

NEW CONDO BUYERS IN GREATER VANCOUVER



Cement Association of Canada
Association Canadienne du Ciment

CONSUMER SURVEY SPONSORED BY THE CEMENT ASSOCIATION OF CANADA

SPRING 2003

BACKGROUND

Historical low interest rates and increased confidence in BC's economy led to higher demand for condominium product in Greater Vancouver. **89%** of prospective new condo-buyers expect the BC economy will either improve or stay the same in 2003/2004.

Most consumers remain wary of wood-frame condos and are willing to pay a premium for the benefits of concrete construction.

Greater Vancouver's major urban centres will grow by almost **93,000** adults by 2007. Nearly 41,000 new housing starts will be required to meet the demand this growth will generate. Condos will account for more than half of the required housing starts.



TROPÉZ AWARD-WINNING CONCRETE LOW-RISE DEVELOPMENT AT
ARBUTUS WALK IN VANCOUVER, BC

MARKET OVERVIEW

The increased demand that materialized in 2001 continued through much of 2003, resulting in the absorption of all completed new condominium product in a number of Greater Vancouver sub-markets. The entry level sector of the market remained the most active.

Continued volatility in financial markets led to a significant increase in investor participation. Over 50% of a number of Downtown high-rise developments were sold to investor purchasers. The renewed ability of developers to successfully pre-sell condominium product will continue to minimize the supply of completed product, and help maintain an overall supply balance in the Greater Vancouver marketplace.

Greater Vancouver is predicted to grow by 93,000 residents by 2007 based on results of the 2001 Census – an average of over 23,000 adults per year over the next four years. The 40-69 age range will account for up to 90% of this growth. An estimated 5,180 new condominiums will be required in each of the next four years to meet this demand. And this number should grow as economic conditions in BC continue to improve.



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THE PROCESS

In fall of 2002, the research and consulting firm Urban Analytics Inc. (UAI) conducted a comprehensive survey of prospective condo buyers. This survey was very similar to one conducted in 2001. In each survey, the questions sought to determine the primary concerns of new home buyers – their needs and wants, as well as their perceptions regarding current construction techniques, the use of concrete in condo construction, and how much they value the two main building materials – concrete and wood. This document summarizes the results of the survey, and provides some insight into the priorities of today’s new condo buyer in Greater Vancouver.

THE RESULTS

Approximately 1,000 surveys were mailed to recent visitors to new condominium developments in Vancouver. Over 160 were returned. This represents a 16% response rate – impressive for a mail-out survey. In addition to a number of questions relating to their new home needs, potential buyers answered questions regarding their perception of wood and concrete as condo construction materials.

In spite of reduced media coverage of the ‘leaky condo’ issue over the past year,

prospective new condominium buyers are even more inclined to purchase a concrete constructed condo. 73% of survey respondents indicate they’re more likely to purchase a concrete condo compared to 67% in 2001. Conversely, 54% say they are less likely to buy in a wood building – an increase of 9% from the 2001 survey.

While more consumers indicate they have more confidence in the New Home Warranties being offered, and the new building techniques being used in the construction of wood frame condos, they maintain a strong preference for the benefits and integrity offered by concrete condo buildings.

The following chart illustrates how today’s new condominium buyers associate concrete and wood frame constructed buildings with various benefits considered during the purchasing process.

The results of the 2002 survey bear out the conclusion that today’s new condominium buyers not only recognize the structural benefits of concrete constructed condominiums, they associate these benefits with the long term value of a condominium in a concrete constructed building.

INTENTION TO BUY

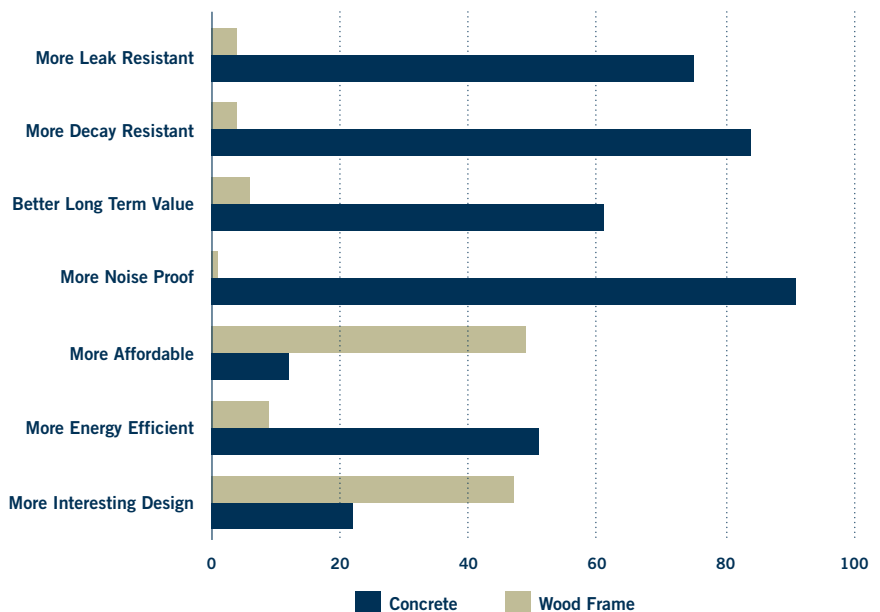
Nearly 80% of respondents indicated they plan to purchase a home in the next 12-18 months.

Condo Buyers’ Needs

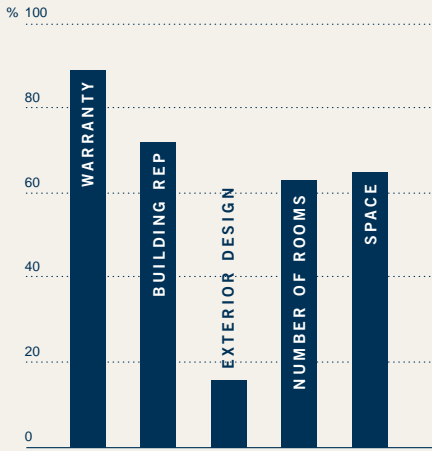
Four main factors considered ‘extremely important’ by most potential condo buyers:

- > LOCATION **69%**
- > PRICE/VALUE **64%**
- > BUILDING WARRANTY **63%**
- > BUILDER REPUTATION **58%**

Nearly 75% of new condo buyers’ respondents say that despite assurances of recent changes in the design and construction of wood frame condominium buildings, they are still more inclined to purchase a condo in a building constructed of concrete.



**CONCRETE VS. WOOD FRAME BUILDINGS:
HOW TODAY'S NEW CONDOMINIUM BUYER PERCEIVE THEM**



IF BUDGET CONSTRAINTS REQUIRE NEW HOMEBUYERS TO SACRIFICE SOME OF THE FEATURES THEY DESIRE, HOME WARRANTY INSURANCE, BUILDER REPUTATION, SPACE AND NUMBER OF ROOMS ARE THE FEATURES THEY ARE LEAST WILLING TO SACRIFICE.

TRADE-OFF ANALYSIS

“We would buy a concrete residence – the extra costs are well worth it..”

General Comments, 2002 Survey Respondents

“My preference would be for a concrete building because it shields suites from noise..”

General Comments, 2002 Survey Respondents

PERCEPTION OF VALUE

In order to determine how new condo buyers value concrete as a construction material, respondents were asked to assume they were considering the purchase of two condos similar in size, location, style, etc. in different low-rise buildings. One was a concrete building while the other was wood frame. Respondents were asked how much more they would pay for the same unit in the concrete building.

Almost three quarters of respondents are willing to pay more for concrete; of those, 43% say they will pay 10-15% or more to live in a concrete building. Also, the higher the

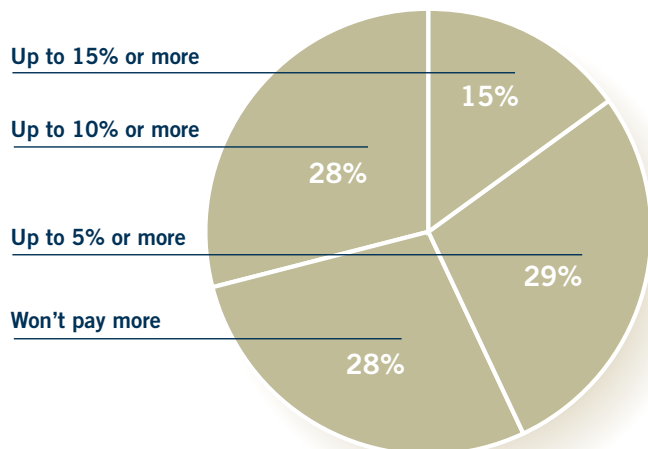
price range a potential new home buyer is considering, the greater the willingness to pay more for concrete.

PROFILE OF AN URBAN LOW OR MID-RISE CONCRETE CONDO BUYER

- _ Is likely to already be living in a condominium or townhome.
- _ Are approaching 50 years of age.
- _ Will require more than 1,000 square feet of living space.
- _ Is considering product priced above \$300,000.
- _ Will pay a premium of up to 10-15% or more for a concrete constructed condo.
- _ Location is primary consideration.

CONCLUSIONS

- _ Despite increased consumer confidence in new wood frame condominium construction and new home warranties, most potential condo buyers prefer concrete constructed condos.
- _ The majority of potential condo buyers associate greater structural integrity and better long-term value with concrete condominiums.
- _ Most potential condo buyers are willing to pay a premium for concrete – almost half will pay 10-15% or more.
- _ The propensity to pay a higher premium for concrete increases as the price range being considered rises.
- _ Condominium product in a quiet, convenient location, offering more spacious living areas, targeting mature, professional buyers, and priced over \$300,000 offers the best opportunity for concrete low-rise condos in Vancouver.



MOST POTENTIAL CONDO BUYERS ARE WILLING TO PAY A PREMIUM FOR CONCRETE. ALMOST HALF OF THE RESPONDENTS WILL PAY 10-15% MORE.

CONSTRUCTION

BACKGROUND

Despite survey data that indicates nearly 45% of consumers are willing to pay a premium of up to 10 to 15% more to live in a concrete condo building, there still appears to be a reluctance on the part of many developers to build low and mid-rise condominium structures from concrete.

Consumer Indicated Benefits of Concrete

- _ PROVEN HIGHER \$/SF VALUE
- _ BETTER RESALE VALUE
- _ LONG LIFE EXPECTANCY
- _ LOWER MAINTENANCE COSTS
- _ INCREASED NOISE PROOFING
- _ MORE FIRE RESISTANT
- _ MORE LEAK/DECAY RESISTANT
- _ NO 'LEAK' STIGMA ATTACHED

“Higher margins can be achieved by building low-rise concrete framed buildings in the mid and luxury markets within the Lower Mainland.”

REDESIGN AND COSTING ANALYSIS ACTUAL LOW-RISE PROJECT REDESIGN AND COSTING PROJECT

THE REDESIGN PROCESS

In the fall of 2001, the Cement Association of Canada (CAC) conducted a cost comparison of an actual 4 storey, 148 unit condo project. The second phase of this wood frame project was redesigned with a concrete scheme based on 'optimized high-rise' framing with wood in-fill partitions for economy. Butterfield Development Consultants Ltd. (BDC) were then retained to provide an independent tendering and costing analysis to determine an accurate cost differential between wood and concrete construction. BDC was asked to update the initial analysis in fall of 2002.

THE COSTING ANALYSIS

The 2002 costing analysis determined the concrete design would increase proforma costs by just 7.6%. The hard construction costs were \$9.73 or 12.1% more – a slight increase from the cost difference determined in 2001 and attributable primarily to increased labour costs arising from the significant volume increase of residential concrete construction in Vancouver. However, the impact on developers' margins would be insignificant due to the increased selling prices experienced during the past year. Given developers' key objective of maximizing profit margins, it is important to note the costing analysis concluded that higher

margins can be achieved by building low-rise concrete framed buildings in the mid and luxury markets within the Lower Mainland. In fact, the spread in the margin between wood and concrete framed buildings increased from 3% to 5% between the 2001 and 2002 analysis.

Among the other findings derived from the costing analysis:

- _ Larger buildings will lower the development cost ratio and yield higher margins.
- _ Higher quality finishes will lower the % of the structure cost relative to overall cost.
- _ Higher costs of building on tight, inner city sites (e.g. Vancouver/Burnaby) would be recovered through higher selling prices achievable in these markets.
- _ Higher volatility of lumber prices relative to more stable concrete prices would further reduce the spread in the cost difference between the two construction materials.

CONCLUSION

A concrete low or mid-rise condominium building with higher finishing specs, located in and around the urban core of Vancouver will achieve higher margins than comparable wood frame product.



DOCKSIDE

AN ARTICULATE NEW CONCRETE
MID-RISE BUILDING IN
COAL HARBOUR, DOWNTOWN
VANCOUVER, BC