

BC APARTMENT INSIDER

Does Your Strata Corporation Have the Right Ingredients for Dissolution Success?

See how dissolving your strata can be the best solution for you and why it is imperative to choose the right team for the job.

1830 ALBERNI ST.
VANCOUVER, BC
A SUCCESSFUL
STRATA DISSOLUTION



What Does the Future Hold for the Vancouver Real Estate Market?

Read about what **Dan Scarrow**, Vice President of Macdonald Realty, believes to be the forces driving this market and where it will be heading in the coming months.

\$52,000,000

SOLD

Listings & Sales

2017-2018

For more inside information on BC apartments visit us at: bcapartmentinsider.com



Available

620 Pine St. Nanaimo

12-Suite apartment building in Nanaimo
\$1,988,000



Coming Soon

1315 7th Ave. New Westminister

Fully Renovated 27-Unit apartment building in New Westminister
Contact Us for Price



Coming Soon

1630 Burnaby Street Vancouver

Fully Renovated 21-Unit apartment building in Vancouver's West End
Contact Us for Price



Sold

22535 Royal Cres. Maple Ridge

11- Suite Apartment building
\$1,650,000



Sold

33554 Switzer Avenue Abbotsford

20-Suite Apartment building
\$2,788,888



Sold

1830 Alberni St. Vancouver

53-Unit strata dissolution with redevelopment potential
\$52,000,000



Sold

328 Seymour River Place North Vancouver

Development Site
\$2,079,000



Sold

76/86/96 W. King Edward Ave. Vancouver

Development Site
\$16,250,000



Sold

866 E. Broadway, Vancouver

6-Suite apartment building with 2013 sq.ft. of ground floor retail space
\$3,050,000

Listings & Sales

2017-2018

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**31 Roberts Street
Nanaimo**

Apartment building
\$495,000



**33359 2nd Ave.
Mission**

Apartment building
\$1,440,000



**3615-3617 W. 10th Avenue
Vancouver**

Triplex
\$2,550,000



**9493 Cook Street
Chilliwack**

Apartment building
\$1,600,000



**1315 Seventh Avenue
New Westminister**

Apartment building
\$4,900,000



2831 E. 3rd Ave. Vancouver

3-Suite 1912 character home located in prime Kitsilano neighbourhood
\$2,988,000



**1090 Wilson Cres.
Squamish**

13-Unit apartment building with below market rents in Squamish
\$1,925,000

Density Through Dissolution

Effective July 28, 2016, strata owners are now able to terminate (wind up) their strata corporation with an 80% vote instead of the previous difficult-to-achieve unanimous voting requirement. Many other jurisdictions, including Alberta and Ontario, do not require a unanimous vote to terminate.

The 80% vote means the termination resolution must have 80% approval of all the registered owners. It is not a quorum vote. Unlike majority and 3/4 votes, it is not an 80% vote of those owners present, or holding proxies, at the meeting. For strata corporations with fewer than 5 strata lots, the 80% voting threshold is effectively unanimous.

<https://www2.gov.bc.ca/gov/content/housing-tenancy/strata-housing/termination>

1830 Alberni: The Story of a Successful Strata Wind-Up

By Chris Tigas

As a 53-unit strata dissolution in the West End of Downtown Vancouver, 1830 Alberni represents one of the largest and most significant strata wind ups to date. A deal that took almost three years in the making, with multiple offers and a selling price of \$52,000,000, it sets a new market high for the neighbourhood and new benchmark for strata dissolutions. A deal this big however, surely came with its own fair share of hardships.

1830 Alberni demonstrates that large scale strata dissolutions are most certainly achievable when given the appropriate conditions and capable people for the job. A strata dissolution process that took almost three years to see completion, 1830 Alberni is one that broker, **Dan Schulz** will tell you was not an easy endeavour. The process started prior to the passing of Bill 40, meaning the original goal was to synchronize the dissolution of 1830 Alberni with the passing of Bill 40. Many brokers who attempted these kinds of deals prior to July 2016 would tell you that obtaining a unanimous vote was a near impossible feat. **Fortunately, the province recognized the need for strata owners to dissolve of their strata corporation and passed Bill 40 in July of 2016. With the passing of Bill 40 we saw the province relax the unanimous condition down to an 80%**

compliance with a final approval from the BC Supreme Court.

Although this change brings lots of hope to potential dissolutions, deals are still challenging to achieve, and even more so for larger unit assemblies.

“What makes strata dissolutions challenging, is in this case, keeping 53 owners in tact and moving in the same direction”

- Brian Tattrie

Luckily the conditions surrounding 1830 Alberni provided solid grounds for a healthy negotiations process. Firstly, the land which 1830 Alberni was situated on was zoned to have a higher FSR than what was currently built; therefore no need to apply for rezoning. This provided a strong incentive for the owners to work together to sell as a whole, rather than separately, to negotiate a higher price with a developer. Furthermore, the property was located in the West

was located in the West End of Downtown Vancouver, a prestigious neighbourhood with extremely limited space to build making it a highly covetable area for developers. The conditions surrounding 1830 Alberni, made the site a rare gem in downtown Vancouver, all that was needed was the right team to facilitate the job.

After interviewing many Realtors, the Strata Corp. VR365 chose Dan Schulz and Brian Tattrie of Macdonald Commercial Real Estate to represent them, possessing over 50 years of experience in the industry between them. Schulz and Tattrie had originally started working on the project in 2015 and brought it to market for the first time in March of 2016, prior to the passing of Bill 40.

After Bill 40 was passed in July of 2016, the team took 1830 Alberni to market for a second time with a two round bidding process. The first round generating 12 offers and the second round generating 6, with the sale price having gone up a staggering \$20,000,000 from round one to round two. All the while the team had to work closely with the strata council and its 53 owners to keep them moving in the same direction- challenging to say the least.

After many meetings with the owners and the strata council, the team managed to get 43 of the owners, which was about 81%, to agree on dissolving- just barely making the threshold that Bill 40 permits. Once all was said and done, the final ticket price of 1830 Alberni had gone up to \$52,000,000, which equates to just under \$1,000,000 per unit and about \$875/buildable sq.ft. - a price that goes substantially above the current market value. Through favourable conditions surrounding the site and skillful negotiations between owners and buyers, Schulz and Tattrie were able to close one of the largest strata dissolution deals to date, all the while setting a new record high in market value for the West End.

Is Your Strata Ready to Dissolve? Ask yourself these questions...

- Are the costs of maintenance no longer economically viable?
- Does your land have potential for redevelopment? ie. Can your apartment be redeveloped to have more units?
- Is your apartment reaching the end of it's life-cycle with new developments in the surrounding area?

"How the times have changed" says **Tony Letvinchuk**, Managing Director of Macdonald Commercial, as he recalls a time when strata conversions (the process of converting apartment rentals into stratified units) were the hot topic for deals done in the Lower Mainland.

"25 years ago there was a big push to convert to strata, today redevelopment is in favour because of aging stock"

- Tony Letvinchuk

Tony's words could not fall closer to truth. With Vancouver's geographical constraints on urban sprawl, and an ever-increasing populus, we are in an urgent state of demand for more housing supply. Solutions to the problem will have to come in the form of densification if we are to see further growth in the city- and this is what we are currently seeing happen across the city.

There is a big push to create more housing stock in this city; vacancy rates are at an all time low and Vancouver is ranked one of the most unaffordable cities in the world. We are seeing rapid growth in the surrounding municipalities of Burnaby, Surrey and Richmond but if Vancouver wants to maintain its own growth within the core it will have to continue revising community plans, and seek upwards to unlock more space for housing. Strata dissolutions are one of many solutions that can help unlock this potential as we've seen with 1830 Alberni and considering the current circumstances, we will be seeing more opportunities like this arise in the near future.

For more information regarding the sale process of 1830 Alberni St, check out our video:

www.youtube.com/watch?v=C_U_3INM-DU





Pictured Above: Dan Scarrow, Vice President of Macdonald Real Estate Group

Market Opinion from Dan Scarrow

Dan joined Macdonald Realty in 2006 as the Executive Assistant to Lynn Hsu, President & CEO of the Macdonald Real Estate Group. In 2008, Dan moved into sales where he sold in excess of \$50 million in his first year and received an Award of Excellence in 2009. In March of 2010, Dan moved back into management, becoming VP Corporate Strategy of the Macdonald Real Estate Group. In this role, Dan is responsible for developing strategies for the company as a whole, including: corporate and franchise expansion in BC, the development of company and agent programs, and acquisitions of property related services complimentary to the company's full service stature.

The past few years have seen unprecedented change in the BC real estate industry. While price inflation has been the big story, there have also been rapid shifts in market preferences, intense competition within the industry, concerns about eroding professional standards resulting in the introduction of a new regulatory regime, and changes in government policies that have all presented major challenges. Moreover, the trend toward rapid change is likely to continue in 2018.

Where the market is heading is anyone's guess, and the uncertainty is greater than ever, with strong forces working both for and against continued price escalation.

Headwinds keeping prices in check include:

- Increasing Capital Controls for money coming out of Mainland China
- Talk from the BC Provincial Government that they want to see prices not just soften, but fall
- Policy changes in the recent BC Provincial government aimed at curbing real estate price growth, including punitive extra property purchase taxes applied to "foreign" buyers
- Existing High Prices
- Rising Interest Rates
- A mortgage lending Stress Test designed to ensure new mortgagees can afford rising rates
- The Vancouver Empty Homes Tax

However, tailwinds, possibly more forceful than the headwinds, include:

- Continued historically-low interest rate environment
- Demographics that show that the Millennial generation has just surpassed the baby boomers in size and are just entering their prime household formation years
- The strongest economy in Canada with an historically low unemployment rate
- An increase in Canadian immigration from 250,000/year to 340,000/year
- Record numbers (100,000+) of foreign students in BC schools many of whom come from prosperous families whose agenda is to enable the kids to immigrate to Canada after completion of their studies
- 1.5 million 10-year unlimited entry Visas issued to Chinese nationals in only 3 years
- A vibrant hi-tech sector that lures many well paid young professionals to the province
- The fact that BC is a prime retirement destination for aging baby boomers from all over the country
- One of the highest household net worth averages in North America at \$1.6 million/-household
- Growing political uncertainty in China, the major source of foreign capital invested in BC real estate

Interestingly, while the strongest headwinds are driven by BC government policy, so are some of the more pronounced tailwinds, such as the policies of encouraging tourism and promoting the province as a destination for foreign students. Moreover, Federal government immigration programs, ostensibly aimed at economic development in other provinces, in fact drive billions of dollars annually into BC's residential real estate market. In the realm of policy, it is possible that Federal policies will overwhelm anything done at the Provincial or Municipal levels. And, of course, the most forceful tailwinds are still being generated by pure economic fundamentals of low supply and strong demand.

Along with all of the uncertainties, the BC Provincial government recently introduced budget measures that will impact the real estate industry. They are:

- An increase in the Property Transfer Tax rate for values above \$3 million from 3% to 5%
- An increase in the School Tax on residential property of 0.2% that will apply to property values above \$3 million and 0.4% on property values over \$4 million
- An increase in scope and rate of the Foreign Buyers' Tax from 15% to 20% and adding:
 - Metro Vancouver (already included)
 - Fraser Valley Regional District
 - Capital Regional District (Victoria)
 - Regional District of Central Okanagan (Kelowna)
 - Regional District of Nanaimo
- A new annual Property Speculation Tax of 0.5% in 2018 and rising to 2% in 2019. The tax will target owners of property who pay little or no BC Provincial tax. Details to follow in the Fall.

While the BC Provincial government has pushed these reforms as affordability measures, they may in fact encourage wealthier buyers to compete for cheaper properties or rent. This could push up rents and prices for entry-level homes. Consequently, some of these policies appear to be pure tax increases rather than honest efforts to improve housing affordability for British Columbians.

Although there is some uncertainty with the market, we are very humbled by our strong business foundations that have served us during moments like this. In addition, we are intensely proud of our Realtors, Staff, and Managers' collective achievements in 2017. In the following weeks, we will be sharing more details as to what's to come in 2018 from Macdonald Realty, as we prepare to celebrate.



2018 Apartment Sales Report

First Half | Jan. 1st - May 31st

Abbotsford

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
32043 Tims Avenue	\$1,860,000	8		\$232,500	Low Rise Apartment	2018-01-02

Burnaby

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
7110 Linden Avenue	\$8,400,000	30	2.30%	\$280,000	Low Rise Apartment	2018-01-31

Chilliwack

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
32043 Tims Avenue	\$2,150,000	29		\$232,500	Low Rise Apartment	2018-02-15

Coquitlam

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
1411 Hachey Avenue	\$4,500,000	22		\$204,545	Low Rise Apartment	2018-02-28

Langley

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
20669 Eastleigh Crescent	\$2,745,000	7		\$392,143	Townhomes	2018-01-23

New Westminister

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
311 Ash Street	\$6,480,000	27		\$240,000	Low Rise Apartment	2018-05-10
420 11th Street	\$13,400,000	61	3.50%	\$219,672	Low Rise Apartment	2018-04-05
610 Blackford Street	\$6,670,000	29	3.40%	\$230,000	Low Rise Apartment	2018-01-18
304 Third Avenue	\$5,900,000	17	4.10%	\$347,059	Low Rise Apartment	2018-05-31
329 7th Street	\$4,830,000	21		\$230,000	Low Rise Apartment	2018-01-18
404 7th Street	\$9,250,000	42		\$220,238	Low Rise Apartment	2018-01-17

North Vancouver

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
150 East Keith Road	\$26,493,283	39		\$679,315	High Rise Apartment	2018-04-05
3701-3817 Princess Ave.	\$41,855,000	57	4.10%	\$734,298	Townhomes	2018-04-30

Vancouver

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
3618 East Hastings Street	\$5,725,000	9		\$636,111	Low Rise Apartment	2018-01-08
3622 East Hastings Street						
225 North Garden Drive	\$5,739,130	18		\$318,841	Low Rise Apartment	2018-05-31
2067 Pandora Street	\$3,200,000	8		\$400,000	Low Rise Apartment	2018-03-21
1501 Haro Street	\$81,850,843	144	2.60%	\$568,409	High Rise Apartment	2018-04-05
825 East 8th Avenue	\$14,350,000	41	1.90%	\$350,000	Low Rise Apartment	2018-02-01
2425 York Avenue	\$12,100,000	24	1.90%	\$504,167	Low Rise Apartment	2018-04-05
1550 Harwood Street	\$6,160,000	4			Low Rise Apartment	2018-01-24
2333 Oxford Street	\$16,260,870	51		\$318,841	Low Rise Apartment	2018-05-31
1406 Laburnum Street	\$6,825,000	10	2.50%	\$682,500	Low Rise Apartment	2018-04-11
1110 West 10th Avenue	\$10,420,000	23		\$453,043	Low Rise Apartment	2018-02-28
1005 Jervis Street	\$65,115,338	135	2.60%	\$482,336	High Rise Apartment	2018-04-05
8860 Montcalm Street	\$7,800,000	24		\$325,000	Low Rise Apartment	2018-02-22
230 Princess Avenue	\$1,300,000	13		\$100,000	Rooming House/Hotel	2018-04-27
8616 Fremlin Street	\$2,840,000	8	2.50%	\$355,000	Low Rise Apartment	2018-05-02
736 East Broadway	\$2,800,000	6		\$466,667	Commercial/Apartment	2018-02-10
8623 Selkirk Street	\$11,880,000	31		\$383,226	Low Rise Apartment	2018-05-01

White Rock

Address	Price	Suites	Cap Rate	Avg. Price/Door	Type	Sale Date
1509 Martin Street	\$11,700,000	42	3.60%	\$278,571	Low Rise Apartment	2018-02-19

VANCOUVER 2050

Build, Broker, Buy, Insure, Roof, Plumb,
Wire, Glaze and Property Manage this:



Our Great City Needs New, Energy Efficient
Rental Buildings. Lots of Them.

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