
THE GROWING INFLUENCE OF ASIAN INVESTMENT IN KELOWNA

The past 18 months have seen a significant increase in Asian commercial and winery property investment in the Okanagan valley, particularly in Kelowna which, according to StatsCan, is now the fastest growing metropolitan area in Canada with a 3.1% growth rate*. Kelowna has attracted a good deal of attention in the business media recently, including feature articles in [BC Business Magazine](#) and [The Globe and Mail](#). Additionally, very low cap rates in the Lower Mainland, compounded by the 15 per cent residential tax for foreign nationals, is driving Asian investment and development into Kelowna and the Okanagan Valley.

A number of major transactions have been facilitated by Asian Investors including two (2) high-density residential sites in the downtown core, summarized as follows:

- The former Monaco multi-family site, an urban twin tower project on 1.04 acres, with DP approval for 161 hotel units and 128 condos sold via court-order for \$6.5 Million.
- The former Lucaya project, a 21-storey residential tower adjacent to Prospera Place arena and Waterfront Park, was acquired via court-ordered sale and has been rebranded as 1151 Sunset Drive and is in active pre-sales mode.
- Lake Okanagan Resort, a 125 room, lakefront resort with a 9-hole golf course, tennis, marina, restaurant on 300 acres, sold in excess of \$10 Million.
- 1601 Bertram Street, a 13,000 sf single storey commercial building downtown (home to K96.3/Country 100.7 radio stations) sold for \$2.4 Million, representing a 5.2% cap rate.

[\[http://growing.downtownkelowna.com/\]](http://growing.downtownkelowna.com/)

Asian investors are also actively pursuing wineries and golf courses throughout the valley, in some cases due to the prestige they offer. Six vineyards and wineries have been brokered by Macdonald Realty Kelowna. There are numerous examples of large land parcels (often 50 acres+) being purchased, and because in some cases they include functional businesses, they also meet the criteria of the federal government's immigration and foreign investment policies.

Although Cap Rates have compressed over the past 2 years, both foreign and domestic investors are flocking to Kelowna because the capitalization rates are much higher than in Vancouver.



The Monaco, 22 & 30 storeys

And with the burgeoning health care, post secondary education, high technology and tourism industries leading the charge, the \$700 million Kelowna General Hospital (including the new Cardiac Centre), the Okanagan Centre for Innovation, the Kelowna Yacht Club, RCMP Building and the Interior Health building, as well as a myriad of other major projects, are rapidly transforming the urban core.

There is a prominent influence of Asian investment - the record breaking residential values being set throughout the Lower Mainland, in part sponsored by Asian investment

there. That has resulted in an influx of Vancouverites who have been selling their properties for record amounts and able to buy comparable properties in Kelowna and area for a fraction of the price. It has been very common this year to hear stories about people selling their home in Vancouver for \$4 Million, and then buying a new home and a ski condo here in Kelowna/Big White for less than half of that amount.

The average home price in Kelowna is also far more attractive, especially for young families who cannot afford to buy in Vancouver.

AVERAGE PRICE OF A DETACHED HOME AS OF AUGUST 2006 COMPARED TO AUGUST 2016 (KELOWNA & VANCOUVER).

| DATE | KELOWNA - AVERAGE PRICE | VANCOUVER - AVERAGE PRICE |
|------|-------------------------|---------------------------|
| 2006 | \$469,000 | \$653,600 |
| 2016 | \$582,400 | \$1,561,000 |

Besides the world class wineries, championship golf courses and rapidly growing tourism, the infrastructure of Kelowna continues to attract investors.

- UBC Okanagan, has more than 7,600 university students with projected growth to more than 15,000 and is continually expanding its modernist campus. Just ten years old, UBCO is now contributing more than \$2 billion annually into the economy. Even more startling is the fact that, until 2005, the best and brightest students would attend universities elsewhere, and would rarely return to the Okanagan for employment. Now fully 60 per cent of UBCO students, no matter their place of origin, stay in the Okanagan post graduation.
- Although Kelowna is only the 22nd largest trading area in Canada, Kelowna International Airport is the 10th busiest airport in the country, with direct flights to many cities, both nationally and internationally. There are more than 30 daily flights to/from Calgary,

Edmonton and Vancouver and 2016 will likely set a volume record with more than 1.6 million passengers transiting the airport.

- An emerging tech sector is attracting world-class talent from across the globe. The number of Okanagan tech companies has increased to more than 600 over the past decade. Disney has over 250 employees in Kelowna.

In conclusion, Kelowna is developing commercial and cultural infrastructure that anticipates a very bright future, and with media now beating the drum, foreign investors—especially from Asia—have taken notice as evidenced in the Cambridge House team announcing a new volume sales record for the Okanagan with 172 of the 192 suites sold at opening with 25% being sold to Asian investors.

**Source: StatsCan, 12-month period ending June 30, 2015.*

***Source: Ministry of Finance Tax Information Sheet 2016-006, Revised July 27, 2016*