

British Columbia



Value of BC multi-family sales
(Greater than \$5M)



Unprecedented demand for BC multi-family assets in first-half 2021 obliterates previous sales records

Unprecedented demand for BC multi-family assets in the first six months of 2021 led to an astonishing 78 sales valued at more than \$1.9B – obliterating the previous annual record of 85 sales valued at \$1.51B set in 2018. The previous multi-family sales record for a half-year period was 54 sales valued at \$1.04B achieved in the back half of 2015. There is no historical comparison for the deal and dollar volume generated by investors’ appetite for BC multi-family assets in the first half of 2021. Sales of multi-family assets in just the first half of 2021 almost surpassed the entire annual BC investment total for all industrial, retail and office assets sold in 2014 (\$1.95B). (Avison Young only tracks multi-family sales trading at more than \$5M).

Three generational portfolio sales, including share sales of two separate multi-family portfolios in Vancouver/ West Vancouver and Victoria/ Esquimalt to **Starlight Investments**, as well as the \$292.5M multi-

family portfolio sale in Vancouver to **Crestpoint Real Estate Investments** and **InterRent REIT**, clearly contributed to the record dollar volume noted in the first half of 2021, but each portfolio sale was only counted by Avison Young as a single transaction. This left 75 multi-family sales in the first half of 2021, a total which still exceeded the total annual number of multi-family sales in both 2019 and 2020.

Institutional purchasers were very active in the first half of 2021, representing almost 15% of all buyers of BC multi-family properties, while REITs accounted for almost 13% of buyers. While both institutions and REITs are historically active acquirers of multi-family assets, these levels of activity notably exceed what was observed in recent years. Institutions and REITs also acquired assets in less traditional markets such as Esquimalt, Langford, Campbell River, Parksville and Kelowna. While private

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purchasers remained in the majority, the typical deal size was \$5M to \$25M with two notable exceptions: the \$135M sale of the landmark **Martello Tower** and the \$40.8M sale of **Park West**, both located in Vancouver's West End. The largest private sales outside of Vancouver was the \$41M acquisition of **Rainbow Plaza** in Whistler and the \$45.5M sale of **Riverport Flats** in Richmond.

While investors focused heavily on acquiring assets in Vancouver with 37 sales in the first half of 2021, the high number of sales in Victoria (8), North Vancouver (5) and Chilliwack (5) were followed by deals in West Vancouver (3), Langford (2), Campbell River (2) and White Rock (2). Single sales were also recorded in Whistler and Chetwynd. While deal velocity in many primary markets in Metro Vancouver such as Burnaby (3) and Richmond (1) were limited in the first half of 2021, secondary markets on Vancouver Island (Parksville (1), Esquimalt (1), Oak Bay (1) and Courtenay (1)), in the BC Interior (Kelowna (1), Vernon (1) and Penticton (1)) and in the Fraser Valley (Abbotsford (1)) remained attractive to investors, institutional and otherwise. Investors are recalibrating their portfolios as a result of COVID-19 and that often resulted in the disposition of select retail and class B/C office buildings and increased demand for industrial properties and multi-family assets, particularly in less traditional markets.

Transactional activity from institutional investors, private buyers and REITs alike is being largely motivated by near record-low capital costs, particularly when it comes to acquiring assets of scale as well as anticipated rental rate appreciation in the coming years related to rising inflationary pressures. With Canadian inflation hitting 4.4% in September 2021 (the highest since 2003) due to higher fuel and housing costs, rental rates are expected to rise in both existing multi-family buildings and new purpose-built rental buildings. Both trends are contributing to a greater consolidation of ownership among institutions and REITs.

"The fourth quarter can be a curious time for borrowers looking for mortgage financing. By this time of the year many lenders will have met their budgets and are either not lending, being very selective, conservative with their underwriting, and/or increasing their spreads when pricing their loans," says **Don Taylor**, senior vice-president, mortgage services with Avison Young. "Conversely, those lenders who have not yet met budget and are actively seeking loans, can get very aggressive with their loan terms. Now, more than any other time of the year, borrowers have to work harder and search farther for that loan that best fits their needs.

"After dramatic spikes in Government of Canada (GoC) bond yields in Q1 2021 to 1.00% and 1.55% for five- and 10-year terms, respectively, the yields settled back down to a low of 0.75 % and 1.10 % in Q2 and hovered around there for several months. However, in the past few weeks we have seen another quantum leap upward where yields are now at 1.25% and 1.65% for five- and 10-year GoC bonds. Inflation worries and talk that the Bank of Canada may raise rates in 2022 are seen as the biggest contributing factors to this sudden rise in yields."

While higher yields are still possible in smaller BC markets, investors have been aggressively expanding into many of those communities with a preference for newer construction, which has led to a development boom in areas where land is less expensive and more accessible. Demographic shifts related to aging millennials and COVID-inspired resettlement patterns accompanied by a resumption in immigration as pandemic concerns recede combined with inflationary pressures will result in rental rates rising in primary and secondary markets, all of which is powering investor demand for multi-family assets and increases in pricing. These underlying pressures are not anticipated to weaken through 2021 and into 2022. Only the potential of future interest rate hikes in 2022/23 and/or direct government intervention are likely to dampen investor enthusiasm for multi-family assets in the short to mid-term. ■

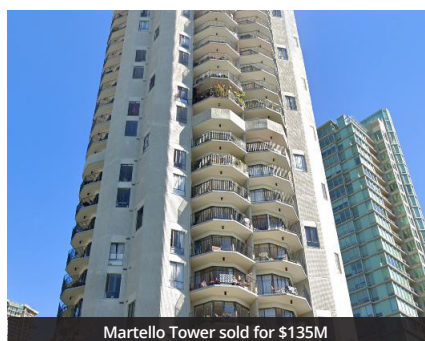


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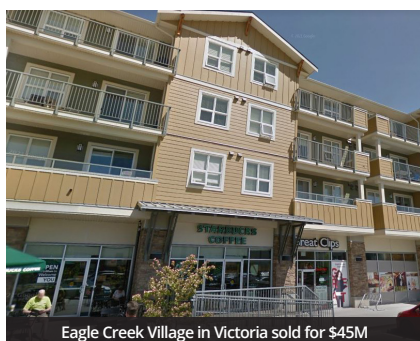
Investment activity in
BC multi-family assets
is increasingly occurring
outside of Metro
Vancouver

Metro Vancouver remains home to the majority of the province's population, but other BC real estate markets, including Victoria and the Capital Regional District along with other Vancouver Island communities, are joining the Okanagan Valley as well as other BC Interior towns as increasingly attractive locations for multi-family investors seeking higher yields.

While local private investors were typically responsible for much of the past investment activity in markets outside of Metro Vancouver, a flight to higher yields, new construction and municipal business environments that are more conducive to multi-family investment have attracted both large private investors and institutional buyers who are increasingly seeing buy opportunities across the province. ■



Martello Tower sold for \$135M



Eagle Creek Village in Victoria sold for \$45M



Kelowna's Carrington View sold for \$54.05M

Metro Vancouver

As home to the majority of the province's 5.1 million residents, Metro Vancouver remains the epicentre of BC's multi-family investment market. However, differences in municipal regulations related to rental housing and multi-family development (combined with council politics) have typically resulted in a significant differentiation in the levels of multi-family investor activity in the core market of Vancouver and the inner (Richmond, Burnaby and the North Shore) and outer (Surrey, Coquitlam, Maple Ridge and Langley) suburbs that make up most of the region.

While multi-family sales in Vancouver in the first half of 2021 were notable in terms of the number of deals completed, larger deals in terms of value were located throughout Metro Vancouver. Municipal regulations around rental properties and multi-family development combined with a prolonged permitting process, strong pricing and low yields, and constrained supply in the City of Vancouver have frequently resulted in a dampening of enthusiasm to invest in the province's biggest city; however, demand appears to have at least temporarily allayed investor concerns who secured several notable assets in both core and inner suburban markets.

Vancouver Island

Victoria, its suburbs and Vancouver Island play a substantial role in BC's multi-family investment market. Apartment sales in Vancouver Island communities, particularly Victoria, first increased notably in terms of deal and dollar volume in 2014 (4 sales) and 2015 (7). As multi-family investment surged provincewide in 2015, pricing got ahead of the market in Victoria, which led investors to take a pause in 2016 (1) before returning in 2017 (9) and looking beyond the city's borders to other communities, including Oak Bay, Langford, Esquimalt, Sidney and Saanich. Vancouver Island apartment sales slowed in 2018 with just six sales in Victoria, Esquimalt and Sidney. However, the flood gates opened in 2019 with 22 transactions in Victoria, Langford, Esquimalt and Saanich. Demand for multi-family assets on Vancouver Island in first-half 2021 – Victoria (4), Langford (2), Esquimalt (1) as well as Courtney (1), Parksville (1) and Campbell River (1) – remained very strong with the Starlight Victoria Portfolio sale in June 2021 (counted as a single Victoria transaction) comprising nine multi-family buildings in Victoria and Esquimalt, likely the largest multi-family transaction dollarwise in Vancouver Island history.

BC Interior

BC's Okanagan Valley, including the cities of Kelowna, Vernon and Penticton, along with the central interior city of Kamloops, remain popular with multi-family investors due to their rising populations, higher yields and typically more business-friendly municipal governments. While more sophisticated private investors and institutions had historically overlooked these markets due to a lack of apartment buildings of scale, new development in recent years has changed their thinking on this popular and growing region of the province.

Three multi-family sales (greater than \$5M) closed in the BC Interior in the first half of 2021 (including one sale in Kelowna that exceeded \$50M, which followed two \$50M+ sales in 2020) compared with five sales in 2019 (three in Vernon and one each in Kelowna and Penticton) and six sales in 2018 (four in Kelowna, and one each in Penticton and Kamloops). The six multi-family sales in 2017 (three in Kamloops, two in Penticton and one in Vernon) marked the arrival of BC Interior markets on investors' radars following three multi-family sales in Penticton in 2016. Investment activity is expected to continue to rise in these communities through 2021.

SELECT REGIONAL TRANSACTIONS (BY \$)			
PROPERTY	LOCATION	PRICE	DATE
Starlight Vancouver Portfolio	Vancouver & West Vancouver	*	Jun 2021
Crestpoint & InterRent Portfolio	Vancouver	*	Jan 2021
Martello Tower	Vancouver	\$135M	Apr 2021
Sundance Apartments	North Vancouver	\$55M	Mar 2021
The Saint George	North Vancouver	\$52.9M	Feb 2021
Park Towers	Vancouver	\$50M	Feb 2021

SELECT REGIONAL TRANSACTIONS (BY \$)			
PROPERTY	LOCATION	PRICE	DATE
Starlight Victoria Portfolio	Victoria & Esquimalt	*	Jun 2021
Eagle Creek Village	Victoria	\$45M	Apr 2021
Peatt Commons	Langford	\$42M	May 2021
Hedstrom House	Langford	\$40M	Feb 2021
885 Dunsmuir Road	Esquimalt	\$19.3M	Jun 2021

SELECT REGIONAL TRANSACTIONS (BY \$)			
PROPERTY	LOCATION	PRICE	DATE
Carrington View	Kelowna	\$54.05M	Feb 2021
City View Garden Apartments	Vernon	\$5.5M	Apr 2021
Brunswick Manor	Penticton	\$5.25M	Mar 2021

BC MULTI-FAMILY TRANSACTIONS (1ST HALF - GREATER THAN \$10M)

PROPERTY	LOCATION	PRICE	VENDOR TYPE	\$/UNIT	PURCHASER TYPE	DATE
Tamarac Apartments 1160 Broughton Street	Vancouver	\$29,750,000	Private	\$396,667	Institutional	Jun-21
Starlight Vancouver Portfolio 2190 Bellevue Avenue, 2222 Bellevue Avenue, 945 Jarvis Street, 1348 Barclay Street & 1454 Pendrell Street	Vancouver & West Vancouver	*	Private	*	Institutional	Jun-21
Lord Stanley Manor 1350 Stanley Avenue	Victoria	\$14,600,000	Private	\$256,140	Private	Jun-21
1364 West 11th Avenue & 1107 West 14th Avenue	Vancouver	\$27,800,000	Private	\$448,387	Private	Jun-21
885 Dunsmuir Road	Esquimalt	\$19,300,000	Private	\$250,649	REIT	Jun-21
Park Lane Towers 1825 Haro Street	Vancouver	\$37,300,000	Private	\$414,444	Private	Jun-21
Starlight Victoria Portfolio 948 Esquimalt Road, 980 Wordsley Street, 1035 Pendergast Street, 1030 Pendergast Street, 3185 Tillicum Road & 275 Burnside Road, 3255 Quadra Street, 1126 Rockland Avenue & 710 Vancouver Street	Esquimalt & Victoria	*	Private	*	Institutional	Jun-21
Le Garrie Court 1366 West 12th Avenue	Vancouver	\$14,600,000	Private	\$486,667	Private	May-21
Shato Inn Hotel 1825 Comox Street	Vancouver	\$9,100,000	Private	\$395,652	Private	May-21
The Lex 1249 Granville Street	Vancouver	\$23,300,000	Institutional	\$495,745	Institutional	May-21
Rainbow Plaza 8200 Bear Paw Lane & 8110 Crazy Canuck Drive	Whistler	\$41,000,000	Private	\$630,769	Private	May-21
Peatt Commons 2854 Peatt Road and 821 Hockley Avenue	Langford	\$42,000,000	Private	\$311,111	REIT	May-21
Eagle Creek Village 2 Watkiss Way	Victoria	\$45,000,000	Institutional	\$394,737	REIT	Apr-21
Martello Tower 1011 Beach Avenue	Vancouver	\$135,000,000	Private	\$613,636	Private	Apr-21
Park West 1869 Comox Street	Vancouver	\$40,800,000	Private	\$474,419	Private	Apr-21
Katherine Anne Apartments 2054 Comox Street	Vancouver	\$10,800,000	Private	\$469,565	REIT	Apr-21
The Aranza 9830 Fourth Street	Victoria	\$18,130,000	Non-profit	\$323,750	Private	Apr-21
Avesta 1629 St. Georges Avenue	North Vancouver	\$10,800,000	Private	\$490,909	Private	Mar-21
6660 Telford Avenue	Burnaby	\$14,700,000	Private	\$312,766	Private	Mar-21
David Apartments 2012 Cornwall Avenue	Vancouver	\$10,075,000	Private	\$503,750	Private	Mar-21
El Greco 366 Howard Avenue	Burnaby	\$12,375,000	Private	\$275,000	Private	Mar-21
The Lugano 8755 Laurel Street	Vancouver	\$10,500,000	Private	\$318,182	Private	Mar-21
Sundance Apartments 143 East 21st Street	North Vancouver	\$55,000,000	Private	\$555,556	Institutional	Mar-21
3670 West 5th Avenue	Vancouver	\$11,500,000	Private	\$460,000	Private	Mar-21
1537 Burnaby Street	Vancouver	\$13,000,000	Private	\$541,667	Private	Mar-21
Park Place Apartments 1970 Fitzgerald Avenue	Courtenay	\$14,000,000	Private	\$106,870	Public Co.	Mar-21
Freidas Villa 1968 West 2nd Avenue	Vancouver	\$13,500,000	Private	\$562,500	Private	Feb-21
Southpoint 2338 South Island Highway	Campbell River	*	Private	*	Institutional	Feb-21
Sandscapes Apartments 155 Moilliet Street	Parksville	*	Private	*	Institutional	Feb-21
Carrington View 2200 Majoros Road West	Kelowna	\$54,050,000	Private	\$290,591	REIT	Feb-21
The Saint George 154 East 18th Street	North Vancouver	\$52,900,000	Private	\$551,042	Institutional	Feb-21
Hedstrom House 1060 Goldstream Avenue	Langford	\$40,000,000	Private	\$336,134	REIT	Feb-21
Riverport Flats 14000 & 14088 Riverport Way, 15011 Steveston Highway	Richmond	\$45,465,000	Private	\$336,778	Private	Feb-21
Barclay Towers 2035 Barclay Street	Vancouver	\$15,200,000	Private	\$542,857	Institutional	Feb-21
Lorron Apartments 1623 Haro Street	Vancouver	\$10,000,000	Private	\$416,667	Private	Feb-21
Park Towers 5815 Yew Street	Vancouver	\$50,000,000	Private	\$602,410	Institutional	Feb-21
The Westwind 2025 Bellevue Avenue	West Vancouver	\$24,500,000	Private	\$583,333	Private	Feb-21
Fir Apartments 1455 Fir Street	White Rock	\$12,800,000	Private	\$220,690	Private	Jan-21
Water's Edge 425 6th Street	West Vancouver	\$11,880,000	Private	\$742,500	Private	Jan-21
Crestpoint & InterRent Portfolio 1885 Barclay Street, 1924 Barclay Street, 1580 Haro Street, 855 Jarvis Street, 1270 Nicola Street, 1461 Harwood Street, 1326 West 13th Avenue, 1355 West 14th Avenue, 2280 West 6th Avenue, 2040 York Avenue, 4640 West 10th Avenue, 8675 French Street, 8740 Cartier Street, 8790 Cartier Street & 1373 West 73rd Avenue	Vancouver	\$292,500,000	Private	\$476,384	Institutional	Jan-21
McLean Manor 1383 East Broadway	Vancouver	\$11,250,000	Private	\$375,000	Private	Jan-21
566 East 44th Avenue	Vancouver	\$10,500,000	Private	\$350,000	Private	Jan-21

Prices denoted by * are share sales where an estimated price has been determined. Sources: Avison Young Research, Commercial Edge & Altus Data Studio

The above chart only lists those multi-family deals greater than \$10M due to space constraints; the first-half total is 78 deals valued at \$1.89B.

TOP 5 RESIDENTIAL LAND SALES IN METRO VANCOUVER (FIRST-HALF 2021)

PROPERTY	PRICE	SITE SIZE (SF)	DATE
1160 Inlet Street, Coquitlam	\$34,551,360	124,582	May-21
1262 Lynn Valley Road, North Vancouver	\$28,188,888	67,220	Jun-21
16174 80th Avenue, Surrey	\$27,600,000	435,600	May-21
215 & 235 East 16th Street & 1540 Sr. Georges Avenue, North Vancouver	\$27,375,000	36,068	Apr-21
277, 289 & 291 West 42nd Avenue, Vancouver	\$24,750,000	19,166	Jun-21

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<https://avison-young-markets.foleon.com/ca-vancouver/vancouver-multi-family/welcome/>

New CMHC report reveals Canadian housing starts fell in September after multi-year high set in early 2021

Home construction activity in BC dropped substantially in September 2021 as multi-family starts fell notably, according to a new report from **Canada Mortgage and Housing Corp.** (CMHC) released October 18.

The report indicated that the province's seasonally adjusted annual rate (SAAR) of housing starts fell to 31,352 units in September from 42,236 in August, a decline of 25%. The slowing was even more pronounced in Metro Vancouver where the SAAR fell to 14,109 units in September compared with 22,394 in August, a drop of 37% month over month. According to CMHC, single-detached and multi-family SAAR starts were both lower in Canada's

urban areas. This led to a decline in overall SAAR starts for the month. On a trend and monthly SAAR basis, however, the level of housing starts activity in Canada remains high in historical terms.

"Among Vancouver, Toronto and Montreal, Vancouver was the only market not to register growth in total SAAR starts. This is due to a decline in the multi-family segment." ■

For more details visit <https://www.cmhc-schl.gc.ca/en/professionals/housing-markets-data-and-research/housing-data/data-tables/housing-market-data/monthly-housing-starts-construction-data-tablesreport-69720-2020-en.pdf>

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