The Newsletter for Apartment Owners since 1983

Issue 65 | February 2021

Goodman report:

2020 Metro Vancouver Rental Apartment Review

Andre Petterson, *Complex*, 2020, 48″ × 48″, mixed media on panel,
Goodman + Jagger Collection, Vancouver.

TURNING THE PAGE ON 2020

Now that 2020 is behind us, we look forward to a more positive outlook for 2021 with the return of some semblance of normality in our daily lives. Hope is on the horizon with the new vaccines.

We'd like to thank you, our readers, for your continued support and feedback. We receive so many amazing and diverse responses to what we publish, whether it be a new listing, a sale, market data or a piece of housing news.

Last year brought challenges that no one saw coming. Within the rental apartment market, following two years of government intervention in our sector, 2020 was poised for a significant increase in sales volume. Early in the year in Toronto, we met with some of the owners and managers of the largest shares of real estate in Canada. It was clear that they were eyeing the West for expansion.

Of course, COVID-19 has been the major focus of attention in the news. In our sector, sales volume paused for a couple of months in 2020. That said, at Goodman we've never strayed from listing and selling property and reporting on the state of the Metro Vancouver rental apartment market. Amid the challenges, we completed 21 transactions (firm and closed) worth over $233 million.

Both Cynthia Jagger and Mark Goodman stayed busy communicating to our readers right from the onset of the pandemic. We did podcasts, webinars and media spots. We were moderators and panellists for organizations and events such as the Urban Development Institute, BDO LLP, the Vancouver Real Estate Forum and the Western Canada Apartment Investment Conference.

Our research, insights, sales activity and op-eds were covered by media outlets including *The Globe and Mail, Vancouver Sun, Business in Vancouver, Western Investor, Daily Hive, Real Estate News Exchange, The Orca, Georgia Straight, Sightline Institute, C2C Journal and Canadian Real Estate Wealth*.

The market continues to be active as we transition into 2021. As always, please reach out to chat – about the market, a recent sale, your property or what a particular policy or area plan means for you. We pride ourselves on either having the answer or being able to point you toward someone whose good advice we trust.

Thank you,

Mark Goodman and Cynthia Jagger

WHAT'S HOT 🔥

- Cynthia Jagger appointed to Urban Development Institute's (UDI) board of directors executive committee
- Vaccine on the way!
- Rental construction continuing though efforts stagnate?
- Goodman Commercial sponsoring Vancouver Real Estate Forum and Western Canada Apartment Investment Conference: Mark Goodman and Cynthia Jagger both speaking
- Canucks season up and running
- Goodman Commercial's 2020 sales performance: 21 transactions (firm and closed) worth over $233 million
- CMHC 5-year money at 1.3%
- The WallStreetBets Reddit Army
- Tom Brady's 10th Superbowl appearance

WHAT'S NOT 🥶

- Trips to St. Bart's / Caribbean / Mexico – "do as we say not as we do"
- Vancouver C-2 zoning kerfuffle
- Hello property tax! City increases budgets while requesting others to do more with less
- City-wide plan: 3 years? 4?
- Trudeau renegs on promise of exempting rentals from GST
- Covid penthouse parties
- Bernie Sanders meme broke the Internet for 36 hours
- NDP promises 114,000 in 10 years but only 2,300 after 4 years
- Mid-2020 forecast by CMHC – home prices to decline up to 18% – whoops

THE GOODMAN REPORT WINS BEST OF VANCOUVER!

Mark Goodman and Cynthia Jagger, publishers of the Goodman Report, are honoured to be featured in The Georgia Straight's 25th Annual Best of Vancouver

"Mark Goodman and Cynthia Jagger, principals at Goodman Commercial Inc., produce an exceptionally well-written and well-edited newsletter that's largely devoted to the apartment sector. The Goodman Report's advocacy for less government intervention in the real-estate market might not sit well with tenants' groups, but there's no disputing how informative this newsletter is when it comes to sales activity, rent collection, vacancy rates, and insurance.

Guest contributor Andrey Pavlov, a professor of finance in SFU's Beedie School of Business, also offers his insights from time to time.

Is it any wonder that Goodman Commercial Inc. is the reigning kingpin of rental-apartment building sales in this region?"

Congratulations to the other Best of Vancouver category winners!

OTTAWA MAY MOVE TO HIKE THE CAPITAL GAINS TAX. A BAD IDEA.

Concerns are mounting that the delayed 2020 federal budget will include an increase in the capital gains tax on income-producing real estate. We contend that lowering the tax should be considered for owners of multi-family housing.

Originally scheduled to be released in March, the 2020 federal budget has been delayed indefinitely due to the COVID-19 pandemic. The pandemic has also caused the federal debt to increase exponentially, which will have a direct bearing on federal budget considerations.

As of March 31, 2021, the projected federal debt will be $1.43 trillion, according to the federal government's *Economic and Fiscal Snapshot* released on July 8, 2020. This debt level is unprecedented in Canada and should be considered astounding for a country with a population of less than 38 million.

The debt crater has deepened fears that the minority Liberal government will decide an increase in the capital gains tax would be a politically popular method to increase revenue. The current capital gains inclusion rate is 50%, making it one of the most efficient corporate taxes available.

Support from NDP, Green parties

The minority Liberals can likely count on the support of both the NDP and the Greens for such a move. In the last federal election, the NDP campaigned on increasing the capital gains inclusion rate to 75%. This would raise an extra $8 billion in tax revenue in the first year alone, according to estimates from the federal parliamentary budget office. The Green party has recommended that all capital gains be subject to taxation.

Canada first introduced a capital gains tax in 1972. The tax rate has remained unchanged since 2000 and is now the 14th highest among the 34 countries that were members of the Organization for Economic Co-operation and Development in 2013, according to the Fraser Institute, in its report *Economic cost of capital gains tax in Canada*.

Fears of an increase in the capital gains tax has been among the top five predictions prior to the federal budget for decades, but this year the forecasts may be on the money, according to noted analysts, including Wilmot George, vice president of tax, retirement and estate planning with CI Investments Inc., Jason Heath, managing director and certified financial planner with Objective Financial Partners Inc., and Ian Russell, president and CEO of the Investment Industry Association of Canada.

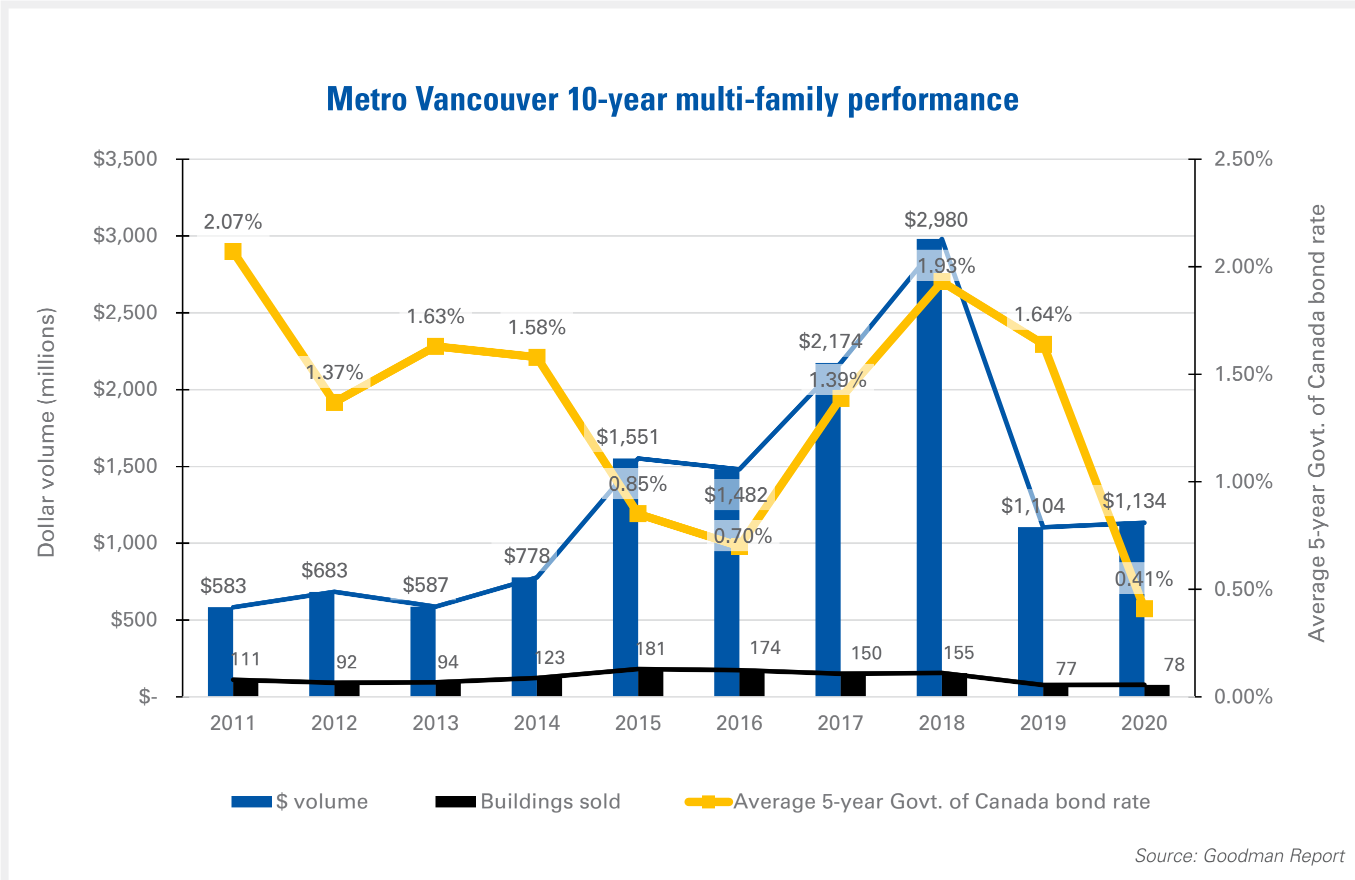
In July 2020, a rumour ripped through Canada's news media that the federal government was considering the first capital gains tax on the sale of private homes. The Canada Mortgage and Housing Corp. was quick to dismiss such fears, but suspicion remains. Raising the capital gains tax on commercial property, such as multi-family residential, appears less far-fetched at this stage.

"If push comes to shove in a minority government, where there is quid pro quo, where the NDP are prepared to support a high-tax, high-spend budget, the Liberals may be willing to sacrifice on capital gains [and raise the rate]," Russell said.

There will be no warning

One thing is certain: if the federal government decides to hike the capital gains tax, there will be no forewarning, which means it would most certainly be sprung in a federal budget. This is because owners would take immediate steps to reduce their exposure if they knew for certain the higher tax was coming.

What is also certain is that any increase in the capital gains tax would be a blow to owners of multi-family residential property, a sector that is already subject to much higher



taxes and regulation than any other commercial real estate sector.

In British Columbia, for example, residential landlords are restricted to raising rents to a level just above the inflation rate, pegged at 1.4% for 2021 currently frozen until July 2021, while office, industrial or retail landlords can raise rents to realistic market levels. Also, multi-family property is subject to the 20% provincial foreign-homebuyer tax, the provincial speculation tax and other measures as if it is residential, not a commercial investment.

Of course, for most of 2020, all B.C. landlords have been forbidden to increase rents due to the pandemic and were allowed to evict tenants for non-payment of rent. At the same time, costs for property taxes, hydro, water, insurance and maintenance continue to increase. Despite this, B.C. landlords were quick to provide rent relief to their tenants during the pandemic. Rents in the city of Vancouver, for example, have been reduced an average of 8% this year compared with 2019, according to a July national rent survey by Rentals.ca and Bullpen Research and Consulting.

Capital gains hike would hit smaller owners

An increase in the capital gains tax would hammer B.C.'s multi-family landlords, the vast majority of whom are considered "mom-and-pop" investors, holding the small, older apartment buildings that constitute the bulk of the rental inventory. For these owners, the potential equity gain on their investment is the major impetus to ownership in the first place. A sudden hike in the tax could wipe out years, even decades, of price appreciation.

Raising the capital gains tax on multi-family property would also chill new construction of purpose-built rental units, which are just starting to recover after decades of slow growth.

Is an increase in the capital gains tax coming? No one outside of Canada's Finance Ministry and the Prime Minister's Office knows for sure. Our opinion is that multi-family landlords should be rewarded after years, even decades, of paying Canada's highest real estate taxes while providing the essential service of rental housing. That reward should include a decrease in the capital gains tax specific to multi-family housing to further incentivize owners to invest their hard-earned capital in this asset class. Only time will tell.

BIG INSTITUTIONAL CAPITAL COMING TO BC: WHAT WILL IT MEAN?

The lowdown on REITs and other corporate investors. *Plus:* Proposed strategy would give B.C. housing nonprofits $500 million to boost buying power.

On August 15, 2020, we were honoured to be featured on the *Vancouver Sun's* front page. Dan Fumano's article, "Big money bets big on B.C. rental," described the continuing trend of Toronto-based financial companies moving into Metro Vancouver's rental apartment investment scene. While our market has generally been occupied by mom-and-pop landlords, we're seeing more institutional investors bringing new waves of capital into our market. Institutional investors include REITs, pension funds, asset management firms and professionally managed companies.

To an extent, the *Sun* article echoes what we at Goodman Commercial have been reporting all along: continued interest in multifamily rental housing and an upward trend in activity following a significant slowdown with COVID-19 in the last few months. However, when it comes to institutional investors, the article quotes some misleading perspectives.

First off, some context. So far, institutional investors still have but a small ownership share in Metro Vancouver. Only 9% of sales (7 sales!) in 2020 came from institutional money.

Read on as we challenge fear-mongering myths about institutional investors.

Myth: **Institutional investors will harm B.C.'s housing market**

Fact: **These investors bring capital for much-needed upgrades, and they demonstrate accountability**

REITs and professionally managed institutional groups offer a positive influence on our rental landscape. In some ways, they're more accountable and better equipped to be landlords than smaller companies. Being better capitalized, they're in a stronger position to take on required upgrades and maintenance long-term. Many institutional investors are publicly traded and held to standards of accountability, with rules they must follow. They don't kick people out on the street or jack up rents.

Myth: **Institutional investors are causing higher sales prices**

Fact: **Sales prices have decreased in much of Metro Vancouver**

The *Vancouver Sun* article quotes concerns from the nonprofit housing space that apartment buildings have been attracting higher sales prices. But this isn't entirely accurate.

Let's clear a few things up

METRO VANCOUVER FACTS

Average age of purpose-built rental apartments

62

Number of building transactions in Metro Vancouver for 2020

78

Total sales volume in Metro Vancouver for 2020

$1.13B

*Average Metro Vancouver vacancy rate of rental apartments in 2020

2.6%

**Average Metro Vancouver cap rate 2020 year-to-date

3.04%

*Average rate of monthly rent in Metro Vancouver for 2020

$1,508

Average price per suite in Metro Vancouver for 2020

$403,088

Total number of apartment owners in Metro Vancouver

2,218

Total number of rental apartment buildings in Metro Vancouver

3,309

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

Cynthia Jagger
Vice Chair at Large

Cynthia Jagger appointed to UDI leadership

We're thrilled to announce that Cynthia Jagger, Principal at Goodman Commercial, has been appointed to the Urban Development Institute – Pacific Region's Board of Directors as well as its Executive Committee. Known as the premier voice of the B.C. real-estate development industry, the UDI is the association representing the field and its related professions.

Cynthia combines an exceptional sales record with tireless industry advocacy and evidence-based rental development policy. Her counsel is sought by clients and policymakers shaping both the discourse around real-estate policy in Vancouver and the future of the city's development. We are very proud of this accomplishment and look forward to her new role.

Our review of latest sales demonstrates that institutional owners only purchased 7 out of 78 rental buildings in 2020. While Toronto-based groups have expressed a lot of interest, *this has not translated into meaningful change in the sales stats*.

Sales pricing as of the end of 2020, from our latest Goodman Report:

- **Vancouver**: While sales prices have increased on an average per-suite basis, we pointed out that this figure was skewed by just 1 highrise-with-infill trade. Without this factored in, average price per suite only increased a modest 1%. So at this point, it doesn't indicate a trend in the city.
- **Suburbs**: Sales prices are *down* -4% on average!

REITs and pension funds aren't always so nimble as local investors. Institutions require significant due diligence, whose timing can be a major obstacle to purchasing.

Myth: **Private landlords keep rents affordable; institutional investors will increase rents**

Fact: **All landlords charge what the market will bear**

There's a misconception floating around that keeping rental real estate in the hands of private landlords and away from institutional investors will keep it affordable.

This is false. The reality is that all landlords are in the business for profit, including mom-and-pop shops. Private landlords are no likelier to subsidize tenants than institutional investors are. And, all owners must adhere to the existing leases that are in place.

In June, nonprofit housing experts and advocates across Canada held an online discussion examining how to – in their words – "beat the REITs." They spoke in worried tones about the shift from local landlords, whom they represented as valuing stable, happy renters over maximizing profits. By contrast, they suggested, financial firms see investors rather than tenants as the main customers.

When applied to the Metro Vancouver market, this alarmist and polarizing view misrepresents the nature of what is going on here, when we look at the actual sales stats as indicated above. The idea that we need to "beat the REITs" is farfetched.

As described in the *Sun* article, the BC Non-Profit Housing Association has run the numbers on some of the sales prices compared with current rents. The BCNPHA has concluded that the only way the acquisitions could be worthwhile investments is with substantial rent hikes. We wonder how this conclusion was reached. Consider that some investors simply want a stable place to put their money, without expecting dramatic returns. The onset of COVID has shown that staying close to home will be necessary in the coming months, possibly years, and the stock market has been volatile. Keep in mind too that the Residential Tenancy Act sets firm limits on rent increases even at the best of times, and landlords understand this. It's misleading to suggest that pricing assumes only huge rent growth.

PODCAST

Ever wonder what it’s like to put together some of the biggest real-estate transactions in Vancouver?

In 2020, Mark was featured on the Vancouver Real Estate News podcast – and it’s a fun, informative ride. From current market insights to the humble beginnings of the Goodman Report, listen as Mark does a deep dive into the fascinating world of Vancouver’s multifamily real estate market, with case studies and calculations big and small.

You’ll also hear his inside stories, from camel riding in Egypt and a high-speed Ferrari ride on Georgia Street to secret sales tactics learned from the Mossad and the name of his favourite bar. Join us!

Mark Goodman is featured in the Vancouver Real Estate News podcast (May 20, 2020 interview)

Episode Summary

Ever wonder what it’s like to put together some of the biggest real-estate transactions in Vancouver? Mark Goodman, principal of Goodman Commercial Inc. and copublisher of the popular Goodman Report, was behind a quarter of those transactions in 2019. In this video and podcast, Mark joins Adam and Matt to dive deep into the fascinating world of multifamily real estate in Vancouver, with case studies, calculations big and small, and inside stories. This is the multifamily primer you’ve been waiting for, and it doesn’t disappoint. Welcome!

Who is Mark Goodman?

Mark is a principal at Goodman Commercial Inc., a commercial real-estate firm. He’s also a copublisher of the Goodman Report, a popular data-driven real-estate news source. He’s been in real estate for 18 years. Early in his career, Mark worked at the Jim Pattison Trade Group, an import/export division of the Jim Pattison Group. In 2002 he joined his father David Goodman as part of Goodman Commercial Inc. In 2016, they partnered with Cynthia Jagger, formally a director of the national appraisal firm Altus Group.

Goodman Commercial Inc. has over 45 years of experience in multifamily apartment sales, commercial properties, development sites and land. Together, Mark Goodman and Cynthia Jagger copublish the Goodman Report.

How did the Goodman Report come to be?

The Goodman Report was started by Mark’s father David Goodman, who has worked in real estate since the early 1970s. David worked in the clothing business early in his career but decided to try his hand in real estate after moving to Vancouver from Montreal. In 1979, David became the top salesman in real estate across Canada, working in Richmond and Shaughnessy. Shaughnessy was a very prestigious neighbourhood, as it is today, and David became known in that neighbourhood by publishing a real-estate newsletter. Eventually, David left residential real estate for commercial real estate, working with Vancouver businesspeople such as Nelson Skalbania.

From its humble beginnings, the Goodman Report has evolved into the success that it’s known to be. Originally published on paper, it was hand-delivered to every subscriber with a personalized note. Today – published in email, online and in print – it has over 50,000 subscribers.

Can you give us an update on the multifamily real-estate market in Vancouver?

The Metro Vancouver multifamily real-estate market is considered small compared to the markets of other Canadian metropolitan areas. Metro Vancouver has 3,300 purpose-built rental apartment buildings. The average age of the buildings is about 60. Their 2,200 owners range from large developers like Hollyburn Properties to small mom-and-pop investors.

As of early 2019, the return on investment (cap rate) was in the low 2% range for wood-frame buildings. These rates have moved up toward 3% in the last six months, mainly owing to changes brought about by the NDP government in its attempt to cool the real-estate market. Generally, the average cap rate in 2019 was 3.12%, the average vacancy rate was 1.1%, and volume was $1.1 billion in sales – based on 77 transactions completed during the year.

Are you seeing the same cool-down in the multifamily real-estate market that we have been seeing in residential real estate since the introduction of the NDP's policies?

Generally, there are some parallels between the two markets, but they're not always in tandem. Different factors affect the multifamily market. For example, in 2018–2019, we saw rent increases capped at inflation, tougher rules for tenant relocation, threats of vacancy control, ends to fixed-term tenancies and geographic rent increases. On the demand side, we saw government interventions including increases in property taxes to 5% for properties over $3 million, foreign buyer tax increased to 20%, rental-only zoning used to downzone properties in some municipalities and the addition of school and speculation taxes to development lands. Combined, these factors have affected the multifamily market negatively. These government initiatives geared toward making housing more affordable have done the opposite. They've discouraged developers from developing rental housing. Year-over-year vacancy rates continue to go down, while rental rates continue to go up. We have a demand-supply imbalance that's not going anywhere. There's simply not enough supply to house everyone moving here, and rental rates will continue to go up.

When the NDP put its policies in place, the multifamily market dropped significantly. Transaction and dollar volume dropped by 50%–60%. This hasn't made our city more affordable; in fact, it has made everything more expensive because there is nowhere to live and little incentive for developers to build rental buildings. COVID-19 has introduced more challenges to the market, but people are continuing to do business through new methods, including longer close periods, physical distancing and electronic methods.

CANADIAN
REAL ESTATE FORUMS

The Western Canadian Market:
Insights on apartment investment in
Vancouver, Calgary and Edmonton

April 13, 2021

Mark to speak virtually at upcoming Western Canada Apartment Investment Conference

On April 13, 2021, 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: *realestateforums.com*

We look forward to "seeing" you!

Where are buyers of purpose-built rental buildings coming from? How is purpose-built rental value established?

Generally, investors for purpose-built rental buildings have been local. Even before the foreign buyer tax, the buyers were mainly local or from other places in Canada. When we examined our last 200 transactions, only two of the buyers would be considered foreign (one from Austria and one from Shanghai). Now that the foreign buyer tax was introduced, the purchasers are generally all from Canada.

Buyers include mom-and-pop investors; professionals like dentists, accountants and lawyers; REITs and pension funds; and other institutional investors.

Establishing value for rental buildings is usually based on the cap rate (return or yield that the investor can achieve by buying the building). To calculate this, you take the rental income revenue less expenses you would incur, including tax, insurance, utilities, repairs and maintenance, and a nominal vacancy rate of 0.5%. This gets you your net operating income, which is divided into the purchase price to determine the return / yield percentage. This number is before debt service for your mortgage.

Eighteen years ago in the City of Vancouver, cap rates were 6.0%–6.5%. The price per unit for Westside buildings was around $80,000 per unit, the expense ratio was 33%, and average monthly rent was $750. Recently, in 2018, the market was hot, and cap rates were hovering in the 1.8%–1.9% range. People were putting 50%–60% down to buy buildings and received low yields on their money, but there was a reason for that. These investors knew that the buildings were older and in need of repairs. Renovating the suites could generate significant rent increases, causing cap rates to double up close to 5%. This greatly increased the investment return.

This business model is more challenging now. The NDP's policies make the rejuvenation of buildings more difficult, mainly because it may lead to evictions. This is causing some of the older rental buildings in Vancouver to remain old, with no renovations or improvements.

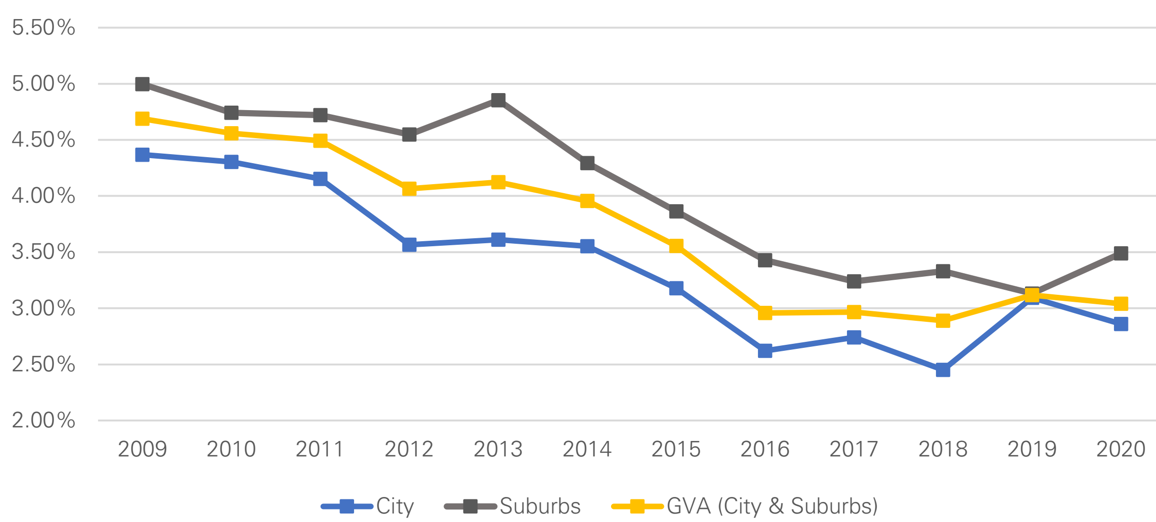
New purpose-built rental buildings coming online today generally have higher cap rates of 4%–4.5%. The reason is that these buildings are immediately rented at market, with no improvements needed for several years. Therefore, the price of a new rental building already contains the lift that the older buildings are seeing. New purpose-built rentals are currently happening, but unfortunately not fast enough to meet the demand for housing. This suggests that this asset class will be a very safe investment for a long time.

Is the multifamily market in Vancouver unique in Canada?

Yes, Vancouver's market is unique because it's smaller than the markets of other major cities and also highly politicized. Vancouver effectively has a moratorium on the demolition of apartment buildings, undertaken to ensure the supply of affordable rental stock and to reduce the displacement of tenants. The intentions were good, but

Metro Vancouver rental apartment cap rates

An 12-year picture (2009–2020)



Source: RealNet

Douglas Coupland, *Clint*, 2020, 28" x 21", Inkjet print on canvas, glass and blown mercury glass, resin, Goodman + Jagger Collection, Vancouver.

Peter Harris, *Montreal Metro*, 2020, 24" x 20", oil on canvas, Goodman + Jagger Collection, Vancouver.

of course the moratorium has created problems. These rental buildings are all sitting on RM-zoned land (rental multifamily). Preventing these buildings from being torn down prohibits developers from using the land to make newer, larger, more efficient buildings. This has had a negative effect on rental supply overall. There's a tug-of-war to make sure people living in the existing buildings are not displaced, while freezing the rental stock and restricting rental supply for everyone else.

The philosophy at City Hall and our province focuses on the demand side of the equation when thinking about affordability. Instead, governments should be focusing on the supply side, allowing people to compete and build rental housing. This would increase affordability and provide housing. This is not as expedient for politicians as limiting demand, and that's why it is not being tackled with the same enthusiasm.

How is COVID-19 (coronavirus) affecting the multifamily real-estate market?

Since the pandemic, it has been more challenging for brokers to function, but we've adapted very quickly. We've moved to working remotely and digitally.

The hardest part for the rental housing business is that it's challenging to enter suites right now. But deals are still happening, and buyers are still performing due diligence. We've been extending the building inspection timeline for our current deals, hoping to get building inspections done after the COVID-19 restrictions are lifted. In certain owner-occupied situations, we're able to view units if we wear face masks and gloves, with rules that include no touching of anything in the unit.

Business is adapting as we go along. Some of our recently listed properties have seen multiple offers, even just as COVID-19 was on the horizon for Canada. The big picture is that we have a healthy real-estate sector. We don't believe there will be long-term negative effects to the rental apartment sector because of the pandemic. In fact, we sense that apartment buildings will be in high demand thanks to continued low interest rates and the fact that this asset class is regarded as a very safe place to invest.

Mark's top tips

- Favourite neighbourhood: Fairview / South Granville or Douglas Park
- Favourite bar or restaurant: Published on Main
- One book you would recommend to listeners: Rise and Kill First by Ronen Bergman or the works of Eckhart Tolle
- One piece of advice you would give your 18-year-old self: Don't smoke cigarettes!
- Something you have purchased for under $1,000 that has positively changed your life: SkipTheDishes & DoorDash

2020 APARTMENT BUILDING SALES: CITY OF VANCOUVER

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Vancouver (Eastside)			
* 4987 Main St (DS)	8	$3,300,000	$412,500
840 E 6th Ave	11	4,200,000	381,818
1037 E 8th Ave	26	7,500,000	288,462
333 E 11th Ave (HR,SP,MU)	202	120,000,000	594,059
2328 Galt St (NC, SP)	28	14,500,000	517,857
* 310 E 13th Ave	26	10,523,000	404,731
* 233 E 14th Ave	54	16,300,000	301,852
325-35 Garden Dr (TH, ST)	6	3,000,000	500,000
* 646 E 44th Ave	16	5,000,000	312,500
45 E 16th Ave	23	7,925,000	344,565
1775 Venables St	12	3,200,000	266,667
1635 E 4th Ave (ST)	13	5,105,000	392,692
	425	**$200,553,000**	**$471,889**
Vancouver (Kerrisdale)			
5455 Balsam St (HR, IF)	87	$70,000,000	$804,598
4305 Dunbar St (MU, DS)	11	6,600,000	600,000
	98	**$76,600,000**	**$781,633**
Vancouver (Kitsilano)			
2629 W 4th Ave	10	$4,200,000	$420,000
* 2072 W 3rd Ave	10	4,150,000	415,000
* 1985 W 8th Ave	8	4,000,000	500,000
1888 Maple St (SP)	9	4,350,000	483,333
	37	**$16,700,000**	**$451,351**
Vancouver (Marpole)			
8715 Osler St	30	$9,150,000	$305,000
8767 French St	10	3,028,888	302,889
8644 French St	13	3,939,000	303,000
911 W 71st Ave	8	2,700,000	337,500
815 S.W. Marine Dr	19	5,400,000	284,211
8101 Nunavut Lane	69	48,500,000	440,909
488 West 64th Ave	41		
	190	**$72,717,888**	**$382,726**

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Vancouver (South Granville)			
* 1265 W 13th Ave	44	$19,600,000	$445,455
* 1569 W 12th Ave	10	5,800,000	580,000
500 W 12th Ave (MU,DS,HR)	118	82,500,000	699,153
2726 Spruce St	11	4,700,000	427,273
1245 W 10th Ave	11	4,056,250	368,750
1255 W 10th Ave (RH)	11	3,318,750	301,705
1025 W 13th	9	4,700,000	522,222
1445 W 10th Ave	11	4,800,000	436,364
1325 W 10th Ave	10	4,100,000	410,000
1191 W 12th Ave	10	3,550,000	355,000
989 W 20th Ave	13	5,050,000	388,462
	258	**$142,175,000**	**$551,066**
Vancouver (West End)			
878 Gilford St	25	$13,500,000	$540,000
* 1175 Pacific St	23	8,000,000	347,826
* 1122 Burnaby St	23	9,600,000	417,391
1555 Harwood St (HR)	41	20,200,000	492,683
* 1019 Bute St	16	8,500,000	531,250
* 1230 Nelson St (HR)	107	52,000,000	485,981
1371 Harwood St (MR)	35	16,440,000	469,714
1537 Burnaby St (SP)	24	11,400,000	475,000
1090 Jervis St (SP)	27	14,250,000	527,778
1630 Burnaby St (SP)	21	11,300,000	538,095
	342	**$165,190,000**	**$483,012**

* Sold by The Goodman Team

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
(TR) Trade
(RH) Rooming house
(IF) Infill

2020 APARTMENT BUILDING SALES: SUBURBS

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Burnaby			
6540 Marlborough Ave (SP, DS)	30	$22,000,000	$733,333
6031 Wilson Ave (DS)	66	35,500,000	537,879
7035 Balmoral St	46	13,500,000	293,478
7035 Arcola St	46	13,500,000	293,478
	188	**$84,500,000**	**$449,468**
Coquitlam			
1175 Pipeline Rd (DS)	**35**	**$13,000,000**	**$371,429**
Langley			
20689-99 Eastleigh Cres (TH, DS)	14	$6,000,000	$428,571
5769 201A St (MU)	20	6,700,000	$335,000
	34	**$12,700,000**	**$373,529**
Maple Ridge			
11682 224th St (SP)	21	$2,455,000	$116,905
22182 Dewdney Trunk Rd	30	5,450,000	181,667
21369 River Rd	6	1,290,000	215,000
22325 St. Anne Ave (NC)	66	11,000,000	166,667
11933 223rd St	45	7,300,000	162,222
12184 224th St	147	29,200,000	198,639
	315	**$56,695,000**	**$179,984**
New Westminster			
* 325 Ash St	27	$5,597,000	$207,296
508 Agnes St (NC, HR)	150	42,000,000	280,000
401 Fifth St	14	2,350,000	167,857
900 Carnarvon St (SP, NC, MU)	398	Confidential	Confidential
305 2nd St	11	2,750,000	250,000
409 Ash St	44	10,100,000	229,545
420 Seventh St	37	8,375,000	226,351
	681	**$221,172,000**	**$324,775**

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
North Vancouver			
2855 Mountain Hwy (SP)			
2875 Mountain Hwy (SP)	46	$17,000,000	$369,565
2931 Mountain Hwy (SP)			
* 132 W 4th Ave	10	3,730,000	373,000
2762 Lonsdale Ave (DS)	26	9,450,000	363,462
205 St Patricks Ave (DS)	6	2,925,000	487,500
136 E 18th St	29	9,693,500	334,259
122 E 18th St	23	8,589,999	373,478
	140	**$51,388,499**	**$367,061**
Surrey			
13481 King George Blvd (MU)	18	$3,400,000	$188,889
9977 138th St (ST)	39	12,600,000	323,077
13448 Hilton Rd	6	1,675,000	279,167
	63	**$17,675,000**	**$280,556**
White Rock			
1020 Parker St	**9**	**$3,625,000**	**$402,778**

1869 COMOX STREET, VANCOUVER

86-suite 12-storey concrete rental tower. Mountain & ocean views – West End.

Call for price

725 WEST 70TH AVENUE, VANCOUVER

12-storey concrete rental tower. 94 suites featuring river and city views. Infill potential.

Asking $42,800,000

5450 VINE STREET, VANCOUVER

12-storey concrete rental tower. 69 suites in the heart of Kerrisdale. Infill development potential.

Asking $46,000,000

ACTIVITY HIGHLIGHTS: 2020 COMPARED TO 2019

Dollar volume ($)

City	2020 $ volume	2019 $ volume	% change
Vancouver areas			
Eastside	$200,553,000	$138,718,725	+45%
Kerrisdale	76,600,000	10,000,000	+666%
Kitsilano	16,700,000	29,645,000	- 44%
Marpole	72,717,888	33,145,000	+119%
South Granville	142,175,000	28,584,000	+397%
UBC	0	50,650,000	N/A
West End	165,190,000	148,500,000	+11%
Vancouver	**$673,935,888**	**$439,242,725**	**+53%**
Suburban areas			
Burnaby	$84,500,000	$211,817,185	- 60%
Coquitlam	13,000,000	0	N/A
Delta	0	6,900,000	N/A
Langley	12,700,000	114,670,000	- 89%
Maple Ridge	56,695,000	5,830,000	+872%
Mission	0	0	N/A
New Westminster	221,172,000	84,530,000	+162%
North Vancouver	51,388,499	100,025,000	- 49%
Port Coquitlam	0	8,075,000	N/A
Port Moody	0	0	N/A
Pitt Meadows	0	0	N/A
Richmond	0	0	N/A
Surrey	17,675,000	113,750,000	- 84%
West Vancouver	0	17,200,000	N/A
White Rock	3,625,000	2,450,000	+48%
Suburbs	**$460,755,499**	**$665,247,185**	**- 31%**
Metro Vancouver			
Total	**$1,134,691,387**	**$1,104,489,910**	**+2.7%**

Average price

City	2020 $ per suite	2019 $ per suite	% change
Vancouver areas			
Eastside	$471,889	$379,013	+25%
Kerrisdale	781,633	476,190	+64%
Kitsilano	451,351	539,000	- 16%
Marpole	382,726	338,214	+13%
South Granville	551,066	433,091	+27%
UBC	0	617,683	N/A
West End	483,012	618,750	- 22%
Vancouver	**$499,212**	**$473,322**	**+5%**
Suburban areas			
Burnaby	$449,468	$395,181	+14%
Coquitlam	371,429	0	N/A
Delta	0	202,941	N/A
Langley	373,529	351,748	+6%
Maple Ridge	179,984	171,471	+5%
Mission	0	0	N/A
New Westminster	324,775	227,231	+43%
North Vancouver	367,061	490,319	- 25%
Port Coquitlam	0	269,167	N/A
Port Moody	0	0	N/A
Pitt Meadows	0	0	N/A
Richmond	0	0	N/A
Surrey	280,556	253,906	+10%
West Vancouver	0	554,839	N/A
White Rock	402,778	222,727	+81%
Suburbs	**$314,509**	**$328,355**	**- 4%**
Metro Vancouver			
Total	**$403,088**	**$373,896**	**+8%**

Building transactions

City	2020 buildings sold	2019 buildings sold	% change
Vancouver areas			
Eastside	12	15	- 20%
Kerrisdale	2	1	+100%
Kitsilano	4	4	0%
Marpole	7	6	+17%
South Granville	11	5	+120%
UBC	0	3	N/A
West End	10	2	+400%
Vancouver	**46**	**36**	**+28%**
Suburban areas			
Burnaby	4	8	- 50%
Coquitlam	1	0	N/A
Delta	0	1	N/A
Langley	2	3	- 33%
Maple Ridge	6	2	+200%
Mission	0	0	N/A
New Westminster	7	9	- 22%
North Vancouver	8	10	- 20%
Port Coquitlam	0	2	N/A
Port Moody	0	0	N/A
Pitt Meadows	0	0	N/A
Richmond	0	0	N/A
Surrey	3	4	- 25%
West Vancouver	0	1	N/A
White Rock	1	1	N/A
Suburbs	**32**	**41**	**- 22%**
Metro Vancouver			
Total	**78**	**77**	**+1%**

Number of suites sold

City	2020 suites sold	2019 suites sold	% change
Vancouver areas			
Eastside	425	366	+16%
Kerrisdale	98	21	+367%
Kitsilano	37	55	- 33%
Marpole	190	98	+94%
South Granville	258	66	+291%
UBC	0	82	N/A
West End	342	240	+43%
Vancouver	**1,350**	**928**	**+45%**
Suburban areas			
Burnaby	188	536	- 65%
Coquitlam	35	0	N/A
Delta	0	34	N/A
Langley	34	326	- 90%
Maple Ridge	315	34	+826%
Mission	0	0	N/A
New Westminster	681	372	+83%
North Vancouver	140	204	- 31%
Port Coquitlam	0	30	N/A
Port Moody	0	0	N/A
Pitt Meadows	0	0	N/A
Richmond	0	0	N/A
Surrey	63	448	- 86%
West Vancouver	0	31	N/A
White Rock	9	11	- 18%
Suburbs	**1,465**	**2,026**	**- 28%**
Metro Vancouver			
Total	**2,815**	**2,954**	**- 5%**

What stands out about 2020: the resilience of the multifamily asset class

Despite COVID's economic headwinds, the year ended similarly to 2019. The halfway point of 2020 saw apartment building transactions decrease by 36% compared to the same period in 2019, which was a year that suffered immensely from government intervention and ended with the lowest number of buildings sold over the past decade. However, as the world began to adjust to a new normal in 2020, the second half of the year marked a turning point. Multifamily assets became the preferred choice of investment, as tested by strength and performance in times of stress.

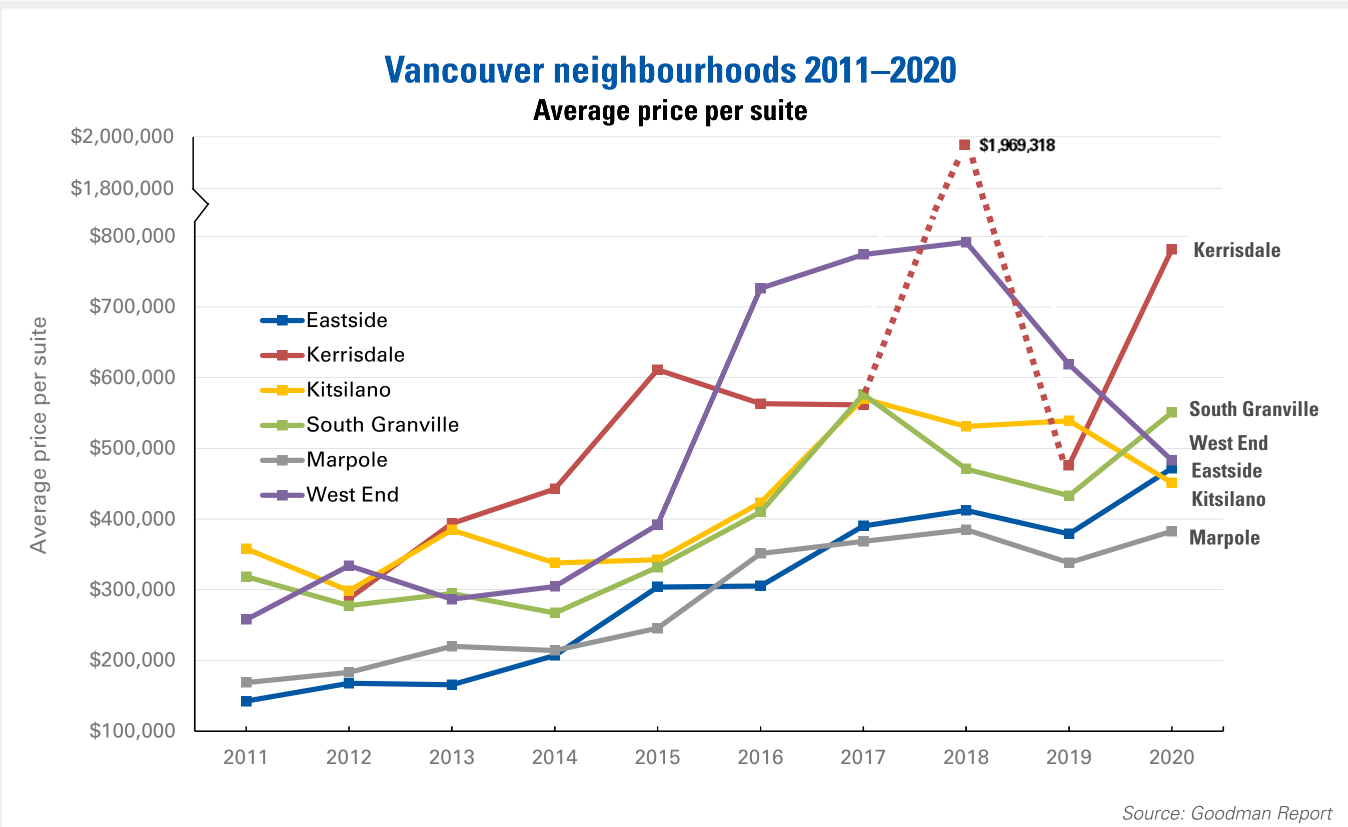
The Metro Vancouver market saw a total of 78 properties trade in 2020, just one fewer than the 77 in 2019. Corresponding with the minor change in overall sales, total dollar volume increased by a slight 2.7% over the year to $1.13 billion. Average per-door prices in the region increased by 8% to $403,088. Three significant City of Vancouver transactions, including the sale of a $120,000,000 new concrete building at 333 E 11th Avenue, a $70,000,000 sale of a tower + infill opportunity at 5455 Balsam Street, and a $82,500,000 sale of an entirely renovated concrete highrise at 500 W 12th, represented 24% of the total Metro Vancouver sales volume.

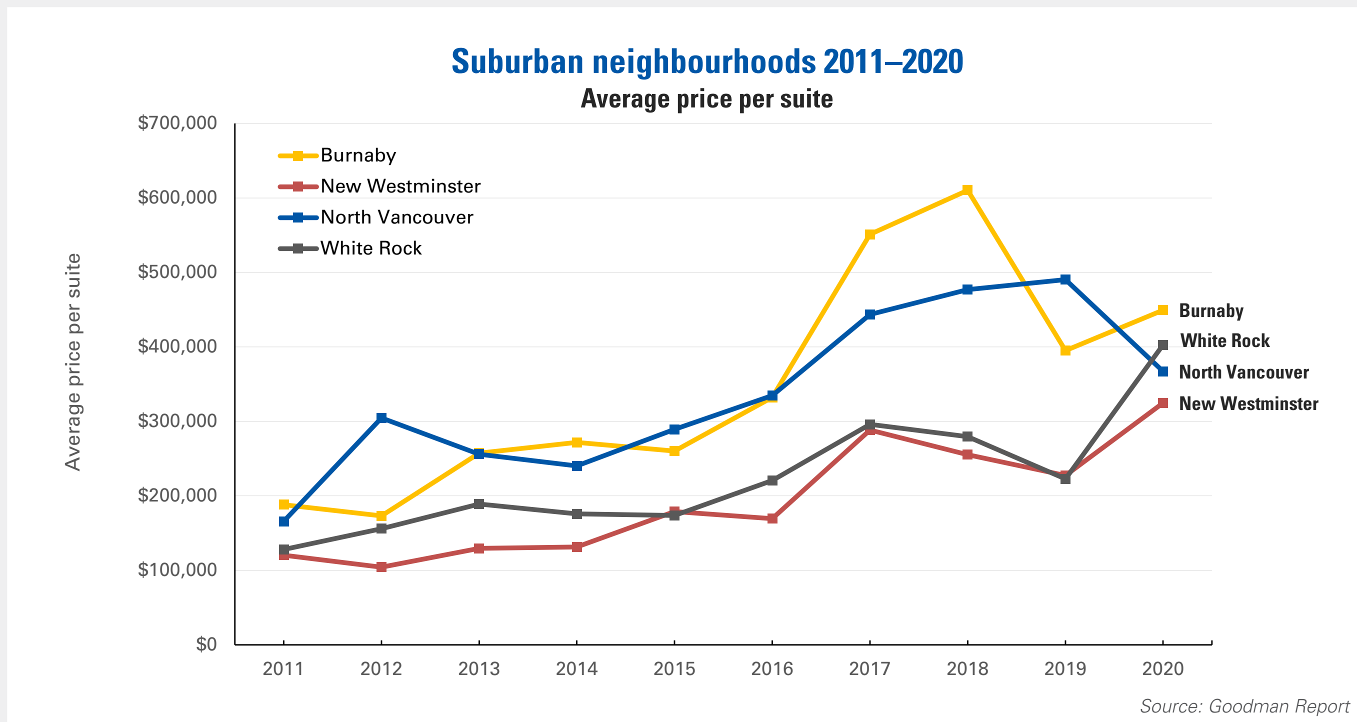
After being outsold by suburban areas in total sales volume and buildings in 2019, the City of Vancouver reversed course in 2020 with a stunning $674 million in sales and 46 buildings sold: an increase of 53% and 28%, respectively, over the previous year.

Highlights in the City of Vancouver include the South Granville neighbourhood, which saw a 120% increase in building transactions. Planning is now under way for the Broadway Corridor, where it could be said that buyers are staking positions, as 10 of the 11 properties sold all fall within the study area.

Kerrisdale's average price per unit skewed surprisingly high to $782,000 per unit, but note that there were only 2 transactions, which were not typical apartment building sales. One had a significant infill development component; the other was a mixed-use complex with redevelopment potential.

The West End experienced a whopping 400% surge in sales, from





2 buildings in 2019 to 10 in 2020. The pandemic proved the tipping point for some vendors already exhausted from years of policy-related aggravation. The provincial government introduced a freeze on rent and evictions, leaving building owners once again to fend for themselves. However, this period also presented an opportunity for buyers seeking to own an apartment building in one of Canada's most prized rental neighbourhoods.

As in 2019, the City of Burnaby faced another year of dismal sales. A pattern of price discovery is apparent in the market, as apartment owners and developers strive to comprehend the economics behind development after the onslaught of new rental policies brought forward in early 2019. Overall, the suburbs witnessed a 22% decrease in buildings sold over the year. Maple Ridge was the only area that saw an increase: 200% with 6 buildings sold. A total of 8 buildings were sold in North Vancouver in 2020, 2 fewer than the previous year. Yet it's the decrease in total development sites sold that is noteworthy: 80% of North Vancouver buildings in 2019 were sold for their development potential, while that number amounted just to 25% this year. Clearly, the pandemic has led to a more conservative approach to due diligence, sharpening the cost of inputs along the way.

Overall, while many anticipated that the market would face great difficulties in a year full of surprises, prices and activity remained relatively stable. Historically low financing coupled with a search for safety and security in the market sustained the economic foundation of Metro Vancouver apartment buildings.

Giving back

In 2020, we supported several charitable organizations whose work we care about. We've donated both financially and with our time. Leading up to the new year, we made a further $10,000 donation to organizations including Covenant House and JFS.

In case you'd like to contribute as well, here are the links:

- www.covenanthousebc.org
- www.jfsvancouver.ca/friends/

HELLO VACANCIES: CMHC'S 2020 RENTAL MARKET REPORT FOR METRO VANCOUVER RELEASED

Significant vacancy rate increases throughout region, with some decreases

The 2020 CMHC Rental Market Report for Metro Vancouver has just been released. Highly anticipated by politicians and planners, lenders, and real-estate professionals and owners, the report focuses on the state of the rental apartment market by area in the region.

While we had anticipated significant changes, we've never seen statistical change like this. In one area, vacancy rates increased by 3,000%!

Here are the main takeaways we see:

Vacancy rates increases

- West End: Up from 1.0% in 2019 to 4.0% in 2020
- City of Vancouver: Up from 1.0% in 2019 to 2.8% in 2020
- Vancouver CMA: Up from 1.1% to 2.6% overall

Almost all markets showed significant vacancy rate increases. Not surprisingly, the sharpest were in Downtown Vancouver, South Granville, UBC and City of North Vancouver.

Vacancy rate decreases

- Despite COVID, some areas still saw vacancy rate decreases – not good for tenants!
- Langley: Down from 3.3% in 2019 to 2.0% in 2020
- Tri-Cities: Down from 2.2% in 2019 to 1.9% in 2020
- Maple Ridge / Pitt Meadows: Down from 1.8% in 2019 to 1.5% in 2020

Of the decreases, the most shocking and frustrating has been in White Rock, because of the politicking behind it. In White Rock, vacancies dropped from 1.7% in 2019 to 0.8% in 2020. This comes on the heels of the second new rental building proposed (80 units) in 40 years in this market. City Council voted it down 4–3 on January 25.

Here's an article chronicling the two-year process the White Rock builder went through: https://www.peacearchnews.com/news/white-birch-developer-feels-betrayed-by-city-of-white-rock-council/

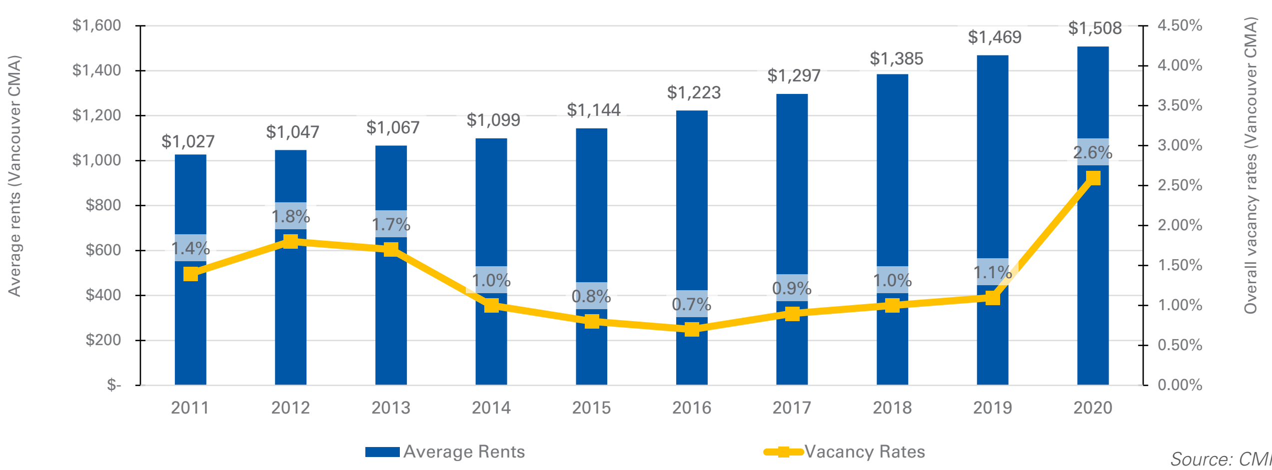
This decision is another example of backwards thinking on a council's part at the expense of tenants and the broader community.

Rental rates continue to rise in some areas, mostly suburbs

- Average rental rate increases: Ranging 1.0% (Kitsilano) to 12% (North Burnaby)
- Largest average rental rate increases: Delta, District of North Vancouver, Surrey, UBC, Vancouver – East Hastings

Vancouver CMA average rents and vacancy rates

A 10-year picture (2011–2020)



Source: CMHC

THE ECONOMIST'S CORNER

Keeping rents stable: an admirable goal – too bad we're going about it wrong

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

The recently announced rent freeze in British Columbia shows yet again that our housing policy focuses on what is politically expedient rather than meaningful.

"We are extending the freeze on rent increases to provide more security for renters during the pandemic," said Selina Robinson, Minister of Municipal Affairs and Housing. If we're truly "all in this together," as Minister Robinson also said in the statement, I can't help wondering if the same security during the pandemic will extend to homeowners and landlords as well. Will property taxes, insurance, condo fees, maintenance costs and utility costs also be frozen? What about the people who maintain rental properties or build new ones? How will their security during the pandemic be ensured?

More likely, providing security for some will mean causing insecurity for others. To quote Orwell, "All animals are equal, but some animals are more equal than others."

Divisiveness of these policies aside, my main concern with rent freezes – and rent control in general – is that they hurt the very people they're designed to help. Rent control, especially the version tied to rental units (called vacancy control), reflects the belief that greedy landlords have a monopoly on and are the sole cause of rent increases. If only the government checks their insatiability, goes this argument, there will be abundant affordable housing for all.

You don't have to work hard to understand the flaw in this thinking. As the *Goodman Report* covered in its myths piece of December 2018:

MYTH 3: Vacancy control will help renters in the long term

Not true! Vacancy control is a form of rent control that is linked to a unit rather than a tenant, meaning that landlords cannot raise rents between tenancies. Vacancy control is a recipe for deterioration of rental stock and likely means the removal of non-traditional rentals (condos, suites in homes, etc.) from the rental pool, since it takes away from margins that are small to begin with. Think of a rent of $900 for a 2-bedroom unit staying the same once the tenant leaves. It also hurts anyone else who wants to move in, because no money will be spent on upkeep. Imagine a world where a unit finally comes up for lease but the rent stays the same from 15 years ago. You'd see 200 people lined up for the unit advertised, only to find that it's in terrible condition.

Unfortunately, this isn't a hypothetical scenario. Rent control, including vacancy control, has been tried before. A recent paper in the *American Economic Review* uses data from a rent control measure in San Francisco to 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."

You don't need to read an academic paper to see that rent control makes housing less affordable. During my graduate studies, I tried but failed to live in Santa Monica, California. You guessed it: at the time, Santa Monica had rent control tied to the unit. Rents were low, but with virtually no availability, you had to pay tens of thousands in "finder fees" to get a place. So I was nowhere near able to afford the presumably "affordable" housing there. Even the people who already had places may not have benefitted that much, as they saw their units, buildings and communities deteriorate.

Closer to home, the misguided fight in Vancouver against landlords and property owners resulted in a meager 1,364 new rental units completing in 2018. The CMHC's most recent market survey, which measures rental market conditions as of November 2019, reports an insufficient vacancy rate of only 1.1%, unchanged from the year prior.

The future doesn't hold much promise either. The City of Vancouver issued building permits for 2,291 fewer units in 2019 relative to the year prior (a 30% decline). Applications for new major projects have just about disappeared. The community amenity contributions (CACs) that the City collects in exchange for allowing higher density have fallen from $706 million in 2018 to $86 million in 2019, according to *The Globe and Mail*. Assuming an average $300,000 contribution per unit, this translates into another 2,067 units lost, even before the pandemic. A recent survey among home builders

suggests that if vacancy control is introduced on top of the numerous measures currently in place, about two-thirds of the already insufficient new rental supply would be cancelled or substantially delayed.

In short, rent control – along with redevelopment moratoriums, demands tied to business licenses and other government interventions – reduces rental supply and hurts the very people it's designed to help. I'm not aware of a single counter-example in which rent control or similar measures have increased vacancy, availability, choice or long-term affordability.

Instead of fighting landlords, we should fight the obstacles to increasing rental supply that our provincial and municipal governments continue to keep in place and even expand. Project approvals at Vancouver City Hall need to be limited to health, safety and impact on neighbours. They also need to be shortened from years to weeks. Land-use restrictions need to be relaxed and building codes simplified. Above all, we need to fight policies that further increase the cost of developing or operating rental properties, as any such increases are paid for by the tenants, either through higher rents or through an even more acute housing shortage.

This program is ambitious but entirely doable. Look at Seattle, which built 17,450 new rental units in 2018: 13 times more than Vancouver the same year. It's not perfect, and probably also not sufficient, but rents in Seattle were flat, and landlords were offering free rent and Amazon gift cards to tenants even before the pandemic. This was achieved without any rent control, rental-only zoning, redevelopment restrictions or vacancy taxes. Substantial and sustained supply increases were all that was needed.

So instead of fighting against landlords, we should fight for them, so that there are a lot more of them and they offer a lot more rental housing. This is the only way to achieve long-term, sustainable affordability, availability and housing choice for tenants.

Andrey Pavlov, Ph.D.
Professor of Finance
Beedie School of Business
Simon Fraser University

1357 & 1435 POWELL STREET, VANCOUVER

1.6 acres in East Vancouver's port industrial area. High-density M2-zoned site.

Asking $32,000,000

1065 PACIFIC STREET, VANCOUVER

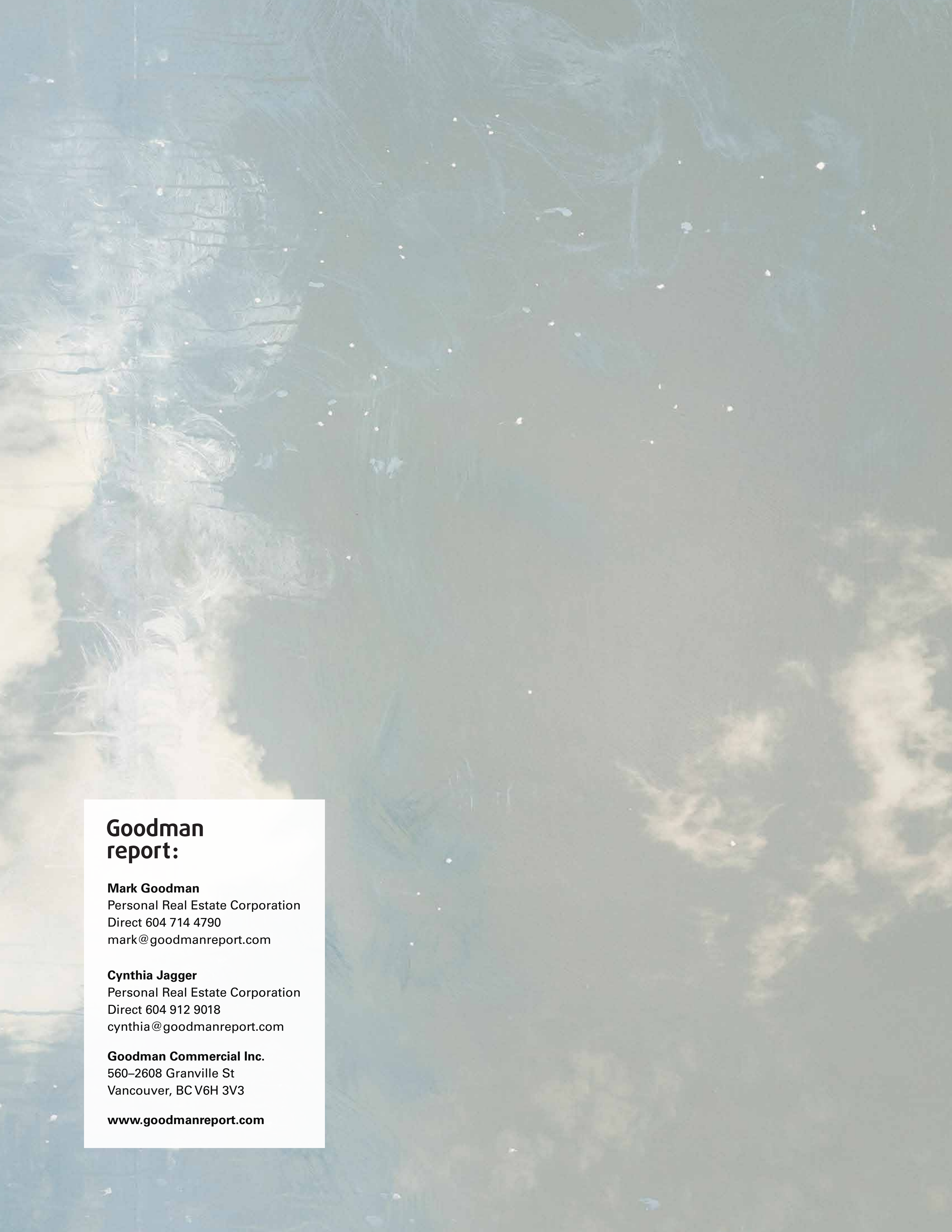
Development opportunity with holding income. Improved with a 30-suite rental building.

Asking $19,950,000

5056–5076 EARLES ST, VANCOUVER

Prior-to letter in place—65 strata units proposed. Norquay Village neighbourhood.

Asking $16,880,000



Goodman
report:

Mark Goodman
Personal Real Estate Corporation
Direct 604 714 4790
mark@goodmanreport.com

Cynthia Jagger
Personal Real Estate Corporation
Direct 604 912 9018
cynthia@goodmanreport.com

Goodman Commercial Inc.
560–2608 Granville St
Vancouver, BC V6H 3V3

www.goodmanreport.com