

B.C. multi-family market continues magnetizing investment

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17 Apr 2019

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Multi-family investment volume in B.C. exceeded the billion-dollar mark for the second straight year in 2018, according to new research by Avison Young.

The *Spring 2019 BC Multi-Family Investment Report* – which specifically tracks multi-family investments valued at more than \$5 million – showed that activity in this asset class reached \$1.51 billion in 2018, establishing a new dollar volume record.

This considerably outstripped the \$1.41 billion seen in 2017, although that year still holds the record in terms of the total number of transactions with 89 completed deals, Avison Young stated.

And there are little to no indications that this trend will cool down any time soon, the study added.

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“Despite a tightening of underwriting criteria, particularly related to acquisitions that involve a significant land and/or redevelopment component contributing to the overall value proposition, access to financing remained key in a record-setting 2018 as potential interest hikes failed to materialize in the latter half of the year. As a result, the cost of capital for qualified buyers remained low by historical standards and will likely remain so for the near term.”

However, despite steady investment activity last year, Avison Young observed that the market is increasingly becoming top-heavy.

“Low-yield deals were largely absent in the market in the second half [of 2018] as some investors started reconsidering their asset repositioning strategies,” the report noted.

“Political intervention, which started with the recommendations from the provincial Rental Housing Task Force – particularly the change to the province’s rent increase formula that saw the current formula of inflation plus 2% reduced to inflation only – has had a significant impact on the multi-family market. Municipal elections in October 2018 also resulted in many local city councils adopting more of a pro-tenant stance and displaying more anti-development bias. This has largely resulted in the exit of most of the aggressive value-add investors from the Metro Vancouver market.”

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