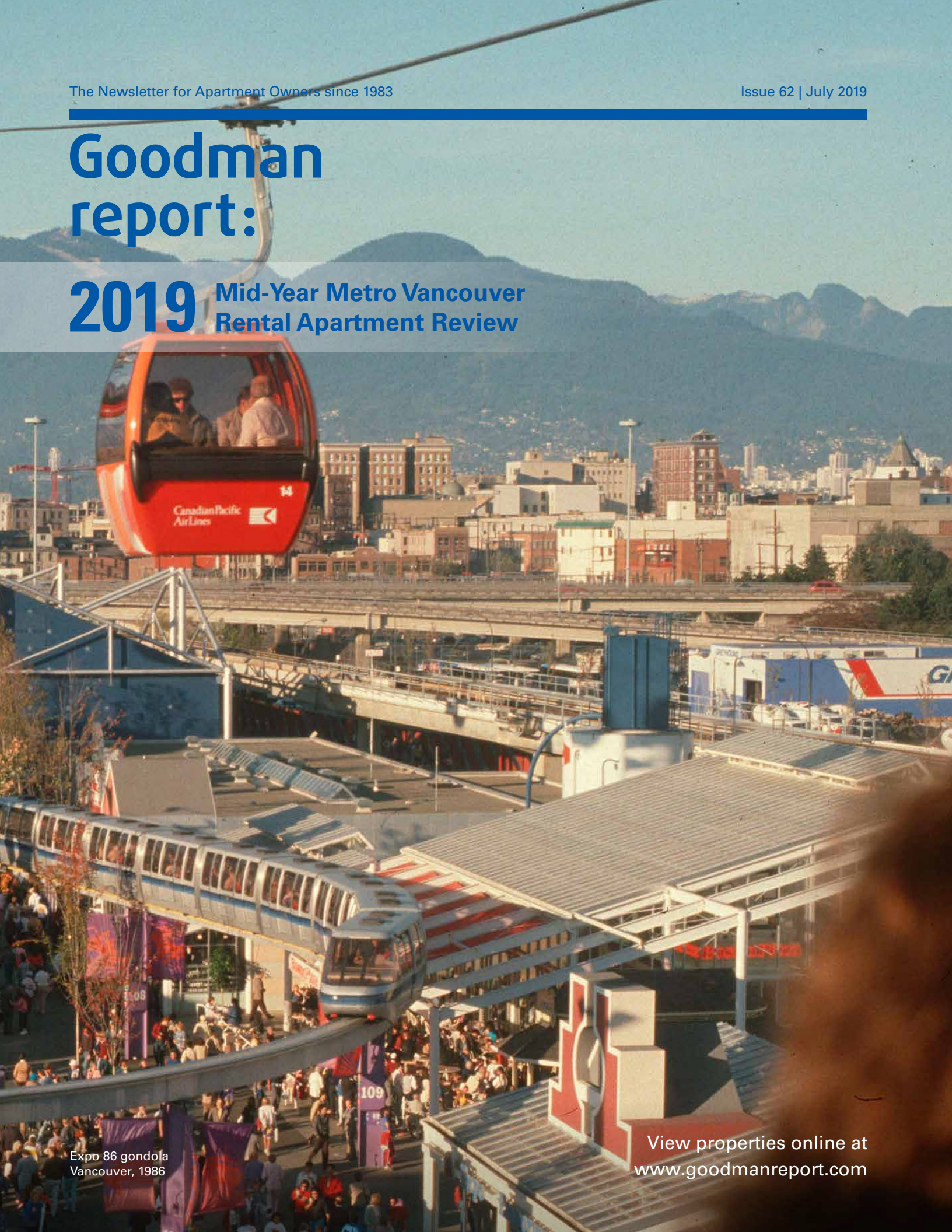


# Goodman report:

## 2019 Mid-Year Metro Vancouver Rental Apartment Review



Expo 86 gondola  
Vancouver, 1986

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# A SEA STORM OF POLITICAL ABSURDITY

Over the years, we've expounded persistently on the controversies surrounding Metro Vancouver's rental housing. Not all the feedback has been pleasant. City of Vancouver staff have rebuked us for what they consider inappropriate comments and for encouraging speculation in the market. We've also faced derision for our calls on reducing restrictions on the rental industry. Conversely, apartment owners, developers, LandlordBC and the Urban Development Institute have supported our thoughts on encouraging new rental supply.



Now, as the runaway train of prices for Metro Vancouver's residential real estate has been slowing down, many voices are weighing in with opinions on the state of purpose-built rentals. In recent speeches at the Vancouver Real Estate Forum and the UDI seminar "Challenges of Creating Viable Rental Housing," we've suggested this: "Vancouver, we have a problem." Media, landlords, tenants, real-estate consultants, economists and all levels of government are speaking up. Some politicians are even using their municipal seats in public hearings as soapbox opportunities to espouse their views — some well-researched and knowledge-based, others not so much.

Their voting record on new rental projects speaks volumes.

It's said that we get what we deserve, but do Vancouverites really deserve viscerally reactive, short-sighted politicians with scant business acumen and even less prowess in the complex development industry to guide the future of our rental housing?

Secondly, it's quite a sight to witness traditionally left and right politicians banding together against the delivery of new secure housing, albeit for different reasons. Must the status quo be protected at all costs? Has scarcity and an over-regulatory environment helped thus far? More often than not, the permit process takes longer to fulfill than the actual construction. The development community isn't taking this lightly. There's evidence in Vancouver that proposed rental projects in particular are being relegated to the "cancelled" category. Even the City's new Moderate Income Rental Housing Pilot Program (MIRHPP) started with 55 applications for 20 spots, but we understand that only 7 have gone forward with rezoning applications. The City's monetary loss will prove very significant. Will increases in metered parking and marijuana tax revenue make up the fiscal shortfall?

What's really causing such a perfect storm of political absurdity? It's a witch's brew in our estimation. First of all, it's a political sell-out of unprecedented proportions as most of Vancouver's council members have taken the expedient route of acting against citizens' best interests.

We hope that one day, when Vancouver's council members retire, their families will ask them, "After all these years, why is our city still experiencing such a terrible rental housing mess? What did you do to encourage more rental supply when you had the opportunity?"



**REDUCED**

**Nelson Plaza**  
1019 Bute Street, Vancouver

16-suite apartment building in the West End. Infill development potential.

**Asking \$10,250,000**



**FOR SALE**

**Costa Brava**  
1531 Barclay Street, Vancouver

23-suite West End apartment building. Features beautiful two-bedroom penthouse.

**Asking \$12,000,000**



**FOR SALE**

**Mountain View Apartments**  
2182 West 39th Avenue, Vancouver

21 suites in the heart of Kerrisdale. One block to Kerrisdale Park.

**Asking \$12,980,000**

This communication is not intended to cause or induce breach of an existing listing agreement. The information contained herein has been obtained from sources deemed reliable. While we have no reason to doubt its accuracy, we do not guarantee it. It is your responsibility to confirm its accuracy and completeness independently.

# CITY OF VANCOUVER TRUMPED BY SUBURBS: NEW RENTAL SUPPLY UPDATE

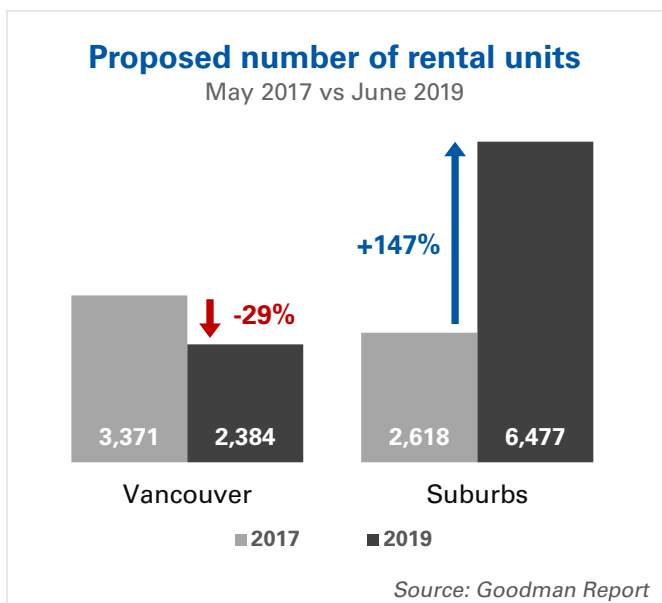
It's widely acknowledged that rental apartment vacancies in Metro Vancouver are extraordinarily low (currently 1.0%) and have been so for many years. Immigration remains strong, with approximately 35,000–40,000 new residents yearly. On the flip side, home prices remain beyond the reach of many. This has long created the perfect storm for unaffordability in our region.

The solution? Dramatically increase rental supply. It seems that most suburban municipalities have figured it out and are on the right track.

We've recently completed our update of new rental projects under construction, approved and proposed for 2019 in Metro Vancouver. Reviewing these figures and looking back at our historical summary, we unearthed something quite telling.

In the last two years, the City of Vancouver has gone from being the new rental supply sweetheart, sending out self-congratulatory missives outlining the success of its programs, to being absolutely outpaced by the suburban market. As of 2016, the suburbs were so far behind that the Urban Development Institute asked us to serve on a panel in a seminar called "Building Rental in the Suburbs" to demonstrate how rental was possible outside of Vancouver. Yet fast-forward two and a half years to today, and you'll see the crushing rate at which developers are applying to build rental in other municipalities.

The proposed category of new rental construction in the City of Vancouver has dropped by 29% in two years, while the suburbs have witnessed an amazing 147% increase. This telling difference reveals Vancouver's failure to ramp up new supply opportunities. Also, don't forget that four long years will go by before all these suites are available (even assuming they're all actually built). Based on the 7,587 currently in the pipeline, that's an average of only 1,896 suites per year.



Vancouver includes UBC. Suburbs include: Burnaby, Coquitlam, Langley, New Westminster, City of North Vancouver, District of North Vancouver, Surrey, Maple Ridge, West Vancouver, Port Coquitlam, Port Moody, White Rock and Richmond.

## METRO VANCOUVER FACTS

Average age of purpose-built rental apartments

**61**

\*Average Metro Vancouver vacancy rate of rental apartments in 2018

**1.0%**

Average price per suite in Metro Vancouver for first half of 2019

**\$368,340**

Number of building transactions in Metro Vancouver for first half of 2019

**42**

\*\*Average Metro Vancouver cap rate 2019 year-to-date

**3.03%**

Total number of apartment owners in Metro Vancouver

**2,147**

Total sales volume in Metro Vancouver for first half of 2019

**\$529M**

\*Average rate of monthly rent in Metro Vancouver for 2018

**\$1,385**

Total number of rental apartment buildings in Metro Vancouver

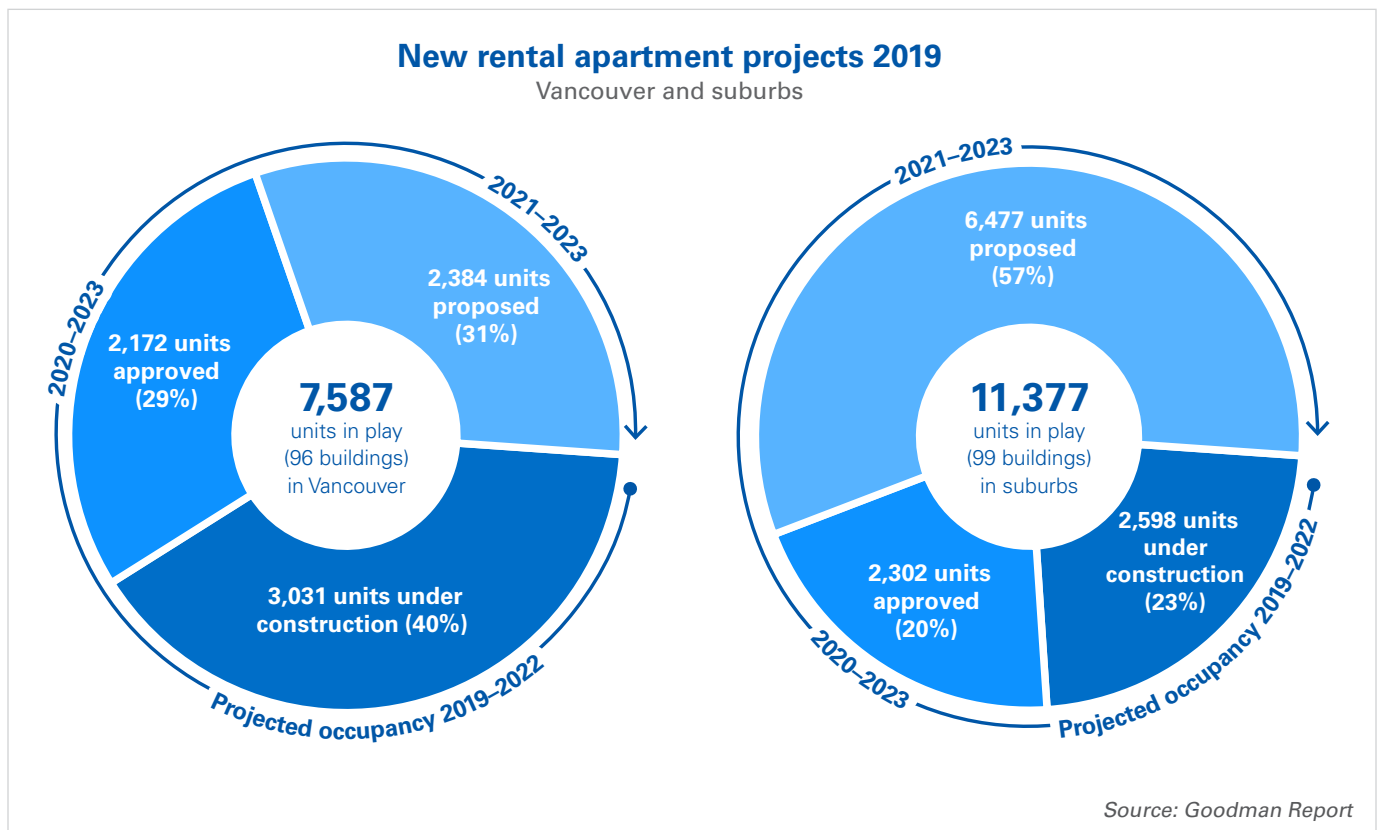
**3,300**

\*as per CMHC  
\*\*as per RealNet

By comparison, in the suburbs, 11,377 units are in the pipeline, with Coquitlam, the City of North Vancouver, New Westminister and Burnaby leading the way.

A number of factors are at play. On the one hand, municipalities such as Coquitlam and the City of North Vancouver are offering very simple incentives, such as offering an extra 1.0 FSR if the project is rental. On the other hand, the City of Vancouver’s rezoning and approval process is so convoluted, prolonged and risky that builders of rentals are moving elsewhere or simply putting their projects on hold. Also frustrating to Vancouver’s many developers is the City’s unwillingness to amend failed programs. Implemented in 2014, Marpole’s Community Plan is an example, with only one new rental project approved in the last five years despite the fanfare and years of preparation. If the mayor truly desires new rentals as he claims, Council must encourage development, rather than playing petty politics that already make rental projects very difficult to get off the ground.

Only time will tell whether all these projects are completed. For now, here are the numbers:



## Jordan Lodge

5343 Yew Street, Vancouver

27 suites in the heart of Kerrisdale

**Asking \$15,000,000**

Rare opportunity to acquire a 27-suite three-storey apartment building in the heart of Vancouver’s Kerrisdale neighbourhood. Constructed in 1964 and improved on a 132’ x 125’ lot (16,500 SF). Features beautiful two-bedroom penthouse. Property is held in a bare trust.

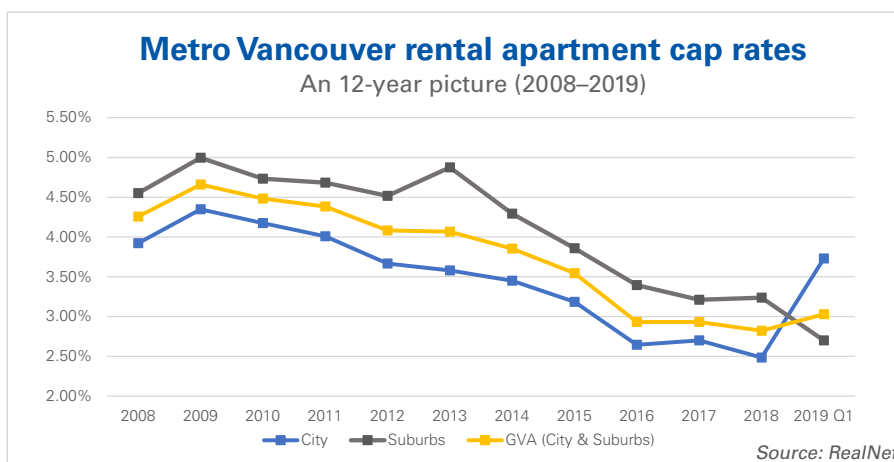
# YEAR-TO-YEAR COMPARISON

## Metro Vancouver transactions, dollar volume and prices decline

The numbers are in. Time to update you on Metro Vancouver’s multifamily market, comparing the first half of this year’s sales activity with the same period last year.

And the numbers are quite... shocking. But perhaps we shouldn’t be shocked, considering that the last year and a half were the most challenging we’ve seen in almost two decades. Massive provincial and municipal government intervention was the main driver, with the rental apartment sector taking hits left and right.

For the first half of this year, transactions dropped 50% and dollar volumes plummeted 62% from the comparable period in 2018, while average prices have decreased 26% in Vancouver and 20% in the suburbs.



A total of 42 transactions occurred during the first 6 months this year, to last year’s 84. As for dollar volume, this year witnessed \$529 million as compared to last year’s \$1.383 billion.

Corresponding with the decrease in activity and values, average cap rates

have increased by 50% in Vancouver in the first quarter of 2019, as compared to last year’s average. Vancouver is averaging 3.73% so far this year as compared to 2.49% in 2018. But don’t fret! This is largely due to the influx of new purpose-built rental buildings that typically command higher cap rates—the numbers are skewed as buildings will trade at approximately 100–200 basis points higher as compared to existing old rental stock. As for the rest of the suburbs, yields have dropped by 17%, thanks in part to the acquisition of many rental buildings as redevelopment sites, where sensitivities to yield are less important.

### Metro Vancouver’s numbers decline



Transactions down 50%



Dollar volume down 62%



Values down 27%



**FOR SALE**

**Cedar Crest Manor**  
1569 West 12th Avenue, Vancouver

Well-maintained 10-suite apartment building in the heart of South Granville. 50' x 125' lot.

**Asking \$6,200,000**



**FOR SALE**

**Landsdowne House**  
1537 Burnaby Street, Vancouver

24 suites close to English Bay—3.4% cap rate. Renovation program almost complete

**Asking \$13,800,000**



**FOR SALE**

**Geo-Ann Apartments**  
310 East 13th Avenue, Vancouver

26-suite in Mount Pleasant. Corner lot only one block east of Main

**Asking \$11,100,000**

## ACTIVITY HIGHLIGHTS: 2019 COMPARED TO 2018

### First six months | January 1 to June 30, 2019

BUILDING TRANSACTIONS	2019	2018	% CHANGE
Vancouver	18	38	-53%
Suburbs	24	46	-48%
	<b>42</b>	<b>84</b>	<b>-50%</b>

NUMBER OF SUITES SOLD	2019	2018	% CHANGE
Vancouver	304	1,238	-75%
Suburbs	1,131	1,514	-25%
	<b>1,435</b>	<b>2,752</b>	<b>-48%</b>

DOLLAR VOLUME	2019	2018	% CHANGE
Vancouver	\$131,025,125	\$718,768,955	-82%
Suburbs	\$397,543,400	\$663,746,314	-40%
	<b>\$528,568,525</b>	<b>\$1,382,515,269</b>	<b>-62%</b>

AVG \$/SUITE	2019	2018	% CHANGE
Vancouver	\$431,004	\$580,589	-26%
Suburbs	\$351,497	\$438,406	-20%
	<b>\$368,340</b>	<b>\$502,367</b>	<b>-27%</b>

VANCOUVER AREAS	2019 TRANSACTIONS	2018 TRANSACTIONS	2019 \$/SUITE	2018 \$/SUITE	% CHANGE
Eastside	8	15	\$392,802	\$410,691	-4%
Kerrisdale	0	1	N/A	\$1,108,333	N/A
Kitsilano	3	5	\$528,871	\$529,430	-0%
South Granville	2	2	\$521,895	\$475,386	+10%
Marpole	4	4	\$346,639	\$348,652	-1%
West End	0	11	N/A	\$675,441	N/A

SUBURBAN AREAS	2019 TRANSACTIONS	2018 TRANSACTIONS	2019 \$/SUITE	2018 \$/SUITE	% CHANGE
Burnaby	5	14	\$549,003	\$619,025	-11%
New Westminster	5	12	\$214,840	\$253,538	-15%
North Vancouver	7	5	\$588,103	\$504,376	+17%
Surrey (estimated)	3	3	\$185,430	\$203,529	-9%

Note: the data has been adjusted to show sales completed in the actual year. This differs slightly from 2019 Apartment Building Sales chart on page 7.

# 2019 APARTMENT BUILDING SALES: METRO VANCOUVER

## First six months | January 1 to June 30, 2019

ADDRESS	SUITES	PRICE (\$)	AVG \$/UNIT
<b>Vancouver (Eastside)</b>			
1319 S.E. Marine Dr. (MU, DS)	9	\$5,329,125	\$592,125
1522 E 3rd Ave	5	3,290,000	658,000
* 2115 Triumph St	18	5,200,000	288,889
1727 William St	10	5,900,000	590,000
55 E 12th Ave	51	18,250,000	357,843
1415 E Broadway	42	14,200,000	338,095
2266 Trinity St	20	6,500,000	325,000
1368 E 8th Ave	16	TBA	TBA
	<b>171</b>	<b>\$67,169,125</b>	<b>\$392,802</b>

<b>Vancouver (Kitsilano)</b>			
** 2180 W 4th Ave (DS, MU)	13	\$30,500,000	\$2,346,154
2464 W 2nd Ave	10	6,600,000	660,000
* 1935 Cypress St	10	4,995,000	499,500
2044 W 3rd Ave	11	4,800,000	436,364
	<b>44</b>	<b>\$46,895,000</b>	<b>\$1,065,795</b>

<b>Vancouver (South Granville)</b>			
1676 W 10th Ave	11	\$5,066,000	\$460,545
1025 W 11th Ave	8	\$4,850,000	\$606,250
	<b>19</b>	<b>\$9,916,000</b>	<b>\$521,895</b>

<b>Vancouver (Marpole)</b>			
8687 Selkirk St (SP)	11	\$5,250,000	\$477,273
8755 Oak St	15	3,895,000	259,667
8616 Fremlin St	9	3,600,000	400,000
* 8770 Selkirk St	26	8,400,000	323,077
	<b>61</b>	<b>\$21,145,000</b>	<b>\$346,639</b>

<b>Vancouver (West End)</b>			
** 1022 Nelson St (HR, SP)	<b>200</b>	<b>\$130,000,000</b>	<b>\$650,000</b>

<b>Point Grey / UBC</b>			
2555 Discovery St (ST, DS)	22	\$16,400,000	\$745,455
** 5600 Dalhousie Rd	35	20,060,000	573,143
** 5450 University Blvd	25	14,190,000	567,600
	<b>82</b>	<b>\$50,650,000</b>	<b>\$617,683</b>

\* Sold by The Goodman Team

\*\* December 2018 sale

ADDRESS	SUITES	PRICE (\$)	AVG \$/UNIT
<b>Burnaby</b>			
* 7165 Pandora St (SP)	14	\$3,939,000	\$281,357
4275 Grange St (DS, ST)	53	37,600,000	709,434
6425 Silver (DS)	48	31,420,000	654,583
* 6831 Arcola St	13	3,734,400	287,262
3880 Pender St	29	TBA	TBA
	<b>157</b>	<b>\$86,193,400</b>	<b>\$549,003</b>

<b>Langley</b>			
20839 78B Ave	191	\$69,600,000	\$364,398
5393 201 St (SP, NC)	98	39,000,000	397,959
	<b>289</b>	<b>\$108,600,000</b>	<b>\$375,779</b>

<b>Maple Ridge</b>			
** 11901 222 St	<b>22</b>	<b>\$3,580,000</b>	<b>\$162,727</b>

<b>New Westminister</b>			
313 Carnarvon St	13	\$3,200,000	\$246,154
510 Ninth St	36	6,925,000	192,361
** 53 Fourth St	10	2,300,000	230,000
330 Ash St	61	TBA	TBA
700 Fourth Ave	56	TBA	TBA
1117 Hamilton St	21	4,250,000	202,381
	<b>197</b>	<b>\$42,475,000</b>	<b>\$215,609</b>

<b>North Vancouver</b>			
250 E 2nd St	45	\$15,925,000	\$353,889
* 228 E 15th St (DS)	11	5,200,000	472,727
2540 Lonsdale Ave (DS)	13	9,150,000	366,000
2590 Lonsdale Ave (DS)	12		
2171 Munster Ave (DS)	16	55,000,000	859,375
340 Seymour River Pl (DS)	34		
331 Riverside Dr (DS)	14		
	<b>145</b>	<b>\$85,275,000</b>	<b>\$588,103</b>

<b>Port Coquitlam</b>			
2060 Manning Ave	<b>20</b>	<b>\$4,100,000</b>	<b>\$205,000</b>

<b>Surrey</b>			
5772 177B St	79	TBA	TBA
10272 127A St (DS)	162	TBA	TBA
10235 128 St (DS)	61		
	<b>302</b>	<b>\$56,000,000</b>	<b>\$185,430</b>

<b>West Vancouver</b>			
1575 Esquimalt Ave (MR)	<b>31</b>	<b>\$17,200,000</b>	<b>\$554,839</b>

(HR) Highrise	The sale information provided is a general guide only. There are numerous variables to be considered such as:
(MR) Midrise	
(TH) Townhouse	
(ST) Strata	
(DS) Development site	
(EST) Estimated price	
(SP) Share purchase	
(NC) New construction	
(MU) Mixed-use	
(CO) Co-op	
	1. Suite mix
	2. Rent/SF
	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



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