

# Strata Wind-Ups and Multi-Family Development Land

*Overview, Considerations and Market Trends*

# Colliers Introduction



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# Considerations in a Wind-Up

As Strata Corporations plan for the future, they have three alternatives to consider:

**Option 1:**  
Individual  
Residential  
Sale

**Option 2:**  
Maintenance  
and Repairs  
(Special Levies)

**Option 3:**  
Wind-Up and  
Sale on  
Redevelopment  
Value



It is in every owners' best interest to be educated about the alternatives and be able to make an informed decision.

# Determining Value

## Redevelopment Value:

- Developers assess value based on what can be built on the site
  - Area plans help establish future density and building form
- FSR (Floor Space Ratio) establishes the Buildable Square Footage from the site size

$$\text{Price} = (\text{Price/Buildable SF}) \times (\text{Lot Size} \times \text{FSR}^*)$$

\*less required City contributions

## Investment Value:

- Investors assess value based on the future cash flow of the property
- Market rental rates and unit mix establish the expected annual income
- Utilize Capitalization Rate as a measure of ROI

$$\text{Price} = (\text{Annual Income} - \text{Expenses}) / (\text{Cap. Rate})$$

# Initial Steps

If a Strata Corporation is interested in learning about the Wind-Up Process:

1) Broker and/or legal team is introduced to provide overview and value potential

- Initial range of value based on redevelopment or investment potential
  - Value range used to determine level on interest among owners

2) Property taken to market to establish true market value

- At least 80% of the owners approve the best offer by special resolution

3) Successful Special Resolution vote leads to court application to approve sale

# How Do We Maximize Value?

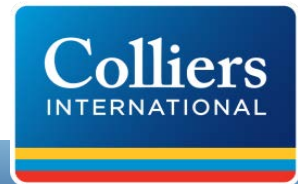
## *Initial Due Diligence:*

- Strong commitment from the owners to “test” the market
- Phase 1 Environmental Study
- Confirmation from City of future land use

## *Sales and Marketing Strategy:*

- Targeted marketing – local and offshore, developers and investors
- Bid date with no asking price
  - Increase competitive tension, does not limit the upside

***Reduced Risk + Greater Competition = Higher Price***



# Beyond the Purchase Price

## *Additional Deal Terms:*

- “Free Rent” Period for owners
- Additional Rent Period
  - Pre-determined market or below market rental rate
- Reduction or removal of Purchaser Subjects
- Increased Deposit
- 100% Approval Incentives





# Sample of Current Listings



## VAS 1437 - 1318 Thurlow Street, Vancouver, BC

- > 14 Unit Residential Strata
- > 17,289 SF site
- > Included In the West End Community Plan
- > Site assembled with neighbouring properties to maximize value for



## VR 120 - 2202-2298 McBain Ave, Vancouver, BC

- > 76 Unit Residential Strata
- > 185,974 SF (4.27 acre) site
- > Large scale wind-up on Vancouver's West Side
- > Bid date set for April 5, 2017



## TWELVE OAKS - 2777 Oak Street, Vancouver, BC

- > 30 Unit Residential Strata
- > 18,754 SF site
- > Received over 90% approval by the owners, will likely be the first Strata Wind-Up sale to be confirmed by the Court under the new



## SOMERSET - 1140 Pendrell Street, Vancouver, BC

- > 44 Unit Residential Strata
- > 21,590 SF site
- > RM-5B zoning in Vancouver's West End

# Potential Pitfalls

## 1) Lengthy Closing and Court Delays

- Owner's vote to approve based on value of offer as compared to market fundamentals at the time of the vote
- Longer process = Erosion of Value and Decrease of Support

## 2) Outspoken Opponents to the Sale

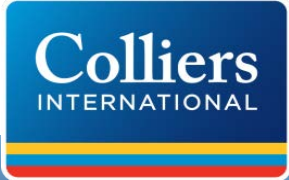
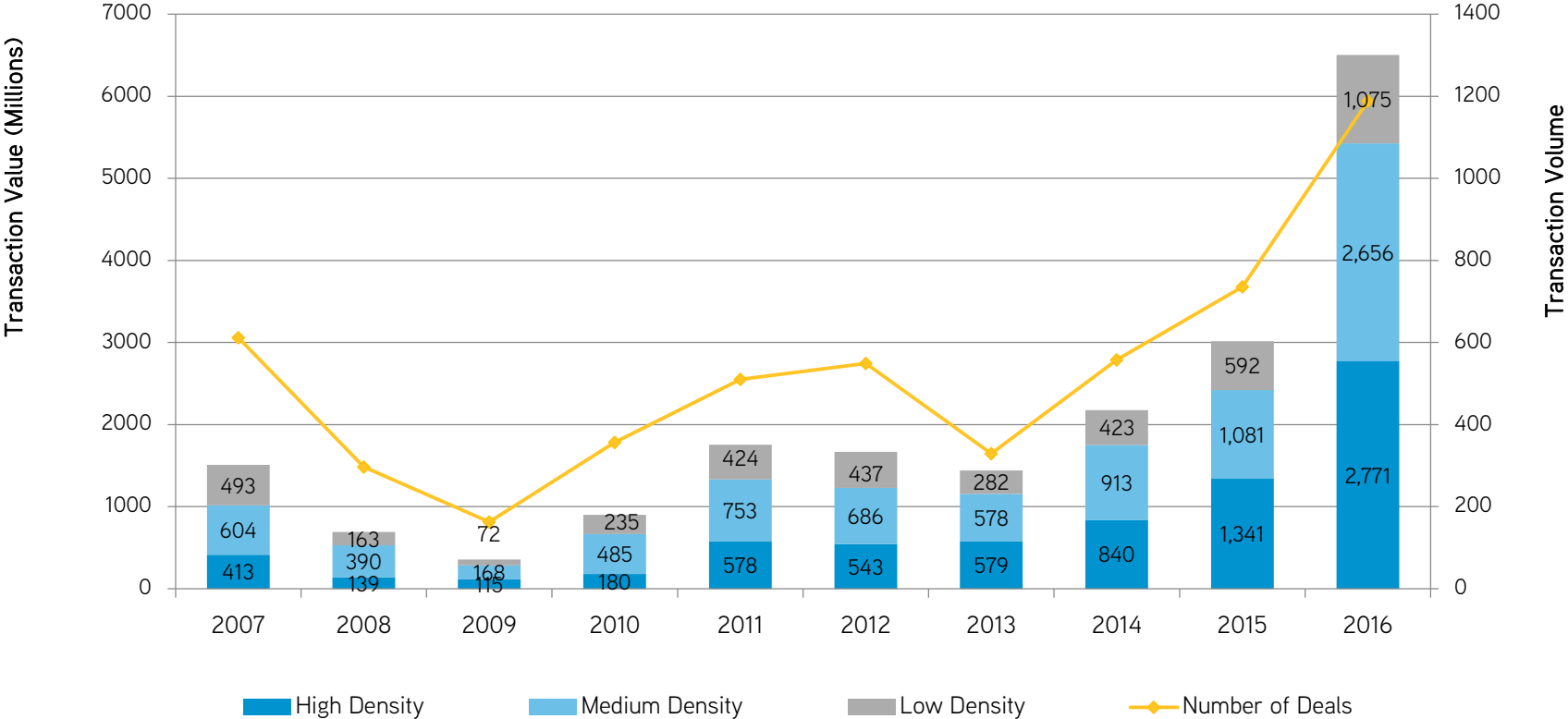
- Owners, family members or tenants attempt to create confusion and unease amongst other owners
- Both prior to and after the 80% Resolution vote

# Multi-Family Development Land

- Continued growth in land values across Greater Vancouver
- Downtown Vancouver:
  - \$200-\$250 rising to \$475-575, through second half of 2016
  - Recent trades far surpassing this mark
- Substantial growth in major sub-markets:
  - Metrotown
  - Lougheed
  - Burquitlam

# Land Sale Activity

Metro Vancouver Land Sales Activity



# The Strata Effect?

- Changes to legislation open the possibility of a Wind-Up to many Strata Corporations
- 100% approval was effectively impossible for larger ownership groups
- Opens up new land acquisition possibilities
  - Close to Transit
  - Central city locations
- Many new opportunities for purchasers to explore

# Thank You

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