

Research &  
Forecast Report

# THOMPSON OKANAGAN LANDSHARE REPORT

Fall 2018



Accelerating success.



# MARKET SUMMARY

## INTRODUCTION

Government policy (namely the Speculation and Vacancy Tax) has noticeably slowed down land acquisition activity in the Central Okanagan, with Kelowna and West Kelowna's residential land markets recording only 19 transactions in 2018 to date compared to 26 transactions in the same period last year. Although the number of land sales transacted over 2018 so far has decreased, the average price per transaction has increased 22% with just over \$54.1 million in sales in 2018 to date, compared to just over \$60.3 million recorded in the same period last year.

### OVERVIEW

Transaction volume since the second quarter of 2017 continues to be predominantly (69%) focused on land that is currently, or has the potential to be, zoned as medium density or mixed use. In 2018 to date, the average price per buildable square-foot in Kelowna decreased 19% to \$45.69 from \$56.48 for the same period in 2017. This drop primarily reflects a greater number of sales transactions in Kelowna's urban centres, where densities are higher allowing developers to maximize land use and build taller structures on smaller parcels, reducing their overall price per buildable square-foot. Conversely, as development activity ramped up in West Kelowna this past year so did prices for the limited stock of vacant freehold land. During the first three quarters of 2018, the average price per buildable square-foot increased 56% to \$22.38 from \$14.39 for the same period last year.

more affordable housing (compared to the Lower Mainland) continue to draw people in to the region. As a result, housing demand continues to be driven by this growing population, which is projected to reach 220,620 residents by 2023. Despite this, housing starts were down nearly 31% during the first half of 2018 compared to the same period last year, while multifamily units continued to make up much of the new supply.

Developers are exercising caution in response, at least in part, to new policies proposed by the government to address the current housing shortage, which in turn has created some uncertainty among developers. One such example surrounds the Goat's Peak development area in West Kelowna, a new neighbourhood expected to accommodate a future population of more than 2,000 residents. The developer, Staburn Group, announced their decision earlier this year to halt any further development because of the Speculation and Vacancy Tax. According to the Government of British Columbia, the proposed tax is designed to target foreign and domestic speculators who hold vacant property valued above \$400,000 in designated urban areas such as Kelowna and West Kelowna. The reported goal is to increase the current rental pool but has ultimately resulted in developer reluctance to acquire new land given the uncertainty around the Provincial government's housing policies. In its "Speculation Tax Impacts on West Kelowna" report released in July 2018, the City estimated that in the first half of 2018, single family housing development dropped some 40% in West Kelowna, and multifamily housing, the more affordable option, dropped around 45%. This results in not only less homes to accommodate what is projected to be a rapidly growing population, but also a loss of new construction revenue for those cities impacted by the new tax.

Another contributing factor to the drawback in the market is the slower absorption of homes as a result of the stricter mortgage qualification rules introduced at the beginning of 2018. The new rules require all borrowers to qualify for a mortgage based on either the five-year benchmark rate or their lender's actual rate plus two percent, whichever is higher. These factors coupled with an influx of new product recently delivered, under construction or ready to start, has many developers slowing down their acquisition activity.

### CENTRAL OKANAGAN SALES ACTIVITY



### OPPORTUNITIES & CHALLENGES

Population in the Central Okanagan grew 1.4% between 2016 and 2017, reaching 199,103 residents. Factors such as lifestyle, climate, shorter commute times, a growing technology sector and relatively

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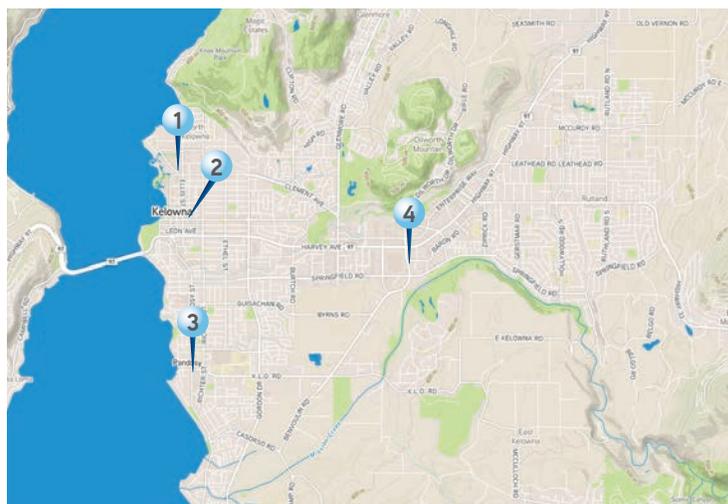
# MARKET SUMMARY

## KELOWNA - URBAN CENTRES

The land market in the Kelowna Urban Centres remains active as the City continues to push forward towards its goal of having the majority of new housing as multifamily inside these centres. Since Q2 2017, there have been 14 sales transactions worth more than \$51.8 million, with most of these transactions (64%) occurring during the first half of 2018. To date in 2018, the price per buildable square-foot is averaging \$38.12, a significant drop (23%) since the second half of 2017 which was averaging \$49.38 per buildable square-foot.

### HIGHLIGHTS

- » The largest sale transaction since Q2 2017 was Mission Group's purchase of the former Bargain Shop site located in downtown Kelowna for \$9.4 million. The property, which has been largely vacant since Bargain Shop's departure from Kelowna in 2010, will be redeveloped into a 3-phase mixed-use development, named Brooklyn at Bernard Block. Phase 1 is located at 1471 St. Paul Street and will feature 178 condominium is expected to be completed during the first half of 2021. Interestingly, the property is zoned for short-term rentals allowing buyers and investors to rent out their homes for periods of less than 30 days.
- » As the most mature urban centres in Kelowna, the City Centre (downtown Kelowna) and South Pandosy neighbourhoods are considered to be some of the most desirable neighbourhoods to call home in Kelowna. As such, we are noticing greater interest from developers to acquire developable land in these neighbourhoods, often paying premiums for these high-density parcels. In the City Centre and South Pandosy urban centres developers paid on average \$108 per square-foot since Q2 2017. In comparison, developers have been able to secure land in the Rutland and Midtown urban centres for an average of \$44 per square-foot.



### KEY SALES

ADDRESS	PRICE	SIZE (SF)	FLOOR AREA RATIO (FAR)	PRICE PER BUILDABLE SQUARE FOOT (BSF)
1. 1187 Sunset Drive	\$9,200,000	123,710	5.30 <sup>1</sup>	\$14.03
2. 1471 St. Paul Street & 560-594 Bernard Avenue	\$9,400,000	64,470	6.00 <sup>1</sup>	\$24.30
3. 3101 Lakeshore Road	\$5,105,000	40,075	1.30	\$97.99
4. 1940 Underhill Street	\$5,700,000	174,240	1.20 <sup>1</sup>	\$27.26

<sup>1</sup> Based off the development permit

Note: Key Sales are large transactions and therefore sometimes reflect a price per buildable square foot that is lower than the market average

### DEVELOPMENT & REZONING PERMITS

#### NOTABLE NEW DEVELOPMENTS:

- » One Water Street: Twin high-rise condominium towers being developed in partnership between North American Development Group and Kerkhoff Construction. Located at the corner of Water Street and Sunset Drive in downtown Kelowna, the two towers will feature 408 residential units and approximately 16,000 SF of ground floor retail space.
- » Capri Redevelopment: While a temporary hold has been placed on the Capri-Landmark Urban Centre plan, the first phase of redevelopment at the Capri Centre mall has received the green light. RG Properties plans to build a 22-storey residential tower featuring 218 units at the corner of Sutherland Avenue and Capri Street. This initial project phase represents the first of seven similar high-rise towers.

#### AVERAGE LAND SALES RANGE (Price per Buildable Square Foot)

	2016/2017	2017/2018
Apartment	\$28-\$53	\$46-\$68
Mixed Use	\$15-\$36	\$14-\$28

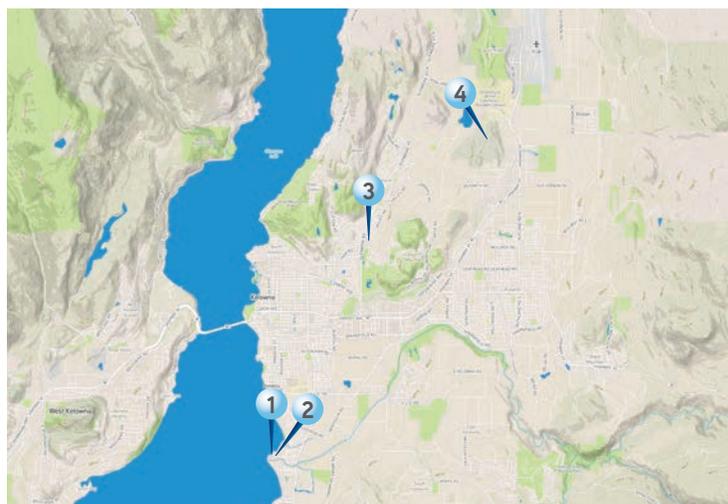
# MARKET SUMMARY

## KELOWNA - OTHER

Since Q2 2017, Kelowna saw 18 multifamily land transactions outside its urban centres worth just over \$37.9 million. The average price per buildable square-foot in these areas was approximately \$64.44 during this period, 53% higher than Kelowna's urban centres. This difference reflects the ability to achieve higher densities (with floor area ratios up to 9.00) in urban centres compared to outside of them, where the maximum floor area ratio is 1.50, excluding bonuses.

### HIGHLIGHTS

- » The largest sale transaction outside the Kelowna urban centres was the purchase of 3854-3858 Truswell Road in the Lower Mission by the Minglian Group for \$7.1 million. The owners plan on developing a 12-storey, 56-unit apartment hotel on the site.
- » Also of note since Q2 2017 is the disposition of three lots at the 'Glenmore Valley Landing' development site, including 720, 726 and 728 Valley Road, for just over \$7.1 million. In December 2017, R&B Construction acquired one of the sites, 720 Valley Road, for \$2.4 million with plans for a 49-unit townhome development named Trellis at Glenmore Valley Landing.
- » Overall, prices outside of Kelowna's urban centres have been relatively more affordable for developers averaging \$39.19 per square-foot over the past 15 months. Notwithstanding a few outliers, typical prices outside of Kelowna's urban centres have been between \$15 and \$49 per square-foot with developers able to secure developable land more affordably in popular areas like the University District, Lower Mission and Glenmore.



### KEY SALES

ADDRESS	PRICE	SIZE (SF)	FLOOR AREA RATIO (FAR)	PRICE PER BUILDABLE SQUARE FOOT (BSF)
1. 3854-3858 Truswell Road	\$7,100,000	56,410	1.50	\$83.91
2. 529 Truswell Road	\$3,721,542	31,215	1.50	\$79.48
3. 720 Valley Road	\$2,400,000	116,305	0.75	\$27.51
4. 625 Academy Way	\$2,300,000	84,942	0.70 <sup>1</sup>	\$38.86

<sup>1</sup> Based off the development permit

Note: Key Sales are large transactions and therefore sometimes reflect a price per buildable square foot that is lower than the market average

### DEVELOPMENT & REZONING PERMITS

#### NOTABLE NEW DEVELOPMENTS:

- » Aqua: Mission Group's Aqua Resort will feature three apartment hotel towers, ranging between 12 to 16 storeys in height, and a mix of luxury townhomes creating 319 new residential units in the Lower Mission. Located adjacent to the Cook Road Boat Launch, the development will also feature separate boat storage/ valet and ground floor retail units.
- » 3x3 Kelowna: A new strata condominium development by Ocorp Development located in North Glenmore on Drysdale Boulevard. The development will be completed in three phases, with phase 1 currently pre-selling for \$495 per square-foot (average). Anticipated completion of the entire project is expected to be by Q4 2022 with a total of 171 condominium units.

#### AVERAGE LAND SALES RANGE (Price per Buildable Square Foot)

	2016/2017	2017/2018
Townhouse	\$20-\$40	\$20-\$70
Apartment	\$20-\$48	\$29-\$48
Mixed Use	N/A	\$37-\$84

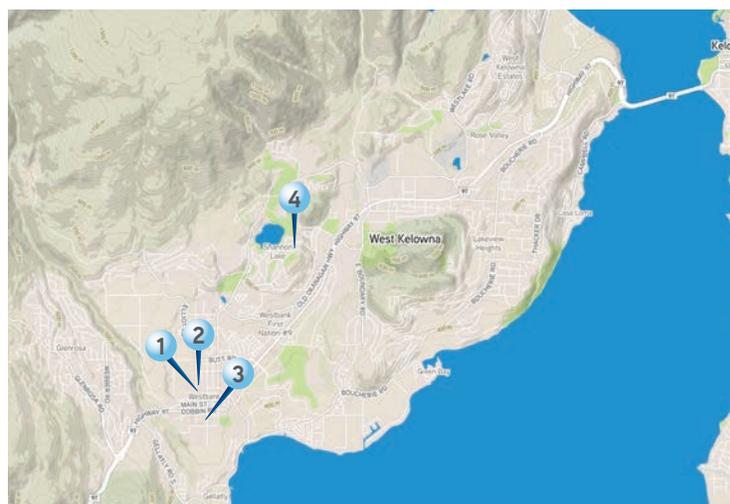
# MARKET SUMMARY

## WEST KELOWNA

Since Q2 2017, there have been a total of 6 multifamily land transactions in West Kelowna worth just over \$9.4 million. Most of these transactions occurred during the last half of 2017, which recorded 4 transactions totaling just over \$4.8 million. This is an increase from the first half of 2017, which saw only 2 transactions worth just over \$3.8 million. Looking ahead, with the city already feeling the impacts of the new Speculation and Vacancy Tax, we expect to see a continued slow down in multifamily land acquisitions resulting in less new development in the city.

### HIGHLIGHTS

- » The largest sale transaction was the purchase of the 2.64-acre site at 3623 Elliott Road for \$4.3 million by Ironclad Developments. Zoning on the site includes a special provision for extra height for this project (6 storeys instead of 4 storeys). The purchaser specializes in the development of multifamily apartments, which could mean that more rental stock may be on its way to West Kelowna.
- » In September 2017, WestUrban Development completed the purchase of 3641 Elliott Road for \$2.15 million. In March 2018, the City of West Kelowna approved their development permit for this site which proposed two 4-storey apartment buildings with 140 units total.
- » Overall, prices in West Kelowna are relatively more affordable (compared to Kelowna) averaging \$18.72 per square-foot over the past 15 months. In particular, land acquisitions near the downtown core, where densities are typically higher, have been achieving rates between \$24 and \$42 per square-foot. As you move away from the downtown core, where densities are much lower, pricing has been typically more affordable ranging between \$9 and \$20 per square-foot.



### KEY SALES

ADDRESS	PRICE	SIZE (SF)	FLOOR AREA RATIO (FAR)	PRICE PER BUILDABLE SQUARE FOOT (BSF)
1. 3641 Elliott Road	\$2,150,000	89,734	1.40	\$17.11
2. 3623 Elliott Road	\$4,300,000	114,998	1.40	\$26.71
3. 3788-3792 Brown Road	\$1,050,000	28,532	2.35	\$15.66
4. 1980 Upper Sundance	\$1,050,000	52,708*	1.00	\$19.92

\*Actual lot size is 87,991 square feet but usable is only 52,708 square feet

Note: Key Sales are large transactions and therefore sometimes reflect a price per buildable square foot that is lower than the market average

### DEVELOPMENT & REZONING PERMITS

#### NOTABLE NEW DEVELOPMENTS:

- » Blackmun Bay: Proposed development by Landstar Development Corporation in Casa Loma featuring 280 condominiums, 60 townhomes, a 120-room hotel and a 241-slip marina.
- » NEO: A 48-unit condominium building by Highstreet Ventures on Majoros Road currently under construction. The project is reportedly 79% pre-sold with an expected completion date of January 2019.
- » Camber Heights: Located in the Shannon Lake neighbourhood, this new development by Millennial Developments features 30 terraced, single level townhomes across five buildings. Construction began last year and the final phase is expected to be completed for Winter 2018/19.

#### AVERAGE LAND SALES RANGE (Price per Buildable Square Foot)

	2016/2017	2017/2018
Townhouse	\$9-\$13	\$12-\$20
Apartment	\$7-\$22	\$17-\$27
Mixed Use	N/A	\$9-\$18

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# 413 offices in 69 countries on 6 continents

United States: **145**

Canada: **28**

Latin America: **23**

Asia Pacific: **86**

EMEA: **131**

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## \$2.7B

US\* in  
annual revenue

## 2B

square feet  
under management

## 15,400

professionals  
and staff

\*Based on 2017 results

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