



REAL ESTATE ROUNDUP

PETER MITHAM

Okanagan hotel-development optimism rooted in wine trade

Diving in

Kelowna developers are seeing investors snap up excess product and there are bargains to be had at Penticton hotels (this columnist's now-annual summer booking was available at a 20% discount relative to previous years), but that's not stopping development plans.

The first phase of a \$25 million expansion of the Coast Penticton Hotel by Penticton's Locations West Investment Group was completed this spring, and general manager Gordon Ferguson believes the property will enjoy growth from Penticton's wine-oriented tourist trade.

Penticton hasn't been immune to fluctuations in the economy, Ferguson said, but it held its own in comparison with major markets in Vancouver, Calgary and Edmonton, from which it draws a good proportion of its business.

"The Okanagan is a wonderful road trip for all three of those points," he said. "Pentic-



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Desert blooms: developer optimism and inventory absorption are promoting the development of properties in the Okanagan - and Okanogan - including the Kelowna-based Legend Resorts cottage pictured above in Oroville, Washington

ton is still poised to increase its tourist traffic."

The 36-room Coast-flagged property was formerly a Travelodge. Rooms have been refurbished and Locations West will continue upgrades in fall 2011 with the addition of 60 rooms and a new swimming

pool. The property will eventually boast 185 rooms.

Plans are also afoot for the next phase of Veranda Beach, a resort development undertaken by Kelowna-based Legend Resorts Ltd. on Lake Osoyoos near Oroville, Washington. The first 12 of 50

homes in a vineyard being developed on the site launched this past weekend. The fully furnished cottages will overlook the first 110 cottages built on the site since its debut four years ago. Roughly 75% of the first tranche of cottages sold to Canadian buyers, said Jim

Hammond, principal of Legend Resorts.

The homes will average approximately a half-million apiece. The decision to move forward with the release reflects both demand among buyers from Canada, for whom Oroville and Okanogan County is an extension of their own Okanagan, as well as economic factors, including favourable currency exchange rates and the lack of HST or property transfer taxes on Washington-state properties.

Meanwhile, in Oak Bay ...

The surge in hotel listings on Vancouver Island (covered in this space two weeks ago) is paralleled by challenges facing other types of recreational properties.

Slices of Crown Isle in Courtenay, Crown Mansion in Qualicum Beach and Eagles Cove Estates were offered at auction in May, while the site of the 60-unit Crystal Terraces (also in Qualicum Beach) remains under "preparation" since its approval in September 2009.

Meanwhile, Kevin and Shawna Walker continue to seek financing for the Oak Bay Beach Resort, a \$52 million

redevelopment of the former Oak Bay Beach Hotel. Originally approved in 2006 and launched in early 2008, the project will feature 100 vacation units and 20 residential suites when it reopens in early 2012.

The project has attracted \$40 million to date, as well as buyers for 28 of the initial 50 vacation units offered to the market. Prices range from \$289,000 to \$1.9 million. Three of the 20 residential suites, which start at \$950,000, have also been bought.

Multifamily upside

This column noted the virtues of Vancouver's stable rental market four weeks ago, and one of the latest deals to

"Really well-located, quality assets are trading at high valuations"

- Rob Greer, principal, Avison Young

go firm at that point has now closed: Washington Court, a 44-unit apartment at 998 Thurlow Street in Vancouver's West End has sold for \$12.1 million to a foreign buyer new to the Lower Mainland market.

Veteran broker David Goodman of Macdonald Commercial remarked last month that the sale of the property for the list price was "quite amazing," and listing broker Rob Greer, principal with Avison Young in Vancouver, noted that it's become typical for prime investment properties. The common theme, as Colliers International broker John Gee remarked last week, is that stability is back in vogue as financial markets fret.

"Really well-located, quality assets are trading at high valuations," Greer said.

Washington Court is but one example.

Built in 1916, the property exceeds expectations for apartments (at least the ones this columnist has occupied). Key features, besides a dishwasher, are in-suite washers and dryers - no fighting among tenants for laundry time downstairs! With a mid-range rent of approximately \$1,550 a unit, Greer said "significant upside" exists for the buyer from rent increases on the units - all of which are two- and three-bedroom units.

The potential contributed to a per-unit price of \$275,000, higher than the year-to-date average in Metro Vancouver of \$214,500. ■ pmitham@telus.net

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