

INVESTMENT REPORT

RETAIL CAP RATES

2018: 5.50-6.25%
2019: 4.00-6.25%
2020: 4.25-6.00%



INDUSTRIAL CAP RATES

2018: 5.50-6.50%
2019: 5.00-6.25%
2020: 5.00-6.00%



OFFICE CAP RATES

2018: 5.50-6.50%
2019: 4.00-7.00%
2020: 4.50-5.80%



KELOWNA'S INVESTMENT MARKET

Q3 2020

MULTI-FAMILY CAP RATES

2018: 3.25-5.00%
2019: 4.00-6.00%
2020: 4.50-5.50%



APARTMENT RENTAL RATES PSF

2018: \$2.24
2019: \$2.04
2020: \$2.32



RENTAL APARTMENT VACANCY RATES

2018: 0.4%
2019: 1.9%
2020: 2.7%



Although the effects of COVID-19 have yet to be fully realized, the pandemic has certainly impacted the market.

Lenders have tightened their lending policies for investments, looking for greater security. Loans for smaller investments are more difficult to get, but record low interest rates are being offered to significant property owners with strong equity positions. It's a great opportunity for well qualified individuals.

Canada's leading metro areas continue to see high demand and a shortage of quality investment products on the market. Because of COVID-19, buyers are expecting a discount on real estate but sellers believe their commercial real estate is a safer investment than the stock market. Because of that, the number of transactions are down this year. Cap rates have remained fairly flat.

For newer purpose-built multi-family apartments, sub 5% caps are the norm in Kelowna. REITS, pension funds and larger institutional firms are still very active in our market searching for yield.

The industrial industry has not been as impacted by COVID-19 so it's still the hot sector for investment. With a continual rise in

land pricing and construction costs, existing-built products are that much more attractive.

In the retail sector, many tenants are seeking rent relief which has created uncertainty about how long some stores and restaurants will last. As the pandemic runs its course, many independent businesses may not survive. Some national corporations are struggling as well. At least two significant retail investment listings in Kelowna were suspended this year due to the pandemic.

To the surprise of some, many landlords have reported that they are still able to collect 90% of the rent due to them, with apartment landlords reporting that number to be as high as 98%.

The market is more stable than expected, but some of that is likely due to some of the quickly implemented government policies like CERB, CECRA, RAP, and B.C. TRS.

Only time will tell the true impact of this year's events as some benefits wind down.

MARKET SECTOR

CAP RATE RANGE

Retail	4.25%-6.00%
Office	4.50%-5.80%
Industrial	5.00%-6.00%
Multi-Family	4.50%-5.50%

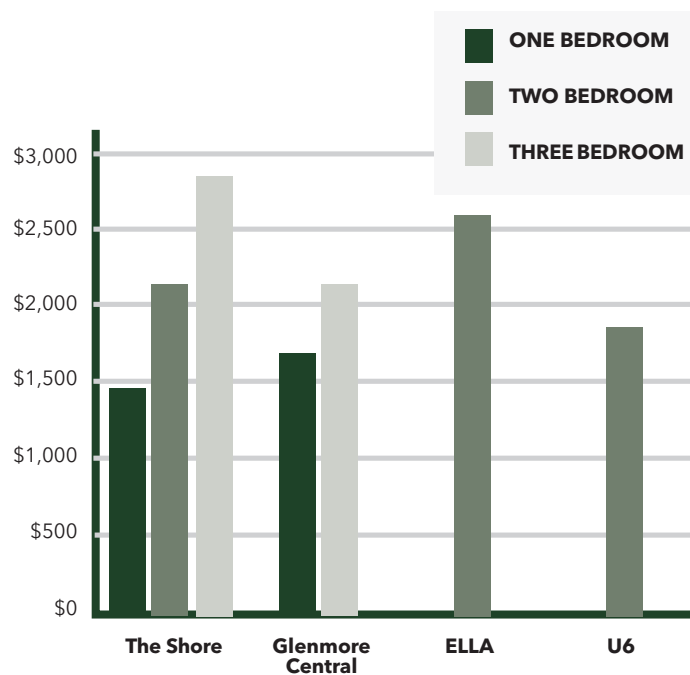
MAJOR INVESTMENT TRANSACTIONS - OKANAGAN VALLEY - 2019-2020

PROPERTY	SALE PRICE	GLA	TYPE	CAP RATE
1405 St Paul Street, Kelowna	\$7,600,000	19,374	Office	4.50%
Midtown Mall, Vernon	\$7,500,000	46,676	Retail	6.66%
4800 Anderson Way, Vernon	\$5,125,000	14,127	Retail/Office	5.49%
2363-2495 Enterprise Way, Kelowna	\$5,000,000	20,667	Service Commercial	5.50%
4321 25th Avenue, Vernon	\$3,525,000	24,560	Industrial	6.29%
1710 Ellis Street, Kelowna	\$2,850,000	13,197	Office	4.70%
2809 28th Street, Vernon	\$2,170,000	9,262	Office	5.76%

NOTABLE MULTI-FAMILY SALES - OKANAGAN VALLEY - 2019-2020

ADDRESS	SALE PRICE	# OF UNITS	CAP RATE	PRICE/UNIT
10650 Bottom Wood Lake Rd, Lake Country	\$20,000,000	73	4.50%	\$273,973
4001 34A Street, Vernon	\$9,350,000	60	5.08%	\$155,833
257 Scott Avenue, Penticton	\$6,500,000	52	N/A	\$153,500
2800 35th Street, Vernon	\$5,250,000	42	5.50%	\$125,000

NEWER BUILDING RENTAL RATES



OLDER BUILDING RENTAL RATES

