Downtown condo project sells 50 units before sales centre opens

REAL ESTATE | The project's Granville Slopes location may be key to the buyer frenzy

BY MARKE ANDREWS
VANCOUVER SUN

A downtown Vancouver townhouse development that won't open for occupancy until March 2007 and has yet to open its display centre and sales office has already sold 50 of its 138 units.

Qualex-Landmark vice-president Chris Colbeck spent much of his Christmas Eve at his Melville Street office signing sales agreements with purchasers, all of whom had heard of the project by word of mouth.

"This caught me off guard," Colbeck said Tuesday. "I only hired one sales manager and one sales assistant to be on-site for people who might be interested early. My full sales team doesn't start until the end of January.

"We have brown paper up on the windows of our sales centre right now because we're not opening until February."

The 30-storey Pomaria, located at the south end of Howe Street at False Creek, will have 26 townhomes ranging from 1,310 to 1,600 square feet at the lower levels of the building, and 112 so-called "skyhomes" ranging from 718 to 1,400 square feet. Units will sell from about $340,000 to more than $1 million.

The Pomaria was designed by Vancouver's Rafi Architects Inc.

The frenzy by consumers for this Granville Slopes project flies in the face of recent trends. While housing starts in Vancouver were up last month by 49 per cent from November, 2003, housing sales in the province have fallen each month since August. Canada Mortgage and Housing Corporation regional economist Carol Frketich recently predicted slight growth in 2005 over 2004.

However, the finite number of sites downtown may fuel demand for housing there.

"We've got probably one of the last full-block developments in the Granville Slopes area, if not in the whole [downtown] core," said Colbeck, whose company has developed several projects in Yaletown, the most recent being the Domus, which opened last year.

"This is not Yaletown," said Colbeck of the new Howe Street development. "We're not saying we're Coal Harbour or trying to compete with them. We've found a niche area with a strong neighbourhood feel to it."

Colbeck said housing in downtown Vancouver is still a hot market, so much so that he hasn't been able to take a proper Christmas holiday.

"Even this morning I was dealing with someone on a contract for the site," said Colbeck.

The Pomaria as it should look when finished in 2007. It'll be at the south foot of Howe Street.

CLARO CORTES/REUTERS

Investors wait outside a bank in a bid to buy China's first open-end mutual fund, in Shanghai in 2001. Big investors are now raising some concerns about the superheated Chinese economy amid a derivatives scandal involving a Chinese aviation fuel giant.

Big investors wary of scandals and slowing growth in China

BY KATHERINE BURTON and LU WANG

Jim Rogers, who co-founded the Quantum hedge fund in 1970 with George Soros, says the trading fiasco that cost state-run China Aviation Oil Holding Co. $550 million US is an omen of tougher times ahead for Chinese companies and their investors.

"I can hardly wait," he says.

"There will be a hard landing in 2005 and I'm going to buy when that happens," says Rogers, 62, a New York investor who manages about $500 million in funds based on his Rogers International Commodity Index.

Missteps by Beijing-based China Aviation Oil in the trading scandal of its Singapore subsidiary show that many Chinese companies lack transparency and are unprepared for turbulence as the government brakes the economy, says Matthew Hudson, manager of the $315 million American Century Global Growth Fund in New York.

"Growth is slowing there, which makes us hesitant," says Hudson. "For us to invest in China, we have to be 100-per-cent certain that the stocks we are buying are the stuff we believe in."

China's economic expansion slowed to an estimated nine per cent this year from 9.3 percent in 2003, the government reported, after authorities in April began limiting investment and lending to steel, cement, real estate and auto companies.

Hudson says his fund sold its shares of Chinese automakers earlier this year and doesn't own any Chinese stocks now. Instead, it holds shares of companies outside China that can benefit from doing business there, such as Hyundai Motor Co., South Korea's largest carmaker.

China Aviation (Oil) Singapore, the subsidiary that is China's biggest importer of jet fuel, wagered that oil prices would fall in October. The mistaken bet cost $550 million as prices surged to a record.

The derivatives trading losses were the biggest in Singapore since trader Nick Leeson wiped out $1.4 billion of Barings Plc's capital in 1995, leading to the bank's collapse. Derivatives are financial obligations whose value is derived from underlying assets such as debt and equity securities, currencies and commodities.

As China Aviation's trading losses mounted, the Singapore-listed company failed to disclose them to its investors. Instead, the Chinese parent company sold a 15-per-cent stake in the Singapore subsidiary in October to European and Asian investors, raising $119.5 million. It did so to cover margin calls, or funding requirements, on the money-losing trades, the company's chief executive, Chen Jiulin, said in an affidavit in Singapore's High Court.

The scandal highlights a lack of corporate transparency in China, the U.S. ratings service Standard & Poor's said Dec. 3.

"Complex corporate structures and unreliable accounting practices make it difficult to perform substantive analysis on some China-related companies," said S&P, which is owned by New York-based McGraw-Hills Cos.

"I expect more problems in the Chinese market," says Rogers, who spent a decade at the Quantum Fund. "There will be more things like this and more bankruptcies, a lot more. The Chinese are first-generation capitalists. It's not as easy as it looks." Rogers's index funds include the Diapason fund, a partnership with Switzerland-based Equinoxe Partners.

Rogers saw first-hand the promise of China's economy beginning in 1988 on the first of three trips across the country by motorcycle and car. He says he has stopped investing in Chinese equities for now because of what he calls "massive speculation" that has driven up prices of real estate, construction and raw materials.

The prices of building materials and non-ferrous metals leapt 139 per cent during the first 10 months of 2004, according to China's National Bureau of Statistics. U.S. investors have flocked to China. Assets in China-region mutual funds sold in the U.S. soared to $2.9 billion this year, a four-fold increase in five years, according to New York-based Lipper, an investment information service owned by Reuters Group Plc of London.

The China Aviation fiasco should be a warning to China as well as investors, says Mark Mobius, who manages $13 billion of emerging-markets investments for Singapore-based Templeton Asset Management Ltd.

"I think people are going to be much more leery and aware of the pitfalls and the problems you can have in China," Mobius said. "If the Chinese government is going to be able to sell their equity to foreign investors, they're going to have to focus on these risks."

Mobius, 68, said the missteps by China Aviation will encourage better market oversight just as the accounting scandals at Enron Corp. and other corporations did in the U.S.

In Singapore, the police, central bank and stock exchange are all investigating China Aviation's derivatives trades and the share sale by the parent company, which owns 60 per cent of the Singapore unit. China Aviation chief executive Chen, 43, was suspended Nov. 30 and said in his court affidavit that he knew about the trading losses before the share sale. Chen, a Chinese national, was arrested in Singapore on Dec. 8 when he returned to the island from a trip to China. He hasn't been charged.

Although Rogers sees short-term trouble in China he says he remains a long-term bull.

"The 21st Century belongs to China," says Rogers, which is why he hired a Mandarin-speaking nanny for his 18-month-old daughter in New York. "She's going to need to know Chinese."

Bloomberg News

Healthy growth predicted for India's consumer stocks

BY SARA WEBB and POOJA THAKUR

MUMBAI — Sanjiv Duggal, chief investment officer of HSBC Asset Management (India) Pte., is betting that increased spending by Indian consumers will benefit telephone companies such as Bharti Tele-Ventures Ltd. and carmakers including Mahindra & Mahindra Ltd.

"Consumption is a long-term story," Duggal, 40, said in a telephone interview on Dec. 15. "Rising disposable incomes and easy access to credit" are helping Indians buy more goods, setting the stage for gains in consumer-related stocks over the next five to 10 years, he said.

Consumer spending on mobile phones, cars and motorbikes "has grown explosively" and now accounts for a significantly higher proportion of household purchases, said Sanjeev Sanyal, a Singapore-based senior economist at Deutsche Bank AG.

Transport and communications accounted for 16 per cent of household spending last year, the second most important category of spending after food, compared with 11 per cent in 1993 and 6.5 per cent in 1983, Sanyal said in a report published last month.

Shares of Bharti Tele-Ventures, India's second-largest mobile-phone operator, have doubled this year — the biggest gain in the Sensex index. New Delhi-based Bharti tripled net income in the quarter ended Sept. 30 as its subscriber base almost doubled from a year earlier.

"There's a very sharp growth path" ahead for mobile-phone companies, said Duggal.

The country had 45.6 million mobile subscribers as of Nov. 30, according to data from industry groups. That number may exceed 200 million by the end of 2007, the nation's telecommunications regulator forecasts.

"The price has fallen for handsets and for tariffs, so they are becoming a lot more affordable," Duggal said.

Bharti Tele-Ventures is Indian Equity's third-biggest holding, accounting for 4.2 per cent of the fund's portfolio, HSBC said in a November press release.

Hutchison Telecommunications International Ltd., a Hong Kong-listed phone company that derives almost half its revenue from India, is the fund's fourth-biggest holding, at four per cent. The company's shares have risen 17 per cent since they began trading in October.

India's vehicle sales rose 22 per cent in November, from a year earlier, to 730,753 units as buyers of cars and motorcycles took advantage of cheap loans and discounts, the New Delhi-based Society of Indian Automobile Manufacturers said on Dec. 14.

The central bank's lending rate to commercial banks stands at a 31-year low of six per cent. The economy grew 8.2 per cent in the year ended March 31, its fastest in 15 years, and will expand as much as 6.5 per cent this fiscal year, the central bank forecast.

"Easy access to lower-cost credit is spreading to the smaller cities and towns," said Duggal.

The fund manager, who was born in England, recently saw consumer trends at first hand in Bangalore, southern India, where he grew up as a child. One of the places he visited was a shopping mall, still a rarity in India.

"The food court was packed with people, even though it was a holiday," Duggal said in an October interview. "Lots of youngsters who live at home have disposable income" and are buying mobile phones and other consumer goods, he said.

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An actress with digital cameras in India. Easy access to lower-cost credit is spreading to smaller centres.