

## REAL ESTATE ROUNDUP |

## PETER MITHAM

*Hotel prices and other real estate properties in the Okanagan take hit from economic downturn***Hotel prices soften**

With tourism sluggish and credit hard to access, **Colliers International Hotels** reports that hoteliers shouldn't expect strong pricing this year. Demand in all segments of the hotel business – whether from consumers, corporate clients or groups – is down, sapping revenue and reducing valuations.

Half the respondents to a survey Colliers Hotels released earlier this month expect to see valuations drop by as much as 25% this year versus 2008.

While the long-term operating performance of properties, physical condition and intangible factors play a role in what investors are willing to pay, Colliers Hotels executive managing director **Bill Stone** said investors are keen to see cash flow from their investments.

"Some buyers, though, will stretch pricing if it's a unique asset in a high barrier-to-entry location," he said. "A premium could also be paid if it tucks effectively into a larger portfolio."

While room revenue for Thompson-Okanagan properties has grown significantly since 2000, declines in the opening months of this year suggest that hotels in B.C. wine country won't be immune from the trend Colliers describes.

**Apple D'Or Guest House**, a five-star bed-and-breakfast property situated amid vineyards on the Naramata Bench just outside Penticton, listed with **Sotheby's International Realty Canada** in May at \$4.2 million. It's a prime example of a unique property that should be positioned to attract guests and buyers.



Market core: Apple D'Or Guest House in Naramata is listed with Sotheby's International Realty Canada for \$4.2 million, but Colliers International Hotels says less travel is reducing prices for hostelry listings

But word from Sotheby's representative **Maria Peters** is that no serious inquiries regarding the property have been received in the two months since it was listed. However, she noted that the peak season for Okanagan buyers just started.

"July and August will be the peak months of vacation in the Okanagan, and buyers really start to shop the market at this time," she said, noting that efforts will be made to find the "right positioning" for Apple D'Or in the weeks ahead.

While a number of Sotheby's residential properties in the Okanagan have seen price reductions, Peters expects efforts regarding Apple D'Or to take the form of an event towards the end of summer.

**Rise attracts buyers**

**The Rise**, a master-planned community touted as a billion-dollar project for Vernon, is also attracting buyers – but whether the number is a good thing or not depends on the kind of buyer being discussed.

The developer, **Okanagan**

**Hills Development Corp.**, received protection from creditors in December 2008 and the latest report by court-appointed monitor **Abakhan & Associates Inc.** filed in B.C. **Supreme Court** on July 15, 2009, indicates that secured creditors are claiming \$65.9 million while unsecured creditors are seeking \$9.3 million. To generate sales during the nine-month term of protection from creditors, Okanagan Hills retained Kelowna-based **Land Launch Marketing Corp.** in May to conduct a "blowout" sale of lots.

**"Some buyers ... will stretch pricing if it's a unique asset in a high barrier-to-entry location"**

– Bill Stone,  
executive managing director,  
Colliers Hotels

The campaign has resulted in sale agreements for 11 lots since June 1 at discounts of up to 30% each.

Since its launch in 2005, just 200 lots at The Rise have sold – a fraction of those planned for a project that aims to have 1,200 residential units when fully built.

With protection from creditors set to expire in September, hopes are high that buyers interested in more than individual lots will come forward. **CB Richard Ellis** broker **Marshall Macleod** has the listing for the 735-acre Rise site, which has attracted interest from eight parties – three more than last month. An offer for the site hasn't yet been made, however.

**Rental market eases**

A lack of affordable housing is a chronic issue in the Okanagan, but the slowdown in the valley's real estate market over the past year may be alleviating the pressure.

**Canada Mortgage and Housing Corp.** stats indicate tenants are enjoying more choices of rental accommodation this year, with vacancies in Kelowna, Penticton and Vernon more than double last year's numbers.

Kelowna saw the biggest leap, with vacancies rising to 2.9% this spring from just 0.3% a year earlier, followed by Penticton, where vacancies hit 2.1% from 0.4% last year.

Meanwhile, data from local real estate boards indicate that Okanagan markets haven't recovered to the same degree as other markets in the province, with prices remaining below last year's levels by an average of 6.1% to 12.7%. ■  
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