Real Estate Roundup: Peter Mitham

Vancouver's best developers honoured; region's housing affordability improves

Achievements honoured

Honourees at the ceremony the Urban Development Institute hosted on November 24 risked some ribbing from master of ceremonies Rob Macdonald to receive their awards. Whether it was comments about the cut of Terry Hui's hair or the profitability of Anthem Properties' Alto development at Davie and Howe streets, Macdonald applied his sharp wit to everything but his cherished herd of hobby horses: big government, socialism and the latest colt, bike lanes (though all were acknowledged).

The big winners of the evening were the Erickson, a Concord Pacific project that won honours for best in show as well as best highrise residential project. Another double-winner was Chelsea, a mid-rise residential tower in Victoria developed by Concert Properties Ltd. that was also designated best of Vancouver Island.

But the most moving moment came in marketer Bob Rennie's homage to developers Peter and Shahram Malek of Millennium Development Corp., names now unfortunately linked to the receivership of Millennium Water. Rennie recalled meeting the Maleks shortly after selling out 1188 Howe Street with the late Dan Ulinder, a time when, he said, "our shit didn't stink" – the message listeners gleaned being that the reek of Millennium Water's debt shouldn't obscure the mark the Maleks have made on Vancouver's landscape.

"There's a lot of visionaries in the room, and I think it's very, very important that we recognize Peter and Shahram as being extreme visionaries and helping our industry develop. Give them a hand," he said, his breaking voice unleashing a standing ovation.

"It's just very important that we really, really recognize when people give such an amazing try," Rennie concluded, describing the success of the Olympics and its Athletes' Village as "a grand standard Vancouver will carry forever."

Carrying on

Tax revenue, a key income stream for all levels of government, is something Vancouver property owners are also likely to bear forever.

But recent achievements in moderating the tax burden property owners – particularly commercial property owners – bear show that the burden can get lighter in what is arguably the worst jurisdiction on the planet for property taxation.

A recent order-in-council by Victoria amended the property classification regulation regarding taxation of vacant mixed-use development land. Vacant residential development sites with a smidgen of commercial density were formerly entirely subject to commercial property tax rates.

Since residential sites typically enjoy a higher valuation, this meant mixed-use properties with both a residential and commercial component would have a high value and bear the higher commercial property tax rate – not the lower residential rate for the residential portion and the higher commercial tax rate on the lower-value commercial portion.

Dedicated residential density will now be taxed at the lower residential tax rate.

"It's more reasonable, it's more fair, it's going to create more affordable housing because the cost of carrying the land and going through the development cycle will be less," said Paul Sullivan, a senior partner at the appraisal firm Burgess, Cawley, Sullivan & Associates who advocated for the amendment. "Because costs are less, condos will be less, too."

Sullivan said the order opens the door to improving the tax environment for owners of commercial buildings on land valued as residential, a key issue in the Brighouse area of Richmond. Those property owners face a similar issue of high land values and high tax rates where commercial properties occupy sites with residential zoning.

"We've identified and articulated a solution at one side of the equation," Sullivan said. "It's not a big leap to the next stage."

In other property tax news, opposition from the council of mayors that oversees TransLink funding promises to prevent Metro Vancouver property owners from becoming cash dispensers for the regional transit authority. Rumblings from the Vancouver Fair Tax Coalition also seem set to keep Vancouver councillors mindful of their commitment to a 1% shift annually in the tax burden from non-residential to residential property owners.

Reprieve, not relief

Vancouver may have posted the biggest improvement in housing affordability in the country in the third quarter, but its impact was muted by high home prices that keep true affordability at bay.

"This only reversed the increases since the start of this year, representing one-third to one-half of the substantial rise since the spring of 2009," economist Robert Hogue wrote in the latest RBC Economics report on housing affordability in Canada.

"Such high ownership costs continue to weigh on demand, which remains fairly weak."

Affordability improved by 2.2 to 5.4 percentage points, RBC reports, thanks to lower mortgage rates and price declines (particularly in bungalows). Real Estate Board of Greater Vancouver benchmark pricing fell from $580,237 in June to $577,174 at the end of September, but the standard bungalow RBC cites is worth $672,500 and requires 68.8% of household income (whereas an affordable home requires no more than 32%).

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Still, it's better than a standard two-storey home – $766,300, requiring 78.1% of household income – but worse than a condo, still the most affordable at $390,400 and an appetite for just 40.1% of household income. •

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