

Density drives Vancouver land assembly gold rush

Homeowners aim to double money by banding together as city warns of speculation

BY JOANNE LEE-YOUNG, VANCOUVER SUN APRIL 23, 2015



Land assemblies are popping up all over Vancouver, including at Quebec Street at 35th Ave.

Photograph by: Jenelle Schneider, Vancouver Sun

A row of seven bungalows on West 54th Avenue has just hit the market and the asking price is \$28.1 million — or between \$3.6 million to \$4.5 million each.

Individually, the older, 50- to 60-year-old homes might only fetch between \$2 million and \$2.5 million. But sellers hope if their land is sold as a single parcel, it can be rezoned for a condo or townhouse complex and be worth double that amount to a developer.

Welcome to the latest frontier in Vancouver real estate speculation.

The land assembly efforts have, in recent years, centred on the Cambie corridor from 16th Avenue and are now fanning out to nearby arterials and even quieter streets further south.

The activity stems from the City of Vancouver's housing affordability plans. Two years ago, Mayor Gregor Robertson and developer Olga Ilich led an affordability task force which recommended that major streets as well as the blocks behind them be rezoned, allowing single-family lots to be used for higher density housing.

"The city is trying to densify, especially along arterials, to provide new house choices and support

public transportation and commercial activity,” said architect, planner and developer Michael Geller, explaining how so-called community plans for Cambie, Marpole, the West End and Grandview-Woodland were drafted by the city to “remove some of the uncertainty as to how a neighbourhood is likely to change over time.”

But the proliferation of land assembly is triggering some alarms at City Hall.

City planner Brian Jackson said he is concerned that the overall plan to increase density and provide greater affordability is morphing into “the commodification of housing as a sure thing to bank.”

“There is a strong policy basis for a variety of housing options,” said Jackson. What it shouldn’t do “is allow for unlimited development opportunities and speculation.”

Phase 1 and 2 of the Cambie corridor plan have already paved the way for extensive mid-rise and highrise housing developments, with 26 rezoning approvals in the past four years.

Last week saw the release of the latest official community plan, Phase 3 of the Cambie corridor. It solidified the pricing for a number of new land assemblies, including the one at West 54th, which is listed by Macdonald Commercial Real Estate.

Land assembly used to be more of a niche, done solely in commercial real estate circles. But with the city officially encouraging higher density and sellers keen to maximize their real estate earnings, residential realtors such as Re/Max’s Michelle Yu are making a name for the practice too.

Along King Edward Avenue, off Cambie, there are mini-rows of houses marked in a succession of “for sale” signs. One line of seven houses between Heather and Ash Streets is selling for \$28.7 million.

“It all starts with the (city’s) community plans that you can check online,” said Yu. Would-be “sellers start getting letters from developers and they start talking to each other and want to jump on the bandwagon and they call me.”

At the moment, Yu said she has some seven packages “already tied up,” meaning they are under contract as buyers apply for re-zoning, a process that can take one or two years.

During that period, all sorts of hiccups can trip up a deal. “Some owners, all of a sudden, change their minds and they will call me individually to back out,” said Yu.

One homeowner in the middle of the row of houses on King Edward listed by Yu hasn’t agreed to be part of the package, meaning that perhaps Yu will only be able to sell a package of five lots, which would shift a developer’s cost calculations.

Land assemblies usually get sparked if higher-density zoning is specifically laid out in a community plan, but the market is also seeing some buyers that just want to bank larger pieces of land in the belief that the city will eventually increase density on all major streets.

Yu recently sold a group of nine single-family lots on Granville Street as a single listing for \$33.4 million, netting each owner about \$3.7 million per lot even though the city hasn’t released any detailed plans to allow greater density in this area.

The sale had some observers balking, off-the-record, at the risk and level of speculation involved, but Yu brushed aside these concerns, saying some buyers — especially those with offshore money — might operate with longer time frames and different expectations on return.

“It was one owner who bought the whole site and he is in no rush to act until the city supports his plan to do something he wants,” said Yu. “He’s a long-term holder. It’s just that he has the money and can hold it and liked the location and the deep size of the westside lot there.”

Geller and others think there is an important question when land assemblies fetch prices significantly higher than what properties are worth under current zoning: “Who is paying for that jump?”

For example, aside from rising land costs, “what many people don’t appreciate is that when land value increases because of zoning, the city seeks payment in the form of CACs (community amenity contributions) that are \$55 a square foot,” said Geller.

A developer has to pay that fee first but the cost is eventually passed on to the new buyer.

There is some direction in the community plans as to how much density the city will allow, but buyers don’t know how much they will actually be granted until they buy an individual site, have it under contract and apply for the rezoning.

This piecemeal approach and uncertainty has some sellers and their realtors naturally pushing prices to the very high end of what a parcel is worth.

Geller thinks there might be more “certainty in the market and control (of) price escalation” if buyers and sellers could see an overall plan that more specifically declared zoning for greater amounts of land across the city.”

Jlee-young@vancouversun.com

© Copyright (c) The Vancouver Sun