

Sea Change
How Beijing Officials Outraged at AT&T On Marine Cable Plans
The Revenue of U.S. Coast To a Supporting Role In Trans-Pacific Project
Lately New Paper: SBC

What's News—
Business and Finance
World Wide

Paper and Paperboard
A Special Summary and Forecast of Paper and Paperboard Developments

Tax Report
A Special Summary and Forecast of Tax Developments

Buy Heaven
Forget Cattle and Corn: Let's Get the Farm On Cranberry Crops
Stag in Farm's Price Range
A Gold Rush Monthly: Will One Baku Deal?
Kiss: Fung: Puckers Up

It's Summer
And So Are Stocks
What Else Is New?
What's Hot
What's Not
What's New
What's Hot
What's Not
What's New

TODAY'S CONTENTS

ET JOURNAL WEDNESDAY, JULY 23, 1997

THE PROPERTY REPORT

For Vancouver the Party Is Over

Hong Kong Money Is No Longer Acting as Stimulus

By TAMSIN CARLISLE
Staff Reporter of THE WALL STREET JOURNAL

VANCOUVER, BRITISH COLUMBIA

MANY ETHNIC CHINESE celebrated Hong Kong's return to Chinese rule. But for Thomas Fung, the party was on the wrong side of the ocean.

Like many of this cosmopolitan city's property developers and investors, Mr. Fung had expected a surge of new immigrants from his native Hong Kong as Britain handed the island colony back to Beijing. Instead, immigration to Vancouver, where ethnic Chinese already make up about a quarter of the population, is down, and many wealthy Hong Kong businessmen have headed home to chase opportunities in mainland China.

What happened? Fears about Hong Kong's political and economic future under Chinese rule subsided, increasing the attraction of business and real-estate opportunities in China, where rates of return are at least four times higher than in Canada. At the same time, Hong Kong businessmen, accustomed to the free-wheeling markets back home, grew increasingly frustrated with the red tape and high taxes in their adopted country.

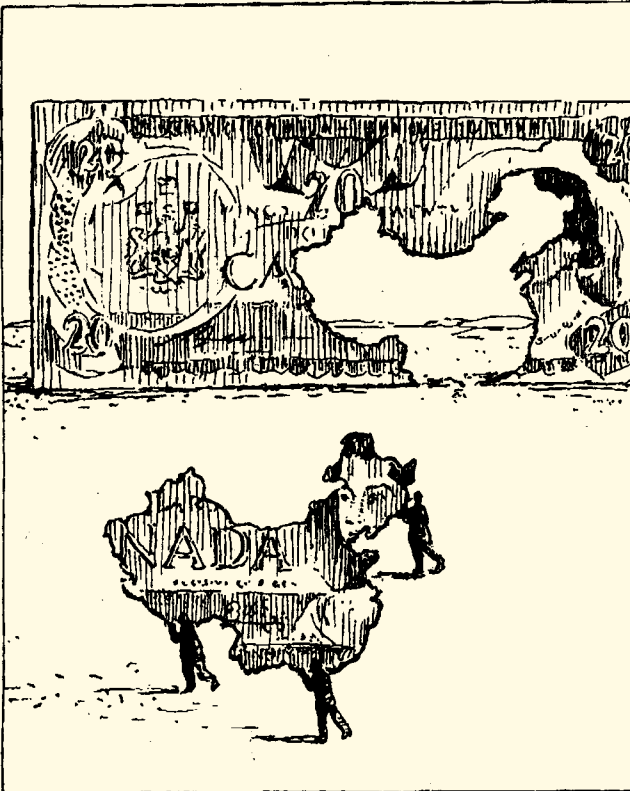
"For the most part, the Hong Kong entrepreneurs have gone back," says James Speakman, a real-estate developer with Vancouver-based Anthem Properties. "They don't want to pay 50% taxes. They don't like the bureaucracy here. They're sick of trying to do real-estate deals in a city where the municipal approval process takes three years for a subdivision in the suburbs."

To be sure, not everyone is disappointed by Vancouver's property-market slowdown. Some developers see it as a good time to invest, figuring that another wave of immigration, from Hong Kong or elsewhere in Asia, will ignite the market once again in two or three years. Still, the fallout in Vancouver is palpable. For years, Hong Kong money poured into the city's residential real-estate market, which flourished as the rest of Canada withered in a property recession. But now the tables have turned, and large parts of Vancouver's market are stagnant while housing prices soar in other Canadian cities.

PROJECTS POSTPONED

Just a year ago, buyers lined up around the block to get first cracks at new condominium developments in trendy downtown Vancouver neighborhoods. Today, developers put up billboards, advertising price discounts to attract buyers. And weighing on the market for years to come will be the ethnic Chinese who leave their Vancouver apartments vacant when they return to Asia. "At some point, those vacant condos will be sold. There's too much hidden supply," Mr. Speakman says.

Prices for detached family homes on Vancouver's tony west side, where many wealthy Hong



RETURN TO ASIA

In fact, the number of Hong Kong immigrants to Canada began declining after 1994, and the declared net worth of the wealthiest immigrants fell even more sharply in that period, says David Ley, director of Vancouver's Center of Excellence for the Study of Immigration and Integration. Although there are no hard numbers measuring the movement of people back to Hong Kong, Dr. Ley believes this has accelerated. He estimates that between 100,000 and 200,000 Hong Kong residents currently hold Canadian passports. "By 1996, the smart money had already come if it was coming, had been here for three years, acquired Canadian citizenship, and returned to seek economic opportunities in Asia," he says.

But some Vancouver developers are willing to bet big money on the longer-term outlook for Vancouver's property market. Burcon International Developments Ltd., a publicly traded company that is partly owned by Hong Kong financier Li Ka-shing, is paying C\$290 million for a stake in Concord Pacific Place, a C\$3 billion residential and commercial project being built on the site of the 1986 world's fair near Vancouver's downtown. And Stanley Kwok, Concord Pacific's architect, is now getting into property development with a group of Korean investors.

Mr. Kwok says he is ready to break ground on a C\$200 million mixed residential, hotel and commercial property development in the Vancouver suburb of Burnaby.

Ken Koo, a Hong Kong native who now runs a Vancouver advertising agency, predicts many of those returning to Hong Kong will be back in Canada again before long. "Hong Kong people have been brought up with a very free spirit. Although they are economically prosperous in Hong Kong right now, it won't take them long to feel freedom slipping away."

Vancouver is a "no-lose" investment, says Tung Chan, vice president of Asian banking for Toronto-Dominion Bank. "If the Hong Kong economy takes a tumble, the 100,000-plus Hong Kong Canadian passport-holders are going to come back, and many will settle in Vancouver. If Hong Kong's economy prospers, then people will want to diversify their investments. They will want to put their money somewhere safe, and I think that would be Vancouver."

Kong immigrants bought houses, have flattened. This neighborhood's average selling price was 655,000 Canadian dollars (US\$477,000) last month, about the same as a year earlier. Overall, the Vancouver Real Estate Board says, the average price of residential units rose to C\$307,527 from C\$299,716 in this period, largely because of increased activity at the market's low end.

Commercial real estate also is feeling the pain. Mr. Fung's company, Fairchild Holdings Ltd., has postponed by three or four years a C\$100 million expansion of two Asian-style shopping centers it owns in Richmond, a Vancouver suburb where nearly half of the population is ethnic Asian. These malls, which fill entire city blocks and are described by a local banker as "Hong Kong without having to buy a plane ticket," offer one-stop shopping, dining and entertainment geared entirely to the needs of Asian immigrants.

Mr. Fung, a former Hong Kong shopping-center consultant, helped pioneer these specialized malls in Vancouver in the early 1990s, as Asians began

DEVELOPMENTS