

COVER Few worry even as Squamish mill closes, Whistler retail slumps and property assessments flatline

Sideways on the Sea to Sky

FRANK O'BRIEN

WESTERN INVESTOR

Hailed two years ago as the golden road to the 2010 Winter Olympics, the economy along the Sea to Sky Highway from West Vancouver to Whistler has started to go sideways, though few expect a crash.

Squamish, the hottest housing market in the province over the past three years, is nervously waiting to see the effect of the shut down of the local pulp mill that threw 350 out of work in December.

In Whistler, retailers, condo rental owners and hotel operators are dealing with poor back-to-back Christmas snow seasons and the virtual disappearance of Americans, a triple whammy that has triggered cut-rate room rates and further squeezed store owners paying some of the highest lease costs in B.C.

Even the awesome housing values have flatlined, with Whistler about the only place in B.C. where residential assessment values are lower now than in 2004, following a sharp spike in values before Whistler was chosen for the 2010 Olympics.

Whistler home prices remain high in comparison with other markets. For instance, **BC Assessments** noted a detached house in Whistler's Alpine Meadows was assessed at \$1,023,000 in 2005, down just \$30,000 from 2004. A typical two-bedroom condo in the Village has seen a price drop of about \$6,000 to \$660,000. We are not talking a fire sale here.

There is little new development in Whistler, which is now virtually built out, and demand for new projects still appears strong. California-



Above: Mike Chin, CEO of the Squamish Oceanfront Development Corporation. Downtown Whistler: retail vacancies are starting to show up for the first time.

based Hilton, for instance, has seen brisk sales of condo-hotel units at its new Whistler Hotel and Spa, which was renovated from the old Delta Whistler.

Said **Drew Meredith**, the onetime mayor of Whistler and now president of **Whistler Real Estate**: "Whistler had its party three years ago. Now we are back to reality." He believes, though, that the hangover will be temporary and hopes it will be relatively painless.

That hope is shared by retailers in Whistler Village, which is now seeing vacancies for the first time. One jewelry retailer, who asked not to be named said: "People are closing up



because the rents are just horrendous." It is not uncommon for prime retail space in the Village to reach \$100 per square foot, similar to the top strolls in downtown Vancouver.

Mike Sinclair, manager of **49th Parallel**, said business for the Village Stroll shop was just all right over Christmas but, as with many other stores and restaurants in the Village, all right is not good enough.

"We really count on Christmas to make up for the slow part of the season," Sinclair said.

"So now this year we need a good rest of season and I mean tourists in the Village, not snow."

Many of the Village leases are long-term deals, Meredith noted, but he said landlords have been looking at incentives to keep tenants in place.

According to **Tourism Whistler**, the number of visitors to the mountain have are down from the two million-per-ski-season peak of four years ago. The 2004-2005 ski season saw 1,981,000 visitors, up from 1,898,000 a year earlier. There has been downturn in U.S. visitors, though, which is blamed on a mix of a higher Canadian dollar, border security concerns and better snow in the U.S. resorts, such as Vail.

Early data on room nights bookings – including both hotel and condo suites – show that nightly rentals were down 13 per cent this ski season compared to 2004-05. A spokesman for Tourism Whistler said reports confirm that U.S. bookings led the decline.

Squamish

Meanwhile, Whistler's smaller southern neighbour has troubles of its own.

The **Western Forest Product Woodfibre** pulp mill shut down in mid-December and there is little hope of it reopening.

Local union president **Doug Muir**, with the support of the Squamish mayor and council, was heading to Victoria last month to pitch some form of government

assistance. "We're going to keep doing our best and plugging away," said Muir. "We have the mayor's support and council and we're happy for that so we'll go to Victoria and see what we can do."

But the backup from the city appears shaky. As of press time, a Squamish city clerk said the mayor and councillors wouldn't make the planned January 10 meeting in Victoria because it conflicted with a regular council meeting.

Muir said he was encouraged to hear Economic Development Minister **Colin Hansen** say in a news report that the province would step in if Woodfibre was proven to be a viable business. And he wants to talk to Hansen and Forestry Minister **Rich Coleman**.

Squamish council passed a motion to support the Woodfibre employees in their efforts to save the mill. Workers and council are currently researching what kind of government financing is available and have inquired about Community in Transition funding from the Ministry of Community Services. The group is also looking into prospective buyers, but the mill can't be sold to just anyone.

"What we don't want to have happen and what isn't good for anybody, is we don't want to have anybody bleed the cash flow out of it for a number of months and then shut it down," said Mayor **Ian Sutherland**.

"You don't want a repeat of some of the mills where somebody comes in and buys it for a buck, spends all the money within the company and then has nothing left over for severance when they close it down. A lot of people called and said

"With the severance package we're going to be okay but we can't afford to lose that severance package."

Sutherland said he didn't want to offer families "false hope" but council felt compelled to research ways to retain the jobs and save the mill.

"We have to face facts, maybe there's no buyer for it, but all I want to try to help the workers do is explore the possibilities before it becomes too late," Sutherland said.

Gary Ley a spokesperson for **Western Forest Products**, said the mill it is not viable for a number of reasons, including the strong dollar and intense competition from pulp mills in Australia, Indonesia and South America.

Muir said there are few other "pokery in the fire." He received a call from a former resident who is researching the possibility of a wind power generation in the Howe Sound. But, Muir conceded, "it's a small light at the end of a dark tunnel right now."

Five bids on short list for multi-million dollar Squamish development

Mill loss "a benefit"

The closing of the pulp mill could have a minor, perhaps even a positive, impact on the town, local realtors say.

A recent study done by **Black Tusk Realty** found that of the 350 mill workers, 200 of them already live out of town. When those who are renting or will take early retirement are taken out of the equation, the study estimated that only about 50 homes would come to the market from those forced to move.

"Let's be honest," said **Gerry Halstrom**, of **Sea to Sky Premier Properties**, "the Woodfibre mill pumps out a lot of air pollution. It has been a detriment to real estate values. It is hard for people to lose their jobs but, long term, the closing of the mill could be a net benefit to the region," where tourism and commuters already mean more to the economy than the forests.

The Woodfibre mill sits on a waterfront parcel and has a ferry dock, which could mean it could follow the route of the old **International Forest Products** sawmill that closed a few years ago and eventually be rezoned for residential.

Housing prices in Squamish are not expected to continue the province-leading price acceleration that saw a 118 per cent increase in the past five years and 11 per cent from 2004 to last year.

"The days of the easy money in Squamish are over," Halstrom told the Jurock Real Estate Outlook conference last fall, but he also forecast a strong future for the mill town once the upgrades to the highway are complete.

"The population of Squamish will double," he predicted.

Some fear that the heady prices – the typical new condo now sells for \$240 per square foot – have led to a glut of product on the market in the Squamish and Howe Sound corridor.

Right now, new housing developments are going ahead at Britannia Beach, Furry Creek and Porteau Cove, as well as a record number of condominiums and townhouses in Squamish itself.

"It's too early to tell," said a frank **Lisa**

Bjornsen, a realtor with **Black Tusk Realty** when asked about a potential glut.

Bjornsen estimates that 100 new condominiums are now pre-selling and another 300 will hit the Squamish market this year. She notes though that pre-sales were strong last year – the first two phases of the Edgewater condo development sold out for example – and that there has been steady shift towards Greater Vancouver buyers. She estimates that more than 26 per cent of buyers are now Lower Mainland commuters. With the highway upgrades it will be quicker to commute to Squamish than Langley, she said.

Squamish is also looking towards the opening of the new \$100 million **Quest University**, Canada's first private, non-religious university. Now under construction, Quest is expected to open next year with 200-300 students paying high tuition for liberal arts and science degrees.

As well, Squamish is in the midst of an aggressive waterfront redevelopment that will see 60 acres of mostly former industrial land remade as a cruise ship terminal, marina and residential and retail projects, according to **Mike Chin**, CEO of **Oceanfront Development Corp.**, an arms-length corporation set up by Squamish Council to handle the re-development. The site includes 44 acres of fee-simple waterfront.

"World class" bids

According to Chin, 15 developers answered a request for proposals for the redevelopment and a short list of five were to be named January 26, just past the *Western Investor* deadline. Informed sources say the five left standing are: **Concord Pacific**, **Intrawest**, **Solterra Developments Corp.** (which recently purchased 20 acres of land from Squamish), **Townline Homes** and **Qualix Landmark**.

"These are all world class developers," said Chin, noting that all are based in the Vancouver area, "they each have a vision for Squamish."

Chin, a former consultant who worked on the development of Vancouver's Expo 86 lands, said the Squamish master plan was worked out with an 11-member advisory board that includes the

Quick facts



Squamish

Population 19,000
Average house price \$420,300
Average condo price \$210,000
Average family income \$43,000
Main employment construction, tourism

Whistler

Population 9,800
Average house price \$1,400,000
Average condo price \$600,000
Average family income \$58,900
Main employment tourism

Squamish First Nation and other stakeholders.

The overall developer for the site is expected to be named in April and Chin believes that residential will dominate the start of construction, with perhaps more than a single developer involved.

The town of Squamish will act as a joint developer, with its share of profits turned back into civic improvements, he explained. The master plan already calls for improved public waterfront access and upgrades to the aging downtown.

Oceanfront and the chosen developer will work on fine tuning the project over the next few months, Chin said. He expects construction to begin as early as this November.

Downtown retailers, who fear a loss of traffic as **Wal-Mart**, **Home Depot** and other big-box retailers set up along the highway, would likely welcome the revitalization. ♦