The Newsletter for Apartment Owners since 1983

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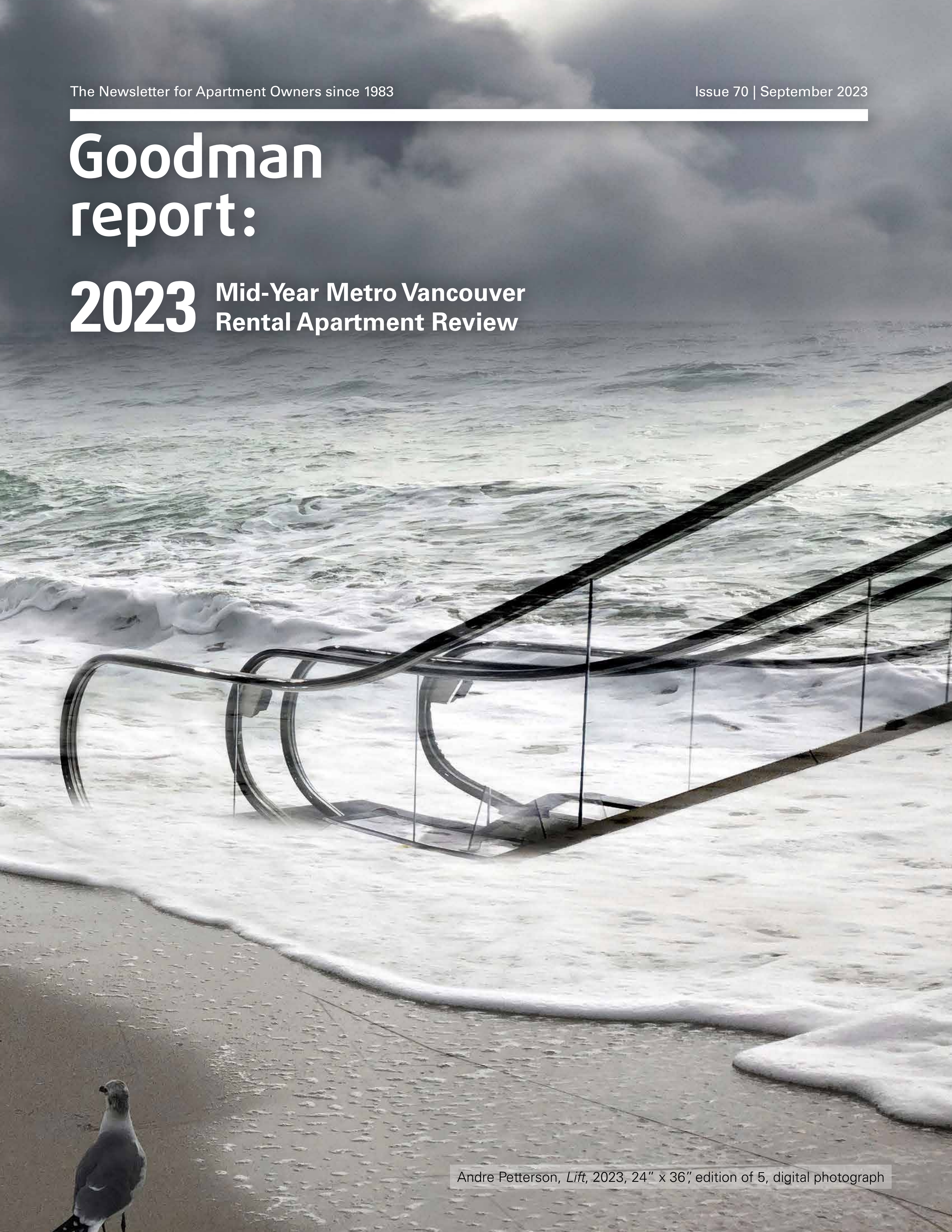
Goodman report:

2023 Mid-Year Metro Vancouver Rental Apartment Review



Andre Petterson, *Lift*, 2023, 24″ x 36″, edition of 5, digital photograph

THE GOODMAN REPORT

As inflation and interest rates plateau (fingers crossed), the market remains choppy

After the difficult pandemic year of 2020, explosive activity in 2021 and a muted pace for most of last year, 2023 was anyone's guess for Metro Vancouver multifamily real estate. Halfway through the year, we can attest to the choppy nature of the market waters out there. We've been fortunate to complete many transactions in 2023, and our experience tells us that well-located smaller properties, plus those in tertiary markets with higher yields, are seeing the most demand.

In January 2023, we witnessed the eighth hike by the Bank of Canada in less than 12 months, which followed a slowdown in sales, thanks to continued economic uncertainty and Canada's messaging on inflation and related interest rate increases.

From February to June, the commercial property market stabilized with more liquidity. It wasn't so much higher rates that steadied things but the perception that the BoC had completed its hiking rounds. Fast-forward to June and July, and with more hikes, the market quieted for many weeks. At the same time, rental rate increases became the norm. For development sites, rising construction costs, supply chain issues for materials, and a labour shortage all persisted.

As of August, the market has picked up, following limited activity for most of the summer. We have several properties under contract and are listing new development sites and apartment buildings. We are finding, some of the significant holders of real estate are out shopping, looking to add to their holdings.

While inflation is having its way, this report focuses on what landlords need to know – the potential for capping the maximum allowable rental rate increase formula for 2024, policy updates in the City of Vancouver and what buildings have traded in submarkets across Metro Vancouver.

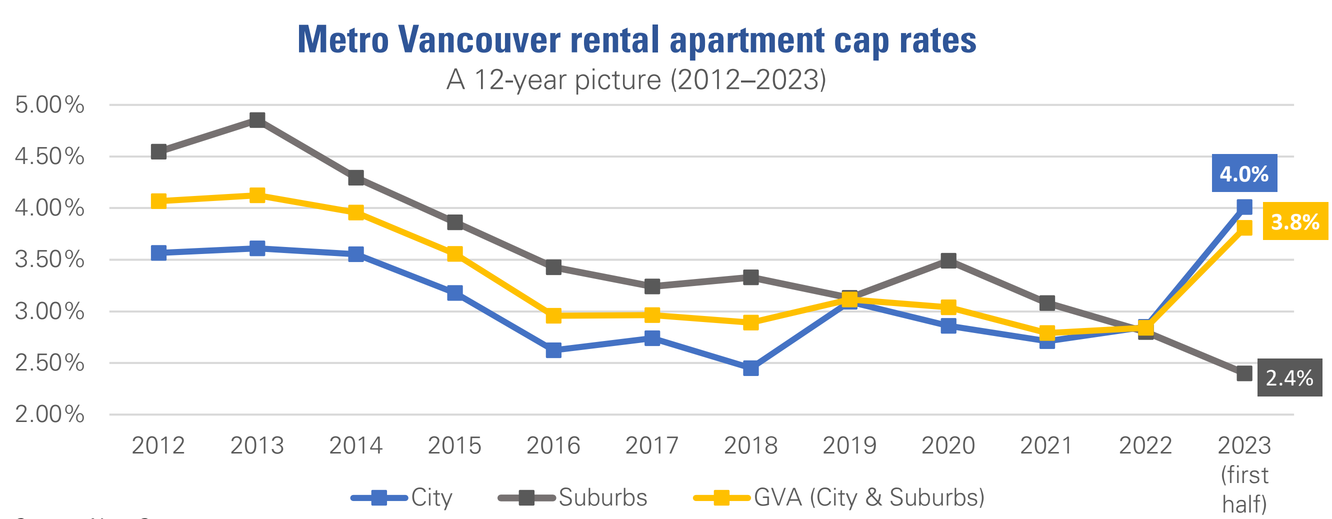
For the past six months of sales, some highlights:

- Total sales volume of $527.5 million – a 60% decline from the same period in 2022.
- Transactions and sales volume were both down further from the slow pace of sales in the 2nd half of 2022. Only twice in the past 18 years were there fewer multifamily transactions in the first half of the year.
- Cap rates increase throughout Metro Vancouver.
- Dollar volume and transactions decrease throughout each neighbourhood and municipality.

We hope you enjoy the articles and data in this report, including our "Story behind the stats" column. As always, please reach out anytime to discuss your commercial real estate needs.

All the best,

Mark Goodman and Cynthia Jagger



Source: Altus Group

NON-PROFITS AND NEW PLAYERS IN THE RENTAL REAL ESTATE MARKET – THE ULTIMATE CHECKLIST

The BC government's new $500-million taxpayer-funded Rental Protection Fund, which went live at the end of June, has introduced a relatively small amount of capital but a large amount of potential risk for non-profit players being lured into the rental property market.

When Premier David Eby first announced the fund in January, he said it aimed to give non-profit property buyers an advantage in any competition against the more experienced and better-resourced real estate investment trusts (REITs).

From a policy perspective, there are a host of problems with this approach. For starters, the fund isn't big enough to have a real impact, and it relies on a flawed, ideological hostility to a portion of the rental housing sector's investment pool. However, the biggest immediate risk is that the government has tempted a whole set of potentially inexperienced buyers to jump into a complex and ever-changing market.

So, before offering a further critique of the policy itself, we're providing a checklist for new buyers in the hope of helping them avoid some of the problems that might unduly impact their operations and undermine the health of the entire sector.

It should be clear that we support non-profits in our industry – with our time, skills, committee work and philanthropic giving. We've also helped non-profits to buy and sell rental properties over the decades, all without any need for such a fund. These groups have ranged from crisis centres to faith-based organizations.

Since the BC NDP's announcement of the fund, we've noticed a significant uptick in novice players calling about and touring the properties we list. So, as a firm that's been involved in the sale of hundreds of rental buildings, we'd like to show how non-profits and other buyers have succeeded in the past, and identify some potential pitfalls.

The path to success

Our main advice to anyone contemplating a move into this form of commercial real estate is the same as for any other major business undertaking: Do your homework. Learn as much as possible early in the process to reduce roadblocks and execute with confidence.

For example, does your team know what type of building it wants to acquire? What attributes will serve the people you're supporting? And is the product you need available in the current market? It's essential to begin with a prioritized list of must-haves and a nice-to-haves, so you don't find yourself seduced by something that looks attractive but doesn't actually meet a critical need.

Considerations

Issues to consider	Notes
Location (for the ownership)	Municipality, proximity to other owned assets.
Location (for prospective tenants)	Proximity to services, public transit, etc.
Price	What price range can your organization manage (preferably calculated without relying on the new fund)? What loan-to-value (LTV) and debt-service coverage ratio (DSCR) can you support? If you have a property under contract, complete your due diligence and can remove subject conditions, but your Rental Protection Fund request doesn't get approved, do you have a Plan B to complete the transaction?

List of specific issues you need to consider (continued):

Issues to consider	Notes
Construction type	Wood-frame or concrete? High-rise, low-rise or townhouse? Pricing and availability of buildings will be impacted by the type of construction.
Suite mix	Many buildings in this market date from the 1950s to the 1970s, when family-sized units were atypical. If there's a need for 2- and 3-bedroom units, the pool of potential buildings will be significantly diminished.
Number of units available for rent upon acquisition	Most properties are fully occupied, and turnover rates are extremely low. If your group has a long waiting list of would-be tenants, a building with 5% turnover per year would take 20 years to fill with the people you're supporting.
Elevator access	Many older buildings don't have elevators. If elevator access is needed, the pool of available buildings for purchase will be low.
Accessibility requirements	Many older buildings also have accessibility challenges. On one hand, corridors are typically wider and suites are larger, but bathrooms and kitchens are generally much smaller. Craft a budget and design plan ahead of time if a significant number of units (perhaps on the main floor if no elevator access) must be accessible.
Operating team	Have you built out your team? Property management, caretaker, waste management, insurance provider, landscaping, etc.
Capital upgrades	Can your organization take on a roof replacement, window replacement or boiler replacement? If not, your must-have list should include buildings where this work has been completed. There are a limited number of fully upgraded buildings.
Acquisitions team	It's important to have a knowledgeable acquisitions person to develop your investment model for determining what buildings meet your criteria and to analyze the transaction.
Legal	Is your legal counsel ready, with an offer template approved by your board?
Building condition team	Do you have in-house or available consultant capacity to assess buildings?
Environmental team	Do you have expertise (in-house or available) to ensure you don't wind up with unaffordable environmental issues? Do you accept seller-provided Stage 1 reports? (Hint: You should.)
Due diligence	What information do you need to review (current rent roll, financials, contracts, environmental reports, etc.) to satisfy your due diligence conditions? Does it make sense, or are you asking for too much? Know your must-have and nice-to-have due diligence list.
Financing	Do you know how much debt you can service? Can you meet closing dates? If there is favourable debt in place, are you able to assume it in a reasonable amount of time?
Closing costs	Are you subject to Property Transfer Tax? Do you have a summary of all necessary closing costs?
Decision-making	Most buyer groups have a board of directors or other oversight. It's critical to develop a small group or subcommittee (maximum 3 people) to handle the analysis, offering and decision-making process for acquisition. Give those people the power to analyze, tour, offer, counter and complete the initial due diligence. If board approval is required, make that part of the subject removal process. Once your upfront homework is complete, put only the final decision to the larger group.

What to avoid

A perfect example of what not to do:

One buyer group required all eight of its board members to see the inside of the building before they could submit an offer. Yet board members are typically high-level executives with busy schedules; trying to align them all for one tour can be next to impossible. This slows the process, perhaps critically, and imposes an unnecessary burden on tenants, who wind up enduring multiple tours and disruptions. All this before knowing whether buyer and seller are aligned on price and conditions.

Government inducements often entice unprepared players who see the opportunity for what they think is free money and jump in without a prudent strategy. A buffer of government money is no substitute for a hard-nosed business plan. In fact, the extra funding might increase market pressure – and risk. Ensure you have a path to success before exposing your organization to a misuse of time and resources. As always, please reach out to our group to discuss your commercial property needs.

Issues to avoid	Notes
Long subject periods	Aim to have all your due diligence completed in a matter of days or weeks.
Not understanding the debt structure	Make an offer with a firm understanding of your debt structure and backup plan.
Absence of consultants	Offer knowing your consultants' availability to tour. You'll need one day where they can all inspect the building at the same time.
Too many cooks	Agile decision-making ability is critical.
Analysis paralysis	An ever-evolving list of requirements puts undue pressure on the process. It's crucial to create a must-have list, matching it with the reality of the condition and construction of the old rental stock that's available in your price range. Once you've narrowed your search, be sure to create and follow an internal process and checklist.

BEACONSFIELD
884 Bute Street, Vancouver
5-storey 39-suite heritage rental building in Vancouver's West End – 8,646 SF corner lot.
List $26,000,000

DRIFTWOOD APARTMENTS
2055 York Avenue, Vancouver
75-suite apartment building just half-block to Kitsilano Beach. 38,312 SF corner lot.
List $44,300,000

PREMIERE
408 E Columbia St, New Westminster
Brand-new fully-leased 72-unit market rental. Steps to Royal Columbian Hospital.
Call listing agent

6-UNIT TOWNHOUSE COMPLEX
2125 Munster Avenue, North Vancouver
15,365 SF site with future development potential. Build up to 2.5 FSR.
List $7,900,000

BETHANY ESTATE
3940 Pender Street, Burnaby
41-unit apartment building in Burnaby Heights – major renovation completed. 26,474 SF lot.
List $12,800,000

METROTOWN BP-READY TOWER SITE
6677 Silver Avenue, Burnaby
Metrotown 24-storey BP-ready tower site. 19,829 SF corner lot. Rezoning enacted.
List $19,800,000

WILL COURAGE TRUMP POLITICS? IT'S TIME TO RETURN TO PREDICTABLE ANNUAL ALLOWABLE RENT INCREASES

As much as we enjoy the dog days of summer, when August hits, our attention turns to a hot topic. For the coming year, what will the provincial government use to decide the maximum allowable rent increase for residential housing? It never used to be a question.

In BC, the increase used to be based on the 12-month average percentage change in the All-Items Consumer Price Index (CPI) for the province, ending the previous July. Prior to 2019, this formula was CPI + 2% and had been in place since 2003.

Governments impose such formulas as arm's-length calculations for good reason. Besides offering stability and consistency, using a set method for raising rent limits the ability for a political party to gain power by swinging votes in the election campaign with promises to change for the benefit of either tenants or landlords.

With the 2024 rent increase announcement approaching, we reviewed the 12-month CPI data from August 2022 to June 2023 (assuming no change for July 2023). By our calculations, the new rate should fall around 5.6% to 5.7%. Simple math and announcement, right?

Not so fast.

Since the NDP took power in BC, using a straightforward formula has all but evaporated in the world of rental housing. For context, we've summarized the past seven years of rent increase announcements, including when they took place, the rate that should have been announced and the actual maximum increase.

As you can see below, the formula has been manipulated four out of the past five years. Will the upcoming 2024 announcement mark five out of six?

Historical maximum allowable rental increases in BC

Year	Date announced	Rate using formula	Actual rate	Notes
2024	TBD – August/ September 2023	+/- 5.6%	TBD	TBD
2023*	August 29, 2022	5.4%	2.0%	Rent increases capped at 2% only
2022	September 8, 2021	1.5%	1.5%	Rent increases at CPI
2021*	September 3, 2020	1.4%	0.0%	Rent increases cancelled in 2021
2020*	September 4, 2019	2.6%	0.0%	Rent increases cancelled in 2020
2019*	September 7, 2018	4.5%	2.5%	+ 2% extra formula deleted (CPI only)
2018	August 21, 2017	4.0%	4.0%	CPI at 2.0% plus 2.0%
2017	August 22, 2016	3.7%	3.7%	CPI at 1.7% plus 2.0%

**Year when the NDP government amended rent increases outside of the formula*

Raising rents annually assists building owners with making decisions about their plans for capital expenditures, helps recoup some losses from growing expenses and provides tenants with a known percentage increase, preventing wild swings in their monthly costs. It's not just the lost rent from the years when rate increases were cancelled or capped, it's the lost opportunity to compound those increases too.

Rental housing providers have shouldered significant hikes to all of their expenses over the past five years, especially since 2019. We've written several articles that highlight these jumps with real case studies. The bottom line: From 2019 to 2021, expenses in various categories rose between 8% and 250%. You can find the articles here:

- Inflation pushes housing providers to the brink https://goodmanreport.com/market-insights/inflation-pushes-housing-providers-to-the-brink/
- A provincial promise kept. Now what? https://goodmanreport.com/market-insights/a-provincial-promise-kept-now-what/

Since 2022, the surge in interest rates to their highest level since the early 2000s has only made the problem worse. With more expenses and less revenue, partly thanks to capped and cancelled rent increases, building owners have less funds to spend on large projects and to pay steeper mortgages, rising labour costs, and bigger maintenance and utility bills.

The deterioration goes well beyond existing rental. Every level of government has expressed its desire to expand the supply of rental housing to accommodate thousands of new residents arriving in the region each year. When costs reach historic highs, rental caps prevent new rental projects from getting built.

To be clear, all British Columbians could use a break; everyone is paying more for items like food and gas. And some really need help making rent, so the federal and provincial governments should assist them through subsidies and direct payments. Those who are better off financially, and who can afford their rent increases, should be expected to pay their share of costs.

We encourage you to write to the provincial Minister of Housing, emphasizing the need to stabilize maximum allowable rent increases. With your support we hope that those who are able will continue to meet a fundamental need through the delivery of rental housing units.

You can send your letter to: HOUS.minister@gov.bc.ca

For more information on rent increases in BC, please see below:

https://www2.gov.bc.ca/gov/content/housing-tenancy/residential-tenancies/during-a-tenancy/rent-increases

VANCOUVER REVIEW OF BROADWAY 'PACE OF CHANGE' WAS A LITMUS TEST FOR NEW CITY COUNCIL

One of the City of Vancouver's most important rental districts has a vacancy rate of just 0.5% – a negative result of our citywide crisis of housing affordability. On March 29, Vancouver city council considered a new policy to address the "pace of change" in the Broadway area. Regrettably, City bureaucrats recommended a slowdown in the provision of new rental housing when every indicator points to a strong need for acceleration.

Here's the scoop.

Pressure has been building in the Broadway corridor for half a decade or more. That area is already considered Vancouver's "second downtown," with the highest concentration of employers and rental homes outside the city centre. Municipal, federal and provincial governments have also been spending billions of dollars to upgrade transit with the new subway extension. That's an enormous commitment from every level of government and a sign that this area is a regional priority for development and intensification.

Instead of encouraging the development of new housing in this corridor, so much-needed rental would be ready when the subway extension opens in 2026, the City launched an extensive public consultation for a new Broadway Area Plan many years ago and imposed a de facto moratorium in 2018. To be fair, it's an important area. It made sense to proceed thoughtfully, but these actions have consequences, including ever-shrinking options for renters today.

During the planning process, even as the City halted all but a few exceptional projects, staff and the previous council kept making decisions that eroded feasibility and made development more difficult. Through several iterations, they made the following amendments:

- ***Reduced*** allowable building heights by five storeys in the Mid- to High-Rise and High-Rise Residential Apartment Areas;
- ***Increased*** requirements for long frontages, complicating land assembly and further inflating costs (which was partially rectified); and
- ***Increased*** the restrictions in a Tenant Relocation Plan (TRP) designed to protect people who might be dislocated by a (long overdue) building boom.

Then, last year when the Broadway Plan was finally voted through, the previous council immediately delayed its implementation, sending staff away with a long list of new requests, including a policy on what might be an appropriate "pace of change."

When City staff presented the first recommendations from their pace-of-change review, it seemed the question they were addressing was not, "How fast?" It was, "How slow?"

One might opine that caution was understandable – the 500 city blocks within the Broadway Plan contain a huge number of the city's older, more affordable rental apartments. It could be a problem if most of those buildings were redeveloped at once, causing the dislocation of tenants, some of whom may find it difficult to find alternative accommodations at a rate they can afford.

That, presumably, was the rationale for the TRP, which then-mayor Kennedy Stewart described as the strongest in Canada when it was implemented last year. The plan forces anyone redeveloping an existing rental building to find temporary homes for every tenant (topping up their rent if necessary), then welcome those same tenants back into brand-new buildings at their old rent once the project is completed. That's an incredibly good deal for tenants, and one that will drive up project costs, compromise project feasibility and slow the pace of development on its own.

With this new protection in place, however, it's unclear why City staff are also proposing an obstructionist new "pace of change" policy with a recommendation to allow only 5 new proposals per year. We're just recovering from an effective 5-year moratorium, during which demand built up so much that City staff say they now have 100 Rezoning Enquiry applications on file, an estimated 50 of them in existing rental zones.

On one hand, that should be fantastic news. It represents thousands of new homes, perhaps tens of thousands of jobs, millions in new taxes and an appropriate private sector investment to match (and make worthwhile) the tri-government SkyTrain infrastructure upgrade. A supportive administration might seize this influx as an opportunity to fight for greater housing availability while addressing crucial social issues like climate change.

Of course, it isn't that simple. Even if council lets things move faster, these new projects are unlikely to proceed at the pace that we need – or that anyone in the neighbourhood will find overwhelming. Interest rates and uncertainty are up, and a huge number of complicated and time-consuming City restrictions, conditions and charges still apply. Developers will move cautiously in a landscape whose complexity and expense keeps growing.

To review, Vancouver has a critical rental shortage. CMHC shows a citywide vacancy rate of 0.9% in purpose-built rental, a full point below the national rate of 1.9%, which is the lowest since 2001. Meanwhile, just-released figures from Statistics Canada (https://www150.statcan.gc.ca/n1/daily-quotidien/230322/dq230322f-eng.htm) show the population grew by over 1,000,000 nationally in 2022, the highest increase on record, including almost 150,000 new residents in B.C.

Extrapolating from those numbers, RBC economists (https://www.bnnbloomberg.ca/canada-needs-300-000-new-rental-units-to-avoid-gap-quadrupling-by-2026-report-1.1898927) warn that the rental housing shortage will quadruple in the next three years without a significant boost in stock. Renters, already desperate, need new supply. And homebuilders in B.C., who are ready and willing to assist, can't help if the City keeps blocking new construction, only to protect a small number who already have an apartment.

New Mayor Ken Sim and the members of his ABC council majority campaigned on removing red tape at City Hall and getting development applications moving. This was their opportunity to make good on that promise, which they ultimately did on March 29, 2023.

Continued review of existing policies that aren't working as intended is an ongoing requirement. The need is extreme, and renters are protected. It's time to decide: Will we have change *with pace*, or years more of frustration, restriction and housing cost inflation?

Note to readers:

This is a reprint of the April Fools' Day prank announcing that our firm had completed the sale of BC Place Stadium's air rights, giving the Government of British Columbia a $505 million windfall.

It was a fun day, and the "announcement" certainly got some attention and some gotcha moments!

BC PLACE AIR RIGHTS

Featured sale
April 2023

777 PACIFIC BLVD, VANCOUVER

14-acre site in the Northeast False Creek neighbourhood

Sold $505,000,000

Sold: BC Place air rights – $505 million

Goodman Commercial Inc. is pleased to announce the landmark air-rights sale at BC Place – 777 Pacific Boulevard in Vancouver. This transaction represents a once-in-a-lifetime opportunity to develop an iconic project in an underutilized location in the downtown area, while also advancing a world-class amenity package for residents and surrounding neighbours.

Location

The property is located in the Northeast False Creek neighbourhood in downtown Vancouver, south of Rogers Arena and opposite Plaza of Nations. It's steps from the False Creek Seawall and within walking distance to Stadium-Chinatown Station, restaurants and shops in Yaletown, and the downtown financial district. The site falls within the BC Place/Expo District (BCPED) zone, which was adopted in 1986 and has been frequently amended as sites in the area were developed.

Existing improvements

The 14-acre site is currently improved with BC Place Stadium, owned and operated by B.C. Pavilion Corp. (PavCo). The multipurpose stadium was built in 1983 and renovated in 2010, with the $500-million installation of the world's largest cable-supported retractable roof. It can hold 54,500 people, is home to the BC Lions and Vancouver Whitecaps, and has hosted signature events such as the opening and closing ceremonies of the 2010 Winter Olympics and Paralympics, and the 2015 FIFA Women's World Cup. The stadium is also one of two Canadian venues selected to host matches for the 2026 FIFA World Cup. Under the terms of the sale, the existing structure will be retained in the development scenario.

Opportunity

Commissioned work by Ankenman Marchand Architects (https://amarchitects.com/) proposes a 27-storey commercial-residential extension, with "ground level" features starting at 300 feet above the street. The proposal envisions 4,995,000 square feet of gross floor area, made possible thanks to the structural reinforcement added in the 2010 re-roofing project. The unique, open-centred, circular design will preserve natural light on the athletic playing surface, while also offering project buyers a front-row seat for the many events hosted annually.

Due to the project's rare design, the efficiency ratio will fall in the range of 70%, resulting in a net rentable area just below 3,500,000 square feet. The development will feature a mix of market-rental and below-market-rental housing, with retail at the lowest level, delivering 4,662 suites by 2030.

City of Vancouver planners have indicated a willingness to relax view cone and shadowing policies in a show of support for the significant number of micro suites to be made available at below-market rates. This project supersedes a conditionally approved rezoning application for a 400-foot tower (https://dailyhive.com/vancouver/777-pacific-boulevard-vancouver-bc-place-tower-pavco-approved-july-2018) adjacent to the stadium, which would have also pierced long-established view cones.

Senior planning staff, who called the proposal "visionary," noted that this application advances the much-loved "Tower in the Park" to a "Tower Above the Park" concept.

Amenity package for residents

State-of-the-art pool and fitness facilities will be located on the rooftop at Level 57, along with a running track, pond and forested nature path. Art installation space with rotating shows every 90 days will be on Level 25. Also part of the amenity package: work-from-home spaces with playgrounds, a ski hill and a movie theatre for 1,000 guests. Residents will have access to the stadium on non-event days as a one-of-a-kind recreational amenity. Power walking classes will be complimentary for BC Place concourse laps, and the food court will be open for smoothies and health food on Monday and Thursday mornings.

Future opportunities

Beyond the BC Place air-rights sale, and given economic uncertainties and anticipated budget deficits, the provincial government is seeking other opportunities to diversify its revenue sources. These include:

- Opening access to the green roof of the Vancouver Convention Centre for overnight camping managed by BC Parks;
- Bungee jumping and rappelling from Lions Gate Bridge; and
- Opening a revolving restaurant with glass floors suspended below Second Narrows Bridge.

Please feel free to call Mark Goodman or Cynthia Jagger to learn more about this transaction or what an air-rights sale and marketing process might look like for your property…or not. *Happy April Fool's.*

MARK AND CYNTHIA TO SPEAK AT CANADIAN APARTMENT INVESTMENT CONFERENCE IN TORONTO

Mark Goodman and Cynthia Jagger, principals at Goodman Commercial Inc., are pleased to announce they will speak at and sponsor the upcoming Canadian Apartment Investment Conference in Toronto. Held at the Metro Toronto Convention Centre, it's the region's largest annual gathering on multifamily real estate investment.

On Wednesday, September 13, Mark will be a panellist for ***Who's Buying: Deal flows and transaction updates from across Canada***. This session will offer informative presentations on investment activity over the past year in multifamily markets, with an emphasis on British Columbia, Ontario and Quebec.

What have been the primary factors responsible for investor confidence in this property class? How was financing secured? Who were the predominant buyers and sellers? What do valuations look like, and where are cap rates likely to head over the next 12 months? What do landlords need to know about the investment outlook?

Mark will provide an overview of notable transactions in Metro Vancouver, while his colleagues will speak to other markets across the country. The panel will also examine multifamily investment activity in a continued high-interest-rate environment.

On the same day, Cynthia will moderate ***Let's Get Building: A comprehensive "how to" development guide***, which reviews the process of creating a new rental building.

New apartment construction in Canadian cities can come with a unique set of challenges and rewards. Low supply of land and high construction costs are some of the biggest obstacles to development. Once a developer decides to proceed with a new project, what happens next?

Cynthia will lead a discussion on the feasibility of new rental apartment construction nationwide, sharing unique insights from the BC market and direct experience selling development sites and working with the development community.

For more information and to register for this event, please visit: https://informaconnect.com/canadian-apartment-investment-conference/

WILBY RESIDENCES

1909 Charles Street, Vancouver
9 units & common area amenities. Seniors housing investment opportunity.
List $6,780,000

LONSDALE COURT

8669 Heather Street, Vancouver
23 suites in Marpole. 10-minute walk to the Marine Drive Skytrain station.
List $6,980,000

CENTURY PLACE

523 Gatensbury Street, Coquitlam
97 suites in Austin Heights.
Large 1.64-acre lot.
Sold $23,175,000

THE STORY BEHIND THE STATS

In the first six months of 2023, 37 multifamily real estate transactions were recorded across Metro Vancouver, representing $527.5 million in total dollar volume. Transactions plunged a whopping 57% from the 86 sales in the first half of 2022, and 61% from 94 during the same period in 2021. Total dollar volume was similarly down 60% from the same period in 2022. While at times it felt like the tide was shifting, the slow pace of sales from the second half of 2022 carried over through the first half of 2023; transactions were down 16% from 44 in the last six months of 2022, while dollar volume dropped by 29% from $741.8 million.

Bank of Canada interest rate hikes:

Date	Interest rate	Increases
02-Mar-22	0.50%	up 0.25
13-Apr-22	1.00%	up 0.5
01-Jun-22	1.50%	up 0.5
13-Jul-22	2.50%	up 1.0
07-Sep-22	3.25%	up 0.75
26-Oct-22	3.75%	up 0.5
07-Dec-22	4.25%	up 0.5
25-Jan-23	4.50%	up 0.25
08-Mar-23	4.50%	pause
12-Apr-23	4.50%	pause
07-Jun-23	4.75%	up 0.25
12-Jul-23	5.00%	up 0.25
06-Sep-23	TBD	TBD

Only twice in the past 18 years were there fewer multifamily transactions in the first half: in 2009, the tail end of the global financial crisis that is now viewed as the largest economic downturn since the Great Depression; and 2020, for three-and-a-half months of which we were all stuck in COVID-19 lockdown and consumed by daily press conference mania.

Regionally, the City of Vancouver represented 57% of transactions (21) but only 32% of total dollar volume ($170.7 million). Dollar volumes in the suburbs remained higher than in Vancouver, supported by one large property with future development potential and a few sales of relatively large new buildings in a handful of development-friendly municipalities. Of the $356.8 million in dollar volume in the suburbs, $245.3 million (69%) came from just four sales involving three newly constructed buildings in Surrey and Coquitlam, and one large 8-acre property proposed for redevelopment into an 1,100 unit mega-project.

Meanwhile, in the City of Vancouver, investors have gravitated to smaller buildings. The average size and price of buildings sold in the first half of 2023 fell to 19 suites and $8.1 million, respectively, the lowest levels since 2016. From 2017 through 2022, the average size and price of buildings sold in the City of Vancouver was 29 suites and $15.5 million. In the suburbs, things have been more consistent, with the average size and price of buildings sold at 43 suites in the first half of 2023 (versus 42 from 2017 through 2022) and $22.3 million (versus $16.1 million from 2017 through 2022).

Within the City of Vancouver, Kitsilano fared best, with transactions down just one sale in the first half of 2023 versus the same time period in 2022 (falling 20% from 5 to 4 sales). Marpole and East Vancouver saw deals decline by 29% and 42%, respectively. Meanwhile, transactions fell by 83% in South Granville and by 75% in both Kerrisdale and the West End; only 5 sales were recorded in these popular Westside neighbourhoods, down from 24 in the first half of 2022.

In the suburbs, the most active markets last year all but disappeared in the first half of 2023. Burnaby and North Vancouver, which combined for 20 transactions in the first half of 2022, recorded only 2 sales, both in North Vancouver. Langley, White Rock and Coquitlam held their ground, each posting 2 sales again. Meanwhile, New Westminster and Surrey, which combined for 8 sales in the first half of 2022, saw only 3 in 2023, a 67% and 60% drop, respectively.

In our 2022 year-end report, we noted that private investors accounted for 85% of total transactions, while institutional investors represented 12% and government/non-profit buyers made up the final 3%. These figures were only slightly different, with 81% of properties sold in the first half of 2023 going to private investors and 14% to institutional investors. Despite growing interest from the sector, only 2 buildings (5%) were acquired by government/non-profit buyers.

ACTIVITY HIGHLIGHTS: 2023 COMPARED TO 2022

First six months | January 1 to June 30, 2023

Building transactions	2023	2022	% change
Vancouver	21	48	-56%
Suburbs	16	38	-58%
	37	**86**	**-57%**

Number of suites sold	2023	2022	% change
Vancouver	393	1,131	-65%
Suburbs	685	1,889	-64%
	1,078	**3,020**	**-64%**

Dollar volume	2023	2022	% change
Vancouver	$170,690,000	$565,088,320	-70%
Suburbs	$356,789,074	$739,564,129	-52%
	$527,479,074	**$1,304,652,449**	**-60%**

Avg $/suite	2023	2022	% change
Vancouver	$434,326	$499,636	-13%
Suburbs	$520,860	$391,511	+33%
	$489,313	**$432,004**	**+13%**

Building transactions			Average price		
City	2023	2022	2023 $/suite	2022 $/suite	% change
Vancouver					
Eastside	7	12	$430,156	$389,509	+10%
Kerrisdale	1	4	$470,000	$683,422	-31%
Kitsilano	4	5	$456,190	$590,103	-23%
South Granville	2	12	$605,795	$513,752	+18%
Marpole	5	7	$372,050	$354,470	+5%
West End	2	8	$429,245	$507,567	-15%
Suburbs					
Burnaby	0	12	-	$374,256	-
New Westminster	1	3	$243,333	$250,565	-3%
North Vancouver	2	8	$471,591	$566,077	-17%
Surrey	2	5	$330,435	$355,906	-7%

2023 APARTMENT BUILDING SALES: METRO VANCOUVER

First six months | January 1 to June 30, 2023

	ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
	Vancouver (Eastside)			
**	706 E 57th Ave (NC)	95	$51,000,000	$536,842
	2624 Franklin St	6	1,999,000	333,167
	137 East 16th Ave	8	3,000,000	375,000
	919 E Broadway	11	5,060,000	460,000
	112 Nanaimo St	14	4,550,000	325,000
*	1530 Graveley St	40	11,100,000	277,500
	7984 Knight St	12	3,300,000	275,000
		186	**$80,009,000**	**$430,156**
	Vancouver (Kerrisdale)			
*	1990 W 41st Ave	20	$9,400,000	$470,000
		20	**$9,400,000**	**$470,000**
	Vancouver (Kitsilano)			
	1987 Cornwall Ave	7	$3,200,000	$457,143
*	2295 W 1st Ave	12	5,600,000	466,667
*	2291 W 1st Ave	12	5,750,000	479,167
	1875 Maple St	11	4,610,000	419,091
		42	**$19,160,000**	**$456,190**
	Vancouver (South Granville)			
	1126 W 11th Ave (ST)	10	5,702,500	$570,250
	3755 Cambie St	12	7,625,000	635,417
		22	**$13,327,500**	**$605,795**
	Vancouver (Marpole)			
	8679 Montcalm St	9	$3,150,000	$350,000
	8938 Montcalm St	20	5,843,500	292,175
	1520 Avery Ave (ST)	8	6,150,000	768,750
	1330 W 71st Ave	23	6,700,000	291,304
	8741 Cartier St	10	4,200,000	420,000
		70	**$26,043,500**	**$372,050**
	Vancouver (West End)			
*	1065 Pacific St (DS)	30	$14,000,000	$466,667
	1305 Jervis St	23	8,750,000	380,435
		53	**$22,750,000**	**$429,245**

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

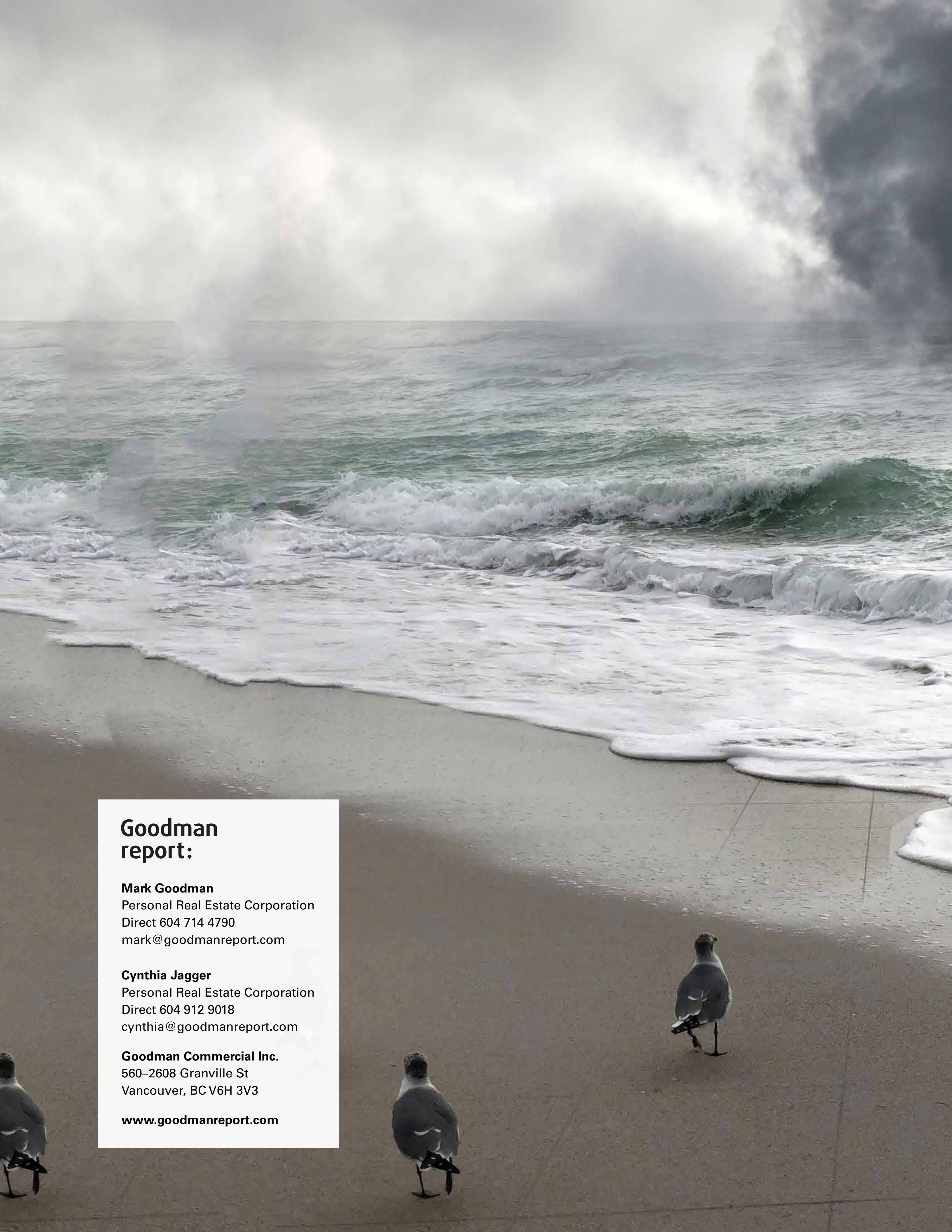
1. Suite mix
2. Rent/SF
3. Rent leaseable area
4. Buildings' age and condition
5. Location
6. Frame or highrise
7. Strata vs. non-strata
8. Land value (development site)
9. Special financing

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

	ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
	Coquitlam			
	717 Como Lake Ave (NC, SP)	59	$29,250,000	$495,763
	1145 Inlet Street (DS, TH, ST)	113	111,196,000	984,035
		172	**$140,446,000**	**$816,547**
	Delta			
	11944 92nd Ave (TH, ST, DS)	34	$23,683,074	$696,561
		34	**$23,683,074**	**$696,561**
	Langley			
	5400 204 St (DS)	34	$8,500,000	$250,000
	20449 Park Ave (NC, SP)	93	53,700,000	577,419
	5335 200A St (NC)	92	51,115,000	555,598
		219	**$113,315,000**	**$517,420**
	Maple Ridge			
	11926 222 St (SP)	43	$7,700,000	$179,070
		43	**$7,700,000**	**$179,070**
	Mission			
	33368 1st Ave	15	$2,640,000	$176,000
		15	**$2,640,000**	**$176,000**
	New Westminster			
**	230 Eighth St	18	$4,380,000	$243,333
		18	**$4,380,000**	**$243,333**
	North Vancouver			
	1630 Chesterfield (SP)	11	$4,000,000	$363,636
	130 West 12th St	33	16,750,000	507,576
		44	**$20,750,000**	**$471,591**
	Port Coquitlam			
	3481 Sefton St	7	$2,500,000	$357,143
		7	**$2,500,000**	**$357,143**
	Surrey			
	2151 151A St (ST, SP)	34	14,900,000	$438,235
	2566 154 St (DS, TH, CO)	58	15,500,000	267,241
		92	**$30,400,000**	**$330,435**
	White Rock			
	1233 Best St	11	$3,200,000	$290,909
	1321 Foster St	30	7,775,000	259,167
		41	**$10,975,000**	**$267,683**

* Sold by Goodman Commercial Inc.

** December 2022 sale



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