

**FEATURE** Hotel-type condominiums glut the resale market as American investors continue to bail out

# Whistler's new phase

JENNIFER MILLER/DERMOT MACK

WESTERN INVESTOR

**P**hase 2 condos were the hot property to buy in Whistler in the early 2000s, but they've more recently gotten a bad rap because of lower-than-expected returns, uncertainty around property tax rates and variable credit availability. Consequently, there are more than 100 Phase 2 units currently available in Whistler.

Americans are generally selling properties in Whistler instead of buying right now, and "it's a buyer's market," agents say. Phase 2 condos are still selling, but supply outweighs demand, and prices on all types of units remain flat.

Condominiums in the resort community typically have either a Phase 1 or Phase 2 covenant on title. A Phase 1 covenant offers unlimited owner usage and specifies that the unit must be available for rent when it's not being used personally. A Phase 2 covenant restricts the owner's usage to 28 days in winter and 28 days in summer, and the unit must be available for rent at all other times. Quarter or shared ownership and timeshares include separate arrangements from the phased properties.

**Pat Kelly**, president of **Whistler Real Estate Company**, said Phase 2 units should be considered more as commercial property than residential. A Phase 2 property offers the benefits of both cash flow and the opportunity for personal use, making its value a little more difficult to quantify.

"You're not buying a condo you get to rent out," he said. "You're buying a business arrangement."

Phase 2 units are most often found in hotels with front desks and management programs such as the **Four Seasons**, **Westin** and **Pan Pacific**, Kelly said. Some buyers find "tremendous value" in having a property that is managed day-to-day by an operator such as the



Rainbow building lots on Green Lake near Whistler are listed for around \$1 million.

Four Seasons, he said.

**Mike Wintemute** of **Re-Max Sea to Sky** said Phase 2 properties are attractive for buyers who are living overseas and want something that will be completely looked after. Still, the bulk of buyers in Whistler are from the Lower Mainland.

"It's a nice, easy property to be an absentee owner," he said.

Still, there appears little chance for equity appreciation.

Wintemute noted that one Phase 2 hotel-condo sold recently for \$175,000 – the same price the unit had sold for 10 years ago.

Wintemute also pointed to potential bargains in luxury freehold condominiums. One example: three bedroom and loft, with similar sales in the same building last year at \$1.2 million, now listed at \$899,000 and "subject to negotiations."

"The U.S. owners want out and are willing to accept offers. We are starting to see deals," Wintemute said.

Many Phase 2 units were sold during

Whistler boom years, and Kelly said they likely sold on speculation of high usage and returns. But nobody expected the drop in tourism starting in 2002. In many cases, the Phase 2 units didn't deliver on expectations.

Kelly said credit availability on Phase 2 properties has been variable, with some banks hesitant to finance the units because of risk management.

Uncertainty in recent years about whether the units were taxed at commercial or residential rates has historically been a drawback, Wintemute said. Last year, the provincial government decided to tax the units at commercial rates for the nights it is rented out and residential if it's used by the owner or empty – an improvement to the Phase 2 bottom line, he said.

As with any investment, it's a matter of doing your homework and having realistic expectations, Kelly said. About three to four per cent return is the best you can hope for on a Phase 2 unit, and a prospective buyer should analyze revenue statements, strata fees and other

details, he said.

By the end of September, Whistler Real Estate Company had sold 42 Phase 2 units in 2008, compared with 90 sales in 2007, which was a bigger year than the last few, Kelly said. Phase 2 units are not faring better or worse than other types of units, and average prices per square foot are comparable between Phase 1 and 2 properties, he said.

This year, Whistler realtors began to break out condominiums separately from townhouse sales in their statistics, revealing that you can buy Whistler condominiums in the \$350,000-to-\$400,000 range.

## New housing coming

Whistler and Pemberton will likely see several major housing developments in the coming years.

Sales began October 10 for building lots at Whistler's new Rainbow neighbourhood, about five kilometers north of the Village. The planned community includes a mix of resident-restricted housing interspersed with market lots for single-family homes and multi-family "villas." Single-family lots range from 6,500 square feet to 16,500 square feet and \$825,000 to \$1.7 million.

A market component will also be included in the new Cheakamus Crossing resident neighbourhood to Whistler's south, which will serve as the athletes' village for the 2010 Olympics before becoming a permanent subdivision.

The **Lil'wat** and **Squamish** first nations are proposing 48 houses and 41 townhouses adjacent to the Rainbow neighbourhood, and as of September, the rezoning had received two readings at the municipal council table.

In Pemberton, a joint proposal by **Signal Hill Homes** and **BCR Properties** includes a long-range plan for more than 400 homes, focused on smaller, affordable options. The rezoning process is expected to take another six months. ♦

**One Phase 2 condo sold for \$175,000: the same price as 10 years ago.**