



Victoria Multifamily Report

2023 Year-to-Date Report



Market Overview

The changing economic landscape is exerting pressure on investors, landlords, and developers in the Greater Victoria multifamily investment sector. As the interest rate environment and inflation take their toll, the overall sales in the sector have started to experience the impact.

The Greater Victoria multifamily market has experienced a slow start to the year due to prevailing economic conditions experienced across Canada. The January to June total sales volumes of \$102,322,500 in contrast to last year's \$670,625,825 reflects this reality.

Investor demand is beginning to feel the impact of the Bank of Canada interest rate rise to 5% in July of 2023. Nevertheless, Victoria's market displays resilience due to its historically low vacancy rate and potential for rental realization, making financing still within reach for some investors.

The \$500 million Rental Protection Fund is still in the process of building their team and systems to run the fund. This capital grant is specifically reserved for non-profit housing organizations, aiming to support them in acquiring established rental apartment properties with the objective of expanding affordable housing options. Non-profits and societies are patiently waiting as the pre-qualification application portal has opened on the site; The portal screens the eligibility of organizations that apply.

CMHC multifamily insurance premiums have risen due to elevated risk within the Canadian market. As a result of announcing an effective date of June 19th,

there was a rush from purchasers to submit their applications to avoid the extra cost associated with the rate hikes. This rush created a bottle neck effect that has reduced the speed of CMHC reviewing process prolonging financial underwriting to +/- 4 months.

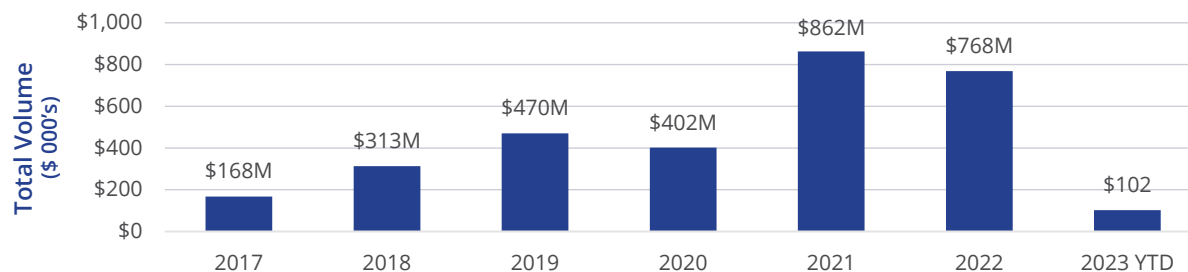
Currently there are 17 multifamily listings valued at over \$2 Million in the Greater Victoria Area, with Collier's responsible for 9 of them, accounting for 53% of the total listings. This shortage of product in the market is a result of vendors choosing to hold onto their inventory and wait for prices to rebalance.

Presently, there are 6,162 rental units under construction in the Greater Victoria Area. Of these units, 68 are for student housing, 684 are slated to be affordable housing, 396 are dedicated to senior housing, 92 are supportive housing, and the remaining 4,922 are market rentals.

Institutions and REITs are witnessing a robust demand for new properties, and they remain interested due to achievable cap rates ranging from 4.5% to 5.25%. Victoria's market fundamentals are strong, and rental rates remain high as the supply pipeline struggles to meet the sustained and growing demand.

Historical Sales Volume

Total Multifamily Sales by Dollar Volume / Year



Established Inventory:

Average Price/Unit:

\$286K



New Inventory:

Average Price/Unit:

\$482K

Est. Average Cap Rate:

3.66%



Est. Average Cap Rate:

4.62%

Transaction Volume:

\$33M



Transaction Volume:

\$69M

Units Sold:

120



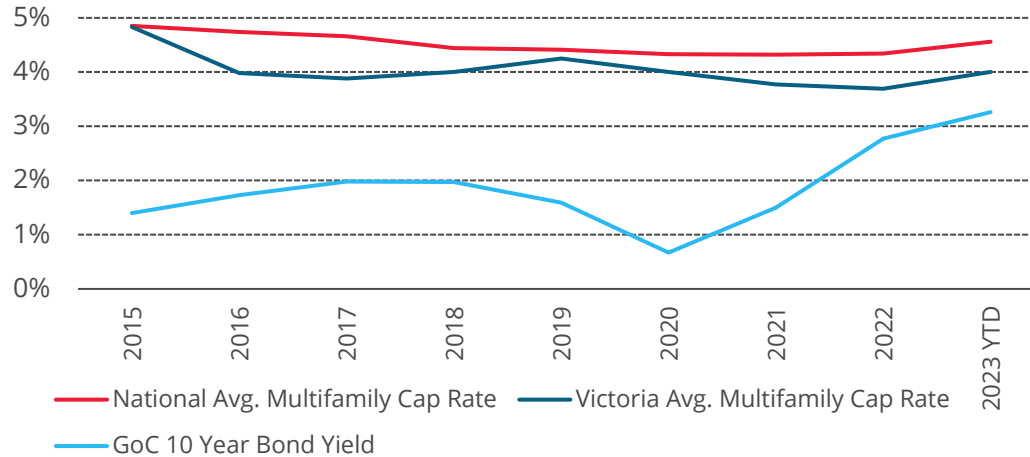
Units Sold:

145

Investment and Market Activity

National Cap Rates vs Bond Yields

National vs Greater Victoria Comparison



Notable Transactions

January – June

| Address | Sale Date | Sale Price | Units | \$/Unit | Year Built |
|---|-----------|--------------|-------|--------------|------------------|
| 2830 Peatt Road | 4/26/2023 | Confidential | 124 | Confidential | 2022 |
| 954 & 967 Dingley Dell Road & 7088 Wallace Drive* | 6/23/2023 | \$20,650,000 | 78 | \$264,743.59 | 1972, 1965, 1977 |
| 919 Caledonia Avenue | 5/18/2023 | \$9,300,000 | 19 | \$489,473.68 | 2021 |
| 160 Beechwood Avenue | 4/24/2023 | \$2,600,000 | 5 | \$520,000.00 | 1912 |
| 928 Bay Street | 4/19/2023 | \$2,347,500 | 12 | \$195,625.00 | 1912 |
| 1024 Pakington Street | 4/27/2023 | \$1,800,000 | 6 | \$300,000.00 | 1901 |
| 62 Linden Avenue | 5/31/2023 | \$1,575,000 | 6 | \$262,500.00 | 1910 |
| 1520 Gladstone Avenue | 1/20/2023 | \$1,500,000 | 6 | \$250,000.00 | 1912 |
| 949 Convent Place | 3/30/2023 | \$1,050,000 | 5 | \$210,000.00 | 1948 |

*Portfolio Sale

Source: Colliers, Landcor

Greater Victoria Rental News



City council taking action to address increasing number of short-term rentals

Victoria City Council has taken action to address the challenges posed by the short-term rental housing market. In a unanimous decision, council approved several changes to the short-term rental regulations to gain better control over the industry. The purpose of this action is to alleviate the burden on city staff, reduce costs, and address the ongoing housing crisis. The approved changes include increased fees, higher fines for non-compliance, restrictions on acceptable use of certain units, and redefined terms in the bylaw. This move comes as the short-term rental industry presented significant problems by taking housing units off the market during a housing shortage while imposing costly and time-consuming policing and management burdens on the city. A councilor highlighted that around 700 licensed units are regulated, while tracking companies claim over 1,300 active short-term rentals in Victoria, making the need for enhanced control even more urgent.



Victoria's largest purpose-built affordable rental project is complete adding 130 rental homes to the Market (1021 Johnson Street)

Amidst the housing challenges, there are positive developments in Victoria's rental housing sector. The Dalmatian, a collaboration between the Province (BC Housing), the City of Victoria, Pacifica Housing, and Jawl Residential located at 1021 Johnson Street stands as the largest purpose-built affordable rental project in Downtown Victoria. The eight-storey building houses 130 rental homes, ranging from studios to three-bedroom units, constructed above offices and the new city of Victoria fire hall. The project aims to cater to families and seniors, providing a diverse range of rental options with monthly rents ranging from \$375 to \$2,900, depending on unit size and resident income. This venture serves as a step forward in making affordable rental housing more accessible in the city. A notable mention coming down the pipeline is Douglas and Caledonia; Chard Developments, in cooperation with BC Housing, is taking the lead in bringing this endeavor to fruition. Upon its finalization,



1,500 Rental Unit Complex Approved for Downtown Core (Harris Green Village)

this initiative will contribute 137 affordable housing units to the market.

Victoria's Downtown core is also set to witness a significant boost in rental housing with the approval of Starlight's Harris Green Village project. This ambitious development features five towers that will accommodate over 1,500 rental units, providing much needed housing options for the city's residents. The project also includes amenities such as a plaza, a park, and a community centre. The approval process wasn't without debate, particularly concerning the inclusion of parking facilities. Despite the discussions, the green light has finally been given to this massive rental housing project, signaling progress in addressing Victoria's housing needs while enhancing the city's residential landscape.

Rental Market Statistics Greater Victoria

| | Rental Rates Victoria | | | | | Rental Rates Vancouver | | | | |
|-----------|-----------------------|---------|---------|---------|---------|------------------------|---------|---------|---------|---------|
| | Studio | 1-Bdrm | 2-Bdrm | 3-Bdrm | Average | Studio | 1-Bdrm | 2-Bdrm | 3-Bdrm | Average |
| July 2023 | \$1,723 | \$2,087 | \$2,625 | \$2,968 | \$2,260 | \$2,550 | \$2,981 | \$3,901 | \$4,322 | \$3,301 |

Source: Rentals.ca

Development Activity

Notable Rental Developments Approved – Greater Victoria Region

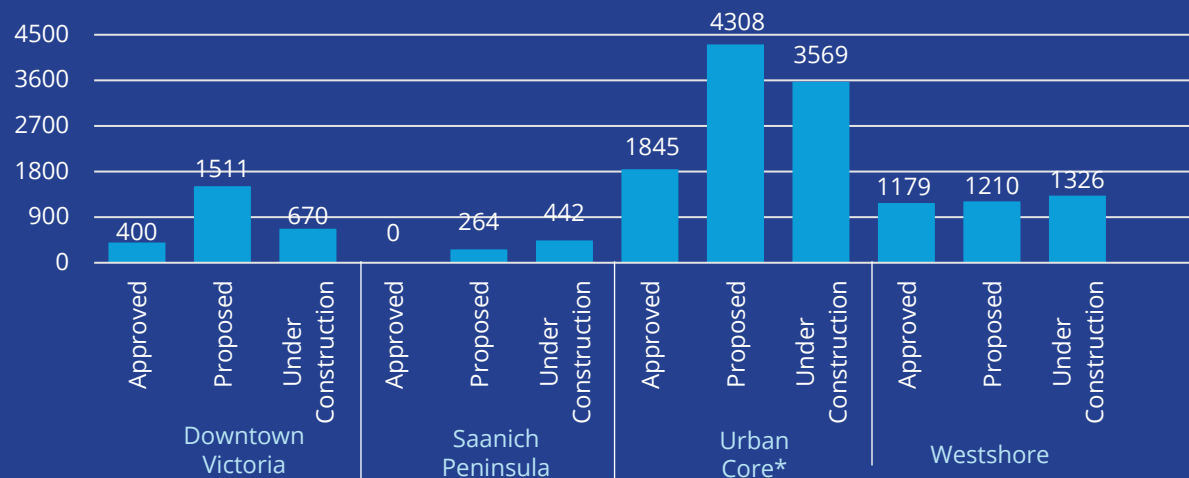
| Developer | Developer Location | Building Name / Address | Units |
|--------------------------------|--------------------|--|-------|
| Starlight Developments | Toronto | Harris Green Village / 900 & 1045 Yates Street | 1500 |
| Killam Apartment REIT | Halifax | Christie Point / Craigowen Road | 473 |
| Ironclad Developments | Springfield (MB) | 3400 Tillicum Road | 242 |
| Boardwalk General Partnerships | Calgary | The Marin / 1207-1221 Carlisle Avenue, 512 & 522 Fraser Street, 1212-1226 Lyall Street | 213 |

Notable Rental Developments Under Construction – Greater Victoria Region

| Developer | Developer Location | Building Name / Address | Units |
|--------------------------------------|--------------------|--|-------|
| Grey Star Real Estate Partners | Charleston | University Heights / 3956 Shelbourne Street | 598 |
| Starlight Developments | Toronto | 1110 McCallum Road | 597 |
| WestUrban Developments | Campbell River | The Blueprint / 9 Erskine Lane | 350 |
| Denciti Developments / Nicola Wealth | Vancouver | 611-635 Chatham Street/610-624 Herald Street | 278 |
| Starlight Developments | Toronto | Bella Vista / 2515 Hackett Crescent | 235 |
| Boardwalk General Partnership | Calgary | Aspire / 3 Helmcken Road | 234 |

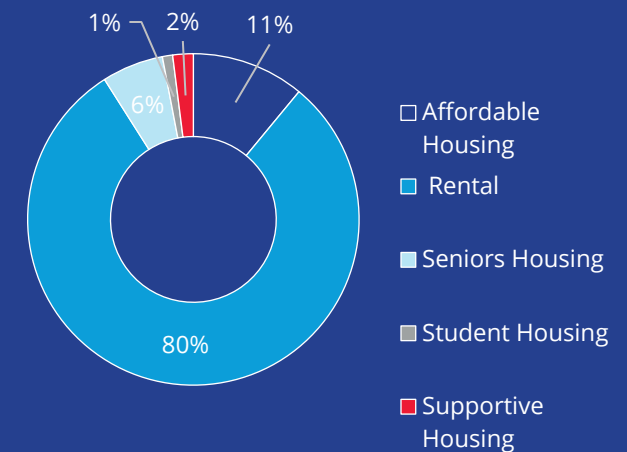
Total Purpose-Built Rental Units

By location and status



*Urban Core includes Saanich, Esquimalt and Victoria (excluding Downtown Core)

Type of Rental Units Under Construction



Source: Colliers, Citified

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