

China calling

RECREATION | The Lake Okanagan Resort near Kelowna is believed the latest purchase by investors from mainland China, who have snapped up at least eight B.C. resort properties in the past year

By **PETER MITHAM & WI STAFF**
wieditor@biv.com

The 217-room property was listed last summer with **Mark Lester** and **Alan Johnson**, who head the specialized assets group of **Jones Lang LaSalle Real Estate Services Inc.** in Vancouver.

"Somebody who's a good operator and is going to be hands-on – there's a tremendous opportunity there," Lester said last summer, noting: "There's considerably more investment that could take place."

The property includes a 158-slip marina and the only licensed beach on Lake Okanagan, as well as a nine-hole golf course and 15 acres of development lands.

Lester remarked at an **Urban Land Institute (ULI)** seminar earlier this spring that an investment group from China had gone firm on the property that had been listed at \$10.5 million. The deal had not officially closed as of press time, however.

"This is a resort in the Interior that five years ago we would not have imagined would have been

part of the investment profile of mainland Chinese," he told ULI. "It's a tourism investment club that wants to be able to have a destination to bring people."

The group became interested in the property last year when the province and the **Central Okanagan Economic Development Commission** introduced Chinese investors to opportunities in the Okanagan.

The deal parallels what China's **Suzhou Youth Travel Services Co. Ltd.** is planning through its subsidiary, **SSS Manhao International Tourism Group** in downtown Nanaimo. SSS Manhao has received approval for a 240-room hotel tagged at \$50 million that would be integrated with Suzhou's tour offerings.

This spring, a China investment group paid \$5.5 million for **Fairmeade Farm**, a 156-acre equestrian centre in Langley, which the new owners plan to turn into a winery, according to Lester.

The past year also saw the purchase of **Harrison Hot Springs Resort and Spa** near Chilliwack and **Brentwood Bay Resort and Spa** near Victoria by investors backed by mainland Chinese cash.



Investors have apparently purchased the Lake Okanagan Resort near Kelowna, part of a blitz of resort buys in B.C. traced to mainland China. The deal was to close in late May. | JONES LANG LASALLE

China investors have also purchased the **Sechelt Golf and Country Club** on B.C.'s Sunshine

Coast, the **Garden Bay** resort and marina in the same area and a 46-acre island off the Sunshine

Coast. All these properties are directly across Georgia Strait from Nanaimo.

Why all the China action in B.C.'s recreational market?

"I think it is a combination of a maturing of investment preferences, increasing tourism [from China] and a limited supply of investment product in the main markets. Personally, I also believe that Vancouver is becoming more of a home to Chinese investors, as opposed to it simply being a market to invest in," Johnson said.

Investment adviser **Graham Kwan** of Vancouver notes that B.C. remains a small part of an estimated \$15 billion in global real estate buys expected from China this year. He referred to a recent \$1 billion development in Los Angeles by Shanghai's **Greenland Group** as an example. ■

Hotel market heating up in Vancouver and Calgary as occupancy, incomes rise

Vancouver and Calgary hotel owners are seeing both occupancy levels and incomes rising, according to industry analyst **HVS International**.

Citing an increase in the city's convention market and cruise ship passengers, HVS analyst **Monique Rosszell** said downtown hotel bookings were up 7.2 per cent in the first quarter, compared to the first three months of 2013.

"Downtown Vancouver hotels are expected to see an increased level of demand in both 2014 and 2015," Rosszell said.

A lack of new product coming to the market will help to keep hotel bookings and revenues rising, she said. Only two new hotels are underway – the 187-room **Trump International**, which will not open until 2016, and the 75-room **Crystal Blue** that completes next year. High land costs in Vancouver are expected to keep new construction in check for at least the next three years.

In 2013, occupancy levels in downtown hotels were 71 per cent and are expected to reach 72 per cent this year and 74 per cent in 2015. This is a big turnaround

from the last five years, when levels of 60 per cent were not uncommon. Even more encouraging for hotel owners, REVPAR (revenue per available room) is flirting with record levels.

Last year, the average REVPAR in downtown Vancouver was \$118 per night; this year it is \$162 with a similar level expected in 2015.

Today, the average room rate in downtown Vancouver is \$173, the highest level since 2011. Rosszell singled out Calgary as perhaps Canada's hottest hotel market. That city's increase in hotel rooms will hit a record next year, when 1,327 new hotel rooms open. Calgary's hotel occupancy level is at 73 per cent and will slip to 70 per cent in 2015 due to the rush of new rooms.

Calgary is expected to see hotel REVPAR rise from \$118 in 2013 to \$122 this year, leveling at \$121 in 2015.

"The fact that Calgary can absorb such a huge influx of rooms and [still] maintain a healthy occupancy rate of 70 per cent is testament to the strength of this market," Rosszell said.