The Newsletter for Apartment Owners since 1983
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Goodman report:

2015 Greater Vancouver Rental Apartment Review

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THE NEW ORDER

Greater Vancouver's commercial real-estate market and in particular the multi-family rental sector are in overdrive, with the repeated eclipse of already historic pricing highs in most jurisdictions. Agents, vendors and buyers are experiencing a rapid once-in-a-generation surge in prices to unimagined levels. Correspondingly, cap rates are plunging still further to lows never seen before.

In 2015, overall building sales jumped 47% to 181 transactions, with dollar volume soaring 99% to $1.55 billion as compared to 2014. The impetus or blame – call it what you will – is dramatically apparent. The usual suspects have been the worldwide allure of Vancouver, continuing high immigration levels, a severely weakened Canadian dollar, a chronic shortage of affordable accommodation, well-documented difficulties in developing new rental stock and ground-hugging interest rates. Chronically undersupplied rental suites, ranging from the tired and unrenovated to the high-end, have drawn speculators, first-time investors, REITs, key institutional players (in particular the Canada Pension Plan Investment Board) and well-established investors, with bidding wars waged daily on almost all offerings.

Traditionally, appraisers and real-estate agents have determined fair market value by analyzing recent comparable sales and listings. This seemingly tried and tested methodology has failed us of late. With the frequent surpassing of pricing assumptions and expectations comes a growing need to dispense with preconceived notions of market, particularly when estimating the value of rental apartment buildings.

Reading the tea leaves

Some financial pundits out there claim to possess the wisdom of Solomon with their economic forecasts. They call for oil and commodity prices, the loonie and Canadian interest rates – all inextricably linked – to decline still further before any reversal occurs.

Against the backdrop of rising national unemployment figures, record household debt, manufacturing stalls, the prospect of higher budget deficits, pricier imports and costlier U.S. travel, the fortunate seeking to park their dollars in the bank are realizing only a meagre return on their deposits.

In contrast, Vancouverites, exuding supreme confidence as compared with residents of other major Canadian centres, are defying the economic downdraft. As a relative financial oasis, we can claim buoyant employment numbers and a bustling seaport; shops, theatres and restaurants; a flourishing tourism industry; thriving high-tech and film sectors; and booming construction and real-estate markets.

The Bank of Canada predicts that B.C.'s real GDP will rise to 2.5% for 2016, in contrast to its estimate of 2.2% for 2015: higher than in any other province in Canada. The outlook seems rosy indeed. In CIBC's most recent quarterly report, however, economists Benjamin Tal and Nick Exarhos caution that "any overly optimistic forecasts for 2016 are based largely on wishful thinking. The collapse in energy sector capital spending that was the primary driver of 2015's anemic growth isn't likely to be reversed next year, or even in 2017."

Experienced real-estate practitioners have seen this movie before. Looking over their shoulders, they recall the abrupt swing in our markets in 1981 and 1990 and appreciate that our markets have been on a tear for some 15 years, except for the short recessionary bump in 2009. Of late, we have seen very seasoned hands liquidating their holdings, including apartment buildings, development sites and major office towers. These owners are realizing spectacular gains. Additionally, talk of an imminent real-estate bubble (which, according to some, has already popped in certain parts of Canada) is growing. Krishen Rangasamy, an economist at the National Bank Financial in Montreal in reference to the Teranet-National Bank house price index, reports that prices in only four Canadian cities – Toronto, Hamilton, Vancouver and Victoria – posted gains in November, while values in seven other key large metropolitan centres contracted.

From China with money

Until recently, the focus has been on the residential market, with local and national media running headlines such as "New Study: Vancouver housing market fuelled by Chinese buyers" (*Globe and Mail*, November 2, 2015). Now, however, we can safely say that a parallel market exists in the commercial sector, with equally big figures.

Relatively small in number yet immensely powerful and extremely well-capitalized with billions of dollars at their disposal, investor groups from China are leaving an indelible mark on local real estate. Their acquisitions over the last few years have served not only to underpin the markets, but to propel pricing to unforeseen levels. Targeted acquisitions in Greater Vancouver include development sites, strategically located land plays with development prospects still years off and existing commercial and multi-family assets. While at times speculative in their activities, such groups have a profile and modus operandi like those of cash buyers, requiring short subject periods in their purchase agreements (or often making unconditional offers) and possessing the ability to hold long-term. The vast new dollar flow pouring into Greater Vancouver is disrupting the local development and investor community. Locals either lose out or feverishly raise their bids to compete with the new kids on the block.

We invite our readership to contact us personally for details on the numerous examples of major property transactions occurring as a result of this massive new off-shore cash-flow infusion.

YEAR-TO-YEAR COMPARISON: THE STORY BEHIND THE STATS

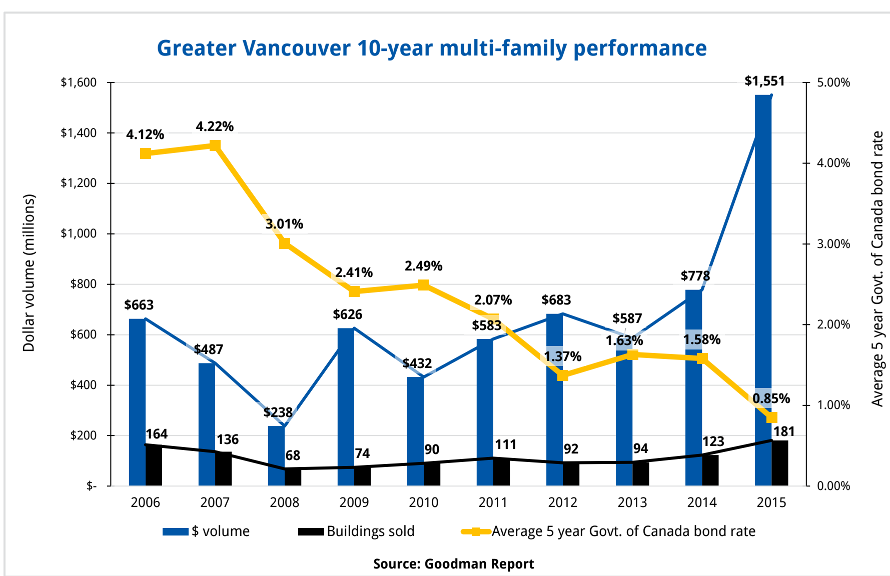
The 2015 numbers are in. At year-end, building sale transactions are at their highest level since the late 1980s, while total dollar volume, a telltale sign of investors' passion for the sector, has also registered significant gains as compared to 2014. The average price per suite – a key value indicator – spiked considerably in the City of Vancouver.

In Greater Vancouver, a total of 181 rental buildings changed hands in 2015, up 47% from the 123 sold in 2014.

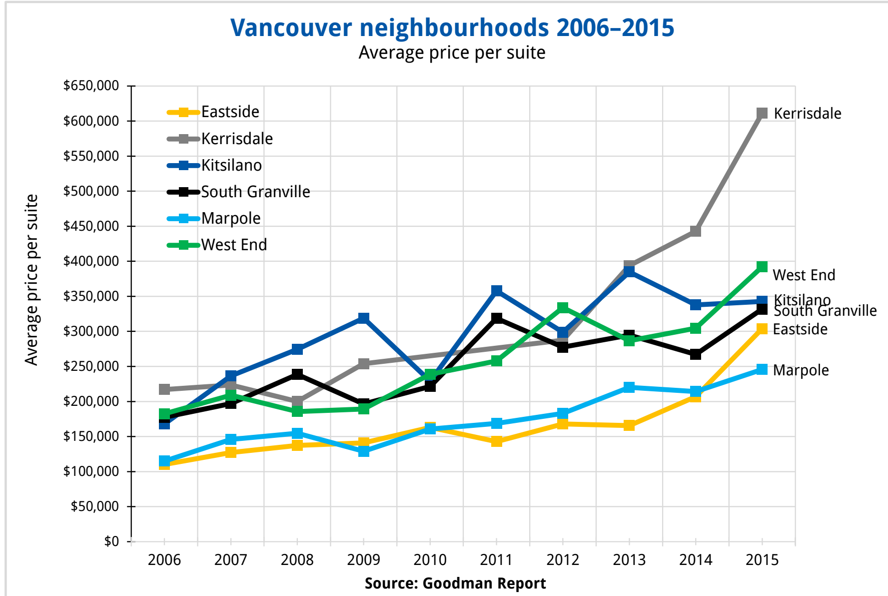
The City of Vancouver itself expanded to 78 sales, up 26% from the 62 figure of 2014, while the suburbs experienced a spectacular increase to 103, up 69% compared to 2014's more modest 61 transactions. More specifically, amongst Vancouver neighbourhood transactions, the Eastside has held steady at 14, while Kitsilano registered 15 sales, up strongly from the 9 recorded a year earlier. South Granville stayed even at 10, while Kerrisdale declined to 6 compared to 10 in 2014. Marpole increased to 14 from only 7 in 2014, while the West End at 17 sales was up strongly from last year's 11.

Total dollar volume for Greater Vancouver increased to a record-breaking $1.55 billion compared to $778 million in 2014, up a resounding 99%. Vancouver's overall dollar volume climbed to $613 million, a 79% increase over 2014's figure of $342 million, whereas suburban dollar volume exploded to $939 million, a record high representing a whopping 115% increase over 2014's $436 million.

2015's overall average price per suite for Greater Vancouver marginally increased by 5% to $248,000, from $237,000 in 2014. However, viewed on its own, the City of Vancouver's averages increased quite substantially to $362,000, up 22% over 2014's figure of $298,000, whereas the suburban figure came in at $205,000 per unit, essentially matching 2014's figure.

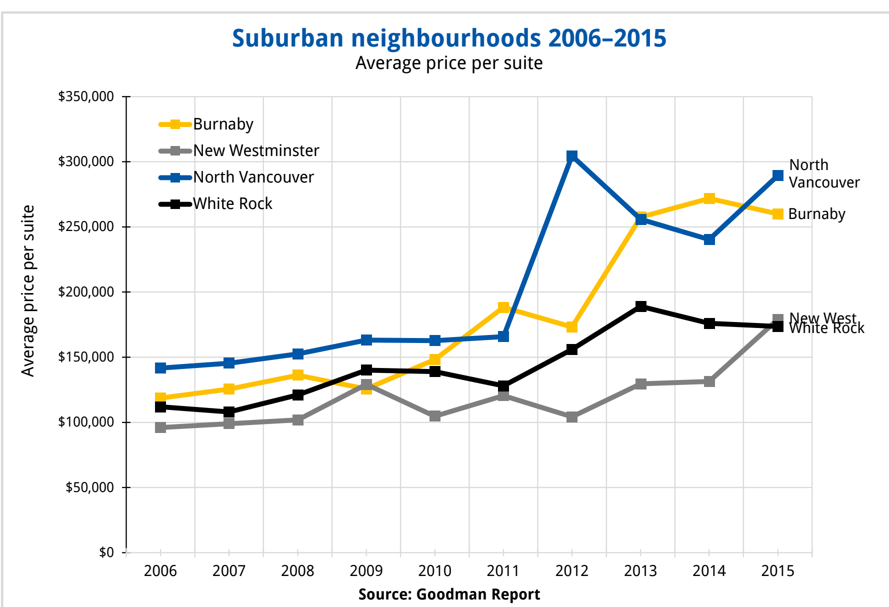


The average price per suite in six of Vancouver's seven distinct communities for 2015 versus 2014 demonstrated a decidedly upward momentum. Kerrisdale's values again hit an all-time high of $611,000 per suite, up 38% over 2014's $443,000, driven primarily by several sales of co-op and rental properties (the buildings, resting on C-2 zoned land, were purchased solely for redevelopment at land value). The rediscovered Eastside also experienced a large increase in value, climbing 47% to $304,000 in 2015 as compared to $207,000 in 2014. In the West End, average prices jumped to $392,000 per unit, up 29% over 2014's $304,000. A few select areas, in both the West End and Marpole, are experiencing densification, which helps to explain the major increases in average suite values as the properties were purchased for redevelopment and infill. Marpole and South Granville witnessed average price increases of 15% and 24% respectively, while Kitsilano was essentially flat (see Activity Highlights, page 5).



Push to suburbia: the numbers say it all

Affordability has become a serious and growing problem within Vancouver proper. Seizing on this knowledge, investors are recognizing that rental housing demand is shifting to outlying suburban centres. In growing numbers, investors are establishing a financial foothold outside the city itself. Two Toronto-based REITs alone purchased a total of 24 buildings in the suburbs, with strong emphasis in New Westminster. 2015's dollar volume of $939 million is a testament to their genuine interest in the 'burbs.



Langley made a surprising showing in 2015, with 9 sales equaling $85 million in volume; New Westminster reported 22 sales at $149 million; and North Vancouver was prominent, with 10 sales totalling $91 million (see Activity Highlights, page 5).

Other communities such as Coquitlam, Ladner, Maple Ridge, Port Moody, Richmond and White Rock all held their own and in most cases showed significant increases in dollar volumes. Surrey's average price, however, declined by 20% while West Vancouver reported no activity for 2015.

Driven primarily by condo development within the established rental apartment zones, Burnaby again dominated the charts: among the 103 total building transactions in suburban areas, 36 buildings changed hands in Burnaby representing 47% of total suburban sales dollar volume. A caveat: Burnaby's heightened activity tends to skew upwards the overall price per unit average in our statistics.

ACTIVITY HIGHLIGHTS: 2015 COMPARED TO 2014

Dollar volume

Average price

Greater Vancouver	2015 total $ volume	2014 total $ volume	% change	2015 $ per suite	2014 $ per suite	% change
Total	**$1,551,473,100**	**$777,916,500**	**+ 99%**	**$247,879**	**$237,025**	**+ 5%**
Vancouver areas						
Eastside	$57,138,000	$51,732,500	+ 10%	$303,926	$206,930	+ 47%
Kerrisdale	$59,300,000	$68,158,500	- 13%	$611,340	$442,588	+ 38%
Kitsilano	$151,800,000	$44,590,000	+ 240%	$342,664	$337,803	+ 1%
Marpole	$56,256,300	$12,855,000	+ 338%	$245,661	$214,250	+ 15%
South Granville	$51,107,000	$44,620,000	+ 15%	$331,864	$267,186	+ 24%
UBC	$20,000,000	$5,388,000	+ 271%	$769,231	$673,500	+ 14%
West End	$217,258,000	$114,488,000	+ 90%	$392,162	$304,489	+ 29%
Vancouver	**$612,859,300**	**$341,832,000**	**+ 79%**	**$362,424**	**$298,023**	**+ 22%**
Suburban areas						
Burnaby	$439,981,555	$180,480,500	+ 144%	$260,036	$271,808	- 4%
Coquitlam	$17,785,085	$5,800,000	+ 207%	$145,779	$138,095	+ 6%
Ladner	$11,815,000	$3,287,500	+ 259%	$151,474	$164,375	- 8%
Langley	$84,709,037	$12,547,000	+ 575%	$159,228	$95,779	+ 66%
Maple Ridge	$8,150,000	$4,800,000	+ 70%	$92,614	$81,356	+ 14%
Mission	$4,650,000	$0		$71,538	N/A	
New Westminster	$149,467,643	$26,423,000	+ 466%	$179,003	$131,458	+ 36%
North Vancouver	$91,148,939	$101,153,500	- 10%	$289,362	$240,270	+ 20%
Port Coquitlam	$1,200,000	$1,193,000	+ 1%	$240,000	$108,455	+ 121%
Port Moody	$10,571,686	$4,930,000	+ 114%	$165,183	$133,243	+ 24%
Richmond	$33,500,000	$0		$251,880	N/A	
Surrey	$71,914,855	$72,450,000	- 1%	$128,419	$159,934	- 20%
West Vancouver	$0	$8,925,000	- 100%	N/A	$557,813	
White Rock	$13,720,000	$14,095,000	- 3%	$173,671	$176,188	- 1%
Suburbs	**$938,613,800**	**$436,084,500**	**+ 115%**	**$205,476**	**$204,255**	**+ 1%**

Building transactions

Number of suites sold

Greater Vancouver	2015 buildings sold	2014 buildings sold	% change	2015 suites sold	2014 suites sold	% change
Total	**181**	**123**	**+ 47%**	**6259**	**3282**	**+ 91%**
Vancouver areas						
Eastside	14	14	0%	188	250	- 25%
Kerrisdale	6	10	- 40%	97	154	- 37%
Kitsilano	15	9	+ 67%	443	132	+ 236%
Marpole	14	7	+ 100%	229	60	+ 282%
South Granville	10	10	0%	154	167	- 8%
UBC	2	1	+ 100%	26	8	+ 225%
West End	17	11	+ 55%	554	376	+ 47%
Vancouver	**78**	**62**	**+ 26%**	**1691**	**1147**	**+ 47%**
Suburban areas						
Burnaby	36	23	+ 57%	1692	664	+ 155%
Coquitlam	4	1	+ 300%	122	42	+ 190%
Ladner	3	1	+ 200%	78	20	+ 290%
Langley	9	3	+ 200%	532	131	+ 306%
Maple Ridge	3	1	+ 200%	88	59	+ 49%
Mission	2	0		65	0	
New Westminster	22	8	+ 175%	835	201	+ 315%
North Vancouver	10	15	- 33%	315	421	- 25%
Port Coquitlam	1	1	0%	5	11	- 55%
Port Moody	2	1	+ 100%	64	37	+ 73%
Richmond	2	0		133	0	
Surrey	6	3	+ 100%	560	453	+ 24%
West Vancouver	0	1	- 100%	0	16	- 100%
White Rock	3	3	0%	79	80	- 1%
Suburbs	**103**	**61**	**+ 69%**	**4568**	**2135**	**+ 114%**

2015 APARTMENT BUILDING SALES: CITY OF VANCOUVER

ADDRESS	SUITES	PRICE ($)	$/UNIT
Vancouver (Eastside)			
1925 Woodland Dr	30	$5,250,000	$175,000
7884 Knight St	14	2,300,000	164,286
* 3551 Commercial St	6	1,808,000	301,333
675 Victoria Dr	10	2,150,000	215,000
* 1533 E. Broadway	12	3,050,000	254,167
3917 Knight St (ST)	9	3,000,000	333,333
6509 Knight St (MU)	14	4,350,000	310,714
1420 Napier St (TH)	6	3,150,000	525,000
3995 Main St (MU)	8	2,150,000	268,750
2416 Fraser St	11	3,250,000	295,455
670 E. Broadway (MU)	16	5,300,000	331,250
708 E. 26th Ave (MU, SP)	28	15,600,000	557,143
7850 Knight St	11	2,300,000	209,091
3038 Commercial Dr (MU)	13	3,480,000	267,692
Total	**188**	**$57,138,000**	**$303,926**
Vancouver (Kerrisdale)			
* 6347 W. Boulevard (DS)	22		
* 2109 W. 48th Ave (DS)	11	$26,300,000	$597,727
* 2108 W. 47th Ave (DS)	11		
5615 Dunbar St (ST)	10	5,400,000	540,000
5826 Tisdall St (DS)	43	27,600,000	641,860
5860 Tisdall St (DS)			
Total	**97**	**$59,300,000**	**$611,340**
Vancouver (Kitsilano)			
* 1968 W. 2nd Ave	24	$6,150,000	$256,250
2154 York Ave	11	4,550,000	413,636
2121 Alma St (HR)	43	14,500,000	337,209
2235 W. 6th Ave	20	7,000,000	350,000
2325 York Ave	11	4,780,000	434,545
* 2130 York Ave	26	10,250,000	394,231
* 1988 Stephens (ST)	34	7,500,000	220,588
2170 W. 5th Ave	20	6,520,000	326,000
2165 W. 1st Ave	15	5,000,000	333,333
1609 Cypress St	16	4,395,000	274,688
3755 W. 6th Ave	106	40,100,000	378,302
2045 Maple St	14	5,125,000	366,071
2040 York Ave	54	18,630,000	345,000
2280 W. 6th Ave	43	13,800,000	320,930
2472 W. 4th Ave	6	3,500,000	583,333
Total	**443**	**$151,800,000**	**$342,664**

ADDRESS	SUITES	PRICE ($)	$/UNIT
Vancouver (Marpole)			
1377 W. 70th Ave	8	$1,730,000	$216,250
1387 - 1397 W. 71st Ave	19	4,258,000	224,105
8590 Osler St	11	2,750,000	250,000
1198 W. 70th Ave	17	3,650,000	214,706
1425 W. 70th Ave	6	2,650,000	441,667
8851 Granville St (ST)	12	3,100,300	258,358
8635 Laurel St	19	5,300,000	278,947
1373 73rd Ave			
8790 Cartier St	106	24,170,000	228,019
8740 Cartier St			
1440 W. 71st Ave	10	3,048,000	304,800
8599 Oak St	13	3,800,000	292,308
8619 Cartier St	8	1,800,000	225,000
Total	**229**	**$56,256,300**	**$245,661**
Vancouver (South Granville)			
1446 W. 13th Ave	11	$3,267,000	$297,000
1675 W. 11th Ave	10	2,300,000	230,000
1550 W. 10th Ave (HR)	33	11,500,000	348,485
1346 W. 11th Ave	10	3,600,000	360,000
1646 W. 10th Ave	8	4,280,000	535,000
1395 W. 14th Ave	22	6,000,000	272,727
2975 Laurel St	6	2,300,000	383,333
* 2572 Birch St	13	5,520,000	424,615
3939 Cambie St	18	5,300,000	294,444
3730 Cambie St	23	7,040,000	306,087
Total	**154**	**$51,107,000**	**$331,864**
Vancouver (UBC)			
2225 Acadia Rd (DS)	18	$10,700,000	$594,444
5555 Toronto Rd (TH)	8	9,300,000	1,162,500
	26	**$20,000,000**	**$769,231**
Vancouver (West End)			
1540 Haro St	28	$7,590,000	$271,071
* 1847 Pendrell St	23	8,225,000	357,609
** 1249 Granville St	45	15,150,000	336,667
1310 Burnaby St	27	7,300,000	270,370
* 1250 Nicola St (MR)	28	8,050,000	287,500
1065 Harwood St (DS)	47	30,000,000	638,298
1332 Thurlow St (DS)			
1860 Nelson St	24	9,085,000	378,542
1078 Harwood St (DS)	27	10,500,000	388,889
1516 Burnaby St	23	6,608,000	287,304
1209 Jervis St (SP)	45	24,900,000	553,333
* 1221 Bidwell St (HR)	49	16,500,000	336,735
1380 Jervis St (HR)	56	23,500,000	419,643
1230 & 1270 Burnaby St	45	14,250,000	316,667
1203 Brougton St (HR)	40	11,600,000	290,000
1345 Davie St (ST, DS)	47	24,000,000	510,638
Total	**554**	**$217,258,000**	**$392,162**

* Sold by The Goodman Team

*** December 2014 sales.*

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

2015 APARTMENT BUILDING SALES: SUBURBS

ADDRESS	SUITES	PRICE ($)	$/UNIT
Burnaby			
6380 Silver Ave (DS)	38	$38,782,000	355,798
6420 Silver Ave (DS)	71		
6280 Cassie Ave (DS)	56	13,000,000	232,143
512 Springer Ave	16	3,100,000	193,750
* 5220 Capitol Dr	30	5,700,000	190,000
6585 McKay Ave	8	1,600,000	200,000
* 6390 Willingdon Ave	58	11,368,000	196,000
4675 Imperial St (DS)	64	16,158,000	252,469
6688 Dunblane (DS)	8	2,949,200	368,650
6730 Dunblane (DS)	11	3,298,900	299,900
6709 Marlborough Ave (DS)	9	3,250,000	361,111
6661 & 6687 Marlborough Ave (DS)	17	5,963,200	350,776
6660 Marlborough (DS)	22	4,425,000	201,136
5025 Imperial St (DS)	23	16,000,000	320,000
6750 Dunblane (DS)	11		
6789 Marlborough Ave (DS)	8		
6729 Marlborough Ave (DS)	8		
3836 Carrigan Crt	65	11,693,167	179,895
8357 10th Ave	79	18,031,296	228,244
8350 11th Ave			
8353 11th Ave			
7425 18th Ave	47	7,857,864	167,189
7465 13th Ave	26	4,771,928	183,536
4232 Maywood St	10	2,368,000	236,800
6280 & 6350 Willingdon Ave (DS)	116	27,200,000	234,483
6425 Silver Ave	48	14,000,000	291,667
6615 Telford Ave	54	15,550,000	287,963
9005 Centaurus Cir	54	10,500,000	194,444
6750 Balmoral St	30	6,135,000	204,500
7107 Fulton St	54	10,180,000	188,519
* 7060 Elwell St	65	13,200,000	203,077
7265 Arcola St	48	10,250,000	213,542
9500 Erickson Dr (MU, HR)	528	160,000,000	303,030
6709 Sussex Ave	10	2,650,000	265,000
Total	**1692**	**$439,981,555**	**$260,036**
Coquitlam			
1134 - 1214 King Albert Ave	66	$9,350,000	$141,667
345 Marathon Co	22	3,100,000	140,909
751 Clarke Rd	34	5,335,085	156,914
Total	**122**	**$17,785,085**	**$145,779**
Port Coquitlam			
3580 Sefton St	**5**	**$1,200,000**	**$240,000**
Ladner			
4630 Evergreen Lane	16	$2,490,000	$155,625
5262 Ladner Trunk Rd	28	4,650,000	166,071
4711 57th St	34	4,675,000	137,500
Total	**78**	**$11,815,000**	**$151,474**
Langley			
5530 208th St	37	$5,700,000	$154,054
8026 207th St (SP)	58	17,025,000	293,534
5170 203rd St (TH)	90	14,900,000	165,556
20061 55A Ave	192	20,635,000	107,474
5375 204th St	54	6,350,000	117,593
5374 203rd St (ST)			
21753 61st Ave (TH)	8	1,238,000	154,750
5411 208th St	54	9,918,217	183,671
5332 207th St	39	8,942,820	229,303
Total	**532**	**$84,709,037**	**$159,228**

* Sold by The Goodman Team

*** December 2014 sales.*

ADDRESS	SUITES	PRICE ($)	$/UNIT
Maple Ridge			
11695 224th St	31	$2,250,000	$72,581
22501 Royal Cr	9	1,200,000	133,333
** 21387 Dewdney Trunk Rd	48	4,700,000	97,917
Total	**88**	**$8,150,000**	**$92,614**
Mission			
33561 3rd Ave	57	$3,800,000	$66,667
7365 Alder St	8	850,000	106,250
Total	**65**	**$4,650,000**	**71,538**
New Westminster			
** 319 Knox St	42	$6,000,000	$142,857
210 Agnes St	17	2,350,000	138,235
727 Fourth Ave	10	1,335,000	133,500
1321 Cariboo St	8	975,000	121,875
1015 Third Ave	23	3,350,000	145,652
1007 Sixth Ave	8	1,133,000	141,625
231 Eighth St	24	3,816,000	159,000
1210 Seventh Ave	15	2,330,000	155,333
435 Ash St	43	7,568,315	176,007
1303 Eighth Ave	41	6,417,222	156,518
529 Tenth St	25	4,182,954	167,318
333 Tenth St	41	6,702,032	163,464
515 Ninth St	47	8,070,695	171,717
520 Tenth St	50	9,039,671	180,793
908 Sixth Ave	43	7,884,463	183,360
910 St. Andrews St	45	7,813,430	173,632
1021 Fourth Ave	42	7,144,861	170,116
737 Carnarvon St (MU)	106	24,500,000	231,132
117 Agnes St	5	880,000	176,000
140 Sixth St (DS)	135	28,000,000	207,407
101 Royal Ave	48	7,500,000	156,250
129 Agnes St	17	2,475,000	145,588
Total	**835**	**$149,467,643**	**$179,003**
North Vancouver			
110 E. Kings Rd	19	$3,650,000	$192,105
* 140 W. 17th Ave	45	11,300,000	251,111
372 E. 3rd St (SP)	16	4,250,000	265,625
365 E. 2nd St	18	3,750,000	208,333
308 Forbes Ave	47	11,948,939	254,233
* 1277 & 1285 E. 27th St (DS)	75	24,650,000	328,667
201 W. 1st St (SP)	30	14,100,000	470,000
269 W. 4th St	47	17,500,000	269,231
170 W. 5th St	18		
Total	**315**	**$91,148,939**	**$289,362**
Port Moody			
3002 Henry St	23	$3,365,000	$146,304
2010 St. John St	41	7,206,686	175,773
Total	**64**	**$10,571,686**	**$165,183**
Richmond			
8251 Cook Rd	45	$11,700,000	$260,000
5900 Muir Dr (TH)	88	21,800,000	$247,727
Total	**133**	**$33,500,000**	**$251,880**
Surrey			
10772 150th St	331	$33,650,000	$101,662
13979 104th Ave (MU)	44	6,670,000	151,591
10425 & 10463 150th St	110	19,469,855	176,999
7297 138th St (ST)	62	9,700,000	156,452
13478 Hilton Rd	13	2,425,000	186,538
Total	**560**	**$71,914,855**	**$128,419**
White Rock			
14884 North Buff Rd	27	$4,455,000	$165,000
1509 Martin St	42	7,300,000	$173,810
1340 Fir St	10	1,965,000	196,500
Total	**79**	**$13,720,000**	**$173,671**

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

THE LOCAL PRESS: HOLDING POLITICIANS ACCOUNTABLE

One need only scan the daily headlines for reminders that we are experiencing a severe housing crisis with no improvement in sight.

While acknowledging the serious impact on our population, Vancouver's municipal politicians have not done nearly enough to address the dire plight of those seeking affordable housing.

Fortunately, local print media have been drawing attention to this void by devoting constant commentary to it. Such voices have now joined the *Goodman Report* in the strenuous objections we've expressed for the past ten years to Vancouver's questionable housing policies orchestrated by the previous city manager, the planners and the Vision council members led by Mayor Gregor Robertson.

Some examples of the policies that have contributed to the current rental housing mess:

MORATORIUM

Originally designed as a "temporary" 2.5-year program, ostensibly to enhance creative alternatives for housing supply, the moratorium on the demolition of rentals in the RM, FM and CD-1 zones has developed into a seemingly permanent fixture, now in its ninth year. Political expediency of the highest order plagues the housing agenda of Vision, whose goal is to protect at all costs the existing tenants of older affordable suites.

RENTAL 100 PROGRAM

The city's highly vaunted approach to new rental housing development features a lengthy bureaucratic process of three to four years for approvals.

ZERO RATE OF CHANGE

The city is unwilling to budge on its long entrenched zero-rate-of-change guidelines for rental/market housing redevelopment.

DENSIFICATION INEQUITY

Concessions on densification have been unevenly and unfairly distributed. The city strongly emphasizes densification downtown (and yes, the Goodmans support this policy unabashedly). Certain sites where warranted have found themselves on the receiving end of Council's largesse, with some densities reaching a spectacular 27 FSR (floor-space-ratio). Yet this same municipal government steadfastly rejects the notion of even modest densification increases in non-downtown urban areas unless under the restrictive Rental 100 program. Meanwhile, property owners operating 45 to 60-year-old inefficient walk-up rental buildings in apartment zones with absurdly low densities of 0.5 to 1.45 FSR are obliged to maintain them well beyond their economic lives. Additionally, these same owners are unable to realize the true "highest and best use" or land value of their properties. Only in the multi-family rental asset class must principals endure such undue governmental interference.

Speaking of which, a sorry incident involving a senior city housing official, who shall remain nameless, was implored to review a proforma from a development group that had voiced concerns about the city's insistence on including an excessively high number of subsidized units in a particular rental project. During the meeting, the official dismissively proclaimed, "I don't do numbers." Obviously politics again trump sound economic business practice. This Vancouver official should be sanctioned for such arrogant and ignorant behavior, an all too common attitude emanating from the corridors of power.

Vancouver politicians might also stop casting the blame for our rental housing problems at the feet of the federal or provincial governments. As we've stated repeatedly in the *Goodman Report*, Geoff Meggs and his fellow city councillors should show some genuine leadership rather than self-serving puffery in press releases praising Vision's lackluster underachieving housing targets. Instead, why not supplement STIR's limited success? We'd like to see the implementation of creative programs to enhance significant new market rental housing and condo supply in RM, FM and CD-1 zoned areas, now considered sacred cows. Such a decision could unleash construction of thousands of new suites and help address the grievous undersupply of rentals and market housing.

While our politicians fiddle, Vancouver burns. It's fortunate, however, that at least our bike lane program continues to thrive and expand. 😜

PROTECTING THE TENANTS

Vancouver and area politicians recognize that tenants who make up more than 50% of households have long memories. They also happen to represent a huge voting constituency, and as housing is so critical to them, they're not to be trifled with.

The B.C. Residential Tenancy Branch protects tenants by setting out strict safeguards, and renters are aware that they can't indiscriminately be turfed by landlords or developers. Municipalities can fine landlords who allow their buildings to deteriorate badly. Additionally, the rare owner carrying out a "renoviction" can expect an onslaught from vigilant tenants, the press and city inspectors, all prepared to make his or her life miserable. While representing owners, LandlordBC reminds them to carry out their business affairs fairly and ethically, as well as to maintain their holdings properly.

To secure tenants further and assure that they not be disenfranchised arbitrarily, the City of Vancouver is implementing a Tenant Relocation and Protection Policy and Guidelines that provide for generous compensation to displaced tenants, including the right of first refusal on moving back into new developments.

With these protective measures now in place, the *Goodman Report* calls on the City of Vancouver to reverse the moratorium on demolishing aging multi-family housing. Surely our civic leaders are not oblivious to the statistic that 81% of Vancouver's rental buildings are over 35 years of age and showing it.

WHAT'S HOT

- Vancouver rental vacancies at 0.6%
- Local apartment buildings acquired by Toronto-based REITs and Shanghai investors
- Weak loonie attracting foreign investors
- Looking after our combat veterans
- *The Age of Stagnation* by Satyajit Das
- Audain Art Museum in Whistler
- Petronas-backed Pacific NorthWest LNG project
- Flipping properties in Vancouver
- Astounding Westside land prices at over $500+ per sq. ft. buildable (this is not a typo)
- New Westminster has become the new rental darling

WHAT'S NOT

- BC's gas and wine prices – still highest in Canada
- The prediction of a 59-cent U.S. loonie
- Bringing our CF-18s home
- GST on new rental housing – time to go
- Possibility of negative interest rates in 2016
- Collapsing commodity prices
- Alberta – a have-not province
- Fear of real estate crash
- Councillor Meggs' assertion that various taxes and fees charged to developers do not impact the cost of housing

METRO HOUSING

We were invited recently to a Metro Vancouver Regional Affordable Housing Strategy workshop held at the Morris J. Wosk Centre for Dialogue at Simon Fraser University in downtown Vancouver. The purpose of the workshop was to review proposals to update the strategy, first adopted by Metro Vancouver in 2007.

The strategy provides a vision and shared goals, strategies and actions for tackling the housing affordability challenge in the area. As a federation of 21 municipalities, 11 First Nations and an electoral area, Metro Vancouver shares an economy and housing market. Yet while able to draft out a number of goals particularly in the area of affordable and rental housing, Metro lacks any authority for enforcement. Rather, it must employ its powers of gentle persuasion in dealing with its various members.

Approximately 55 stakeholders from Greater Vancouver attended, including planners, healthcare representatives, tenant rights groups, social assistance advocates, a few council members, transportation specialists, the Urban Development Institute (UDI), developers and the Goodmans.

Opening remarks were made by Richard Stewart, mayor of Coquitlam and chair of the Metro Vancouver Housing Committee, followed by extensive commentary from Michael Geller, architect and well-known spokesperson on local housing; from Don Littleford, director, housing, Metro Vancouver, and manager, Metro Vancouver Housing Corporation; and from Margaret Eberle, senior housing planner, Metro Vancouver.

Metro Housing presented updated goals and strategies such as preserving and expanding the supply and diversity of rental and market housing, meeting housing demand estimates for low and moderate income earners, increasing rental housing around transit nodes and ending homelessness in the region.

The morning was devoted to a planning session called, "What works? What actions can be improved? What is missing?"

A group of us at a roundtable devoted to goal 2, "Preserve and expand the rental housing supply," debated vigorously with various planners over the need to adopt a semblance of market discipline in order to generate ample rentals. We stressed that the private sector, which builds the vast majority, must make a reasonable profit, whether on stand-alone social or market projects or on condo developments with rental components. A developer rebuked planners for their ignorance and lack of appreciation with respect to proformas and for chronic delays in approving rental projects, in some cases lasting up to three years.

Some of us did not support the goal articulated in the phrase "to preserve and expand." Instead we suggested rewording the expression as "to expand supply." Why should a landlord be obligated to rehab and maintain aging, inefficient, low-density stock well beyond its economic life? No new supply will spring from this archaic policy!

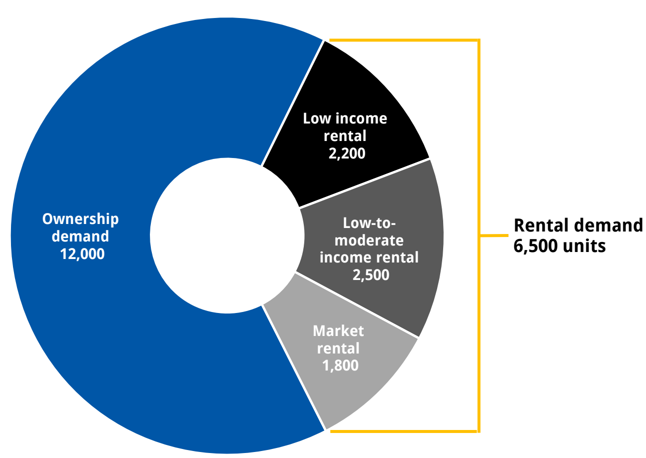
As for strategy 2.3, "Ensure that tenant relocations are responsive to tenant needs," our table voiced full support, subject to reasonable fairness for developers.

Metro Vancouver's Housing Targets

Metro Vancouver deserves praise from municipal authorities for its in-depth and studious approach to the varied and complex housing concerns we raised and the remedial steps we recommended.

Metro Vancouver 2040: Shaping our Future, the regional growth strategy known as Metro 2040 and led ably by Don Littleford, forecasts that we'll require 18,500 units per year over the next 10 years. This annual figure consists of 12,000 households that are expected to buy plus 6,500 new rental housing units needed each year. Of the rental portion, two-thirds (4,700 units) are for low and moderate-income households, the remainder (1,800) for moderate and higher-income households paying market rents.

Distribution of annual housing demand
Metro Vancouver 2011–2021



Source: Metro Vancouver

LAND UNDER SIEGE

Our hyper-competitive environment, with its extreme shortages of multi-family development sites and rental buildings, has forced investors carefully to sift through offerings to unlock latent value or "highest and best use."

Now a fresh source of developable land has been added to the pool throughout the province. New Strata Termination Legislation was approved by the B.C. government on November 16, 2015 and is expected to take effect in early 2016. Under the new law, a strata corporation may be terminated by a vote of 80% of all owners, instead of needing unanimity as previously.

Developers are showing significant interest in the land value of Greater Vancouver's older strata buildings. In many an instance, such residual land value for development far exceeds the break-up condo value, resulting in a huge windfall for the condo owners. For developers, the new legislation is a virtual godsend, giving access to prime sites historically well off limits.

DEVELOPERS SHIFTING STRATEGY

The Lauren at 1051 Broughton Street

Of late, Greater Vancouver's developers and investors who have initially contemplated building condos on particular sites have shown a growing tendency to revisit their business plans and explore the viability of rental projects instead.

The primary catalysts for this profound change in attitude are the various factors contributing to the lower financial risk. Lenders are now far more eager to fund the construction of new rental projects. They are keenly aware that many tenants and investors are anxious respectively to inhabit or to buy rare new housing stock devoid of the all-too-common problems of maintenance and obsolescence.

Importantly, Canada Mortgage and Housing Corp. (CMHC) insurance for rental apartment construction has made financing rental housing a safer prospect for lenders uneasy about how the property market will react to concerns over the fate of the Canadian economy in 2016.

In switching to rentals, developers avoid costly presale programs and intense sales competition. They also receive – one would hope – further municipal support and incentives for their rental initiatives, such as reduced parking requirements, height and density bonuses and waivers of development cost levies (DCLs).

OFF-MARKET SALES OR "SELLER BEWARE"!

It's been the season of off-market sales, in which owners quietly offer to sell their property without formally listing with an agent. The jolly ones emerging from such transactions are often the successful buyers and their agents, basking in the afterglow of sales. But there's a dark side for sellers, who, in their efforts to save on commissions, are dismayed to learn that they may have unknowingly left a whack of money on the table.

Sellers err in not exposing their properties to the market by way of robust marketing campaigns led by professional multi-family marketing specialists working strictly and solely for them and not the buyers. As a seller, you're deceiving yourself if you act without an agent who specializes in making the market. Before signing on the dotted line, you should be thoroughly satisfied that the market has spoken loud and clear, that all likely prospects have received notification of your property's availability, have had the opportunity to review your offering sales package and inspect your property if warranted. As insiders, the Goodmans regard the off-market approach as risky business for owners.

Let's take a look at how this works. Assume that a particular offering is available not by way of an exclusive listing, but rather by an open listing. That is, the buyer's agent submits an offer net of commission to the seller. Rest assured that the buyer regards the commission he pays to his own agent merely as the cost of doing business, while the seller has ostensibly no fee to pay. What happens in practice, however, is that the buyer reduces the purchase price paid to the seller by factoring in an amount equal to his agent's commission.

So not only is a fee embedded into the sales price one way or another, but the structure of an open listing means that a market is not being made properly. Realistically, an agent can only represent one buyer at a time (especially if collecting a fee from the client). It would be a serious conflict of interest for an agent to approach multiple buyers and claim to represent each of their interests, while at the same time intending to collect fees from all. This situation thus results in a very restricted approach wherein each agent chooses the best client (one who doesn't balk at paying a fee and offers very quickly and cleanly). But these "best clients," typically very sophisticated and shrewd, are investors who don't mind coming in unconditionally and paying commissions if they receive a 10–20% discount off market value.

Many owners over the years initially struggled to find the down payment for their building, struggled to pay costly upgrades, struggled to cover the monthly mortgage payments, and now years later, have decided to sell and cash in their chips. We strongly urge these same owners not to abandon sound business practice at such a pivotal time. Allow the Goodmans to create a competitive market environment and ensure that you get absolute top dollar for your valuable asset!

THE CMHC SPEAKS

The fall 2015 CMHC Rental Market Report, Greater Vancouver and Abbotsford-Mission CMAs, has recently been published.

Highly anticipated by developers, politicians, planners, lenders, appraisers and realtors, the report focuses skillfully on the statistical ebb and flow of the rental apartment markets by area in the region. While containing few surprises, the latest report reaffirms what we've anticipated:

Highlights

- Rental demand for purpose-built apartments tightened further in the Vancouver CMA, moving down to 0.8 per cent in 2015.
- Fundamental drivers, such as population growth and employment gains, support strong rental demand, especially for centres away from Vancouver City.
- Based on the same units surveyed in 2014 and 2015, the estimated rent increase was 3.9 per cent.

Overview: Rental Market in Vancouver CMA Tightens Further

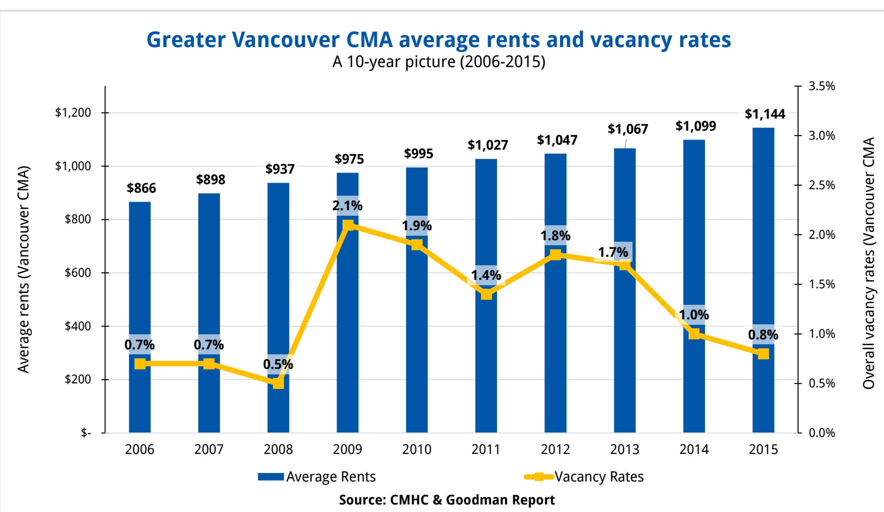
The rental market tightened further in 2015 as purpose-built apartment vacancy rates in the Vancouver Census Metropolitan Area (CMA) declined to 0.8 per cent from 1.0 per cent in 2014. This is the first time since 2008 that the overall vacancy rate in the CMA has fallen below one per cent). Rental demand outpaced the addition of new and renovated purpose-built rental units. This demand was particularly higher in centres outside of Vancouver City as all municipalities recorded a lower overall vacancy rate when compared with last year, with the exception of North Vancouver District Municipality (DM).

The fixed sample rent per cent change in the CMA was 3.9 per cent, considerably higher than the allowable threshold of 2.5 per cent in 2015 as set by the Residential Tenancy Branch. This was driven by rental demand as landlords were able to charge higher rents upon turnover of suites in their buildings. The larger two and three-bedroom units had the largest percentage increase at 4.4 per cent and 4.0 per cent respectively in the Vancouver CMA. Overall, the increase in the same sample rent was the highest since 2008 when it rose to 4.3 per cent.

Submarket Results: Rental Demand Greater Outside of Vancouver City

The overall decline in the vacancy rate from last year to this year was the result of an increase in rental demand in centres away from Vancouver City. With the exception of North Vancouver DM, all centres recorded a lower vacancy rate from the previous year. Delta, Langley City and DM and Pitt Meadows/Maple Ridge had their vacancy rates drop by more than one percentage point during this time period. Supporting fundamental drivers along with lower rental costs, especially in centres in the Fraser Valley, attracted renters to the area. For example, average rents in Surrey were $359 less than the average monthly rent being charged in the City of Vancouver.

Rental rates in the Vancouver CMA continue to be one of the highest in Canada, with two-bedroom apartment rents at $1368 on average per month. The fixed sample rent percentage change had rent increases above the allowable threshold of 2.5 per cent for almost all zones in the CMA. Along with the two zones mentioned in downtown Vancouver, South Granville Oak in Vancouver City, Richmond and the Tri-Cities recorded an estimated fixed sample rent increase of more than 5.0 per cent. Overall, not only are landlords charging higher rents upon turnover of units, but the strong rental demand in the CMA may be allowing landlords to increase the rents for existing tenants to the maximum allowable threshold set by the Residential Tenancy Branch.



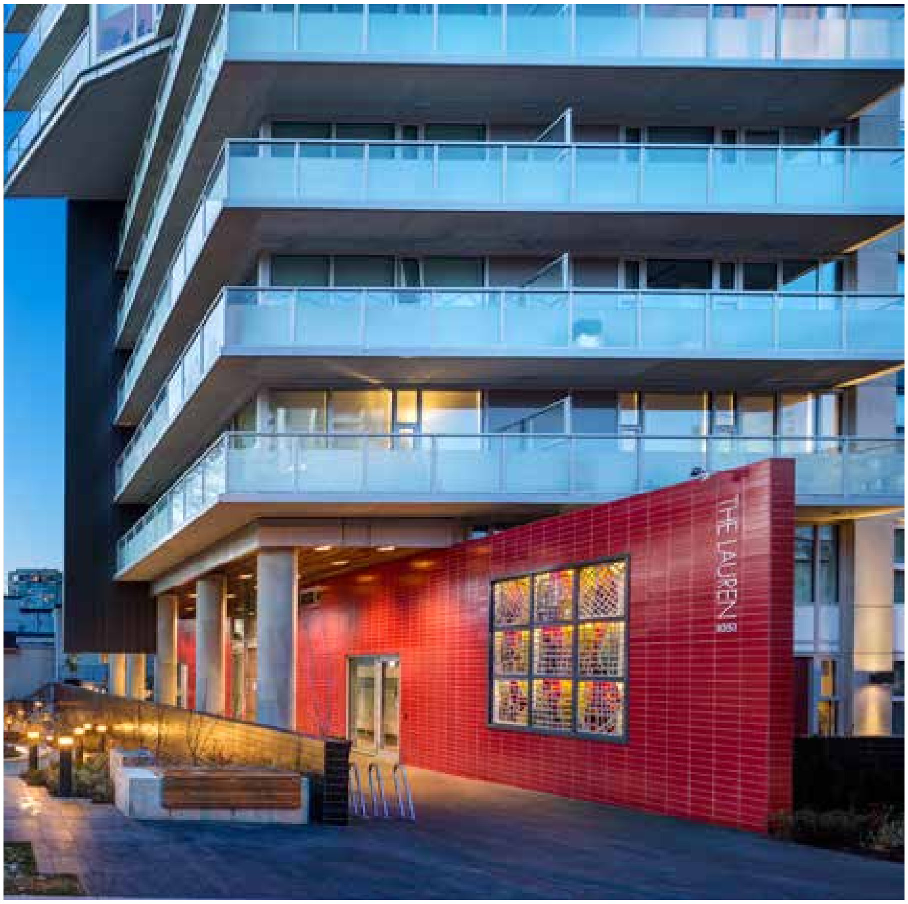
Vacancy rates declined despite new rental supply. There were 834 newly created or renovated units added to the rental stock in 2015, the largest increase recorded since 1986. The majority of these units were located in centres outside of Vancouver City, with North Vancouver City and the Tri-Cities areas alone each recording more than 100 new or newly renovated apartment market rentals in October 2015, compared to the rental universe in October 2014. The increase in purpose-built apartment structures can be attributed to development agreements with local municipalities that support the growth of apartment rentals, and lower land costs in areas further away from Vancouver City, which support the financing of new purpose-built rental buildings.

The vacancy rate in Vancouver City edged up from 0.5 per cent in 2014 to 0.6 per cent. Despite the increase, the rental market remains tight in the City with seven of the ten zones that make up the City having a vacancy rate at or below 1.0 per cent. The demand for larger three-bedroom suites was particularly strong with the vacancy rate at 0.4 per cent. While the vacancy rate rose slightly in West End/Downtown Vancouver City, the same sample rent, a measure that compares rents for the same building over last year's and this year's survey, was more than double the allowable rent increase threshold at 5.5 per cent. The West End/Stanley Park and English Bay neighbourhoods recorded the highest fixed-sample rent increase in the CMA at 6.1 and 6.4 per cent, respectively.

Supply and Demand Factors: Fundamental Drivers Support Demand

More people lived in rental suites this year as the vacancy rate declined in 2015 even though there was an increase in purpose-built apartment rental units in the CMA. The increased demand for rental accommodations can be attributed to a number of factors that have occurred through the year. In addition to the 15,885 immigrants to British Columbia during the first half of 2015, net interprovincial migration remained strong during the same time period with an estimated 6,665 persons moving into BC. Provinces impacted by lower oil prices have recorded an outflow of people looking to improve their economic and financial situation. Using historical figures, an estimate of 75 per cent of all people coming into the province will settle first in the Southwest-Mainland of British Columbia.

NEW RENTALS



For a number of years, the *Goodman Report* has expressed to our readership that constructing a new purpose-built rental in Greater Vancouver is a formidable task. With high land and construction costs, municipal add-on charges, well-documented red tape and related processing delays, zoning and social engineering issues and the absence of any federal or provincial tax breaks, a project can also take three to four years from inception to completion. You've heard it all before.

While new rental supply of any stripe is welcome, the emphasis, particularly in Vancouver, has been on promoting and creating affordable and social housing rather than sexier high-profile and more upscale projects.

A welcome – and spectacular – departure is the Lauren at 1051 Broughton in the West End, completed recently by Westbank Projects Corp, one of the region's first new purpose-built highrise luxury market rental buildings in many years. It consists of 180 suites made up of junior one-bedroom, regular one-bedroom and two-bedroom units. Not only have tenants embraced this welcome new addition to Vancouver's sophisticated market, but so should the development community. The numbers are compelling indeed. The juniors, averaging 420 SF, are getting $4.61 per square foot or approximately $1,925 per month; the regular one-bedrooms, averaging 501 SF, are receiving $4.08 per square foot at approximately $2,045 per month; and the two-bedrooms, averaging 762 SF, are renting at approximately $3.25-plus per square foot or over $2,300 per month depending on the floor level.

Lesson learned: build a well-designed, efficient building with sufficient density in the right location and presto – the numbers make sense!

Owners of well-located older buildings might also laud the Lauren's success as it shows that a large body of tenants is prepared to pay well above the stated norms found in the annual CMHC rental survey, when buildings offer modern accoutrements: updated kitchens with dishwashers, bathrooms, balconies and in-suite laundry. Construction of upscale projects offers the additional benefit of freeing up some of the more affordable rentals for price-sensitive tenants. The Goodman Report has repeatedly conveyed this message to our readership for over 30 years.

2016 AND BEYOND

Vancouver and its surrounding area are bit players on the international scene. While our civic profile and brand recognition are established worldwide, our relative importance compared to that of the key economic and political centres such as London, Shanghai, New York and the Eurozone is hardly significant. In reality, these major centres combine to influence the fate of B.C. and Greater Vancouver.

It is against this backdrop that Canada, and particularly Vancouver with its inviting stature as a destination, shine. We serve as an indelible beacon of tolerance to the world, endowed with geographical and scenic beauty, a mild climate, world-class banking, respected judicial institutions and the precious commodity of freedom of which others can only dream.

Relentless population growth is a testament to Vancouver's appeal. We believe that unless a cataclysmic event unfolds, the world's perception of our area as a unique idyllic haven is unlikely to let up. Of course, we are not immune to interest rate shocks, a shift in provincial leadership or, heaven forbid, a devastating earthquake. Globally, we are in a period of heightened geopolitical and financial turbulence. Greater Vancouver's inherent qualities will play a key role in helping to insulate us from long-term economic downward spirals.

Investors – local, national and worldwide – will continue to flock to Greater Vancouver's rental apartment properties. Housing, a basic human need, is chronically undersupplied in our region. Amongst tenants, we expect that the already intense competition for rentals will only increase dramatically amidst the growing pricing pressures on those aspiring to homeownership.

For 2016, expect to see over 200 transactions amounting $1.5 to $2 billion in total sales.

> **"Politicians are like diapers; they need to be changed often and for the same reason.**
>
> **– Mark Twain"**

New listings: www.goodmanreport.com

SOUTHVIEW GARDENS

3240 EAST 58TH AVE, VANCOUVER

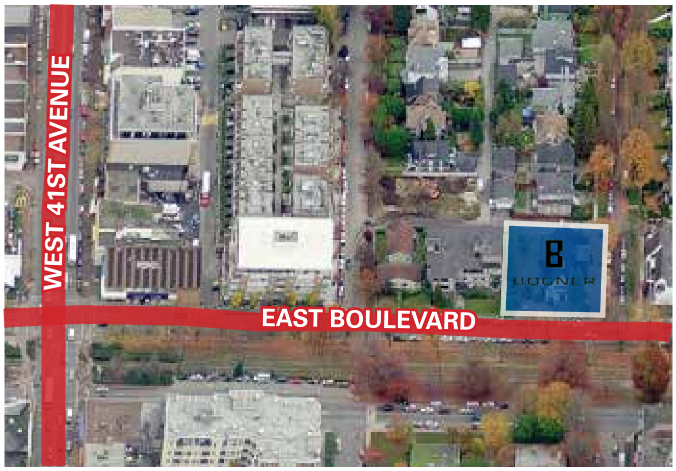
Contact listing agent for price

6.58-acre potential rental/condominium redevelopment opportunity in East Vancouver's Champlain Heights neighbourhood

Well-maintained cash-flowing 16-building rental complex featuring 140 townhouse & apartment units

Holding income of approximately $1,417,000

Capitalize on extreme demand for new market and rental housing in an established neighbourhood



PERMIT-READY KERRISDALE DEVELOPMENT SITE

2089 W. 43RD AVE, VANCOUVER (CORNER OF E. BOULEVARD)

$15,900,000

High-end concrete condo project of 29,882 sq. ft. buildable

17 luxury suites plus 3,852 sq. ft commercial space at grade

42 parking stalls: 37 residential & 5 commercial

Prime Kerrisdale neighbourhood only two blocks to the high-end retail district on West 41st Avenue.

Listings and recent sales: www.goodmanreport.com

RAINBOW PLAZA
8200 BEAR PAW TRAIL, WHISTLER

$39,800,000

New mixed-use strata complex in Whistler

65 rental units & 5 CRUs; 4.8% cap rate

METROTOWN DEV SITE
6556-96 MARLBOROUGH AVE, BURNABY

$14,900,000

Development site with holding income

Site size: 330' x 110.4' (34,423 SF)

BURNABY PORTFOLIO
7230 & 7060 ELWELL ST & 6947 WALKER AVE

SOLD $25,400,000

Three rental apartment buildings

127 suites; Highgate neighbourhood

MIXED-USE INVESTMENT
4680 HASTINGS ST, BURNABY

$4,250,000

9 residential suites, 4 commercial units

3.9% cap rate; future development site

JOSEPHINE & WESTWOOD
2116 & 2150 W 39TH ST, VANCOUVER

$19,500,000

Two side-by-side apartment buildings

42 suites in Kerrisdale, 231' frontage

HIGH DENSITY DEV SITE
10240 CITY PARKWAY, SURREY

$8,750,000

1.03 acre high-density mixed-use site

337,200 SF buildable, 7.5 FSR

ST ANDREWS
240 ST. ANDREWS AVE, NORTH VANCOUVER

$7,590,000

19-suite totally renovated building

Lower Lonsdale with city & water views

BEVERLY MANOR
1190 W. 10TH AVE, VANCOUVER

$12,500,000

35-suite rental apartment; South Granville

Large 150' x 125' RM-3 zoned corner lot

INVESTMENT PROPERTY
850 SW MARINE DR, VANCOUVER

SOLD $25,250,000

High-exposure investment property

2.12 acres; 460' frontage on SW Marine Dr

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