

JOURNAL of COMMERCE

WOOD VS. CONCRETE

May 31, 2006

Higher concrete costs divide market

JEAN SORENSEN

Correspondent

Four-storey concrete multi-family residential buildings have gone the way of the dodo bird with rising concrete, labour and land costs the fingered culprits.

“We don’t really see four-storey concrete buildings anymore,” said Jennifer Podmore of MPC Intelligence, which tracks B.C. real estate developments.

“If it is a four-storey site, they are either rezoning to get five or six stories in concrete or they are doing a wood frame. It is the only way they can rationalize the land costs.”

Most municipal zoning laws and codes require a contractor exceeding four floors to employ concrete rather than wood framing.

But, rising land and material costs, though, have created a divide with developers opting for less expensive materials, or stepping up to a high-rise for a higher unit count.

“There is a 15-20 per cent price difference (generally)” said Podmore, when the more expensive concrete unit on sale is priced against a wood unit.

The BTY Group, which supplies construction intelligence, released fourth-quarter 2005 survey results on the trades indicating that between 2004 and 2005, the following cost increases occurred: concrete form work (20-25 per cent), concrete materials (eight-10 per cent), reinforcing steel (10-15 per cent). The tug on concrete, skills and steel rebar have come from major global consumers such as China and B.C.’s own construction boom.

BTY found that in Greater Vancouver residential highrises, there was an increased building cost of 13.9 per cent while lowrise condos only increased by 5.1 per cent.

“Escalation of wood frame construction was generally lower as framing materials and labour were not subject to the same shortages experienced on concrete frame buildings,” the BTY report noted.



ROXANNE HOOPER

Developer and architect George Kwong meets with the construction crew building his 18-unit, three-storey wood frame townhouse complex on East Georgia Street in Vancouver’s east side. The units sold out in 60 days.

Podmore said the uncertainty of labour and material costs is also causing developers to stay with the cost economics they best understand.

As a result, two solid groups of builders are emerging, one in concrete and a second in wood frame.

George Kwong of Homeward Bound Developments Ltd. is known for wood multi-residential developments up to 50 units.

There is no doubt that concrete is the better product, acknowledged Kwong, architect-cum-developer, but the marketplace reality is that his product – billed as west side condo on the east side - would price too high for the area using concrete.

It's not just the concrete and rebar costs but trade shortages also play a role and add to escalating costs.

“It's a numbers game, you have to know who your buyers are,” he said, estimating that his square foot costs are around \$300-\$400 while downtown condo developments begin at \$600.

. A recently-released Concrete Association of Canada (CAC) report stated that buyers see concrete multi-family units as a premium buy.

The spring 2006 report, based upon 150 B.C. prospective homebuyers, found leaky condo reservations still existed and “rain screen technology” and “building envelop” were concerns. The majority was swayed towards purchasing a concrete structure.

Asked if a wood condo priced at \$225,000, how much more would they pay for concrete? The results indicated 36 per cent replied \$10,000 more, 27 per cent replied \$20,000 more, nine per cent replied \$30,000 while 28 per cent replied they were unwilling to pay a premium.

“Costing analysts revealed that over the past year, construction costs for both wood and concrete construction increased significantly – 16.4 per cent and per cent respectively,” the CAC report noted, adding that concrete costs rose because of shortage of skilled labour, especially forming crews.

The effect of large capital expenditure projects combined with the high-rise downtown residential construction competing for skilled labour and materials is not expected to diminish for the next two to three years, said Jason Craik of MAC Real Estate Solutions Inc., which markets condominiums in B.C. and other provinces.

In Vancouver's downtown area, popular with consumers, increased condo concrete prices can be carried through to the marketplace.

However, in the outlying areas in the Fraser Valley and other parts of B.C., he said the market will remain primarily one of wood construction as higher concrete construction prices can't be justified as yet. Craik doesn't believe the outside areas will remain immune from highrise concrete construction as populations expand.

“We are still waiting for that second wave of highrise construction in the suburbs that will eventually happen.”