

Hardball resort developers survived

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Resort development faces several challenges in B.C., but the veteran developers on the closing panel at October's Western Canadian Hotel and Resort Investment Conference in Vancouver said those that who survived the crash did so by playing hardball - and listening to customers.

The downturn tripped up inexperienced developers, said **Ed Romanowski**, president and CEO of Calgary-based **Bellstar Hotels and Resorts Ltd.**, which is proceeding with Canyon Desert Resort in Oliver as well as Spirit Ridge Residence Club, a 40-unit expansion of its **Spirit Ridge Vineyard Resort** in Osoyoos.

Romanowski said Bellstar turned conservative when the first chills began rippling through real estate markets in 2006.

"We decided to request 20% down payments on our recreational real estate back in 2006. And boy, were our sales people upset about that, especially when the guy down the street was asking for 5% or 10%," he said. "When it came time to close in 2008 or 2009, we were extremely thankful, because [20% down] was enough of a deterrent for people to not walk away from their sales. So 2009 was a great year for us in terms of sales that actually closed."

He feels many developers paid more attention to building a special place than basic economics.

"They weren't prepared to grind the trades and grind the suppliers and the contractors to keep those costs down for fear their projects wouldn't get built," he said. "Many of those players are hurting."

Prior to the conference, Romanowski said a 10% to 20% drop in the price of resort units hadn't been matched by similar declines in construction costs. This has prompted Bellstar and other developers to reconfigure offerings.

"Something's got to give, because the consumer isn't willing to pay, and the developer can't build for no profit at all. It doesn't make any sense, otherwise we're going to continue to see several developers fail," he said.

"We don't make a market, we respond to a market," added **Mike Grenier**, president of **Pagebrook Inc.** and developer of the 1,000-acre Tobiano project near Kamloops, which slashed lot prices by up to 50% when sales slowed.

Read more about the B.C. and Alberta resort market in the December issue of Western Investor.