The Newsletter for Apartment Owners since 1983

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Goodman report:

2019 Metro Vancouver Rental Apartment Review

Downtown Vancouver from Stanley Park, 1977.

ROUGH SURF, BUT RIGHTING THE SHIP

At the beginning of 2019, we wrote about blustery winds buffeting our coast, and we weren't just talking about the weather. Politicians, mostly feeling a need to *do* something, hit the rental sector hard.

2018 and 2019 saw rent increases capped at CPI, tougher rules for tenant relocation, threats of vacancy control, and the end to fixed-term tenancies and geographic rent increases. Other demand-side government interventions: an increase in property transfer tax to 5% (over $3 million), the foreign buyer tax raised to 20%, rental-only zoning used to downzone in some municipalities, and the addition of school and speculation taxes to development land.

Admittedly, we were disillusioned at the prospects for doing business in B.C., particularly in the rental-apartment sector, which was experiencing aftershocks from this unprecedented provincial and municipal government intervention. We heard from frustrated landlords very much on edge, having a hard time keeping up with needed capital expenditures and concerned about shrinking returns due to expense surges. Add to the mix the never-ending bureaucracy dealing with tenant issues and property renovations, fatigue set in for some, increasingly discouraged at operating in a punishing NDP-era environment. The residential and commercial sectors were also affected—all in the name of making housing affordable.

As expected, the beginning of last year was slow-going. Investors and owners waited on the sidelines, expressing concern about what was coming next. In March of the year, Business in Vancouver (BIV) asked us to participate on a panel titled "Surviving the Real Estate Slump." Our mantra was "It's a standoff, not a slump," and over the next few months following, this came true, as buyers gained confidence and became ready to make decisions.

In September, we launched over 20 listings worth $300 million, many of them now already sold. We viewed this as a sign not of panic selling but of renewed confidence, like a changing of the guard. Some owners intending to sell earlier in the year had held off to see how the market sorted itself out. Liquidity returned toward the latter half

Commercial brokers Mark Goodman and Cynthia Jagger of Goodman Commercial Inc. standing in front of the Vancouver Convention Centre, where they will be speaking at the Vancouver Real Estate Forum and Western Canada Apartment Investment Conference on March 31 and April 1, 2020.

of 2019, particularly in the last quarter, when we witnessed numerous trades. Many investors with long-term views and experience – particularly the larger family-based owners and institutions – found and continue to find the economic fundamentals enticing, especially the sustained imbalance between supply and demand for rental accommodation. These investors understand that despite the renaissance in the creation of new rental stock in Metro Vancouver, the pace of development remains simply too slow to have an appreciable effect on the almost zero vacancy rate in the region. Developers still face chronically high land and construction costs, municipal red tape and delays, and ever-increasing taxes and fees, all making it a challenge to deliver needed rental stock in a timely manner.

2019 was also a monumental year for Goodman Commercial's speaking engagements, communication pieces and press coverage. At times, our sector felt as if we were amid a storm of never-ending new or proposed government policies intended to *fix* the market. We stepped up by speaking to reporters, policy analysts, economists, builders, municipal politicians, apartment owners and other real-estate stakeholders in an effort to communicate the facts.

Cynthia Jagger took the lead for Goodman Commercial as a highly sought-after expert discussing rental development, land use, government programs to encourage rental development, and commercial real estate in general. Cynthia's speaking circuit included the Vancouver Real Estate Forum, Business in Vancouver (BIV) and the Urban Development Institute (UDI). In 2020, Mark Goodman will be speaking at the Western Canada Apartment Investment Conference on April 1st and Cynthia Jagger will be speaking at the Vancouver Real Estate Forum on March 31st (register at www.realestateforums.com for the event).

Most recently, we raised the alarm on a contentious issue in an article titled "Councilgate," about a Council motion emerging from the Rental Incentives Review at the City of Vancouver (see page 8). The motion instructed staff "to prepare a report for consideration for referral to public hearing" that would extend rental replacement requirements to C-2 zoned land. We argued that, if enacted, this would reduce the residual land value of these commercial properties and devalue the land, ironically doing the opposite of encouraging affordable rentals as intended. Yet even more alarming was the final piece of the motion put forward to instruct staff to review:

"The possibility of using zoning similar to the DEOD zoning (60% social housing and 40% rental for anything above 1 FSR) to depress land prices so it will be cheaper to buy for non-market housing."

In his *Price Tags* blog, Gordon Price concluded on what he facetiously called our "Goodman Gate" article with the following: "Gee, I wonder which councillor moved that motion. Announcing that the intent of your policy is to sterilize land values so you can pick it up cheap won't go down well in … the business community, or in the courts."

Despite the challenges of 2019, confidence is back, and we predict a solid 2020 for our industry. Since September, Goodman has sold $150 million in development sites and apartment buildings. While prices have come off from the highs of 2016 in some neighbourhoods, the rental sector remains resilient. We maintain that the long-term prospects for our industry are extremely positive. Interest rates are expected to hold at their current low rates, rental demand continues its upward climb with corresponding increases in rental rates, institutional investors have an insatiable appetite for Metro Vancouver multifamily investment, and population and employment growth remain solid. Most importantly, Metro Vancouver persists as one of the world's best places to live. The multifamily sector will continue to be one of the safest, most reliable investment vehicles for years to come.

Our commitment to you, our readers and valued clients, is to remain ready, willing and able to fight the good fight. We're your trusted source of reliable rental-housing intelligence and an unwavering advocate for growing your portfolio and assisting on the sales side when the time is right. As always, our door is open. Please reach out to discuss any of your real-estate needs.

THE ECONOMIST'S CORNER

Rental housing: where Seattle thrives, Vancouver stumbles

By Andrey Pavlov, Ph.D., *Goodman Report*

Vancouver Mayor Kennedy Stewart apparently had a very productive visit to Seattle a couple of weeks ago. In an interview during his visit the mayor said he would like "to get a better understanding of how Seattle has built so much rental housing."

The Mayor is right to be curious: Seattle built 17,450 purpose-built rental units in 2018. A *Seattle Times* article from earlier this year gave telling examples of landlords offering incentives to tenants. One struck me in particular: "2 months free plus a $1,000 gift card if you move in within 1 week!"

Compare this to the near-zero vacancy rate in Vancouver, where the *Goodman Report* counted only 1,364 new rental units were built in the same year. Seattle is bigger than Vancouver for sure, but it's not 13 times bigger!

So Mayor Stewart is correct to be curious, but he is incorrect to look for the answer in Seattle. The 17,450 new rental units is the normal and expected free market response to rising demand.

So instead of asking how Seattle has built so much rental housing, the Mayor should be asking what we have done in Vancouver to prevent the same outcome.

It's not rocket science. When the demand for apples goes up, normal people plant more trees. It takes a few years, but sooner or later there's enough apples to meet the higher demand. Perhaps even enough to ship some to China and add capital to the local orchard.

But when the demand for housing, especially rental housing, in Vancouver increases, we don't build more. On the contrary, we do everything we can to sabotage new supply:

- Rent control
- Rental-only zoning used to "downzone"
- 12-year old moratorium on the demolition of rental buildings in Vancouver
- Sales taxes on land purchase and on construction costs
- School Tax on development land while waiting for permits
- Years-long development review process
- Hostile City Councilors

It's hard to pick the biggest villain from the above long list, but let's start with rent control. A recent paper on the topic published in the *American Economic Review*, the most prestigious economics journal, uses data from San Francisco to find that: "In the long run, landlords' substitution toward owner-occupied and newly constructed rental housing not only lowered the supply of rental housing in the city, but also shifted the city's housing supply toward less affordable types of housing that likely cater to the tastes of higher income individuals." The authors further conclude: "Taking all of these points together, it appears rent control has actually contributed to the gentrification of San Francisco, the exact opposite of the policy's intended goal."

View of Vancouver's West End

It's not just rent control. The provincial government gave cities the power to introduce rental-only zoning. It was meant to ensure that new projects that promise to provide rental units, perhaps in exchange for a density bonus, keep their promise. This was supposed to be a way to incentivize new purpose-built rental development. Instead, cities like Burnaby, New Westminster, and Victoria are considering or have already implemented rental-only zoning on existing buildings, without the consent of the owners and without an appropriate density bonus. This has exactly the opposite effect of the intended goal – it turns rental housing into a toxic asset. Most investors like to keep their capital away from such assets. The companies which seek them out are called "vulture funds." As the name suggests, they do not make for good landlords.

Ok, so we abuse current landlords because they are stuck with us. They can fume and complain, likely sell, but they cannot move their buildings elsewhere.

What really puzzles me is why we treat new development projects the same way. Rental-only zoning, even just the possibility of it, not only expropriates from the current owners but also ensures that we will not get a rental building on any property that does not already have one. Why would anyone in their right mind risk such a severe down-zoning of their land? So the only possibility for an increase in rental supply is to re-develop existing rental buildings. But that has also been ruled out by a 12-year old moratorium on demolishing rental buildings that covers over 95% of Vancouver. In other words, we can neither add new rental buildings nor redevelop existing ones.

Even if somebody somehow manages to make a rental project work (how is beyond me), we hold their application at City Hall for years. A recent Altus Group report shows that about 1/3rd of units in development applications in Vancouver submitted in 2016 are still under review in 2019. Nearly ¾ of applications submitted in 2017 are still under review two years later.

So you wait two, three, or more years for your development application to get reviewed, during which time you're paying interest on the land purchase, property taxes, and even the so-called School Tax on the entire property. Sooner or later, usually much later, you get to City Council for final approval. That's when you get yet another insult. Your project gets questioned, and possibly denied, because market rents are too high! You read that right – we block new rental housing because we don't have enough rental housing. This doesn't just defy basic economics; it defies basic common sense.

So, Mayor Stewart, it is not surprising that Seattle got 17,450 new purpose-built rental units in 2018. What is surprising is that Vancouver got 1,364 new units given how we treat current and new landlords at both the provincial and the municipal level. If we keep this up, we'll get zero next time.

Andrey Pavlov, Ph.D.
Professor of Finance
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ZOOM LENS ON DEVELOPMENT

According to Goodman Commercial, while the tide is slowly turning from condos to rentals, developers still face multiple barriers when seeking to get any project through. The absence of zoning clarity in most municipalities continues to weigh heavily on development applications.

What you need to know

In October 2019, we published an article titled "5 Things Apartment Building Owners Should Know but Probably Don't". Continuing the conversation, let's talk about what happens when you list and sell your property as a development site. For property owners, understanding how development works is key.

As the market shifts and more groups move into the rental sphere, landowners, developers, architects and the construction and leasing teams need some extra information. Even politicians and the media require lucid commentary. In our experience, what works for the condo market doesn't necessarily translate similarly to new rentals. Understanding the nuances is critical.

Zoning changes help rental development in some areas, hurt in others

With surging population growth, various municipalities throughout Metro Vancouver are considering beneficial changes in zoning that allow for higher densities, recognizing the scarcity of accessible sites suitable for rental development. For example, new zoning policies in Coquitlam and the City of North Vancouver have helped to spur rental applications. On the flipside, in the City of Vancouver's Marpole neighbourhood, the OCP (Official Community Plan) designed to enhance rental development has been an outright failure.

Developers of new rental buildings continue to face extreme challenges. At present, planners and their staff are striving to formulate guidelines for residential rental tenure zones, which stand potentially to become permanent fixtures in Metro Vancouver. Notwithstanding the noble intentions of governments, we caution owners to remain wary. Depending on the new densities proposed, erosion in value may occur with the imposition of rental tenure zones whereby the current value of your rental building could far outstrip its land value as a redevelopment site.

You may hit a home run selling your property as a redevelopment site

For owners of older buildings, and depending on the area, the switch by developers toward new, larger rentals or condos is playing a pivotal role in achieving values significantly higher on a per-suite basis as compared to values realized with the traditional Income Approach.

While you may be able to unlock additional value for your property as a rental site, you'll need to temper your expectations of a windfall. Rental land is typically worth less than condo land. It depends on the area and whether lavish density bonuses are included.

We invite you to contact us – we understand the value of dirt! Your building may be worth more as a redevelopment site than as a holding property.

The uphill battle of rental approvals: Why owners should care

Although the tide is turning from condos to rentals, developers still face multiple barriers when seeking to get any project through. The absence of zoning clarity in most municipalities continues to weigh heavily on development applications.

To appreciate better the many issues involved in this Byzantine process, come with us behind the scenes to follow a typical submission from the developer's perspective:

First, congrats! As a builder, you've purchased your site. Yet even with zoning in place, you still face a challenging task ahead in ultimately achieving a 'go' for a rental project.

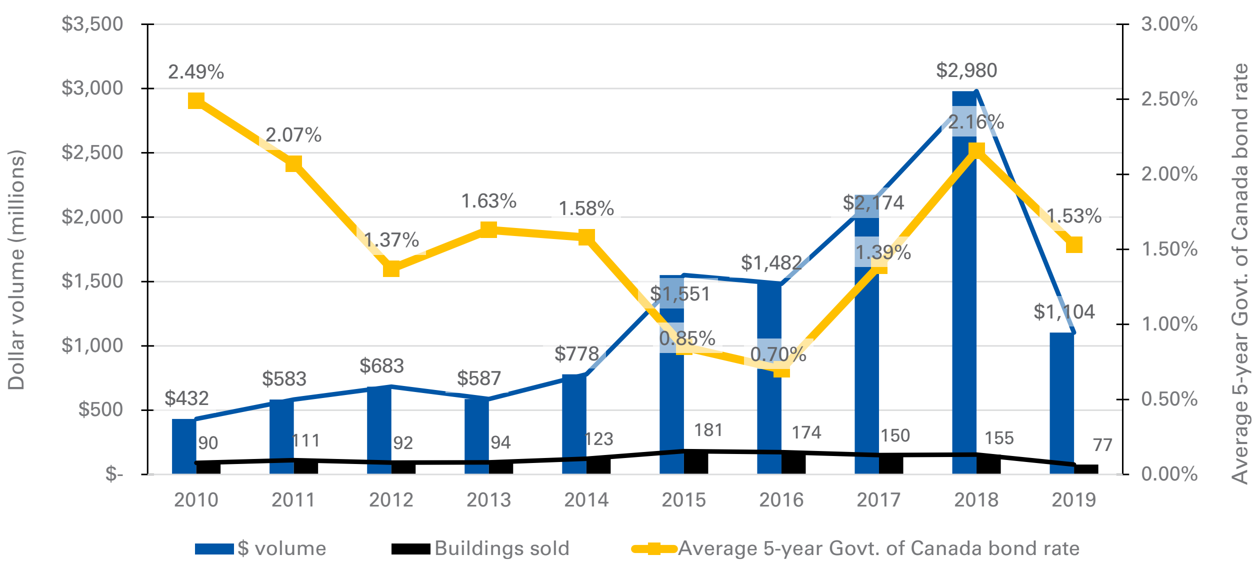
During the initial application in most municipalities, the virtual tug-of-war is usually adversarial. Council and planners on the one side and the developer on the other seldom find themselves on the same page. Concerned over high construction costs and the ensuing tight profit margins, applicants – often assisted by their architects – argue vigorously for more height, more density, relaxation of parking requirements and/or waivers of Development Cost Charges (DCCs) or Community Amenity Contributions (CACs).

And yet, today's rental housing providers faces still further obstacles. Unlike provinces such as Ontario that are more forthcoming in alleviating revenue shortfalls, B.C. offers no exemption from rent controls to developers and owners of new rentals who have undergone significant risk and financial exposure. Moreover, the burdens of GST, rezoning and development approval periods lasting as long as five years and micromanagement of the entire development process by overzealous planners and competing City departments can prove to be the tipping points that render otherwise worthy projects non-viable. From securing a potential site to attracting tenants, five to eight years could easily elapse. In general, municipal leaders and the public show little recognition of the immense risk taken on by builders of new rentals.

So where do we go from here?

To encourage and expedite the development of rental housing, a shift in attitude in how we do business would be welcome. Our policy makers and municipal politicians must view rental housing providers and builders as needed partners in positively shaping our region and its future. Fostering an environment that allows for clarity on what can be constructed within a reasonable timeframe is necessary. The more rental sites that can be unlocked, the better. After all, the old inefficient buildings currently held hostage by policies such as the moratorium in Vancouver as being the only affordable stock remaining were themselves new rental projects back in their own day.

Metro Vancouver 10-year multi-family performance



Source: Goodman Report

WAKE UP: IT'S COUNCILGATE!

City instructs staff to report back on strategies to depress land values and more

It's not the first time this year we've raised the alarm, but we need your attention and help again. Property rights are at stake.

Here's the background:

Back in June, we urgently emailed our readers to get involved in speaking out on a motion under discussion at the City of Vancouver: Speak up against City of Vancouver motion targeting C-2 zones. This motion contemplated extending the City's Rental Housing Stock Official Development Plan (ODP) – including the requirement of 1-to-1 replacement of rental housing – beyond the RM zones and onto commercially zoned property. While this seemed like a nominal change, the results of the ODP on existing rental stock have proven ineffective over the past 10 years. Nothing happens under the ODP; not even a 5-to-1 rental replacement generates support! It's the equivalent of a freeze, effectively downzoning a number of properties, arbitrarily decreasing their value without consultation with affected landowners.

The Urban Development Institute also wrote a letter at that time: Re: Motion on Notice B.2 – Protecting Rental Housing Stock along Arterial Streets.

On June 12th, 2019, following many submissions and after hearing from speakers, City Council voted not to move forward with the bylaw at that time, especially since their staff were in the midst of a full review of rental programs, both historical and future.

Since then, City staff have undertaken their full review on existing rental policies (backward-looking), which resulted in an interim report in July: Review of Vancouver's Rental Incentive Programs.

In this interim report, the City ***didn't*** recommend the spirit of the motion in extending the ODP to C zones, which would have been a downzoning. *(Cue sigh of relief.)*

Following many meetings with stakeholder groups, tenants and the public, along with more economic testing and consulting reports, the latest review and policy report was made public on November 20, 2019. Again, it contained no recommendation to extend the ODP to C zones.

But here's the important part now:

On November 29, 2019, Council heard from 24 speakers on the new proposed policies. Council also heard from staff (planners, the city manager, legal, etc.) about the report and their recommendations. Council grilled staff and the consultant, Coriolis Consulting Corp., for 2 hours in the evening. Not until around 7 pm – 9.5 hours into this marathon session! – did the main debate start. At that point, a flurry of amendments from multiple councillors hit the floor.

Somewhere in that 12-hour day, **an amendment to an *amendment*** was made that seemed so innocuous at the time that it apparently passed without opposition.

To be fair, Council had no fewer than 17 separate sections to vote on. Watching the voting live as it streamed, we at Goodman Commercial, as well as the public, were unable to see the text of what was being voted on. There was a total lack of clarity and transparency.

Here's an excerpt from the **minutes on final voting**, posted on the City's website for that day:

> "Following the ***votes on the amendments, and the amendments to the amendments***, Council agreed to separate the vote on the components of the ***amended*** motion. The motion was put and CARRIED as follows:
>
> …
>
> "*K. THAT Council instruct staff to prepare a report for consideration for referral to public hearing to amend the Rental Housing Stock Official Development Plan to extend rental replacement requirements to C-2, C-2C, C-2B and C-2B-1 zoning districts city-wide*."

Doesn't seem too bad, right? Well, the crux is that if you own a C-2 zoned site in Vancouver, your property is on its way to devaluation.

Cynthia Jagger and Mark Goodman in front of Vancouver City Hall

Should this happen, it effectively means that older commercial properties with three or more rental apartments will be bound by rate-of-change regulations and will have to replace those rental apartments upon redevelopment, including redevelopment to four-storey condos. Reducing the residual land value of these commercial properties, this amounts to a downzoning. It's very discouraging that Council made this amendment, against staff recommendations, to an otherwise positive report.

This change happened without notice and within "an amendment to an amendment" on a day when it wasn't even supposed to be on the table. No one had an opportunity to provide context or to offer a defense. For that matter, if you own any property in Vancouver, this type of move demonstrates that the current Council stands ready to take away your rights without consultation. On a whim, on the floor, without a heads-up.

If you're a member of the public or a prospective tenant, know that these moves put rental development at risk. Policies were put forward to try to increase the number of available rentals, but this type of change does quite the opposite, especially as many of the condos in these zones have traditionally formed part of the rental stock.

Think we're being dramatic?

See final motion Q. from the Council meeting minutes from the same day. The 5th bullet says to direct staff to report back on:

> *"The possibility of using zoning similar to the DEOD zoning (60% social housing and 40% rental for anything above 1 FSR) to depress land prices so it will be cheaper to buy for non-market housing."*

The trend is clear.

So what can you do?

We urge you to email and call City Council and the Mayor. Please tell them that extending the ODP to C zones is unacceptable, especially how it's been brought forward.

EYE ON SUPPLY

Suburbs buzz with new rental activity; City of Vancouver sleeps at the wheel

We're just over one year into the mandates for Vancouver's new mayor and councillors. Seems like an opportune time for us to update you.

For Metro Vancouver as a whole, below you'll see our latest breakdown by city of new rental units in the pipeline. A few highlights:

City of Vancouver: Completions are **down** year over year. Yep, we said *down*! By our count, only 947 rental units will open their doors in 2019. This is about 30% fewer than the 2018 figure of 1,364. Time to shake things up and really get a meaningful number of units completing in this city.

Suburban completions: Up almost 6 times year over year!

- **Burnaby and Surrey:** Starting to show some leadership with big changes in completion rates.
- **Coquitlam:** Showing further strength in approvals but not translating yet to meaningful completions.
- **New Westminster:** Higher completions for 2019 at 548 units but much lower numbers of approvals and projects in the pipeline. Bad policy moves starting to show up, notably a requirement of below-market units as a condition of rezoning under its Secured Market Rental Housing Policy. While this sounds well-intentioned, it will surely push many projects into the "non-feasible" category.
- **City of North Vancouver:** Continues to be Metro Vancouver's beacon of light. While the City's policies have become slightly more restrictive, the results speak for themselves. A small municipality packing a lot of punch.

Region's construction pipeline picks up slightly, but the devil's in the details

Across Metro Vancouver, approximately 20,213 units (200 development sites) are in the pipeline as of November 2019. Of these, only 5,067 units (50 sites) are actually under construction and scheduled for occupancy over the next 3 years (an average of 1,689 per year). The remaining balance of 15,146 units (150 sites) are proposed or approved. If built, these would require approximately 3–7 years before completion and occupancy. This is an average of approximately 2,163 units a year over the next 7 years for the whole region.

Municipality	Units (buildings) in the pipeline*	Units (buildings) completed 2019
Burnaby	1,356 (6)	357 (2)
Coquitlam	3,632 (19)	102 (2)
Delta	-	- (0)
Langley	333 (3)	347 (4)
Maple Ridge	556 (5)	213 (2)
New Westminster	432 (7)	548 (2)
North Vancouver, City of	2,021 (21)	170 (3)
North Vancouver, District of	830 (12)	119 (1)
Pitt Meadows	- (0)	189 (1)
Port Coquitlam	300 (2)	300 (2)
Port Moody	692 (6)	- (0)
Richmond	331 (3)	- (0)
Surrey	418 (3)	624 (3)
White Rock	242 (3)	44 (2)
West Vancouver	637 (6)	- (0)
Suburban total	**11,780 (96)**	**3,013 (24)**
Vancouver (including UBC)	8,433 (104)	947 (14)
Total	**20,213 (200)**	**3,960 (38)**

* Proposed, approved or under construction as of November 2019

Source: Goodman Report

In Vancouver, it's "No way" rather than "Hello" to something fresh

Looking at CMHC's *2018 Rental Market Report*, the City of Vancouver has a total of 57,814 purpose-built rental suites (not including condo rentals). Cumulatively, municipal policies over the past 10 years have landed us with vacancies at 0.8%. It's troubling from an aspiring tenant's viewpoint that only 1,360 market units were added in 2018, with only 947 expected this year and approximately

WHAT'S HOT

- Goodman Commercial sponsoring Vancouver Real Estate Forum and Western Canada Apartment Investment Conference: Mark Goodman and Cynthia Jagger both speaking
- Rental construction continuing though efforts stagnate
- Rental vacancies at 1.0% in the City of Vancouver, 1.1% in Vancouver CMA
- Liquidity coming back to the market
- Residential resales hot again
- Beau Jarvis' UDI Forecast Luncheon rant
- Canucks at the top of the Pacific Division
- Trump impeachment proceedings

WHAT'S NOT

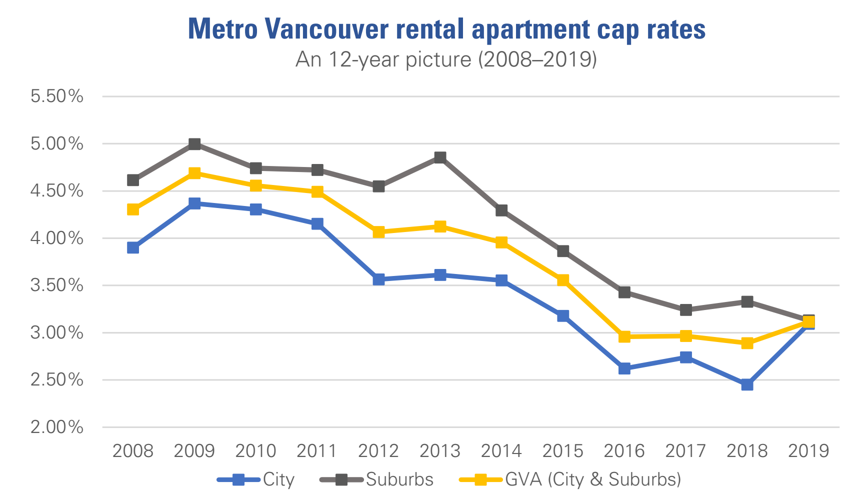
- Vancouver C-2 zoning Councilgate kerfuffle
- B.C. losing jobs
- Hello property tax! City increases budgets while requesting others to do more with less
- City-wide plan: 3 years? 4?
- Trudeau back in – will he finally keep his promise of exempting rentals from GST?
- Threats of vacancy control
- The coronavirus

1,670 units in 2020. These are damning statistics indeed, considering that approximately 650,000 residents live in Vancouver alone, 36.5% or 237,000 of whom are renters, according to CMHC. Unlocking the 8,000 units stuck in the proposed and approved categories is key. Will they ever come to light?

Suburbs are still where it's at

In suburbia, there are 51,475 suites in 15 different municipalities. Overall, the Vancouver CMA vacancy rate of 1.1% (CMHC) is scarcely better than Vancouver's. Yet some municipalities have been far more welcoming to rental development than others. Kudos to Coquitlam, Burnaby, the City of North Vancouver, New Westminster, Maple Ridge and Surrey for creating viable programs to enhance new rental supply. Their tenant populations will benefit immensely by gaining access to expanded rental housing choices.

Certain other communities, however, have done less well. Port Coquitlam, Pitt Meadows, Richmond, West Vancouver and White Rock have performed poorly. Delta, with zero rentals scheduled, deserves the penalty box.



Source: RealNet

Well-meaning province offers little help

To be fair, municipal policy alone can't be blamed for lack of new rentals. We hold the provincial government partly accountable for changes contrary to its own stated wish for more rental housing. While some municipalities were dreaming up new programs to incentivize home builders and benefit future renters, the province did them all a disservice by reducing the allowable rental increase formula for new construction. While this well-intentioned measure was meant to protect those currently living in affordable units, it has had a negative effect on the valuation of future new purpose-built rentals. If a building comes to be worth less while costs continue to escalate, the results are projects shelved or reimagined (back to condos?), design reconfiguration and delays, or simply selling and moving on.

The next 18 months will show how much our province and cities really want much-needed secured purpose-built rental housing. Focused, reasonable and predictable will be words to live by.

CMHC SPEAKS: 2019 RENTAL MARKET REPORT FOR METRO VANCOUVER RELEASED!

The 2019 CMHC Rental Market Report for Metro Vancouver was released in January 2020. Highly anticipated by politicians, planners, lenders, property managers, investors, developers, appraisers, building owners and realtors, the report is statistical in nature and focuses on the current state of the rental apartment market by area in the region.

We remain mystified at how this release arrived 5 weeks later than usual! But putting aside our dissatisfaction with the delay, here are the main takeaways as seen by Goodman Commercial:

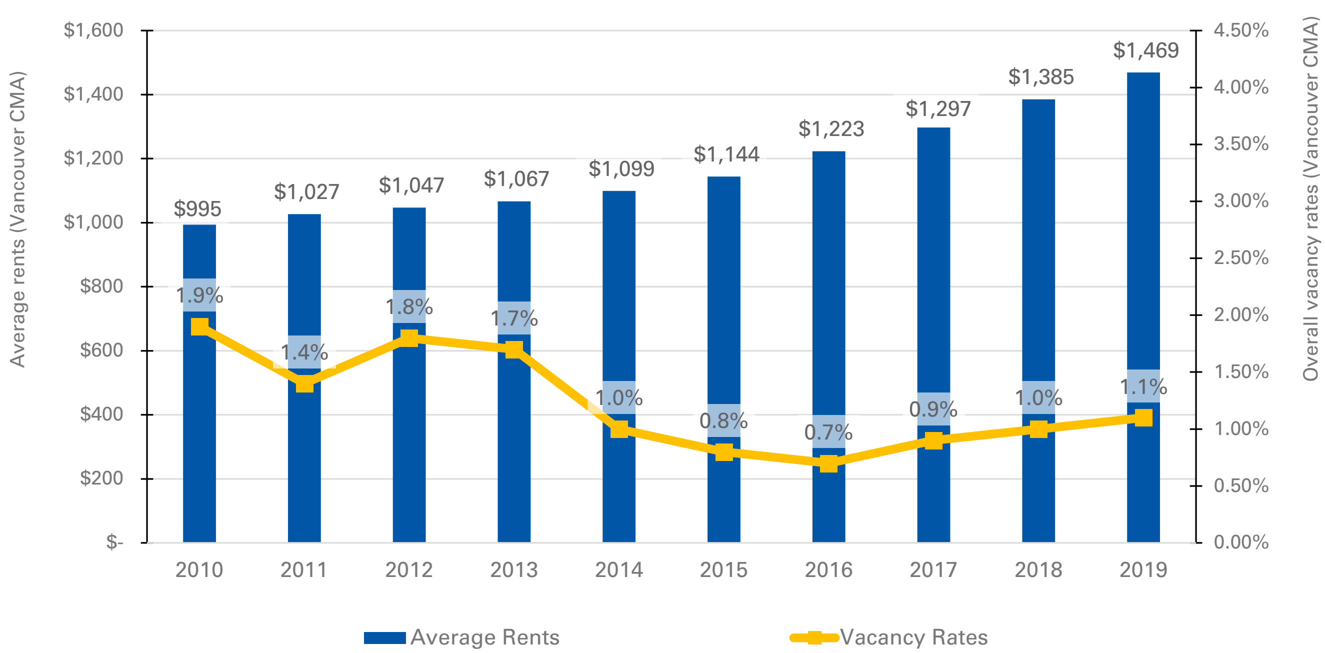
Vacancy rates

- City of Vancouver's vacancy rate increased for the first time since 2016. From 0.8% in 2018 to 1.0% in 2019.
- Vancouver CMA also increased marginally from 1.0 to 1.1%.
- Largest vacancy rate increases were experienced in Mount Pleasant, Southeast Vancouver, North Burnaby, Richmond, White Rock, West Van, Langley and Tri-Cities
- Unfortunately, options are still limited for tenants—areas still facing declining vacancy rates:

Neighbourhoods with declining vancancy rates	2018	2019
Westside/Kerrisdale	1.5%	1.1%
English Bay	1.1%	0.7%
Kitsilano/Point Grey	0.8%	0.6%
Metrotown	3.2%	1.4%
New Westminster	1.6%	1.2%
City of North Van	0.8%	0.5%
District of North Van	1.7%	1.2%
Richmond	0.7%	0.5%
Delta	1.3%	1.1%

Vancouver CMA average rents and vacancy rates

A 10-year picture (2010–2019)



Source: CMHC

New rental supply is working!

Most areas with influxes of new purpose-built rental buildings saw a vacancy rate actually increase. Imagine that!

New rental stock	% increase	Notes
Southeast Vancouver	~20.0%	125% increase in 3-bedroom units.
East Hastings	~3.0%	18% increase in 3-bedroom units.
City of North Vancouver	0.6%	Over 6% increase in 3-bedroom units.
New Westminster	4.0%	12% increase in bachelor suites and over 6% increase in 3-bedroom units.
Langley	~17.0%	Largest increases in 1 and 2-bedroom units (21.6% and 15% respectively).
Maple Ridge / Pitt Meadows	3.4%	16.7% increase in 3-bedroom units.
Tri-Cities	1.8%	Largest increase in 2-bedroom units at almost 9%.

Looks like we will need to wait for next year's stats to see the true impact of the large amount of new supply coming to the West End (5 high-rise purpose-built rental towers within a few block radius will complete in 2020). We forecast a change in vacancy rates within this neighbourhood but will await 2020's report to verify it.

Rental rates continue to rise

- Rental rates for every suite type and in every area of Metro Vancouver increased. Only exceptions were bachelor suites in both Richmond and Mount Pleasant. Overall average rent increased 4.7% over the past year, which was more than the provincially-allowable increase of 2.5% in 2019.

- Average rental rate increases range from 0.53% (bachelor suites in North Burnaby) to 54% (3-bedroom suites in Southeast Vancouver).

The highest rental rate increases (%) came in these areas:

Rent	Avg. rent increase (%)
Marpole	13.0%
Southeast Vancouver	15.2%
Langley	13.9%

METRO VANCOUVER FACTS

Average age of purpose-built rental apartments

61

Number of building transactions in Metro Vancouver for 2019

77

Total sales volume in Metro Vancouver for 2019

$1.1B

*Average Metro Vancouver vacancy rate of rental apartments in 2019

1.1%

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

3.12%

*Average rate of monthly rent in Metro Vancouver for 2019

$1,469

Average price per suite in Metro Vancouver for 2019

$373,896

Total number of apartment owners in Metro Vancouver

2,186

Total number of rental apartment buildings in Metro Vancouver

3,300

*as per CMHC
**as per RealNet

ACTIVITY HIGHLIGHTS: 2019 COMPARED TO 2018

Dollar volume ($)

City	2019 $ volume	2018 $ volume	% change
Vancouver areas			
Eastside	$138,718,725	$305,177,200	- 55%
Kerrisdale	10,000,000	173,300,000	- 94%
Kitsilano	29,645,000	102,981,000	- 71%
Marpole	33,145,000	47,370,000	- 30%
South Granville	28,584,000	24,016,200	+19%
UBC	50,650,000	0	N/A
West End	148,500,000	1,086,925,690	- 86%
Vancouver	**$439,242,725**	**$1,739,770,090**	**- 75%**
Suburban areas			
Burnaby	$211,817,185	$404,567,000	- 48%
Coquitlam	0	175,014,000	- 100%
Delta	6,900,000	5,300,000	+30%
Langley	114,670,000	39,783,000	+188%
Maple Ridge	5,830,000	4,450,000	+31%
Mission	0	4,540,000	- 100%
New Westminster	84,530,000	147,100,000	- 43%
North Vancouver	100,025,000	155,448,283	- 36%
Port Coquitlam	8,075,000	13,000,000	- 38%
Port Moody	0	102,620,000	N/A
Pitt Meadows	0	15,138,000	N/A
Richmond	0	49,800,000	N/A
Surrey	113,750,000	74,055,981	+54%
West Vancouver	17,200,000	0	N/A
White Rock	2,450,000	49,737,000	- 95%
Suburbs	**$665,247,185**	**$1,240,553,264**	**- 46%**
Metro Vancouver			
Total	**$1,104,489,910**	**$2,980,323,354**	**- 63%**

Average price

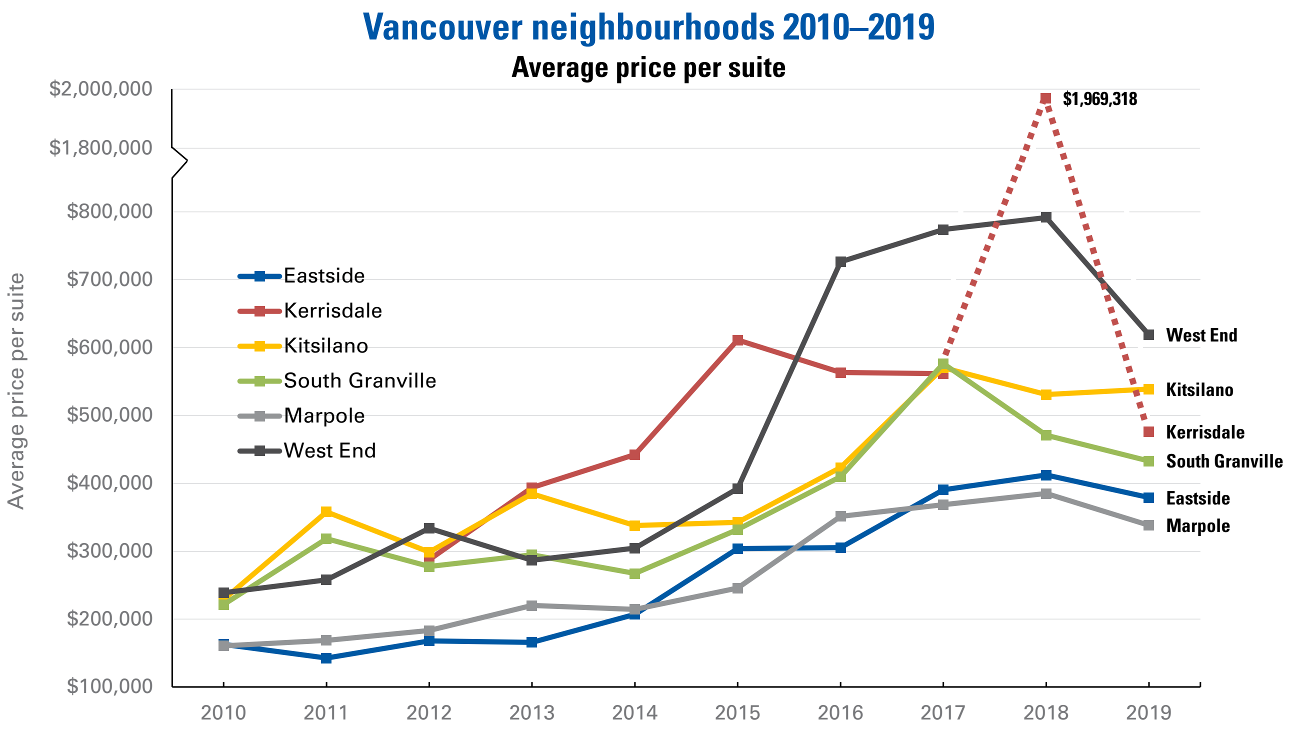
City	2019 $ per suite	2018 $ per suite	% change
Vancouver areas			
Eastside	$379,013	$412,402	- 8%
Kerrisdale	476,190	1,969,318	- 76%
Kitsilano	539,000	530,830	+2%
Marpole	338,214	385,122	- 12%
South Granville	433,091	470,906	- 8%
UBC	617,683	N/A	N/A
West End	618,750	791,643	- 22%
Vancouver	**$473,322**	**$677,217**	**- 30%**
Suburban areas			
Burnaby	$395,181	$610,207	- 35%
Coquitlam	N/A	452,233	N/A
Delta	202,941	220,833	- 8%
Langley	351,748	342,957	+3%
Maple Ridge	171,471	234,211	- 27%
Mission	N/A	129,714	N/A
New Westminster	227,231	255,382	- 11%
North Vancouver	490,319	476,835	+3%
Port Coquitlam	269,167	200,000	+35%
Port Moody	N/A	488,667	N/A
Pitt Meadows	N/A	420,500	N/A
Richmond	N/A	488,235	N/A
Surrey	253,906	236,601	+7%
West Vancouver	554,839	N/A	N/A
White Rock	222,727	279,421	- 20%
Suburbs	**$328,355**	**$406,739**	**- 19%**
Metro Vancouver			
Total	**$373,896**	**$530,401**	**- 30%**

Building transactions

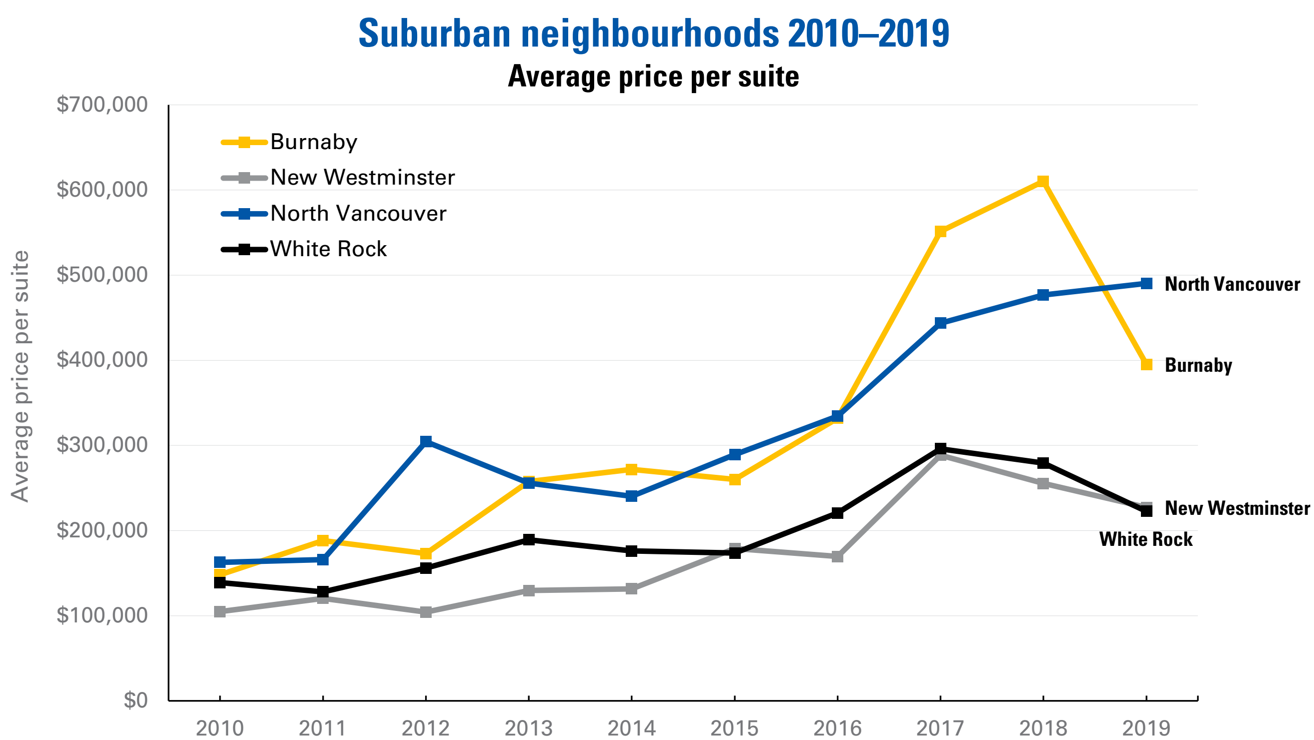
City	2019 buildings sold	2018 buildings sold	% change
Vancouver areas			
Eastside	15	26	- 42%
Kerrisdale	1	2	- 50%
Kitsilano	4	11	- 64%
Marpole	6	7	- 14%
South Granville	5	3	+67%
UBC	3	0	N/A
West End	2	21	- 90%
Vancouver	**36**	**70**	**- 49%**
Suburban areas			
Burnaby	8	22	- 64%
Coquitlam	0	9	- 100%
Delta	1	1	0%
Langley	3	4	- 25%
Maple Ridge	2	2	0%
Mission	0	2	- 100%
New Westminster	9	20	- 55%
North Vancouver	10	9	+11%
Port Coquitlam	2	1	+100%
Port Moody	0	2	- 100%
Pitt Meadows	0	1	- 100%
Richmond	0	1	- 100%
Surrey	4	5	- 20%
West Vancouver	1	0	N/A
White Rock	1	6	- 83%
Suburbs	**41**	**85**	**- 52%**
Metro Vancouver			
Total	**77**	**155**	**- 50%**

Number of suites sold

City	2019 suites sold	2018 suites sold	% change
Vancouver areas			
Eastside	366	740	- 51%
Kerrisdale	21	88	- 76%
Kitsilano	55	194	- 72%
Marpole	98	123	- 20%
South Granville	66	51	+29%
UBC	82	0	N/A
West End	240	1,373	- 83%
Vancouver	**928**	**2,569**	**- 64%**
Suburban areas			
Burnaby	536	663	- 19%
Coquitlam	0	387	- 100%
Delta	34	24	+42%
Langley	326	116	+181%
Maple Ridge	34	19	+79%
Mission	0	35	- 100%
New Westminster	372	576	- 35%
North Vancouver	204	326	- 37%
Port Coquitlam	30	65	- 54%
Port Moody	0	210	- 100%
Pitt Meadows	0	36	- 100%
Richmond	0	102	- 100%
Surrey	448	313	+43%
West Vancouver	31	0	N/A
White Rock	11	178	- 94%
Suburbs	**2,026**	**3,050**	**- 34%**
Metro Vancouver			
Total	**2,954**	**5,619**	**- 47%**



Source: Goodman Report



Source: Goodman Report

THE STORY BEHIND THE STATS: INVESTOR CONFIDENCE PUT TO THE TEST

Metro Vancouver transactions, dollar volume and prices decline

The numbers are in. Time to update you on Metro Vancouver's multifamily market, comparing 2019 sales activity with 2018. The numbers are quite … shocking. But perhaps we shouldn't be shocked, considering that the last 18 months 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 right and left.

Metro Vancouver transactions dropped 50%, and dollar volumes declined 63% from a year earlier in 2018. A total of 77 transactions occurred in 2019, compared to 2018's 155. As for dollar volume, 2019 witnessed $1.1 billion as compared to $2.98 billion a year earlier. Corresponding with the decrease in activity and dollar volume, nearly every neighbourhood experienced a decline in average price per suite. Metro Vancouver average prices decreased 30% to $374,000 per unit from $530,000 a year earlier (30% in Vancouver and 19% in the suburbs). This is unsurprising given the upward shift in cap rates as well as a dearth of development site acquisitions which had typically skewed price per unit figures upwards. Investors' expectations for higher yields have increased in the current challenged environment. For example, a couple of years ago, Goodman Commercial was selling prime Westside wood-frame rental stock in the low 2% cap-rate range. However, the last 4 sales we completed of similar stock came in at a 3% cap rate. What was selling at approximately $550,000 per unit two to three years ago now trades in the low $400,000s. Previously, investors were able to justify the low but temporary cap rates going in, knowing that in the short-to-medium turn, revenue could be increased. With much-needed renovation to the suites and common areas, and often the addition of dishwashers and/or laundry machines in the suites, a building could realize higher rents. However, this value-add type of investor, while still out there, is less prevalent now. Many owners are shying away from renovations for fear of complicated tenant relocation programs, punitive permit processes and negative press coverage vilifying "evil landlords."

Overall, while this may seem like a huge drop, keep in mind that values have, for the most part, doubled in the last decade. It's not surprising to see an adjustment, particularly with the government-induced slowdown.

Some notable highlights

Last year we wrote that the real story behind the stats was all about the dirt. We emphasized that many Vancouver and suburban communities had experienced massive gains in volumes and pricing compared to the previous year, skewed upward almost beyond recognition as developers acquired existing apartment assets for redevelopment.

However, in 2019, municipal policy shifts and provincial taxes dampened land acquisitions. For example, Burnaby implemented complicated, burdensome redevelopment policies such as an aggressive tenant relocation program, a threat of vacancy control and a rezoning application freeze. This resulted in major declines in sales activity, with transactions and dollar volumes dropping by 64% and 48% respectively, and values plummeting 35%. Ironically, these policies, so far, are accomplishing the opposite of what the city wants to do: create more rental housing.

In Vancouver, the West End showed a major decline in activity, from 21 sales in 2018 (many of which were acquired as redevelopment sites) to only 2 in 2019. Average price per unit decreased by 22%; however, we're cautious about drawing conclusions on value as many of the sales a year earlier were concrete highrises or redevelopment sites, typically skewing prices higher. Again, we argue that new government policies have simply created uncertainty for developers and investors—the lack of transactions demonstrates this.

Surrey and Langley saw significant gains in sales volume, with numbers skewed upward due to sales of large new rental construction projects and the acquisition of other, larger rental complexes as redevelopment sites.

CYNTHIA JAGGER AND MARK GOODMAN TO SPEAK AT UPCOMING VANCOUVER REAL ESTATE FORUM AND WESTERN CANADA APARTMENT INVESTMENT CONFERENCE

Cynthia Jagger and Mark Goodman, Principals at Goodman Commercial Inc., are pleased to announce they will be speaking at and sponsoring the upcoming Vancouver Real Estate Forum and Western Canada Apartment Investment Conference, the largest annual conferences on real estate investment in the region.

Vancouver Real Estate Forum

On Tuesday, March 31st, 2020, Cynthia Jagger will be moderating the multi-family panel at the Vancouver Real Estate Forum. The session is entitled ***The multi-residential market continues to be buoyant with strong demand and low vacancy: but what impact will government policies have going forward?*** Vacancy in Vancouver's multi-residential market has continued to be well under 2% as it remains a source of relatively more affordable housing. However, provincial legislation capping rent increases at 2.5% and soaring property taxes have put upward pressure on owners with older buildings that need updating. How is Vancouver's new Tenant Relocation and Protection Policy impacting the market? Combined with high land and construction costs, will purpose built rental still be feasible? Is condominium development a better alternative? What are investors doing in this market under these conditions?

Western Canada Apartment Investment Conference

The following day, Wednesday, April 1st, 2020, Mark Goodman will be a panelist at the Western Canada Apartment Investment Conference. This session, ***The Western Canadian Market: Insights on apartment investment in Vancouver, Calgary and Edmonton***, will provide an update on multi-residential investment activity within each of the three major markets in Western Canada. What are some of the key transactions that have taken place in the last twelve months? Where does investor interest appear to be heading in each market? Who are the predominant buyers and sellers of properties at this time? What does the future likely hold? For more information and to register for the event, please visit www.realestateforums.com.

We look forward to seeing you at these events!

Commercial brokers Cynthia Jagger and Mark Goodman of Goodman Commercial Inc. walking in front of the Vancouver Convention Centre, where they will be speaking at the Vancouver Real Estate Forum and Western Canada Apartment Investment Conference on March 31 and April 1, 2020.

2019 APARTMENT BUILDING SALES: CITY OF VANCOUVER

	ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
	Vancouver (Eastside)			
	1319 S.E. Marine Dr. (MU, DS)	9	$5,329,125	$592,125
*	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	9,200,000	575,000
	1771 E Georgia St	40	12,750,000	318,750
	349 E 6th Ave (DS, ST)	23	18,121,600	787,896
	754 E Broadway (MU)	8	4,930,000	616,250
	7440 Fraser St	47	12,150,000	258,511
	4967 Main St (DS)	8	3,370,000	421,250
	1869 Frances St (SP)	34	10,600,000	311,765
	1022 Kingsway (MU)	32	9,380,000	293,125
	2636 Yukon St	8	2,838,000	354,750
		366	**$138,718,725**	**$379,013**
	Vancouver (Kerrisdale)			
*	2182 W 39th	**21**	**$10,000,000**	**$476,190**
	Vancouver (Kitsilano)			
	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
	2425 York Ave (SP)	24	13,250,000	552,083
		55	**$29,645,000**	**$539,000**
	Vancouver (Marpole)			
	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
	8635 French St	7	2,850,000	407,143
	8715 Osler St	30	9,150,000	305,000
		98	**$33,145,000**	**$338,214**

	ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
	Vancouver (South Granville)			
	1676 W 10th Ave	11	$5,066,000	$460,545
	1025 W 11th Ave	8	4,850,000	606,250
	1635 W 12th Ave	20	8,350,000	417,500
	1230 W 12th Ave	20	8,168,000	408,400
	1017 W 7th Ave	7	2,150,000	307,143
		66	**$28,584,000**	**$433,091**
	Vancouver (West End)			
**	1022 Nelson St (HR, SP)	200	$130,000,000	$650,000
	1629 Haro St	40	18,500,000	462,500
		240	**$148,500,000**	**$618,750**
	Point Grey / UBC			
	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
		82	**$50,650,000**	**$617,683**

* Sold by The Goodman Team

** December 2018 sale

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

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

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

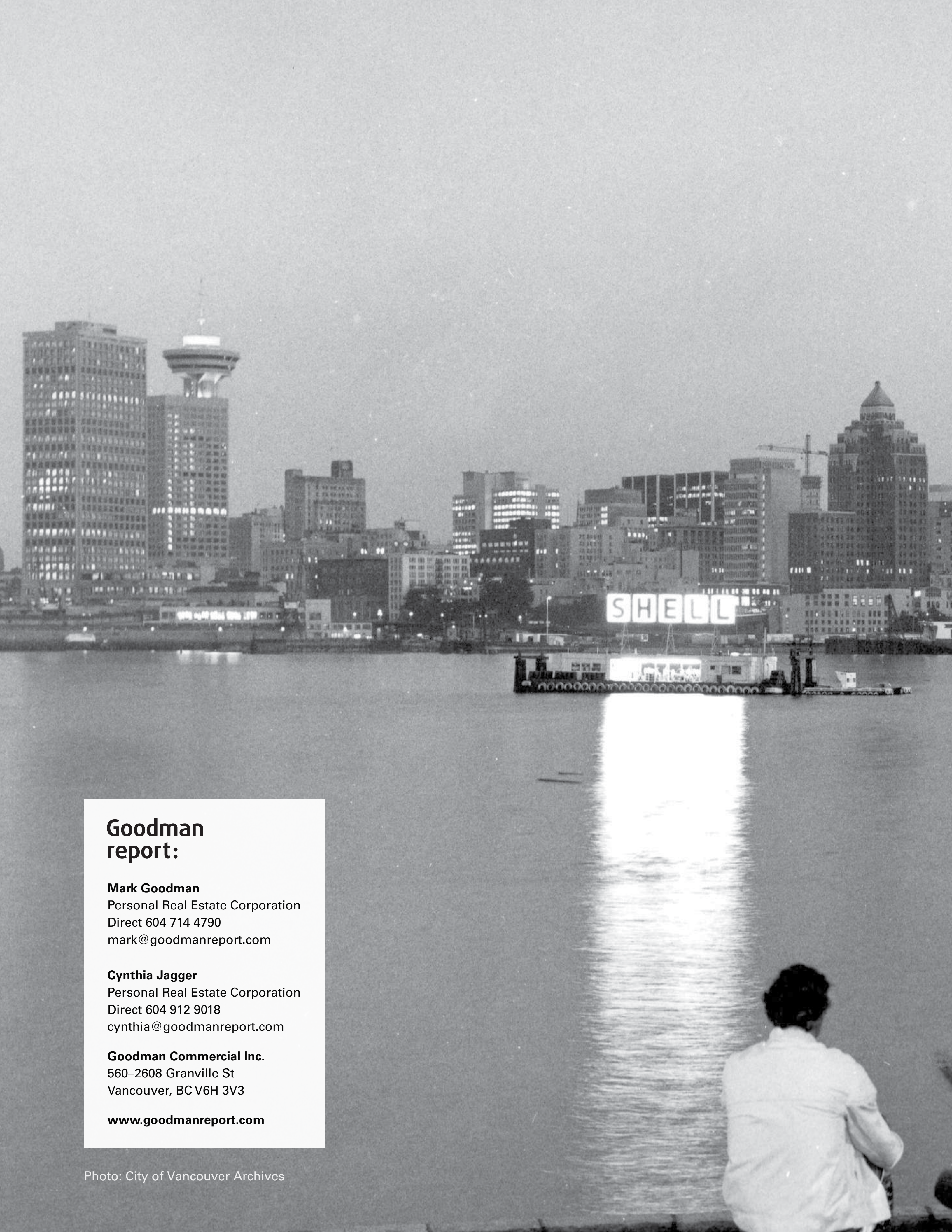
2019 APARTMENT BUILDING SALES: SUBURBS

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Burnaby			
* 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	8,993,785	$310,131
7070 Inlet Dr (SP)	117	32,500,000	$277,778
7360-76 Halifax St (HR)	252	90,000,000	$357,143
6710 Sussex Ave	10	3,630,000	$363,000
	536	**$211,817,185**	**$395,181**
Delta			
4711 57th St	**34**	**$6,900,000**	**$202,941**
Langley			
20839 78B Ave (SP)	191	$69,600,000	$364,398
5393 201 St (SP, NC)	98	39,000,000	$397,959
20727 Fraser Hwy	37	6,070,000	$164,054
	326	**$114,670,000**	**$351,748**
Maple Ridge			
** 11901 222 St	22	$3,580,000	$162,727
12014 220 St	12	2,250,000	$187,500
	34	**$5,830,000**	**$171,471**
New Westminster			
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	13,891,524	227,730
700 Fourth Ave	56	11,783,476	210,419
1117 Hamilton St	21	4,250,000	202,381
1001 Sixth Ave	14	3,780,000	270,000
720 Queens Ave	113	25,000,000	221,239
101 Royal Ave	48	13,400,000	279,167
	372	**$84,530,000**	**$227,231**

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
North Vancouver			
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		
340 Seymour River Pl (DS)	34	45,000,000	703,125
331 Riverside Dr (DS)	14		
155 E 19th St (DS)	29	11,500,000	49,356
236 E 15th St (DS)	8	5,225,000	653,125
1220 St. Georges Ave	22	8,025,000	364,773
	204	**$100,025,000**	**$490,319**
Port Coquitlam			
2060 Manning Ave	20	$4,100,000	$205,000
2334 Marpole Ave (MU, ST)	10	3,975,000	397,500
	30	**$8,075,000**	**$269,167**
Surrey			
5772 177B St	79	$14,250,000	$180,380
10272 127A St (DS)	162	43,500,000	195,067
10235 128 St (DS)	61		
13555 96 Ave (NC)	146	56,000,000	383,562
	448	**$113,750,000**	**$253,906**
West Vancouver			
1575 Esquimalt Ave (MR)	**31**	**$17,200,000**	**$554,839**
White Rock			
1281 Foster St	**11**	**$2,450,000**	**$222,727**

* Sold by The Goodman Team

** December 2018 sale



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