

Goodman report:

2016 Mid-Year Greater Vancouver Rental Apartment Review



HOUSING UNDER THE MICROSCOPE

Unless you've been wandering around in some distant galaxy with Captain Kirk aboard the USS Enterprise, you're no doubt aware of the severe tremors occurring in our housing markets. While Toronto is being subjected to intense supply shortages and escalating pricing pressures in rental and owner-occupied housing, Vancouver has the notable distinction of having the country's tightest rental market and the highest average prices in the condo, townhouse and single-family classes.

Barely a day passes here without a government spokesperson, a so-called "industry expert," the mainstream media or a letter to the editor chiming in about the turbulence in housing. Topics range from bubble-talk fears, sky-high levels of Canadian household debt and proposed taxes on the thousands of homes that sit empty in Vancouver to the plight of companies beset by the difficulties of attracting new employees amidst the housing crisis. Additionally, we're seeing ongoing flak over Vancouver's skirmish with Airbnb operators, the public and government's unease over the "shadow flipping" mess and growing anxiety over billions of offshore dollars being funnelled into our residential and commercial real estate. Of late, even Prime Minister Trudeau, in a recent visit to Vancouver, voiced his government's concerns over our problems of housing affordability. The Brexit vote's surprising outcome has caused global financial volatility, whose ultimate impact on Greater Vancouver's multi-family market is impossible to forecast.

Yet it's worth reminding our readership that Vancouver ranks fifth in the world in Mercer's Quality of Living Index, as reported in *The Telegraph* (March 4, 2016). This latest survey, in which Vienna came out on top, measured 230 cities on factors including political stability, crime, currency exchange, recreational facilities, housing and climate.

Against this backdrop, potential remedies that would dampen our real estate markets are being heavily debated at all levels of government. We've been promised that municipal, provincial and federal governments are on the verge of proposing solutions. Will the cures be worse than the disease? Stay tuned! Property owners and the housing industry remain wary that well-intentioned or politically expedient remedies could exacerbate the underlying problems.

Individuals and families unable to secure ownership of housing are increasingly resigned to renting in order to maintain a presence in the Vancouver area. Investors seeking opportunities in the rental apartment sector have shrewdly detected this trend, propelling demand and prices to heart-stopping levels. Such buyers are also motivated by historically low mortgage rates and vacancies hovering ever-so-slightly above 0%.

For renters, not-so-impressive numbers

Over the last six years, the *Goodman Report* has repeatedly exposed the political inertia of the City of Vancouver, which is reinforced by fears of voter backlash. This inertia has caused rental construction to languish, a problem of which investors are acutely aware.

From 2010 to 2015 inclusively, the City of Vancouver has overseen the construction starts and completion of only 3,164 units of secured market rentals, a yearly average of 527. The following statistics furnished by CMHC indicate clearly the modest impact of the city's initiatives over this six-year period:

	2010 (total apartment units)	2015 (total apartment units)	Change (units)	Change (%)
City of Vancouver	54,791	56,190	+1,399	+2.6
Vancouver CMA	104,457	106,945	+2,488	+2.4

Source: CMHC Rental Market Report

In light of extremely low vacancy rates, current rental inventory falls drastically short of community needs. Owners and investors are thus finding the situation to be overwhelmingly in their favour. The *Goodman Report* asserts that a massive paradigm shift is occurring, with landlords as the beneficiaries. Unless massive supply increases occur, rents will continue to soar well beyond the rate of inflation. Many landlords welcome receiving notice from long-standing tenants, as the enticing prospect of a 10–80% rent increase to market level at turnover, often accompanied with an upgrade, is not lost on them. Let's all remember, however, that when inflation and long-term interest rates turn the corner (and they will), the market will adjust dramatically. Remember 1981?

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YEAR-TO-YEAR COMPARISON: A QUANTUM LEAP

From the first half of the year leading into the second, 2016 charges on with unabated momentum upward both in transaction numbers and in values. Conversely, cap rates continue their inexorable decline. A total of 124 sales have occurred in the first six months of 2016, well over the 73 for the corresponding period in 2015. This 70% increase can mainly be attributed to sales in the City of Vancouver, totalling 75 in 2016 as compared to 36 in 2015, while transactions in the suburbs have recorded 49 in 2016 as compared to 37 in 2015.

On the basis of activity in the first six months of 2016, we forecast that approximately 250 buildings will sell this calendar year, with volume in excess of a record \$2 billion. These figures are as compared to 181 buildings sold and \$1.55 billion in volume for the 12-month period of 2015.

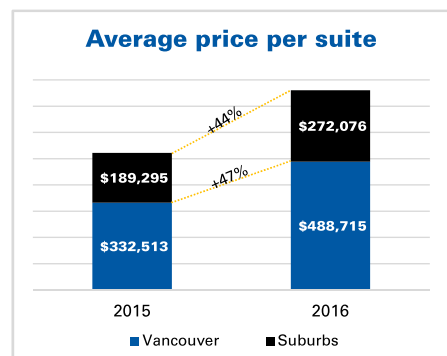
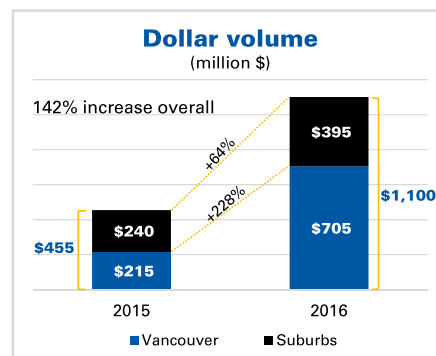
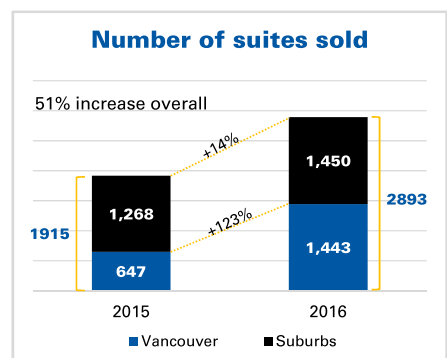
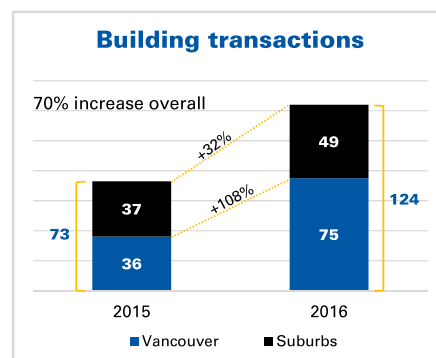
For the first six months of 2016, total dollar volume for Greater Vancouver has increased to \$1.10 billion, up 142% from 2015's \$455 million. Broken down, Vancouver's 2016 dollar volume was \$705 million, up from 2015's \$215 million: a staggering 228% increase. Suburban communities also performed exceedingly well, registering a dollar volume of \$395 million, or an increase of 64% over the \$240 million of 2015.

The total number of suites sold in Greater Vancouver in the first six months of 2016 was 2,893, a 51% increase over the 1,915 sold in 2015, with the suburbs showing a 14% increase to 1,450, up from 1,268 in 2015. Vancouver experienced a 123% increase to 1,443 suites from 2015's figure of 647.

For the first six months of 2016, the average overall price per suite for Greater Vancouver was \$380,000, up 60% over 2015's figure of \$238,000. Vancouver's average was \$489,000 per suite, up 47% from the 2015 figure

of \$333,000. Meanwhile, suburban jurisdictions weighed in at an average of \$272,000 in 2016, a 44% increase from 2015's \$189,000.

It is important to note, that approximately 28% of the recorded sales for the first half of this year have been acquired by developers who've based their purchase price on land value, rather than income. This has contributed to the sharp increase in average price per unit as land value, in many cases, represents highest and best use.



ACTIVITY HIGHLIGHTS: 2016 COMPARED TO 2015

First six months | January 1st to June 30th

Building transactions

Area	2016 transactions	2015 transactions	% change
Vancouver	75	36	+108%
Suburbs	49	37	+32%
Total	124	73	+70%

Number of suites sold

Area	2016 suites sold	2015 suites sold	% change
Vancouver	1,443	647	+123%
Suburbs	1,450	1,268	+14%
Total	2,893	1,915	+51%

Dollar volume

Area	2016 dollar volume	2015 dollar volume	% change
Vancouver	\$705,215,888	\$215,136,001	+228%
Suburbs	\$394,509,753	\$240,025,879	+64%
Total	\$1,099,725,641	\$455,161,880	+142%

Average price per suite

Area	2016 \$/suite	2015 \$/suite	% change
Vancouver	\$488,715	\$332,513	+47%
Suburbs	\$272,076	\$189,295	+44%
Total	\$380,133	\$237,682	+60%

Buildings sold and average price per suite

Vancouver areas	2016 transactions	2015 transactions	2016 \$/suite	2015 \$/suite	% change
Eastside	20	7	\$279,754	\$192,724	+45%
Kerrisdale	7	3	\$553,999	\$597,727	-7%
Kitsilano	14	5	\$427,870	\$339,266	+26%
Marpole	8	6	\$360,500	\$246,525	+46%
South Granville	12	7	\$399,004	\$331,158	+20%
West End	14	7	\$769,875	\$355,126	+117%
Suburban areas	2016 transactions	2015 transactions	2016 \$/suite	2015 \$/suite	% change
Burnaby	22	18	\$332,076	\$284,183	+17%
New Westminster	11	5	\$153,630	\$140,100	+10%
North Vancouver	7	2	\$325,030	\$233,594	+39%

2016 APARTMENT BUILDING SALES: GREATER VANCOUVER

First six months | January 1st to June 30th, 2016

ADDRESS	SUITES	PRICE (\$)	\$/UNIT
Vancouver (Eastside)			
396 E. 2nd Ave	53	\$12,680,000	\$239,245
206 E. 49th Ave (MU)	18	5,100,000	283,333
233 E. 14th Ave	54	TBA	TBA
7883 Knight St	13	TBA	TBA
938 E. Broadway	10	2,780,000	278,000
234 E. 14th Ave	22	7,900,000	359,091
234 N. Templeton Dr (ST)	6	2,050,000	341,667
2381 Trinity St	12	2,750,000	229,167
243 E. 13th Ave	11	4,600,000	418,182
3528 E. Hastings St (MU)	9	3,100,000	344,444
53 E. 13th Ave	8	3,200,000	400,000
* 418 E. 44th Ave	16	4,950,000	309,375
833 E. Broadway	11	TBA	TBA
117 E. 15th Ave	10	2,500,000	250,000
2154 Dundas St	18	2,103,000	116,833
4899 Quebec St	7	2,250,000	321,429
1727 William St	10	2,475,000	247,500
* 1122 Commercial Dr (MU)	6	3,120,000	520,000
1130 E. Broadway	29	7,500,000	258,621
1574 Kingsway (MU)	10	2,500,000	250,000
333	TBA	TBA	

Vancouver (Kerrisdale)			
* 2116 W. 39th Ave	10	\$17,500,000	\$416,667
* 2150 W. 39th Ave	32		
* 2105 W. 47th Ave (DS)	22	13,999,888	636,359
5615 Dunbar St (ST, MU)	10	5,980,000	598,000
6344 E. Boulevard (DS)	11	17,000,000	772,727
6356 E. Boulevard (DS)	11		
4620 Yew St (DS)	24	TBA	TBA
120	TBA	TBA	

Vancouver (Kitsilano)			
2415 W. 4th Ave	9	\$4,600,000	\$511,111
2200 W. 5th Ave	7	2,400,000	342,857
1875 W. 7th Ave	39	13,500,000	346,154
1888 Maple St	24	8,150,000	339,583
1977 W. 3rd Ave	8	3,650,000	456,250
2425 Alma St	6	4,500,000	750,000
2293 W. 6th Ave (TH)	53	19,800,000	373,585
1929 W. 3rd Ave	13		
3731 W. 4th Ave (DS)	11	18,000,000	486,486
3743 W. 4th Ave (DS)	13		
1975 Alma St (DS)	20	9,000,000	450,000
2272 W. 7th Ave	12	6,050,000	504,167
* 2475 W. 1st Ave	8	5,765,000	720,625
2565 Cornwall Ave	223	\$95,415,000	\$427,870

Vancouver (Marpole)			
8635 Hudson St	23	\$5,600,000	\$243,478
8615 Laurel St	26	6,250,000	240,385
8676 Oak St	9	3,950,000	438,889
8709 Cartier St	6	2,020,000	336,667
8619 Cartier St	9	3,900,000	433,333
1520 Avery Ave (ST)	8	6,380,000	797,500
* 8695 Osler St	13	4,400,000	338,462
8636 Oak St (DS)	6	3,550,000	591,667
100	\$36,050,000	\$360,500	

Vancouver (South Granville)			
* 1190 W. 10th Ave	35	\$12,000,000	\$342,857
1009 W. 10th Ave	41	12,850,000	313,415
1750 W. 13th Ave	47	18,100,000	385,106
2224 Alberta St	12	4,550,000	379,167
* 1557 W. 12th Ave	10	7,000,000	700,000
2910 Alder St	36	12,400,000	344,444
1386 W. 11th Ave	9	TBA	TBA
1396 W. 11th Ave	20	TBA	TBA
916 W. Broadway (DS)	10	8,995,000	899,500
1309 W. 14th Ave	23	9,688,000	421,217
1666 W. 12th Ave	11	4,350,000	395,455
1225 W. 13th Ave	14	6,500,000	464,286
268	TBA	TBA	

Vancouver (West End)			
819 Nicola St (DS)	7	\$12,800,000	\$1,828,571
1485 Davie St (DS)	51	36,500,000	715,686
1606 Nelson St	13	7,200,000	553,846
1070 Barclay St (DS)	77	59,000,000	766,234
1080 Barclay St (DS)	21	11,000,000	523,810
1180 Broughton St (DS)	19	6,500,000	342,105
1090 Jervis St	23	7,680,000	333,913
1742 Pendrell St (SP)	61	43,000,000	704,918
1770 Davie St (MU)	31	TBA	TBA
1055 Harwood St (DS)	23		
1075 Nelson St (DS)	28	68,000,000	1,333,333
1059 Nelson St (DS)	23		
1230 Burnaby St	22	TBA	TBA
1270 Burnaby St	22		
399	TBA	TBA	

ADDRESS	SUITES	PRICE (\$)	\$/UNIT
Burnaby			
* 7320 Elwell St	27	\$5,400,000	\$200,000
* 6947 Walker Ave	35	7,000,000	200,000
* 4680 Hastings St (MU)	13	4,500,000	346,154
6366 Cassie Ave	59		
6433 McKay Ave	36	25,750,000	271,053
6695 Dunblane (DS)	38		
4971 Imperial St (DS)	29	28,700,000	337,647
4929 Imperial St (DS)	10		
4909 Imperial St (DS)	8		
5868 Olive Ave (DS)	47	12,490,000	265,745
* 6580 Marlborough Ave (DS)	45	14,500,000	322,222
* 6556 Marlborough Ave (DS)			
* 6566 Marlborough Ave (DS)			
6540 Marlborough Ave	30	6,800,000	226,667
6576 Sussex Ave (DS)	8	3,525,000	440,625
4520 Beresford St (DS)	20	6,000,000	300,000
7465 14th St (DS)	10	2,900,000	290,000
6585 Sussex Ave (DS)	29	15,000,000	517,241
6559 Sussex Ave (DS)	10	7,000,000	700,000
6525 Sussex Ave (DS)	24	18,000,000	750,000
6425 Silver Ave (DS)	48	14,150,000	294,792
6525 Telford St (DS)	54	20,888,888	386,831
580	\$192,603,888	\$332,076	

Coquitlam			
530 Cottonwood Ave (DS)	21	\$5,090,000	\$242,381

Port Coquitlam			
2066 Coquitlam Ave	12	\$2,000,000	\$166,667
2623 Burleigh Ave (ST)	115	32,000,000	278,261
127	\$34,000,000	\$267,717	

Langley			
20689-99 Eastleigh Cres (TH)	14	\$3,197,500	\$228,393
19855 54th Ave (TH)	7	1,280,000	182,857
21	\$4,477,500	\$213,214	

New Westminster			
1222 Fifth St	21	\$3,180,000	\$151,429
1320 Fifth St	12	2,000,000	166,667
1024 St. Andrews St	23	3,650,000	158,696
815 Fifth St	61	8,500,000	139,344
217 Royal Ave	19	2,550,000	134,211
427 Eighth St	15	4,200,000	280,000
429 Eighth St	14		
615 Third St	33	4,450,000	134,848
204 Agnes St	14	2,848,888	203,492
53 Fourth St	10	1,875,000	187,500
311 Ash St	27	5,000,000	185,185
249	\$38,253,888	\$153,630	

North Vancouver			
* 240 St. Andrews Ave	19	\$7,420,000	\$390,526
226 E. 15th St	12	3,600,000	300,000
365 E. 2nd St	18	4,475,000	248,611
154 E. 18th St	31	8,996,500	290,210
170 E. 5th St	53	TBA	TBA
** 251 Riverside Dr (DS)	58	26,840,000	462,759
* 111 W. Windsor Rd	26	7,200,000	276,923
217	TBA	TBA	

Richmond			
6071 Azure Rd ((DS, TH)	75	\$22,000,000	\$293,333

Surrey			
13570 Hilton Rd (ST)	13	\$2,075,000	\$159,615
7760 120th St	70	10,802,977	154,328
83	\$12,877,977	\$155,156	

White Rock			
1580 Everall St	57	\$10,925,000	\$191,667
1461 Foster St	20	3,750,000	187,500
77	\$14,675,000	\$190,584	

The sale information provided is a general guide only. There are numerous variables to be considered such as:

1. Suite mix
2. Rent/sq. ft.
3. Rent leaseable area
4. Buildings' age and condition
5. Location
6. Frame or highrise
7. Strata vs. non-strata
8. Land value (development site)
9. Special financing

- (HR) Highrise
- (MR) Midrise
- (TH) Townhouse
- (ST) Strata
- (DS) Development site
- (EST) Estimated price
- (SP) Share purchase
- (NC) New construction
- (MU) Mixed-use

* Sold by The Goodman Team
** December 2015 sale

SUPPLY-CHAIN INERTIA

Municipalities within the Vancouver Census Metropolitan Area (CMA) are experiencing a deeply imbedded supply deficiency. Why?

The Goodmans' top explanations:

- 1. Financial infeasibility:** Most proposed rental projects lack financial viability because of high land costs (typically based on condo values), unless municipalities grant concessions such as density bonusing, waived DCCs and other fees or levies. Yet negotiating such concessions invariably requires drawn-out bureaucratic processes.
- 2. Greater value in condos:** Developers achieve a greater return on investment building condos than rentals because condo values are typically much higher, on a dollar-per-square-foot basis, than rental values, which are calculated on the basis of net rental income and cap rates.
- 3. Property tax:** Breaks aren't available from federal, provincial or municipal governments to developers building market rentals.
- 4. Disappointment in densification:** In recently updated Official Community Plans (OCPs), some municipal governments are granting a degree of density bonusing for new rentals. Examples are occurring in Vancouver's Marpole neighbourhood and in the Lower Lonsdale area of North Vancouver. On examination, however, and despite planners' proclamations that a spike in rental projects will follow, the numbers haven't yielded the desired results. Recent market surveys as well as proformas undertaken by the Goodmans in these areas on behalf of clients suggest that 60-year-old rental buildings situated on potential rental development sites often represent "highest and best use," after we apply the income and comparison approach to valuation. The lamentable upshot: developing new rental supply, in spite of noble intentions, becomes non-viable.
- 5. Voter wrath:** Perhaps with the sole exception of Burnaby, municipalities in Greater Vancouver abhor eliminating, demolishing or replacing existing rentals, no matter how inefficient, aging or low in density. The wrath of tenants receiving eviction notices is a city council's greatest nightmare, and most leaders lack the fortitude to face voter backlash. Instead, it's easier to kick the ball down the road to tomorrow's politicians. A prime example is Vancouver's unwillingness to do away with the moratorium on rental demolitions, now entrenched in its 10th year. It's scandalous that Vancouver's city council still can't find a way to engineer a reversal that could free up development sites for a vastly increased supply of market rentals and condos. Taxing vacant homes will have little impact on supply.
- 6. Death from GST:** The federal government still imposes a regressive GST on the full market value of new rental buildings on completion.

Seeking affordability? Bring on the subsidies!

It's striking that despite the willingness of developers to fund projects unaided by taxpayers' money, the impediments they face in Greater Vancouver bar them from building ample rentals for a growing population. In an excerpt from its spring 2016 Housing Market Outlook: Vancouver and Abbotsford CMAs, the CMHC reports that "Vancouver's population grew by 28,000 in 2015 and will continue to draw people to the region over the next two years adding approximately 70,000 residents to the population." Meanwhile, as chronic rental shortages foster tension amongst the citizenry that nears the boiling point, our municipal politicians resist acknowledging that simple economics will always beat out political expediency over the long term. Municipalities are responding to the crisis by frantically seeking the proverbial silver bullet. Their strategy, such as it is, involves engaging senior levels of government to kickstart new development schemes using income assistance and subsidies. Ultimately taxpayers will be on the hook, local politicians off.

Short supply, insatiable demand

Since the onset of 2015, when taking clients' properties to market, the Goodmans have experienced an astonishing upsurge in inquiries, despite sharply higher pricing. Buyers are stampeding to newly available offerings, with two dozen bidders often vying for inspections. This is the new normal. Further highlighting the underlying market strength and investor confidence, a number of sales to a new breed of ultra-sophisticated buyers have proceeded from unconditional offers.



Riding the land-price rocket

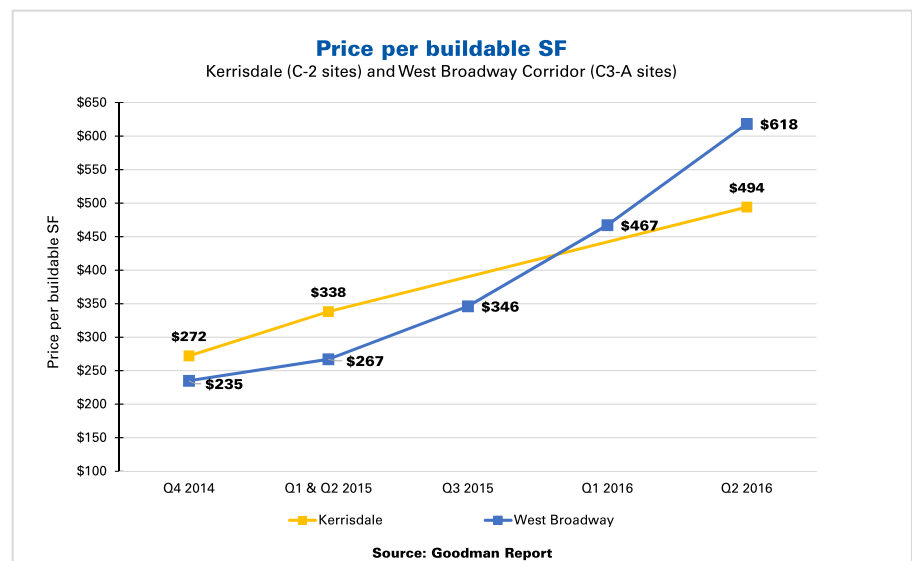
In late 2014, we were humbled to sell sites in the Vancouver Westside area of Kerrisdale for \$275 per buildable square foot. This pricing was well beyond what other areas were selling at, and for a few short months it was a high, before it started trending up toward \$300 and \$350 per buildable square foot. Historically, we'd never seen such prices. In the last 12 months, land pricing has jumped at least three more times, and we are seeing sites in the same area trading at over \$500 per buildable square foot.

While previous increases were being generated purely on spec for future potential growth, the last few bumps have been mainly due to increased demand for condos. Rumours of entire condo towers selling out in a weekend have been rampant. This surge in demand and record-breaking pricing for new condos have helped developers propel their proformas into the black while obliging them to accept that they're paying exorbitantly for sites.

We've seen a similar trend for properties under the coveted C-3A zoning in the Broadway Corridor. Banking on future transit expansions, investors and developers (including municipalities and TransLink) have been buying up sites. In early 2015, pricing was in the range of \$265 per buildable foot. And we thought Broadway's prices had hit the ceiling with transactions in the mid-\$400s per buildable foot earlier

this year, when the latest closing rang in at an astounding \$618!

While some of this money is coming from areas outside of Vancouver and Canada, the local guys are also stepping up and corraling large numbers of properties to bank for the future. Perhaps in the back of everyone's mind is the question: what if this isn't it?





NOVARE
527 CARNARVON ST, NEW WESTMINSTER

Call listing agent for price
26-storey new purpose-built rental tower
282 residential units & 5 CRUs



SOUTHVIEW GARDENS
3240 E 58TH AVE, VANCOUVER

Contact listing agent for price
6.58-acre site in Champlain Heights
140 rental townhouse / apartment units



THE KALEDEN
1015 W 13TH AVE, VANCOUVER

\$6,545,000
11-suite renovated apartment building
South Granville; massive suites



BOLE APARTMENTS
46155 BOLE AVE, CHILLIWACK

\$4,250,000
48-suite apartment building
\$88,541 per suite; well-maintained



GLEN APARTMENTS
8685 OSLER ST, VANCOUVER

Sold \$4,400,000
13-suite apartment building in Marpole
Large 10,008 SF corner lot



VILLA ROSE-MARIE
2475 W 1ST AVE, VANCOUVER

Sold \$6,050,000
Prime Kitsilano 12-suite apartment
City, ocean and mountain views



418 APARTMENTS
418 E 44TH AVE, VANCOUVER

Sold \$4,950,000
Well-maintained 16-suite apartment
Rare rental building in Fraser/Main



SOUTH GRANVILLE
1557 W 12TH AVE, VANCOUVER

Sold \$7,000,000
10-suite apartment building
Totally renovated



SKYLINE MANOR
111 W WINDSOR RD, NORTH VANCOUVER

SOLD \$7,200,000
26-suite rental apartment building
Upper Lonsdale with city & water views

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