

# Price vise presses developers

## Caught between bargain-hunting consumers and costly new rules

BY BILL MAH, THE EDMONTON JOURNAL APRIL 24, 2009

Alberta developers say they're being squeezed between consumers looking for cut-price homes and governments inadvertently adding thousands of dollars to the cost of a house.

Developers at the Urban Development Institute Alberta conference in Edmonton on Thursday said the easy money is long gone, replaced by tough times.

"We lived in a fairy-tale world," said Ralph Young, president and CEO of Melcor Developments Ltd., during a panel discussion.

"To be frank, the next couple of years are going to be very, very difficult for our industry."

Developers face weak demand for housing, high inventories of homes and difficulties financing projects, Young said. "There will likely be some industry failures."

On the demand side, Frank Boyd, president and CEO of Apex Limited Partnership, said developers are experiencing "price compression."

"People's expectations are higher from a pricing point of view than what they were a year ago. A year ago, someone who could only afford a townhouse is today, for the same price, wanting a single-family house."

While the first few months of 2009 have had surprising market demand and more show-home traffic than expected, it's driven by lower prices, he said. "If you're not down in the \$300,000 range for a house, you're just not going to sell. The MLS listings are still too high."

He was also pessimistic about short-term prospects.

"I think the second half of '09 is going to be a tough part of the year," Boyd said, adding that developers, builders, contractors and suppliers have to adjust their thinking from the boom years.

"Over the last three years, we've been in la-la land as far as profits go.

"Today, you're lucky if you sell a house if you make any money on it."

Developers also decried the impact on housing costs from all levels of governments.

The industry has long complained about development fees that municipalities charge to developers to cover costs of roads and sewers when new houses and subdivisions are built.

These and taxes charged by other governments add thousands to the price of new homes, they say.

According to industry group Alberta Housing Affordability's 2006 figures, \$30,541 in taxes, GST, levies and charges is hidden in a new Edmonton home's cost.

"(Governments) are not understanding the important role that they play in deriving the cost structure," said Young.

Others at the conference worried aloud about the price of new regulations.

"We have to be concerned just overall on government intervention on all aspects of our business," said Alan Norris, president and CEO of Carma Developers. "All levels of government, whether it's federal, provincial or municipal, we have to be conscious that there's more and more involvement."

Boyd used recently announced changes to Alberta's building and fire codes designed to prevent the quick spread of single-house fires to multiple homes as an example.

"The builders can't even figure out how to make it work," Boyd said. "It's like taking a sledgehammer to a fly and they're adding thousands of dollars to a house at a time when no one can afford that sort of thing."

Governments have to help developers get their costs down, Boyd said later. "If they could get the costs, that will get passed on because that's the only way we can sell," he said.

Onufry Shinkewski, president of UDI Alberta, said governments adding costs isn't just an issue affecting developers. "Our industry passes the cost on to the homeowner, so it affects the new homebuyer in the end," Shinkewski said in an interview.

The industry is keeping a close watch on what the province does to increase regulation governing development on land use and wetlands. "We just want to make sure their policies shorten up the process and lend themselves to more certainty as to how we address things like wetlands."

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