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Peter Mitham

Columnist

Avison Young tracks, attracts investment; real estate's low interest rate ride set to stall

Panellists at last week's meeting of the commercial real estate association NAIOP discussed the outlook for investment real estate, but Avison Young served up a ...

Sept. 22, 2014, midnight

 Real Estate

By Peter Mitham





Sell now, buy later

Panelists at last week's meeting of the commercial real estate association NAIOP discussed the outlook for investment real estate, but Avison Young served up a foretaste in its review of deals done in the first half of 2014.

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The aggregate sum of investment transactions valued at \$5 million or more in the province in the first six months of this year totalled \$852 million, the third-highest tally since 2002. But the actual volume of transactions was middling – just 56, well above the tally of 45 set in 2010 yet short of the record first-half volume of 60 transactions logged in 2012 (the first halves of 2010 and 2012 both logged more than \$1 billion in investment transactions).

“You are seeing very stable velocity,” observed Mark Rose, CEO of AvisonYoung, who deems Vancouver, “one of the top cities in Canada, in one of the top countries in the world, in which to be in real estate.”

But he also noted that many buyers were holding off in anticipation of better buying opportunities ahead, a phenomenon hinted at in the report itself.

“The first half of 2014 was characterized more by what was not sold versus what was,” it stated. “Only a single property exceeded \$50 [million] with no trophy assets changing hands.”

The largest transactions included a half interest in the famed Telus “Boot” at 3777 Kingsway in Burnaby, for \$86.9 million, and the purchase of 1444 Alberni and 740 Nicola Street in Vancouver for \$83.5 million. But the sale of 1500 West Georgia Street, at \$120 million, wouldn’t occur till the second half of the year. It also stands to have few contenders for the year’s largest deal.

“Big deals are going to be fewer and farther between,” he said. “I do believe we are at a short-term pricing top.”

Rose expects the next wave of transactions will occur when interest rates start to rise, and some over-leveraged owners are forced to sell while others find buyers can’t pay what they used to.

“I think we are waiting on a legion of investors who are waiting to get in at slightly better pricing,” he said.

Poised for growth

While tracking the investments of others, Avison Young (Canada) Inc. recently attracted a second infusion of capital from Vancouver-based Tricor Pacific Capital Corp.

During a visit to Vancouver for Avison Young’s annual general meeting, CEO Mark Rose noted that the brokerage has grown to 1,700 people from 293 across 43 offices since 2011. Revenue makes it a “multi-multi \$100 million company,” Rose said (because Avison Young is private, exact revenue isn’t disclosed).

The growth bears out hopes Tricor harboured for the company when it made its initial investment of \$40 million in 2011, a sum that combined with \$10 million from Avison Young’s partners to fuel growth across the U.S. and into the U.K. and Germany.

“What we hope we’re doing is creating Canada’s next significant success story in the real estate business,” Rod Senft, managing director of Tricor said at the time, adding that he hoped it would maintain its Canadian identity in the process.

With close to 700 attendees at its annual general meeting in Vancouver, an event Rose framed as a way to showcase the company’s roots to its growing international team, the company’s roots aren’t likely to be forgotten by participants.

Tricor remains a minority partner in Avison Young, which is owned primarily by its partners.

Investors not alone

Avison Young may feel rising interest rates will prompt a repricing of investment real estate, but low interest rates continue to support housing activity and affordability for residential purchasers.

Gregory Klump, chief economist with the Canadian Real Estate Association, attributes relatively strong national housing sale figures this summer to deferred activity and a decline in interest rates. However, he expects the boost to be short-lived.

Indeed, the latest RBC Economics housing affordability survey notes that lower interest rates can have a disproportionate impact on activity in high-priced markets like Vancouver and mask ongoing disadvantages for buyers.

RBC dourly notes that while Vancouver housing affordability improved significantly in the second quarter, it “still stresses homebuyers.”

Small wonder, then, that RBC reports that resales continue “to be more than 6% below the 10-year average,”

while Real Estate Board of Greater Vancouver statistics indicate that resales in August lagged July by 9.5%.
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Myson Effa — 2 small clarifications: 1 letter Typo - my name is Myson Effa - my brother Myron is not associated ...



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