

# LONDON PACIFIC – Q1 – 2024

## QUARTERLY MARKET INSIGHT



# 01 - MACRO SNAPSHOT

CURATED EXPERT ECONOMIC COMMENTARY TO REVIEW THE MOST SIGNIFICANT  
MACROECONOMIC STATISTICS AND TRENDS IMPACTING THE REAL ESTATE MARKET FOR  
END OF Q1 2024.

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# MACRO SNAPSHOT

## LP SELECT Q1 2024

### INTEREST RATES

March 6, 2024 led to the 5th straight decision from the Bank of Canada to keep its policy rate flat leaving bank prime at 7.20% and leaving lenders looking for signs that the central bank would “green-light” a rate drop.

Segway to April 10th and again a BOC announcement to maintain rates. “I realize that what most Canadians want to know is when we will lower our policy interest rate,” Bank of Canada governor Tiff Macklem said during a news conference following the announcement. “The short answer is we are seeing what we need to see, but we need to see it for longer to be confident that progress toward price stability will be sustained. The further decline we’ve seen in core inflation is very recent. We need to be assured this is not just a temporary dip.”

“It seems like the Bank of Canada is telling Canadians that rate cuts are on the horizon and it might not be so long before they become a reality,” said economist Royce Mendes, managing director at Desjardins Capital Markets. He said that the longer the bank holds interest rates at five per cent, the more it risks tipping the economy into an unnecessary recession.

Mendes added that he thinks the central bank will start cutting rates at its next meeting on June 5, and that it will continue to cut in small increments at subsequent meetings from then on.

CMHC: <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/market-reports/housing-market/housing-market-outlook>  
True North Mortgage: <https://www.truenorthmortgage.ca/blog/mortgage-rate-forecast>

### INFLATION

The central bank said that inflation is still too high but noted that core inflation measures — which strip out volatile sectors like food and energy — have trended downward in recent months.

“While inflation cooled to 2.8 per cent in February, with price growth slowing across goods, food, clothing and services, high rent and mortgage interest costs continue to drive up the overall inflation rate”.

The bank expects inflation will move closer to its two per cent target this year, and that it will reach it in 2025.

CBC: <https://www.cbc.ca/news/business/bank-of-canada-interest-april-10-interest-rates-1.7169183>

### GDP

January’s GDP came in a little warmer than expected at 0.6% with a mix of sector growth and contraction, and December’s was downgraded by 0.1%; Q4 2023 increased by 0.2% (0.3% was expected) (February numbers come Apr 30 and Q1 2024 on May 31)

The BOC also expects solid GDP growth this year and in 2025, due to population growth and increased household spending.

“We anticipate weak growth in gross domestic product in 2024 with economic momentum gradually increasing throughout 2025 – 2026”.

CHMC: <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/market-reports/housing-market/housing-market-outlook>  
CBC: <https://www.cbc.ca/news/business/bank-of-canada-interest-april-10-interest-rates-1.7169183>

### BOND RATE

Financial markets have been anticipating interest rate cuts and this has led to a trending down of bond yields since the fall of 2023.

Regardless of this anticipation, entering Q2 of 2024 we see Canadian 5-year bond yields remaining reactive now above 3.7% after the U.S. reported much higher inflation for March (3.5%, up from 3.2% in February)

TD: <https://economics.td.com/ca-quarterly-economic-forecast>

### THE REAL ESTATE MARKET

The 2 key factors that will influence the record-low vacancy rates and rent increases on unit turnover in 2024 are:

- The higher costs of homeownership driven by elevated interest rates.
- The reduction in the construction of rental buildings that will further impact the rental market dynamics.

Ontario and British Columbia are expected to drive the decline in national housing starts for 2024. High home prices will make certain home types unaffordable, while developers may struggle even with apartment construction because of supply-side challenges, particularly financing costs.

“We anticipate a decline in apartment starts in 2024, following their record-high levels in 2023”. Both purpose-built rental starts, fueled by unprecedented demand and government support and market condo starts driven by financing secured before interest rates began to rise are cited as reason for 2023 levels. Further unfavourable financing conditions are expected to make more new rental projects unfeasible in 2024.

CMHC: <https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/market-reports/housing-market/housing-market-outlook>

### FEDERAL BUDGET 2024

“First, we’re building more affordable homes. Because the best way to make home prices more affordable is to increase supply—and quickly. That’s why we’re cutting red tape and reforming zoning. We’re building more apartments and affordable housing across the country and unlocking public lands and vacant government offices to build homes for Canadians.” Commented Deputy Prime Minister Freeland in releasing the Federal Budget on Tuesday April 16, 2024.

The budget proposes \$52.9 billion in new spending over five years, including \$8.5 billion in new spending for housing. To offset some of that new spending, Ottawa is pitching policy changes to bring in new revenue.

This funding has to be generated from somewhere and the current Liberal government decided the bulk of it should come from investors in the form of higher capital gains taxes, which come into effect on June 25th. “Under the current tax rules, if you dispose of capital property (other than your principal residence) for a profit, only 50 per cent of the capital gain is included in taxable income. The budget proposed to increase the capital gains inclusion rate to two-thirds (66.67 per cent) for corporations and trusts, and to two-thirds on the portion of capital gains realized for the year on or after June 25, 2024, that exceeds \$250,000 for individuals.”

CBC: <https://www.cbc.ca/news/politics/capital-gains-tax-budget-1.7176370>  
National Post: <https://nationalpost.com/news/politics/full-text-canada-2024-federal-budget>  
Financial Post: [https://financialpost.com/personal-finance/taxes/capital-gains-tax-amt-rules-federal-budget-2024?utm\\_source=Saillthru&utm\\_medium=email&utm\\_campaign=FP%20Budget%20Alert%202024&utm\\_term=FP%20Breaking%20News%20Alert%20April%202024](https://financialpost.com/personal-finance/taxes/capital-gains-tax-amt-rules-federal-budget-2024?utm_source=Saillthru&utm_medium=email&utm_campaign=FP%20Budget%20Alert%202024&utm_term=FP%20Breaking%20News%20Alert%20April%202024)

## 02 - FOCUS ON STRATA WIND-UP

THIS QUARTER TAKE A LOOK AT STRATA WIND-UP: HOW DOES THIS UNIQUE FORM OF ASSEMBLY WORK, WHAT STRATA WIND-UP/DEVELOPMENT LAND OPPORTUNITIES ARE AVAILABLE THROUGH LONDON PACIFIC, AND WHO MAKES UP THE LP STRATA WIND-UP TEAM.

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# STRATA-WINDUP 101

## Strata Wind-Ups

### Why would a strata corporation choose to terminate?

Under some circumstances, terminating (winding up) a strata corporation may be the best choice for strata lot owners. As some older strata corporations reach the end of their life cycle, the cost of repair may not make economic sense or owners may not have the financial ability to pay for the special levies.

In areas where neighbourhood plans are being updated or new TOA legislation has provided additional density, selling the land from an assembled Strata for redevelopment can be a profitable alternative.

### 80% Vote Required to wind-up

Effective July 28, 2016, strata owners are now able to terminate (wind-up) their strata corporation with an 80% vote instead of the previous difficult-to-achieve unanimous voting requirement.

### Formula for Success

Strata Wind-ups are the most complicated form of assembly with a lengthy timelines and multiple swim lanes to approval. London Pacific's formula for success requires three-pronged management. We do the heavy lifting with the right professional collaboration to smoothly and efficiently bridge the wind-up opportunity to the development community.

## THREE - PRONGED MANAGEMENT



**STRATA COUNCIL**

**01**

Our first step is an information session for all Strata owners and Council. Assessments include our process, timeline and key considerations learned from other strata corporations.



**LONDON  
PACIFIC  
BROKERAGE**

**02**

With you and your ownership informed, a Special General Meeting gives the strata council the authority to sign an exclusive listing agreement with London Pacific.



**LEGAL**

**03**

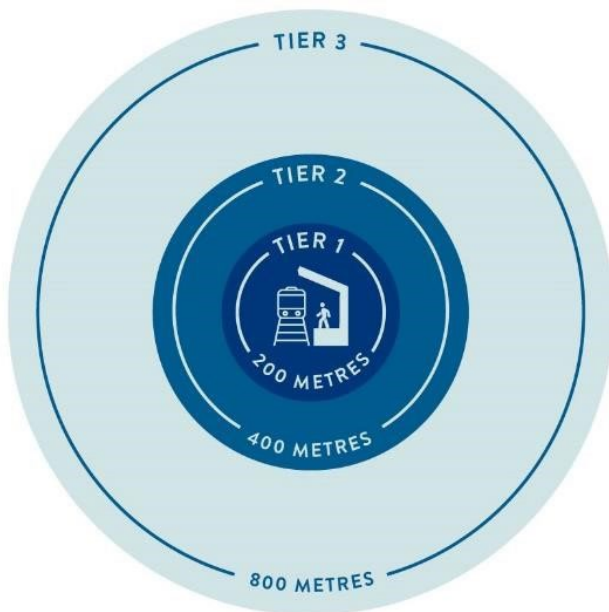
Now our team can get to work, market the property and unlock the value within.

# STRATA WIND-UP OPPORTUNITY

Bill - 47

## Bill 47 Transit Oriented Areas for Development

- TOAs are geographic areas within a prescribed distance from a transit station. Each prescribed area is broken into Tiers, which establish the location of applicable minimum densities.
- Within TOAs, with respect to land zoned to permit any residential use or another prescribed use, local governments are required to adhere to minimum densities when amending a zoning bylaw.
- With new TOA designation, older strata buildings might see a land lift through revised density provisions depending on what Tier they fall into.
- TOAs provide a diversity of housing options, offer access to a variety of amenities and services, support local business and employment opportunities, and enable greater mobility options. This form of development achieves a highly efficient use of land and infrastructure.



**Of the Strata complexes qualified for Wind Up and designated Tier 1/ Tier 2 in Burnaby, Port Moody and Surrey, London Pacific currently represents 5.**

- Tier 1 (0 – 200 m): 5.0 FAR, 20 Storeys
- Tier 2 (200 – 400 m): 4.0 FAR, 12 Storeys
- Tier 3 (400 – 800 m): 3.0 FAR, 8 Storeys

“While the complexities and challenges of land assemblies can be, in their own right monumental, the compounded nature of Strata Wind-Ups can be even more challenging. Consistent and personal communication to a group of strata owners is crucial to the success of such a considerable endeavor. While the recent introduction of Bill 47 will undoubtedly increase the supply of viable Strata Wind-Up development opportunities, an experienced team to stick handle the process is necessary for a successful transaction.”

**Daniel Link**  
Associate Vice President



# London Pacific Tier 1 / Tier 2 Strata Wind-Up Development Land Opportunities



## **Dewdney Place** **3339, 3341 & 3343 Dewdney Trunk Road**

- 58,370 SQFT of land in Port Moody
- Fully Assembled 16 Townhouse Strata
- Transit Oriented

**Ben Williams PREC\*, Thomas Trowbridge PREC\***  
**Jerry H. Lee PREC\*, Daniel Link**



## **Buckingham Court - Bainbridge** **2702 – 2750 Kingsford Avenue, Burnaby**

- Site area of  $\pm 37,884$  SQFT (.869 ACRES) for total gross buildable area  $\pm 136,175$  SQFT
- OCP land use designation include High Density & Medium Density
- Close to Sperling Station, high exposure & assembly potential with neighbouring strata complex

**Ben Williams PREC\*, Thomas Trowbridge PREC\***  
**Jerry H. Lee PREC\*, Daniel Link**



## **Kingsford Place - Bainbridge** **2666 – 2692 Kingsford Avenue, Burnaby**

- Site area of  $\pm 52,377$  SQFT (1.202 ACRES) for total gross buildable area  $\pm 169,478$  SQFT
- OCP land use designation include High Density & Medium Density
- Close to Sperling Station, high exposure & assembly potential with neighbouring strata complex

**Ben Williams PREC\*, Thomas Trowbridge PREC\***  
**Jerry H. Lee PREC\*, Daniel Link**



## **Ellerslie Court - Bainbridge** **2620-2698 Moorcroft Court, 6858-6898 Beechcliffe Drive, 6871-6899 Bromley Court, Burnaby**

- Site area of  $\pm 156,342$  SQFT (3.589 ACRES) for total gross buildable area  $\pm 483,451$  SQFT
- OCP land use designation include High Density, Medium Density & Low Density
- Close to Sperling Station, high exposure & assembly potential with neighbouring strata complex

**Ben Williams PREC\*, Thomas Trowbridge PREC\***  
**Jerry H. Lee PREC\*, Daniel Link**



## **King George** **13360 King George Blvd, Surrey**

- 43,103 SQFT of land in Surrey City Centre
- Mid to High Rise Development Opportunity at 5.5 FAR
- Tier 2 Transit Oriented Area, 400 Meters from Gateway Skytrain Station

**Ben Williams PREC\*, Isaac Foord PREC\***



## Our dedicated Brokers representing Strata Wind-Up opportunities

**38** YEARS OF EXPERIENCE **13** EXPERT BROKERS **784+** ACRES **2.08B+** IN SALES

London Pacific's Strata Wind-up brokers work to reveal profitable alternatives for older stratified developments facing special levies. Our experience provides a smooth process in an otherwise extremely complicated niche of development land sales.



### **BEN WILLIAMS** PREC

Executive Vice President

604.561.3680 | 604.420.2600 ext.203

[bwilliams@londonpacific.ca](mailto:bwilliams@londonpacific.ca)



### **THOMAS TROWBRIDGE** PREC

Vice President

604.420.2600 ext.207

[thomas@londonpacific.ca](mailto:thomas@londonpacific.ca)



### **JERRY LEE** PREC

Associate Vice President

604.229.5888 | 604.420.2600 ext.212

[jerry@londonpacific.ca](mailto:jerry@londonpacific.ca)



### **DANIEL LINK** PREC

Associate Vice President

604.420.2600 ext.210

[daniel@londonpacific.ca](mailto:daniel@londonpacific.ca)



### **ISAAC FOORD** PREC

Associate Vice President

604.420.2600 ext.214

[isaac@londonpacific.ca](mailto:isaac@londonpacific.ca)



# LONDON PACIFIC

London Pacific Property Agents Inc. | T 604 420 2600 F 604 420 2206 | [londonpacific.ca](https://londonpacific.ca)

The information in this report is based on data available as of July 31, 2023, obtained from sources deemed reliable. While efforts were made to ensure accuracy and completeness, we cannot guarantee its current accuracy or reliability. Circumstances may have changed since the data was last updated. This information is for reference and general purposes only. The term "newly built" refers to units that are no older than 5 years. This is not intended to be a forecast of future events, and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Altus Data Solutions; Bank of Canada; Paragon; Zonda Urban; RBC; CPA Canada, Real Estate Magazine, Impact Commercial

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