

BC Multifamily Q3 2023 Report

MBM Quarterly: Q3 2023

Marcus & Millichap
MCEVAY | BLAIR
MULTIFAMILY GROUP

2023 YTD Highlights

106

Transactions

\$1.021 B

Investment Volume

\$279,375

Median Price/ Unit

4.17%

Average Cap Rate

Q3 Highlights

35

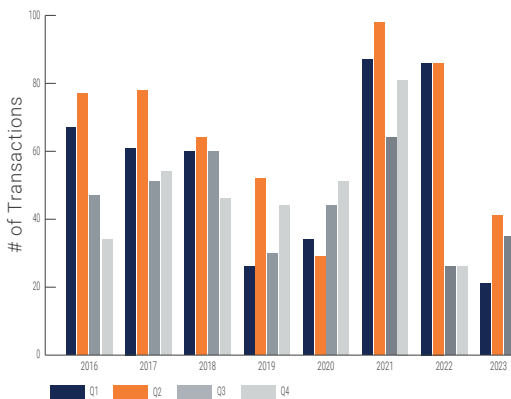
Transactions

\$264.3 M

Investment Volume

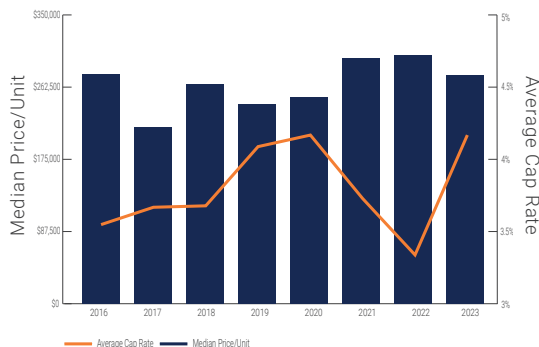
Quarterly Sales

2016-2023 Q3



Valuation Metrics

2016-2023 Q3



Market Outlook

The multifamily market in British Columbia has been adjusting to a new normal as transaction volume remains subdued and evidence of price adjustments, both in rising cap rates and lowering per unit values come to bear. The market has slowly been regaining momentum after the havoc rising interest rates caused in the latter half of 2022 and the start of 2023, and with the BoC holding the overnight rate at 5% for the second straight time and possibly signaling the end to further rate hikes, we can expect a return to a more healthy and predictable business environment.

Q3 experienced 35 transactions and \$295M in sales volume, down from the previous quarter, but slightly higher than the same period last year. There were two sales valued at over \$25M, with institutional purchasers accounting for three deals. Going into Q4 and the start of 2024 we expect to see an increase in transactions, specifically of larger, higher valued properties as institutional investors return from the sidelines.

Valuation metrics are forming a clear pattern as the median price per unit is trending down while the average cap rate is trending up. The median price per unit in the province has fallen 6.9% year-over-year to \$279,375. Meanwhile, the average cap rate has inched up for 6 consecutive quarters to nearly a full percentage from the record low of 3.22% in Q1 2022 to 4.17% in Q3 2023. Although all major regions in the province are experiencing this shift there are, however, several

secondary sub-markets that are showing signs of growth, primarily on the Island and in the Thompson Okanagan where spreads between yields and interest rates are more closely aligned.

Attractive assumable debt and vendor takeback mortgages have emerged as popular tools to mitigate the impact higher financing costs have had on buyer's yield expectations. Alternative forms of financing have not only been instrumental in getting many deals getting across the finish line, but also for subduing cap rates from expanding at an accelerated rate to match the upward pressure from higher interest rates.

Fundamentals for multifamily investments remain strong. For instance, rental rates continue to climb to astonishing heights. In October the average rent in Vancouver for a one-bedroom apartment is \$2,831, and a two-bedroom is \$3,670.

For the coming quarters we remain cautiously optimistic as the market steadily rebuilds momentum. Cap rates are expected to continue to climb, but with a sense of predictability as interest rates stabilize, we expect investors to regain confidence and transaction velocity to increase.

BC Multifamily Sales Summary

2023 YTD

Market	# of Sales		Sale Volume		Median PPU		Avg. Cap Rate	
Burnaby	1	▼	\$5,100,000	▼	\$300,000	▼	2.46%	▼
Tri-Cities	5	▲	\$168,858,819	▲	\$332,322	▼	3.66%	▲
Ridge Meadows	1	▼	\$7,700,000	▼	\$179,070	▼	3.92%	▲
New Westminster	1	▼	\$4,000,000	▼	\$307,692	▲	3.41%	▼
North Shore	3	▼	\$38,888,000	▼	\$397,747	▼	2.41%	▼
South of The Fraser	7	▼	\$162,873,074	▼	\$364,572	▲	3.19%	▲
Fraser Valley	5	▼	\$20,225,000	▲	\$197,500	▼	4.17%	▲
Vancouver	29	▼	\$251,250,000	▼	\$420,000	▼	3.22%	▲
Grandview - Strathcona	4	▼	\$59,649,000	▲	\$325,000	▼	3.19%	▼
Mount Pleasant	3	▼	\$13,360,000	▼	\$398,333	▼	2.67%	▼
South Vancouver	1	▲	\$3,300,000	▲	\$275,000	▲	2.16%	■
Marpole	6	▼	\$29,143,500	▼	\$347,222	▼	3.30%	▲
Kerrisdale - Dunbar	1	▼	\$9,400,000	▼	\$470,000	▼	2.36%	▼
Kitsilano - Point Grey	6	▲	\$29,105,000	▲	\$466,667	▼	3.39%	▲
Fairview	4	▼	\$27,327,500	▼	\$514,292	▲	3.65%	▲
West End	4	▲	\$79,965,000	▼	\$400,652	▼	3.46%	▲
Lower Mainland Total	52	▼	\$658,894,893	▼	\$375,000	▼	3.27%	▲
Mid-North Island	7	▼	\$45,678,375	▼	\$210,169	▼	5.24%	▲
Greater Victoria	15	▼	\$172,673,500	▼	\$289,308	▼	3.95%	▲
Victoria + Oak Bay	8	▼	\$46,198,500	▼	\$276,339	▲	4.05%	▲
Saanich Peninsula	2	▼	\$39,041,146	▼	\$335,796	▼	-	■
Esquimalt	4	▼	\$27,433,854	▼	\$286,719	▲	3.65%	▲
West Shore	1	▼	\$60,000,000	▼	-	■	-	■
Vancouver Island Total	22	▼	\$218,351,875	▼	\$271,429	▼	4.50%	▲
Thompson Okanagan	8	▼	\$50,430,194	▲	\$198,005	▲	5.09%	▲
Central & Northern BC	24	▼	\$93,250,000	▼	\$104,348	▼	6.41%	▲
Interior, Central & Northern BC Total	32	▼	\$143,680,194	▲	\$113,012	▼	6.00%	▲
British Columbia Total	106	▼	\$1,020,926,962	▼	\$279,375	▼	4.17%	▲

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