

Demand driving market upswing for commercial strata properties

Okanagan host to a boom in major mixed-use development projects

Business in Vancouver

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Commercial stratas rise

Commercial strata units haven't always enjoyed the best reputation among real estate investors.

Over the past year, however, development around the hub of Broadway-Kingsway-Main Street has given local strata units an average lift of close to 50 per cent. That's nearly twice the municipal average, according to a BC Assessment report issued earlier this year.

Demand this year has remained steady, said Roger Tham, principal of Corbel Commercial Inc.

Tham has sold several strata units for retail and office use both downtown and in the Mount Pleasant area over the past year. The activity is split equally between owner-occupiers and investors, he said.

JJ Barnicke Vancouver Ltd. reports that commercial strata unit sales in Vancouver valued at more than \$250,000 have increased in the past two years, but total sale values have dropped even as square-foot pricing has increased.

In 2004, 70 properties changed hands for a total of \$43 million, or \$388 a square foot. During the first six months of this year, approximately 38 properties worth \$23.4 million changed hands at an average of \$391 a square foot.

Strata units give small businesses office space they can afford without the risk of rent increases, Tham said, while investors see the demand for office space and see the units as affordable alternatives to full-scale office properties.

"It's more affordable for them, and they can still get a good cap rate," he said.

The interest has helped drive up property values, Tham said.

A lack of product is also a factor.

Values for Yaletown commercial strata units have increased by a third over the past year, according to the BC Assessment report.

With only four stratified properties in the neighbourhood, values are likely to increase as demand rises, Tham said.

"There's really not a lot," he said.

Ironically, Tham wants to find a strata unit for his own firm, which he started in May. He hopes there'll be something suitable for him when he begins his hunt next year.

Okanagan cornerstone

Kelowna's rise as the premier resort development site in Canada is prompting Vancouver's 20/20 Group Inc. to launch a \$1.5 billion resort development in Lake Country, just north of the city.

20/20 president John Murphy said a mix of educational institutions, health-care services and transportation make the central Okanagan a prime site for resort development, on a par with Arizona.

LakeStone, a high-end resort development located on a 500-acre site with lakefront access, has drawn four times the interest 20/20 expected, Murphy said. The property is slated for development over the next dozen years, but Murphy doesn't think buyers will have to wait that long.

"It takes individual elements that whole resorts have been built on and puts them together in one resort," Murphy said. "We've got water, wine and golf, all in one location."

Mixed-use development projects such as LakeStone are proliferating throughout the Okanagan.

Earlier this year, Concord Pacific announced that it was developing Greata Ranch Vineyard Estates near Peachland. Meanwhile, Okanagan Hills Development Corp. is proceeding with the Rise, a \$1-billion resort community near Vernon that includes a beach club, golf course and vineyard.

Murphy said 20/20's interest in resorts reflects demographic trends, paralleling its earlier interest in multifamily properties.

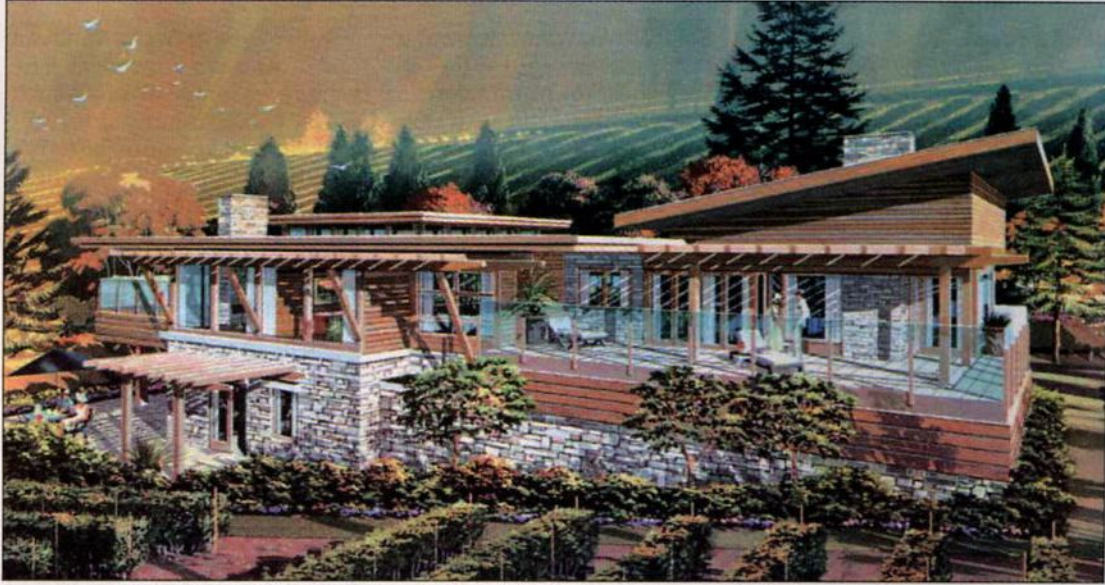
20/20's other resort investments include two more Okanagan properties as well as Hudson Bay Mountain in northern B.C. and a US\$230-million portfolio in Arizona. It purchased a 91-unit hotel in Mexico in July.

20/20 also holds over \$1 billion in multifamily properties on behalf of investors, and this fall will launch 20/20 Financial to provide real estate financing services.

Major projects break new ground

Judging by the latest issue of the province's Major Projects Inventory, stats regarding the province's biggest development projects may not be telling the whole story. The situation could be rosier than reported.

The B.C. Ministry of Economic Development proudly touted the fact that there are more than \$100 billion worth of projects on the books for B.C. A project such as Victoria's Dockside Green is pegged in the inventory at \$350 million. But set against the latest cost reported in this paper of at least \$500 million, one realizes that the actual value of all those projects could be worth much more to the province than is currently being reported.



Cornerstone: 20/20 Resorts' LakeStone development in Lake Country just north of Kelowna is the group's largest project in the Okanagan, which 20/20 considers Canada's premier resort area