There is a "Rubik's cube" card in front of you, please hold onto it and I will explain its purpose in a little while.
- 3. Each year, I see this as both a huge honor and huge responsibility to address this group in a town where real estate is a sport.

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4. 2003

- a. Every March and April has been "real estate therapy" for me.
- b. In preparation for today's talk, I reviewed all my previous speech topics.
- c. I noticed that historically, the content of my annual address has been 50% statistics we all need to hear, 20% politics, 20% cultural trends, and 10% jokes that I laugh at alone.
- d. Okay let's get started.
- e. In 2003 the title of my address was "I'm Okay...You're Okay... Vancouver Housing Bubble? No Way!"

5. 2004

- a. It was "Who is Fueling the Market?"
- b. And the question that we all wanted answered was, "Is the market sustainable when 47.5% of all condo sales are to investors @ \$424 psf?" Referring to the line ups around the block at Peter Wall's Yaletown Park.
- c. I also suggested that there would not be a rental tower built in Vancouver for the next 10 years other than 1082 Seymour, and possibly the STIR program - I think I was almost right.

6. 2005

- a. No Bob Talk.
- b. Your speaker was Lance Berelowitz introducing his book Dream City.
- c. Is Lance here?
- d. I may not have ever written a book Lance, but I did once prepare a book report on bowling - to get out of grade 12 PE class. The title, "Five Holes, One Hand."
- e. I was almost expelled.

7. 2006

- a. The title was, "It Takes a Little More than Selecting New Granite for the Kitchen to Survive in Today's Development Market!"
- b. The Fairmont was checking in at \$1566 psf. We asked the public for a \$10,000 deposit up front, just to have a viewing appointment. What an arrogant ad campaign!



c. But starting with that, the Fairmont proceeded to rightfully claim its title as "Canada's Most Expensive Address".

8. 2007

- a. The title was "What is the Impact of a \$5 Billion Ad Campaign?"
- b. I think we are all experiencing the answer daily.
- c. in 2007 we spoke about Reverend Michael Ingram, the Anglican Archbishop of the Diocese of New Westminster, who urged us to set meaningful reductions in green house gas emissions.
- d. His quote:
- e. "The most pressing, moral, ethical, and spiritual issue of the day God is green"
- f. Only 2 years later, we were sent Gregor. Today, I have been speaking seriously with Premier Christy Clark and our Minister of Energy and Housing, Rich Coleman about a BC Green Energy Code.
- g. This code should be the second generation of green planning, specific to our province.

9. 2008

- a. 4 talks ago in 2008 my talk carried the title "Are We Insulated from America?
 But More Importantly, are You Wearing an Olympic Pin?"
- b. I remember in 2008, just prior to giving my talk, I met with Carol Taylor, our then Minister of Finance to discuss Assignment Legislation to protect consumers. Particularly because assignments had deposits paid directly to assignees, circumventing the protection of trust accounts - a market driven issue that is not even a topic today.

10. 2009

- a. Then in 2009 I went with "What is the Perception of the Market? What is the Reality of the Market?"
- b. And I warned us all that we were just at the tip of the iceberg of confidence returning to the market.

11. 2010

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- a. In 2010 the title actually was a warning, "I Read the News Today..."
- b. The topics included the impact of buyers from Mainland China. The wealth of this demographic was and still is unprecedented and I do not think that any of us understand it.

Which brings us to today, 2011 – "Make up Your Mind – is Vancouver the Most Livable or the Least Affordable Place on Earth?"

- 12. I am going to go with YES and MAYBE, but if you let me wander around the issue a bit. I will let you decide.
- 13. I received a call from Gino Nonni. Gino is President of Wesgroup Properties. Gino says to me, "Bob, we are doing a panel for the real estate forum next month on real estate legends. Legends in our industry and we want to invite Bob Lee, David Podmore and Michael Audain"



- 14. As he is talking, I am not really listening, and I am thinking to myself,
- 15. I AM A LEGEND.
- 16. What a great group to be in with, David Podmore, a legend Michael Audain, a legend Bob Lee, a legend.
- 17. And then Gino says, "We all thought you could be the moderator".
- 18. Hey great... yeah, I would love to be a moderator.

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- 19. Vancouver is somewhat schizophrenic and we are continuously over confident or running to the sidelines.
- 20. Hence today's land costs.
- 21. Today the baby boomer is running to the sidelines. They are 46 to 65 years old and not spending like they once did.
- 22. I am convinced that baby boomers may complain about the new .05 drinking laws but they are actually happy to curb their spending.
- 23. Boomers will not spend the way that they once did.
- 24. If you look at America, don't just watch "the off line foreclosures" and "short sales".
- 25. I am watching the listings that flood the market every time there is positive news in any city.

American baby boomers are quietly sitting on the sidelines starved for liquidity.

- 26. The baby boomer requires badly needed dollars from their principle residence or second home to maintain their lifestyle.
- 27. Remember, if any baby boomer wasn't set back financially, they were set back mentally as they watched their friends or family experience financial setbacks.
- 28. It wasn't that long ago that it was popular to say that homeowners used their home as an ATM machine.
- 29. I believe that all of us in this room looked at the baby boomer himself as an ATM machine.
- 30. Let's go back 20 years to when the baby boomer really became the ultimate consumer.
- 31. The baby boomer that is now 46 to 64 years old was 26 to 44 years old.
- 32. In 1991, if a couple, let's give them a name Dick and Jane, had a \$47,000 down payment to buy an average house price in Vancouver in 1991 – for \$177,000.
- 33. Their \$130,000 mortgage was at 10.8% and 20 years later that rate has dropped to 3.8%.
- 34. Dick and Jane's household earnings moved from a 1991 average household income of \$57,500 increased by 93% to \$111,000 - the average 2010 income for their age demographic.
- 35. If Dick and Jane only made their mortgage payments on time and real estate values never increased, their \$47,000 down payment would be worth \$119,500 in home equity.
- 36. Today, with Dick and Jane's incomes up 93% and their mortgage interest rates down over 65%, we had the ultimate consumer on our hands.



If Dick and Jane only maintained their mortgage payments at the original rate of 10.8% and real estate values never increased, their home would have be clear title in 2006. Their increased income would have allowed qualification for a \$750,000 home purchase - a purchasing power growth of 323%.

- 37. Now let's add increased real estate values that 1991 average home price of \$177,000 has tripled to a 2010 average of \$534,000.
- 38. Dick and Jane's purchasing power increased 5 fold allowing them to conservatively acquire a \$1.1 million dollar home.
- 39. Dick and Jane's children are now today's first time buyer.
- 40. When the kids purchase that \$534,000 home will be financed to 100% of their capacity. So let's ask ourselves, where is the relief?
- 41. I can guarantee no interest rate relief. Incomes will have to go up just to support rising interest rates.
- 42. Here's the flaw, Dick and Jane didn't live as conservatively as I described. Dick and Jane just kept refinancing to earn the title the Ultimate Consumer.
- 43. On a steady diet of sit-down lawn mowers, new TV's and BBQs, Dick and Jane spent their money.
- 44. The kids will not be able to have a bottomless baby boomer ATM.

Unless you see incomes tripling, plunging % rates and house values tripling in our immediate future, I believe our industry leaders and civic leaders have no choice but to consider new density models to address affordability and senior baby boomer housing models.

- 45. Cities could bonus 0.5 to 1 times density.
- 46. Register a charge and create affordable home ownership in every development.
- 47. If we put some energy rather than lip service into affordable home ownership in every VanCity boardroom.
- 48. Tamara Vrooman and David Berge and I decided we would take this up with Penny Ballem and Mike Magee. We need stakeholders at the table to create an affordable model that works in any city or community.
- 49. In just 10 years, that baby boomer ATM won't even be plugged in when they are 56 to 75 years old.
- 50. I am really excited about these new housing models.
- 51. Things are not over. They have just changed.

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52. So, let's look at things differently then - I did an interview at the launch of the re-priced and re-branded Village on False Creek and it was quoted that I could do a Rubik's Cube in less than 1 minute.

53. What they failed to report is that I can do a Rubik's Cube in less than a minute - on 1 side. It gets worse -I can only do the side with all the colours on it.

54. But seriously, I use the Rubik's Cube as a metaphor for our current real estate market.



As we approach every rezoning, every relationship, every development, every city, and every referendum, we must look at all 6 sides of a Rubik's Cube, not just one side anymore.

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- 55. In this new economy, post 2010, we have to be conscious as opposed to pre 2008, where we were all unconscious.
- 56. We can no longer look at anything in isolation and we have to look at everything in accumulation, which takes me to the title of today's talk.
- 57. The Economist says we are "The Best Place to Live on Earth" and the Frontier Center for Public Policy, out of Winnipeg, says we are "The Least Affordable Place to Live on Earth".
- 58. Ranking us #323 out of 325 cities.
- 59. Are we the best or the least? To answer "yes and maybe" is not good enough.
- 60. Last year I told you that 60% of homes over \$1.5 million dollars sold on Vancouver's west side were sold to Mainland China.

Today that number is **90%** of homes **over \$2 million** are sold to Mainland China. Watch the increase in school populations and private school expansions in these neighbourhoods.

- 61. A friend of mine lives in Shaughnessy, Rob Macdonald's neighbourhood, the same Rob Macdonald who is not running for mayor.
- 62. From April the 1st to May the 1st, the listing agents' confidence changed from "You will have multiple offers the first weekend" to "This could take a couple of months."
- 63. Only in Vancouver would this be considered a negative statement.
- 64. The house would have been listed for \$4.8 million plus this same house where a year ago, \$3.5 million would have been a miracle.

- 65. Everybody wants to speculate on why China would ever slow down.
- 66. It is time to start monitoring our markets with a calendar rather than a stopwatch.
- 67. This month the speculation was that the slowdown was due to our strong dollar or was it the husbands had gone home? Or was it normal after the Chinese New Year flurry or even maybe China is now buying Los Angeles.
- 68. The truth is there is no single answer.
- 69. Just two days ago, on Tuesday, The Vancouver Sun published an article claiming how Vancouver is more expensive than London and New York.
- 70. No, we are not.
- 71. We were awarded the least affordable crown not the most expensive crown.

Maybe not unlike the American baby boomer and the Westside buyers from Mainland China, everyone is starved for liquidity. Combined with the burning social desire to pick the top of the market, it is no surprise that as the number of listings increase, the sense of urgency decreases.



- 72. What I do know is that the buying power of the dollars realized from these Westside sales outside of the Westside is breathtaking.
- 73. We are all trying to understand this unprecedented tsunami of wealth.
- 74. Just look to the signs in the airport as you arrive in Beijing. Where a new millionaire is made every minute.
- 75. In 1995, when Hong Kong was to the market what China is today, Ian Gillespie invited us to work on the Residences on Georgia.
- 76. While working through suite mix, sizes and pricing models, I became convinced that the Cathay Pacific flights 888 from Hong Kong were full of purchasers saying, "soon we can only sell to each other. If we want liquidity, let's buy what the locals buy."
- 77. And as a company, we moved to a philosophy of "Design for the Locals".
- 78. We cannot rely solely on foreign dollars.
- 79. Hong Kong and now China will buy what locals buy because eventually everybody goes to dim sum and figures it out anyway.
- 80. So let's not be too opportunistic with this demographic that contributes to our local economy in many other ways than just buying a house.

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- 81. I believe that there is still a Westside demographic that believes that after Granville Street the next bus stop is in Province of Alberta.
- 82. Larry Beasley and I thought we were geniuses agreeing to dovetail our messaging. Boasting in 2002, that "the city will move east."
- 83. Who were we kidding? The city has nowhere to go but east!
- 84. Now as Main is the new Cambie we are seeing Fraser become the new Main, Eastside homes stand very strong under \$1 million. Really strong.

Currently there are only 40 condominiums listed below 10 years old and under \$400,000 in East Vancouver. Compare that to Surrey, with 6 times the inventory and 240 condos under \$300,000.

- 85. Another statistic that we should watch is that China produced 7 million university and college grads in 2010 compared to 693,000 in 1998.
- 86. While historically we have seen huge immigration numbers from unskilled labour, we are now going to see a very competitive arena created for white collar jobs.
- 87. This influx is a frightening statistic for North American grads and a potential cause for tremendous pressure on housing demands.

- 88. May I please go back to Rob Macdonald for a minute? Of course I can, it's my speech.
- 89. I think when the health scare is over, Rob will be back somewhere on the civic, provincial or federal political landscape.
- 90. Look at what the job has done to Gregor and how he has aged since that November 08 win...he looks 30.
- 91. Seriously, Gregor was thrown the keys to the car in November 2008 and we all forget that it was only 60 days after Lehmans went into bankruptcy and America drove off a cliff.



In the last 3 years, this entire room has grown up, and what I like about Vancouver right now is how the mayor and council are future proofing our city. I will take bike lanes any day if it gets Vancouver a Telus head office.

- 92. Come on any pioneering comes with some controversy however the brand enhancement and reputation of our Vancouver actually benefits all of Greater Vancouver and under Gregor's leadership, we are being noticed by the entire world.
- 93. Listen to how foreigners light up when anyone in this room asks, "Vancouver is your home?"
- 94. And listen to yourself, how you light up when saying, "Vancouver is my home."
- 95. This is insuring our grandchildren's futures and the fact that I am currently negotiating my Village marketing agreement does not influence me to say these nice things about this handsome man.
- 96. One more thing. Think about it, management style.
- 97. Rob Macdonald would always make sure the microphone was on. Mayor Gregor Robertson on the other hand, moved way up the polls demonstrating that he is human and actually has a breaking point.

- 98. Okay back to "Are we the best or the least?"
- 99. Did you know that 69% of all home purchases are made by existing homeowners?
- 100.Yet that "least affordable" statement is based on local incomes.

Greater Vancouver is predominantly an equity play and not an income play.

- 101. Therefore the "least affordable" statement requires a lot more analysis but before I go into this further, a quick commercial break -
- 102. Andy Ramlo and Ryan Berlin of Urban Futures do all of my population and demographic research.
- 103. Sandra Cawley of Burgess Cawley Sullivan & Associates does all my inventory numbers.
- 104.Jeff Puhl of Rudy Neilsen's Landcor does all my total land registry sales, foreign ownership and BC assessment figures.
- 105.Let's get to some real stats now.
- 106.Looking at the last 5 years, I have painstakingly tried to separate markets into ones predominantly based on local incomes and those fueled by external forces.
- 107. Today more than ever, any "least affordable" analysis based on incomes should exclude communities that are fueled by predominantly external forces. They should also try to identify communities that are fueled primarily by the 69% existing homeowners.
- 108. Greater Vancouver's demographic breakdown is unique too, because most cities with this much attention from external buyers have much larger populations and are better able to absorb the in-migration.



Vancouver would drop to the middle of the pack, putting us at around $150^{\rm th}$ of 325 cities if we isolated and excluded some areas fueled solely by Mainland China.

- 109. The unfortunate result would be in an upgrade from the "Best Place to Live on Earth" to the "Bestest Place to Live on Earth." If bestest is even a word.
- 110. Now let's look at the impact Greater Vancouver home sales have on Canadian statistics.
- 111. House prices increased in Canada by 8.9% in 2010.
- 112. When you remove the Lower Mainland from this analysis the result is that the 8.9% increase drops sharply to 4.3%.
- 113.If Greater Vancouver's high end can actually double the national stats, we have to look at the impact of these the high end sales on our local market.
- 114. This next section relates to the Rubik's Cube card in front of you.
- 115.For 2010, there were **21,500** properties registered in the land registry office for condominium sales in the Lower Mainland.
- 116. The average condo sale was \$432,000, 12% increase over 2009, but at the median price point of \$350,000 would only be a 3.6% increase.
- 117. Again telling me that there is an irregularity in the upper-end sales.
- 118. Have I lost you yet? I am trying to understand how the top-end sales numbers skew our averages. The averages that the media and everyone in this room rely on.
- 119.So I took the top "quintile"...that's a big boy word...come on "quintile"? Makes me sound way smarter than top 20% or the nasty 1/5.
- 120.1 separated out the top quintile of all 2010 condominium sales including the top sale registered in the land registry office priced at \$17,571,125 a condo I sold at the Fairmont.

The average sale price for the **top 20% is \$909,000**. When looking at the remaining balance - we have an average of **\$313,500**. The average sale price of the **80%** which accounts for **17,000** condominiums is **\$313,500**. Vancouver is definitely not worthy of a "Least Affordable" title.

- 121. That top 20% is enough to skew averages for downtown, Lower Mainland, and Canadian stats.
- 122. Single family stats carry the same story with 24,400 sales and an average sale price of \$831,000. The average of the top 20% there is \$1,720,000.
- 123. Highest price sale registered in 2010 in the land registry for a single family home was \$17.5 million.
- 124. Everybody has a card in front of them.
- 125. For 2010 21,500 condominium sales and 24,400 single family sales were registered in the land registry.
- 126. Use the card to fill in your best guess to answer this question:

How many of those sales have their property assessments and property tax documents sent to a non-Canadian address?

- 127.I will give each winner a Rubik's cube! The winner is whoever is closest and you can go over.
- 128. Write your number down and let's get everyone to stand up—
- 129.Let's do this for the condos first. If you had over 1000 sit down (95% of room sat down!). If you had under 500 stay standing.
- 130.0f 21,500 condominiums the answer is 159 0.7%



- 131.And the single family stats are similarly shocking of 24,400 registered sales the answer is 21 - 0.09%
- 132. I said it last year and I will say it again, the money comes and then the people come.
- 133.I don't care if they send their tax notices to their sister, lawyer, or their cousin.
- 134. Multiply the BC Assessment roll numbers by 10 by 20 or 30, the assumption can easily be made that these buyers are not just speculators. They are here for schools and for a lifestyle.

They have relationships here, will use their home and contribute to our economy.

- 135.If you look at the 204,000 condos in the Lower Mainland, 2500 are foreign owned 1.2% and of the 416,000 detached homes, only 607 or 0.15% are foreign owned.
- 136.I worry that Peter Ladner's recent comments may contain more speculation than those he is accusing of speculating.
- 137.! looked at this from every angle.
- 138. For 2010 condominium sales, the 159 foreign owners had an average price of \$855,232 compared to overall sale average of \$426,000.
- 139. For 2010 single family, the 21 foreign owners had an average price of \$1,300,000 compared to the other 24,000 sales with an average price of \$775,000.
- 140.So Mainland China is not really buying what locals buy...anymore.
- 141. There is a potential for prejudice and protectionist measures everywhere.
- 142.Did you know that the German Opera has now banned South Korean opera singers? South Korea produces 1000 opera singers every year. Due to their jaw and bone structure, they are simply better singers.
- 143. These South Korean opera singers have hurt the German's graduating opera student body's chances of placement in an opera company.
- 144. This stat was meant to be like the sorbet between courses that is, it was meant to cleanse the palate.

- 145.I was asked to speak two weeks ago at City Council at the Cambie Corridor hearings.
- 146.I thought that I would just touch on some of the highlights of my 5 minutes and 1 second presentation. What might be much more interesting to you today could be the councilors' questions that followed my presentation.
- 147.ff you have not figured it out, as a developer you are going to have to get use to a much lengthier and broader reaching community engagement.
- 148. Whether you are watching PCI's Marine and Cambie Gateway project, Westbank's 70th and Marine, Peter Wall's 57th and Granville, Ian Gillespie's Broughton and Comox, or the float plane issue, I think that we have to realize that re-zonings and density are no longer just primarily downtown issues.
- 149. You are no longer just engaging the neighbourhood and community on the subject of development.



The neighbourhood groups that at one time concentrated only on their own community are now galvanizing their agendas and starting to work as one voice.

- 150.I ended my talk last year discussing the barriers to entry for the consumer and for the developer. This is one of those instances where the strength of social media will be the developers' weakness if they do not do their homework, they will make themselves vulnerable.
- 151.And just like the casino, no council is going to take the political risk without community and voters' support.
- 152.Back to the Cambie Corridor where I was addressing acting Mayor Raymond Louie and City Councilors.
- 153.I had assumed the speakers before me had already established that it is very green to have more people living on less land and that we have to become less reliant on the automobile.
- 154. The discussions that day were really much broader reaching than the Cambie Corridor and included topics covering rental housing, non-market housing, and market housing stock.

- 155. Starting with inventory, the market came to a halt in 2008.
- 156.In 2007, Vancouver saw 3300 homes completed in downtown Vancouver.
- 157.In 2012, we will see the number drop to **493** (which was revised last week to **604**). Compounded by a very limited supply of development sites in the downtown area, this will put tremendous pressure on rental rates and affordability.
- 158.Our Olympics resulted in \$6 billion dollars in media exposure re-branding Vancouver.
- 159. The population growth for the City of Vancouver over the next 15 years will be **98,000** people.
- 160.Taking us from today's population **657,000 to 756,000 in 2026**. This increase in population will require over **53,000** new dwellings.
- 161. Taking us from today's 287,000 to over 340,000 dwellings an increase of 18%.
- 162. It is really important to point out and these are Vancouver not Greater Vancouver numbers.
- 163.Council's decisions will impact badly needed additional property tax dollars required for future generations and future councils to go elsewhere.
- 164. We are not a head office city, we do not have a huge manufacturing base and we are not a financial centre.

I believe that the cost of housing is a huge deterrent to attracting offices and jobs to locate here. Let's be careful that we are sending jobs and office tower property taxes to other cities and provinces.

165.At lunch with Brent Toderian last week, I reiterated that we need the same sort of leadership on residential. The same leadership that is approving the amazing job centre we will have with at the new Telus tower.



- 166. We need the jobs, however both executives and salaried workers need to live close to transportation like the Marine and Cambie application.
- 167.I do believe that future studies will show that a contributing factor to the breakdown of both family and marital structures will be attributed in part to the 2 hour daily commute time people face.
- 168. The Cambie Corridor is only a small part of the solution.
- 169. My affordability model could work here.

Do you know why Vancouver's Westside is so expensive?

- 170.Or, why is it difficult to find a home under ¾ of a million dollars in East Vancouver?
- 171. It isn't only Mainland China's fault.
- 172.It is very simple, we just do not make more of it and we cannot. We just cannot, do the same with density and height unless we really want to replace "least affordable" with "most expensive".
- 173. Now I am not advocating 40 storeys from Broadway to Marine, just 12th to Marine.
- 174. That was my density joke.
- 175. Seriously, "not in my back yard" is not going to work anymore.
- 176.We should put strong density where it belongs and adjacent to good transportation options.
- 177. I worry that we may not be looking at all sides of the Rubik's Cube.
- 178. One side being future property tax dollars that come from development to pay for the ever increasing costs to run this city and another side being increasing population numbers.

If I was asking for anything that day it would have been real leadership from my mayor, council and the other delegations to future proof my city.

- 179. They did it with bike lanes and office towers.
- 180.I thanked council for allowing me to have a voice.
- 181. What is really interesting were the councilors' questions.
- 182. Councilor Cadman queried, "Kevin Falcon said the HST may come off real estate, what will that do to the Olympic Village?"
- 183."I have not heard that, however, if only the Village was HST exempt. Now that would be a benefit."
- 184. We actually tried with Colin Hansen last year for a GST exemption based on the Olympic Athletes occupancy and failed.
- 185. Recent discussions that I have had with our Housing Minister Rich Coleman are around the Property Transfer Tax.



It would be great to see the Property Transfer Tax disappear, however that is doubtful. But I think there should be very serious consideration to cancel the PPT for first time buyers and reduce it for all others.

- 186. Here's the problem with the HST.
- 187. Gordon Campbell for all of his amazing contributions to our province gave this entire room a tsunami of uncertainty.
- 188.Our Premier blinked, he ignored the voter and he forgot to explain the 12% and that without it we might be faced with 63 children per classroom and \$1000 emergency room
- 189. Here we are now with another boatload of uncertainty.
- 190.I am convinced that most of us believe that in just 6 weeks, on June 27th, we will get out of bed and the HST will be ratified or failed and the old GST or PST will be reinstated.
- 191. Wrong wrong wrong 1 2 3 4 4 wrongs.
- 192. We will not know the outcome of the vote until the 1st week of August. And if it fails, then there will be an 18 - 24 month transition period from today's HST back to a GST/PST system.
- 193.Our industry turmoil for both the developer and the consumer will be, what happens if I buy a condo on Sept 1st? Do I pay HST or GST/PST?
- 194.If the vote is to abolish HST, we are going to have uncertainty and turmoil. Not just in real estate but in every sector over the next 6 weeks. It is just too difficult to educate the public on the benefits of a consumption tax. A tax that has been reported to clearly cost every taxpayer \$350 per year.
- 195.I met with premier Christy Clark and I cautioned our premier that -
- 196. Our conversation was let's not mis-read the calm and quiet around the HST as acceptance.
- 197.700,000 people signed something and the calm right now and is it due to the voters' confidence that it will be defeated?
- 198. Unlike the 2010 Olympic YES campaign referendum, I do not see any corporate leaders taking out full page ads. Why? Nobody wants to risk any consumer retaliation or business risk on such a mis-understood tax.

Possibly giving the \$350 back for every year to every taxpayer. Reduce the HST to 9.8%, this 9.8% comes at a cost of \$2 billion dollars a year might and may be a way through this. But the vote will fail.

- 199.Councilor Woodsworth's question was the public's negative concern over the architecture???
- 200. My answer was along the lines of, when Robert AM Stern, the Dean of Architecture, came to Vancouver, he insulted our planners and our architectural community with a statement that in this city of glass. "One of these buildings is great in isolation. However in accumulation they are mediocre."



- 201.! went on to tell Councilor Woodsworth, "25 years from now Vancouver will be celebrated for the fabric of our architecture and we should celebrate this now. This is our architectural identity."
- 202. This is the colour of our skin and just I do not understand why we do not celebrate it.
- 203. While we are on the topic of architecture a pretty special building in our city is nearing completion.
- 204. Colin Bosa's Jameson house by London-based architect Norman Foster.
- 205. It is really is one of those buildings that you cannot be in this business in Vancouver and not

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- 206. Councilor Anton's question was around vacant condos and rental supply???
- 207. First of all, we have to understand that our hard stop in 2008 is resulting in only 604 completions in downtown for 2012.

The investor that we all hate is actually our supplier of rental stock.

- 208. Who cares if they sit furnished and vacant in Coal Harbour and other high-priced neighbourhoods?
- 209. The rental crisis that is looming is the \$1250 per month supply.
- 210.Yes condo towers do sell over 50% to investors.
- 211. What we discovered recently at 2300 Kingsway and at Wall Center False Creek is a very visible first time investor.
- 212. They are taking \$75,000 to \$100k out of their savings and buying their little piece of the rock and supplying the market with badly needed rental stock.

So with the downturn in completed inventory I suspect real pressure on rental rates in the third quarter of 2012.

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- 213. This year, 2011, we will complete and deliver 1157 condominiums.
- 214. For 2012, we have identified 604 completions, up from last year's reported 493.
- 215. The dramatic drop in supply is due to the already mentioned hard stop in 2008 that prevented any Olympic oversupply.
- 216. With the limited supply downtown and only 900 completions on the books for after 2012, including Cressey's just released Maddox and the Alexandra project at Bidwell and Davie by Peter and Shahram Malek and Terry Hui.

- 217. Where will our supply come from when Sandra Cawley and I have only identified 6883 future downtown condominiums?
- 218. The reality check is, if you buy a piece of land today to build a tower, from writing the offer on the land to the consumer moving in is a 3 to 5 year process.



Remember, conservatively, we need over 53,000 homes over the next 15 years.

- 219.It is not just the pre-sale inventory that supplies our marketplace. When a building completes, the inventory that pre-sale buyers puts on the market is part of the circle of life. I think sometimes we forget, we need this "move in today" inventory.
- 220.So where will these workers live?
- 221. South East False Creek is starting to find itself.
- 222.Peter Wall cancelled his Wall Center False Creek in 2008 and returned 140 deposits and came back in October 2010 with a redesigned 563 suites. From the previous 440 suite design to 563 suites in 4 towers that sold out in 4 months.
- 223. Peter probably left \$25 per foot on the table.
- 224. Aquilini's are finishing up with their last 70 condos at Maynards.
- 225. We are just launching Bastion's Opsal at 24 storeys and 178 condos. This is the tallest building in the neighbourhood and is attracting the view buyer.
- 226. Everything around it is in the 12 storeys or less range including the Translink site that is sold for a rumored \$140+ per square foot. When you add in \$38 in CAC's, we are approaching Olympic Village money.
- 227. Remember the Village was \$193 per square foot.
- 228.Onni is about to launch Central. I really like their innovative Lego style design. Pinnacle and Cressey are well under way with their construction and the release of all of these competing developments was relatively orderly. I say relatively orderly.
- 229.If I was marketing them all, I could smooth out those release dates.
- 230. Because you do not want to be here until dinner. I will put my Burnaby and Richmond stats up with the online "edited version" of today's talk.

*****web version of speech only*****

Burnaby

- There are 509 condominiums scheduled for completion and 367 are sold (72%).
- 2012 and onwards there are 2406 condominiums and 1298 are soid (54%). This is inclusive of Bosa's Sovereign, Polygon's Chancellor, and Intracorp's Metro Place.

Richmond

- 2011 there are 743 condominiums scheduled for completion and 526 are sold (71%).
- 2012 and onwards there are 3813 condominiums and 1196 are sold (31%). This is inclusive of Sunrise Berhad's Quintet, Onni's Ora, Polygon's Mayfair Place and Ledingham McAllister's Saffron.
- *****resume speech notes*****
- 231. One quick stat for Kits360 that we are marketing for Intergulf is now sitting at just over 160 of 254 homes sold, breaking \$750 per sq ft, and with today's land costs and some possible pressure on construction costs.
- 232. Next year this will be tough to reproduce at \$750 psf and now there is that one other development in SEFC that I should mention.



- 233.I was not hired to just sell the Olympic Village. Rennie Marketing Systems was hired to remove the ghost town cloud.
- 234. Having Ernst and Young living in our boardroom, this has been a great experience.
- 235. Having Ernst and Young beside us seriously this could have easily gone the other way.
- 236.Instead, the receivers report filed yesterday could be titled ghostbusters.

As we approach 70% occupancy at the Village, the receiver has put the proposed rental program on hold and released 33 additional homes for sale last week. We have had 10 sales in last 10 days.

- 237. We have to remember that the developer not unlike anyone in this room paid attention to their financial survival.
- 238. The deficiencies normally handled prior to occupancy really did get way ahead of closing dates and it just got out of hand.
- 239. When the Ernst and Young came on there were 1990 recorded deficiencies to be done, approximately 8 per sold home.
- 240. Unfortunately a post-closing, a scratch, dent, toilet, or flooring deficiency is magnified by 10 times once occupancy takes place.
- 241. With the media getting a hold of a four-month old film of a toilet leaking through a pot light all hell breaks loose.
- 242.So today the receiver's job is to remove the deficiency cloud and with a very close to blank cheque, that deficiency cloud is rapidly dissipating.
- 243. We are down to 193 items 90% done. 100% done by end of June.
- 244.On February 17th when we re-launched the new name, The Village on False Creek with 230 condominiums with price reductions of approx 30%.
- 245.London Drugs and Urban Fare are watching. Terra Breads opens with TD Canada Trust and the Legacy Liquor Store.
- 246. The political cloud has also almost blown away.
- 247.I attended a panel discussion at SFU a couple of months ago and the topic was "What Went Wrong at the Olympic Village?"
- 248.I think it is time that we realize that the decisions made at the Village were not decisions made in this economy. They were made during much headier times and of course those same decisions would not be made today.

Months ahead of our initial targets with 126 homes sold, the ghost town cloud gone, the deficiency cloud almost gone and with 697,000 Vancouver taxpayers watching, I hope that every political candidate understands that the Village should not be an election issue.

- 249.1 am going to steal a lottery corporation slogan here, "Know your limit play within it."
- 250. There is a population of 697,000 citizens and taxpayers watching the Village.
- 251.On the heels of the failed casino on Easter weekend, Stephen Quinn did a column in the Globe and Mail.
- 252.At 6 am that morning, I read its title: "3 Modest Proposals for the BC Place Lands".
- 253. Proposal #2: The Vancouver Museum of Real Estate, this facility will be the first of its kind in Canada. As visitors enter the complex, they will pass under a 30-metre tall bronze sculpture of Bob Rennie, as imagined by Douglas Coupland.
- 254. Well by 6:05a, Stephen received the following email from me:



- 255.I am deeply offended by 2 references in today's Globe and Mail made by you. Firstly....do you really think that I would sign off on a local artist? Second....30 meters is an insult...I am a height guy, on the selection of bronze...I agree.
- 256. Stephen, seriously it is an honour to be referenced...
- 257. And to all of you here today, thank you for allowing me to have a voice in the city I adore so
- 258.I think I will finish where started, this is not only a huge honour, but also a huge responsibility.
- 259. Thank you

