The Newsletter for Apartment Owners since 1983
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Goodman report:

2023 Metro Vancouver Rental Apartment Review

Andre Petterson, *Receding Tide*, 2022, 24″ × 31.5″, mixed media on panel

2023 WAS DARK; BUT 2024 IS DAWNING BRIGHTER

It's been a challenging year in the multifamily real estate sector. The dollar volume of all deals in 2023 declined by 49% to $1.04 billion, from $2.05 billion in 2022 – the lowest level in a decade. The number of transactions was down by 44% to 73, from 130 in 2022 – the second lowest total in two decades. Only 2008 was worse, a memorably bad year in which only 68 properties changed hands. Transactions in 2023 were also 40% below the 20-year average of 121 sales per year. Again, it was a tough year.

But there were bright spots – and there are good reasons to believe that 2024 holds some promise for alert shoppers, and for those patient players who have been waiting for the market to turn.

First, the less-bad news from 2023. Total transactions for Metro Vancouver were actually close to levels we were seeing in 2019 and 2020: 77 and 78, respectively, with sales volume consistent at about $1.1 billion. The 2023 downturn looked more dramatic because we were coming off the extraordinary highs of 2021 and early 2022. As well, it was clear, especially during the latter part of 2023, that buyers and sellers were adjusting to new market conditions – and that good opportunities will always attract smart money. The market in the City of Vancouver as a whole finished with a strong second half – and in East Vancouver, sales volumes enjoyed a clear year-over-year increase of 30%.

Two indicators point to a 2024 upturn. First, the rising interest rates that have dominated headlines and dampened investor demand seem to have crested – for real, this time. There was a false top-out in March and April 2023, when the rate hikes paused, but increases resumed in June and July, ending what looked like an early rally. Fortunately, the Bank of Canada has held rates steady since September; fixed rates started to fall at the end of 2023; and market watchers are anticipating a measured round of BoC decreases that could spur a market resurgence in the second half in 2024.

The second positive indicator arises from senior-government policy interventions that may improve the fundamentals in the multi-residential sector.

At the federal level, the government exempted new rental projects from GST, which might help the viability of otherwise marginal projects. Less clearly positive, the feds have also reduced the number of international student visas, apparently accepting that record high population growth combined with structural shortages in housing supply is impacting affordability. So, that's one measure (the GST exemption) designed to increase supply and one calculated to reduce demand – a bit of a wash.

But CMHC's 2023 Rental Market Report shows tight conditions (and concordant high demand) persisting in Metro Vancouver, with a sub-1% vacancy rate despite growth in purpose-built rentals. Rents are also up significantly, as more people (including immigrants) enter the rental market and fewer leave as higher mortgage rates make it tougher for those who might otherwise be

WHAT'S HOT 🔥

- End of interest rates hikes (we hope)
- Transit oriented development areas
- GST waiver
- Insolvencies / foreclosure sales
- East Vancouver apartment buildings
- Taylor Swift, an economy unto herself
- Revival of the Canucks
- Ozempic
- King Charles
- Barbie

WHAT'S NOT 🥶

- Development economics
- Metro Vancouver tripling DCC rates in the middle of an affordability crisis
- Titan submersible
- Historic wildfire season in BC, Maui
- Trucks hitting overpasses
- Ski season with no snow

Pictured left to right: Ian Brackett and Mark Goodman

ready to transition to home ownership. These pressures are unlikely to resolve quickly.

At the provincial level, the BC government has implemented a number of ambitious new policies aimed at encouraging or supporting new supply. First, the province stepped into traditional municipal purview with legislation that relaxes development limits in former single-family zones and increases density around transit hubs. The province also eliminated the requirement for public hearings (which had been tying up many proposed projects) and added new development finance tools. It remains to be seen how these policy changes will play out as municipalities have been left to work out many of the most important details. But change is assured, and with a provincial election coming up in 2024, there could be more policy shifts to come.

For the time being, the market remains constrained. Residential land transactions, pinched by cost inflation combined with higher cap rates and lower pre-sale volumes, have dropped off more than most asset classes over the past 24 months. Many developers also delayed approved projects, waiting for better conditions. This suggests an enduring or worsening supply crunch if there is a gap in completions two or three years from now. Conversely, it also suggests that people who can find a workable deal today may be well-positioned in a market with returning demand and inadequate supply.

That said, there is no reason to expect a return to the feverish conditions that prevailed from 2020 to early 2022. That was obviously a blip where ultra-low interest rates triggered an asset-price overshoot across all sectors. The coming recovery will be based on fundamentals, not speculation.

But buyers are out shopping, making this a good time to get your property ready to list.

In addition to standing at the ready to serve individual buyers and sellers, we at Goodman do our part to influence policy changes that strengthen the rental housing market, and last year was no exception. As public speakers and opinion leaders, we participated in podcasts, webinars, and media interviews. We were moderators and panelists for events and organizations such as the Canadian Apartment Investment Conference, the Western Canada Apartment Investment Conference, and Phoenix Group.

Our research, insights, sales announcements, and op-eds were picked up by media outlets including *The Vancouver Sun*, *Business in Vancouver*, *Western Investor*, *Daily Hive*, *Real Estate News Exchange*, *Storeys*, *New Westminster Record*, *Vancouver is Awesome*, *The Orca*, *Calgary Herald*, and *The Globe and Mail*. It's an honour to provide real-time commentary to assist investors, owners, and the public with their decisions.

As always, we encourage you to reach out to chat – about the market, a recent or potential sale, your property, or a policy or area plan and what it means for you. We pride ourselves on having the answer or on being able to direct you to someone we trust who offers good advice, year after year.

All the best,
Mark Goodman and Ian Brackett

THE STORY BEHIND THE STATS

At final tally, 73 multifamily properties traded hands in 2023, totaling $1.04 billion in total dollar volume, a 49% decline and the lowest total since 2014. The number of transactions was down 44% from 130 sales in 2022, the second lowest in 20 years; only 68 properties traded hands in 2008. The number of sales in 2023 was 40% below the 20-year average of 121 sales per year.

The abrupt change was especially marked after two years with sales volumes over $2.0 billion, but the 2023 numbers are not far off the 77/78 total transactions and $1.1 billion average annual sales volume in 2019 and 2020.

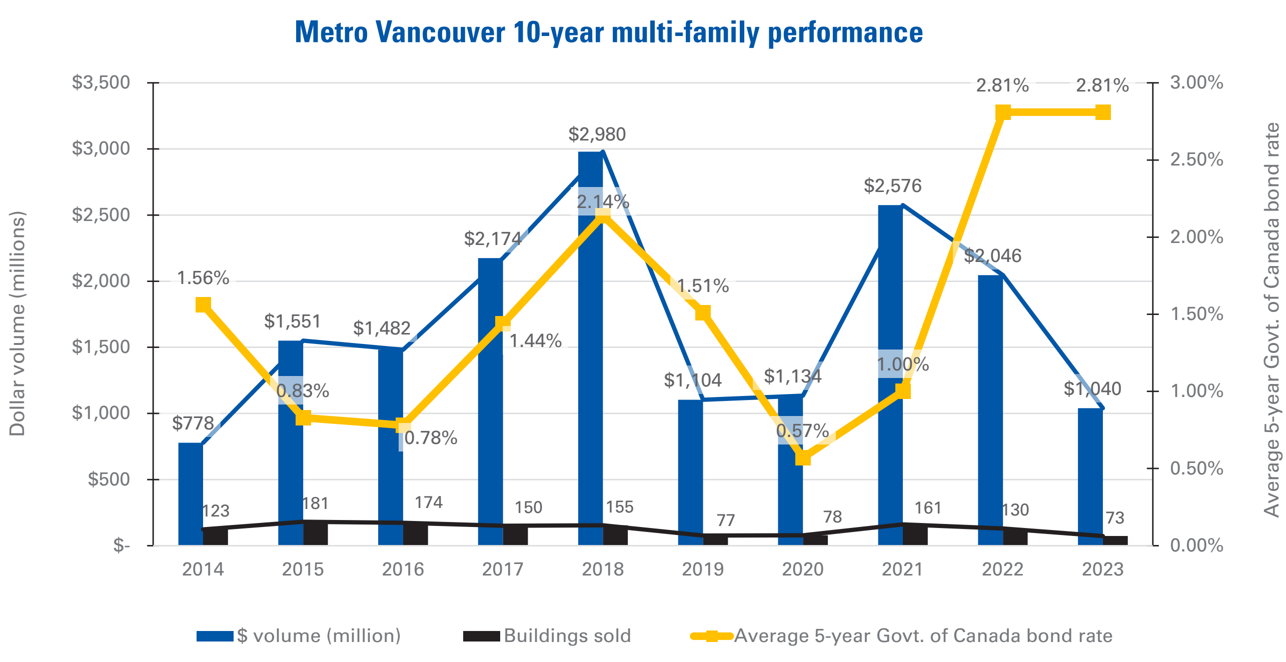
Of the $1.04 billion in total sales, $575 million (55%) was concentrated in just 10 transactions over $25 million. Half of these were sales of newly constructed buildings (two in Vancouver, three in the suburbs) with the remainder being three large properties with redevelopment potential, and two high-rises in the West End.

After a slow start, the City of Vancouver ended the year on a tear relative to the suburbs. Mid-2023, transaction volume in the suburbs outpaced the City of Vancouver by $357 million to $171 million. In the second half of the year, the City of Vancouver accounted for $417 million in volume compared to only $96 million in the suburbs. Overall, the City of Vancouver accounted for 66% of the total transactions in 2023 and 57% of total volume. This reversed the 2022 trend, when the suburbs accounted for 59% of total volume.

Within the City of Vancouver, East Vancouver was the lone bright spot, with sales volume up 30% from 2022. Dollar volume in the remaining neighbourhoods were down by a combined 49% from 2022. Averaging those movements for a citywide calculation, Vancouver's dollar volume was down 30%, on 28% fewer transactions.

In the suburbs, dollar volume was down 63%, while transactions were down 60%. The drop was concentrated in three key markets that had been particularly busy in 2021 and 2022: Burnaby, North Vancouver, and Surrey, which combined for 38 transactions totaling $971 million in 2022, and only 6 sales totaling $74 million in 2023, a 92% decline. Transaction volumes rose 60% from 2022 to 2023 in the remaining suburban areas.

In 2023, 86% of the total transactions (63 sales) were led by private investors, 11% (8 sales) were institutional buyers, and 3% (2 sales) were government or non-profit buyers. This is relatively unchanged from 2022 when 85% of transactions were private buyers and 12% were institutional and 3% were government or non-profit.



Source: Goodman Report & Bank of Canada

ACTIVITY HIGHLIGHTS: 2023 COMPARED TO 2022

Dollar volume ($)

City	2023 $ volume	2022 $ volume	% change
Vancouver areas			
Eastside	$260,846,141	$200,871,000	+30%
Kerrisdale	13,500,000	131,880,000	- 90%
Kitsilano	50,605,000	103,415,570	- 51%
Marpole	39,101,500	65,290,000	- 40%
South Granville	85,444,500	156,610,500	- 45%
UBC	0	0	0%
West End	138,365,000	181,256,250	- 24%
Vancouver	**$587,862,141**	**$839,323,320**	**- 30%**
Suburban areas			
Burnaby	$5,100,000	$338,040,995	- 98%
Coquitlam	178,121,000	63,456,250	+181%
Delta	23,683,074	4,600,000	+415%
Langley	113,315,000	76,700,000	+48%
Maple Ridge	25,700,000	5,400,000	+376%
Mission	2,640,000	4,000,000	- 34%
New Westminster	10,980,000	36,885,920	- 70%
North Vancouver	38,888,000	229,389,000	- 83%
Port Coquitlam	6,487,867	3,150,000	+106%
Port Moody	0	21,000,000	- 100%
Pitt Meadows	0	0	0%
Richmond	0	0	0%
Surrey	30,400,000	403,248,984	- 92%
West Vancouver	0	0	0%
White Rock	17,025,000	21,300,000	- 20%
Suburbs	**$452,339,941**	**$1,207,171,149**	**- 63%**
Metro Vancouver			
Total	**$1,040,202,082**	**$2,046,494,469**	**- 49%**

Average price

City	2023 $ per suite	2022 $ per suite	% change
Vancouver areas			
Eastside	$484,844	$451,396	+7%
Kerrisdale	465,517	669,442	- 30%
Kitsilano	581,667	527,630	+10%
Marpole	352,266	373,086	- 6%
South Granville	657,265	508,476	+29%
UBC	N/A	N/A	N/A
West End	440,653	493,886	- 11%
Vancouver	**$486,238**	**$497,229**	**- 2%**
Suburban areas			
Burnaby	$300,000	$393,071	- 24%
Coquitlam	533,296	320,486	+66%
Delta	696,561	287,500	+142%
Langley	517,420	403,684	+28%
Maple Ridge	194,697	234,783	- 17%
Mission	176,000	285,714	- 38%
New Westminster	274,500	250,925	+9%
North Vancouver	452,186	611,704	- 26%
Port Coquitlam	341,467	450,000	- 24%
Port Moody	N/A	700,000	N/A
Pitt Meadows	N/A	N/A	N/A
Richmond	N/A	N/A	N/A
Surrey	330,435	491,767	- 33%
West Vancouver	N/A	N/A	N/A
White Rock	250,368	322,727	- 22%
Suburbs	**$428,352**	**$439,611**	**- 3%**
Metro Vancouver			
Total	**$459,250**	**$461,546**	**- 0%**

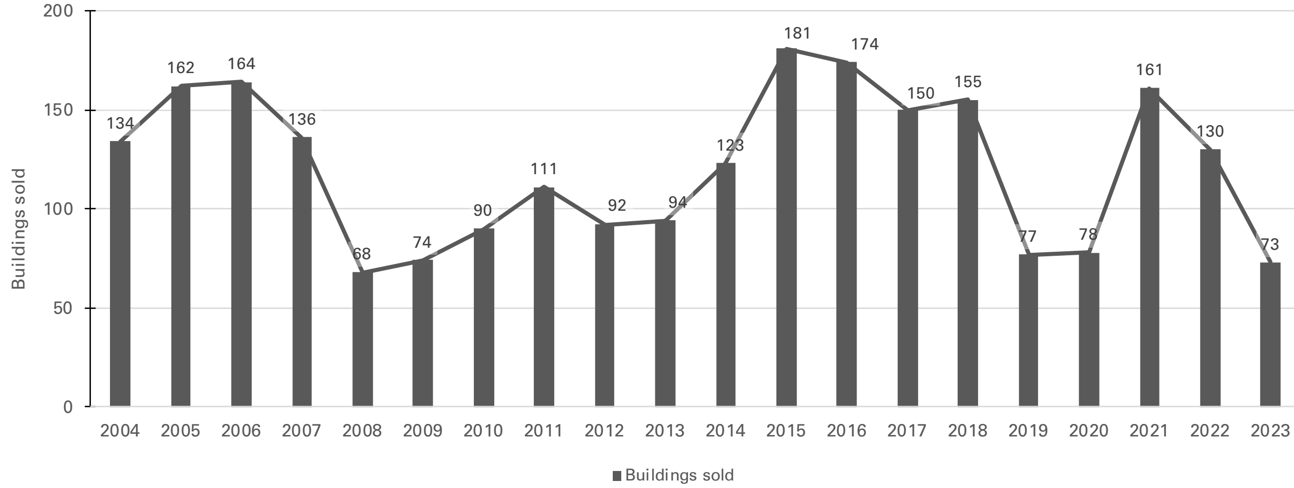
Building transactions

City	2023 buildings sold	2022 buildings sold	% change
Vancouver areas			
Eastside	15	18	- 17%
Kerrisdale	2	5	- 60%
Kitsilano	9	9	0%
Marpole	8	9	- 11%
South Granville	8	16	- 50%
UBC	0	0	0%
West End	6	10	- 40%
Vancouver	**48**	**67**	**- 28%**
Suburban areas			
Burnaby	1	20	- 95%
Coquitlam	4	3	+33%
Delta	1	1	0%
Langley	3	7	- 57%
Maple Ridge	2	2	0%
Mission	1	1	0%
New Westminster	3	6	- 50%
North Vancouver	3	10	- 70%
Port Coquitlam	2	1	+100%
Port Moody	0	1	- 100%
Pitt Meadows	0	0	0%
Richmond	0	0	0%
Surrey	2	8	- 75%
West Vancouver	0	0	0%
White Rock	3	3	0%
Suburbs	**25**	**63**	**- 60%**
Metro Vancouver			
Total	**73**	**130**	**- 44%**

Number of suites sold

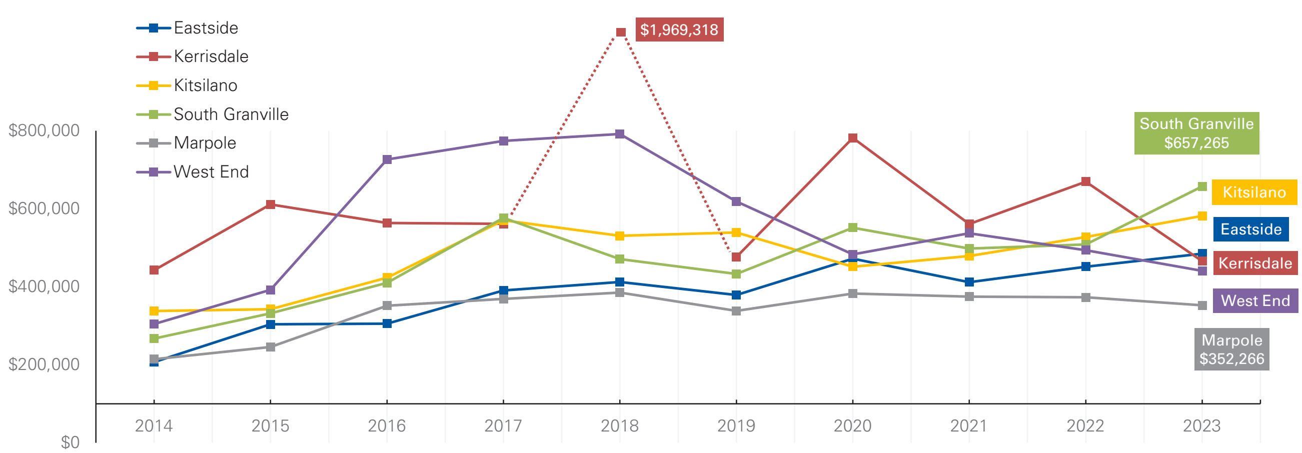
City	2023 suites sold	2022 suites sold	% change
Vancouver areas			
Eastside	538	445	+21%
Kerrisdale	29	197	- 85%
Kitsilano	87	196	- 56%
Marpole	111	175	- 37%
South Granville	130	308	- 58%
UBC	0	0	0%
West End	314	367	- 14%
Vancouver	**1,209**	**1,688**	**- 28%**
Suburban areas			
Burnaby	17	860	- 98%
Coquitlam	334	198	+69%
Delta	34	16	+113%
Langley	219	190	+15%
Maple Ridge	132	23	+474%
Mission	15	14	+7%
New Westminster	40	147	- 73%
North Vancouver	86	375	- 77%
Port Coquitlam	19	7	+171%
Port Moody	0	30	- 100%
Pitt Meadows	0	0	0%
Richmond	0	0	0%
Surrey	92	820	- 89%
West Vancouver	0	0	0%
White Rock	68	66	+3%
Suburbs	**1,056**	**2,746**	**- 62%**
Metro Vancouver			
Total	**2,265**	**4,434**	**- 49%**

Metro Vancouver 20-year multi-family buildings sold



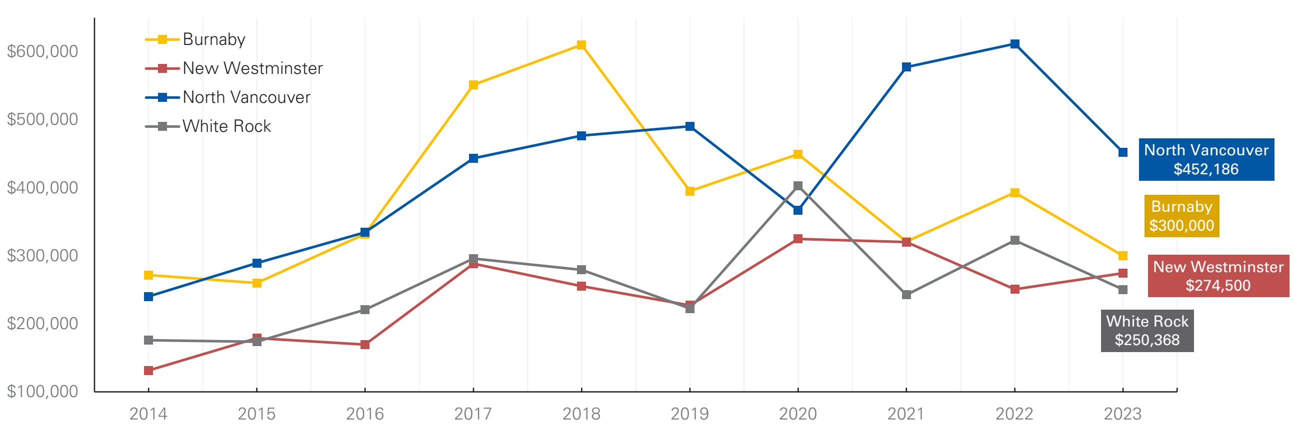
Average price per suite

Vancouver neighbourhoods 2014–2023



Average price per suite

Suburban neighbourhoods 2014–2023



Source: Goodman Report


Mark Goodman pictured on stage representing Metro Vancouver

Goodman Commercial made its annual pilgrimage to the Canadian Apartment Investment Conference at the Metro Toronto Convention Centre. It was great to be back with a record-breaking 1,000+ in attendance!

Mark Goodman was the Vancouver representative at the session focused on deal flow and major transactions. Panelists covered recent sales data in major markets across the country, cap rate trends, emerging deal structures (welcome back, VTB!) and where the future lies for multi-family in Canada (spoiler alert – the medium to long term view is very optimistic).

If you'd like to discuss what else we learned at the conference, please feel free to call or email us anytime.

METRO VANCOUVER FACTS

Average age of purpose-built rental apartments

65

Number of building transactions in Metro Vancouver for 2023

73

Total sales volume in Metro Vancouver for 2023

$1B

*Average Metro Vancouver vacancy rate of rental apartments in 2023

0.9%

**Average Metro Vancouver cap rate 2023 year-to-date

3.6%

*Average rate of monthly rent in Metro Vancouver for 2023

$1,828

Average price per suite in Metro Vancouver for 2023

$459,250

Total number of apartment owners in Metro Vancouver

2,286

Total number of rental apartment buildings in Metro Vancouver

3,385

*as per CMHC
**as per Altus Group

2023 APARTMENT BUILDING SALES: CITY OF VANCOUVER

	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
	3240 E 58th Ave (DS)	140	72,055,142	514,680
	2026 Franklin St	8	2,050,000	256,250
	825 E 8th Ave (SP)	41	21,250,000	518,293
*	1873 Adanac St	15	4,300,000	286,667
	1649 E Broadway (SP, NC, MU)	114	68,000,000	596,491
	112 Nanaimo St	14	3,882,000	277,286
	4331 Main St (MU)	13	5,300,000	407,692
	3771 Main St (MU)	7	3,999,999	571,428
		538	**$260,846,141**	**$484,844**
	Vancouver (Kerrisdale)			
*	1990 W 41st Ave	20	$9,400,000	$470,000
*	2376 W 43rd Ave	9	4,100,000	455,556
		29	**$13,500,000**	**$465,517**
	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
	2137 Yew St (MU)	5	2,600,000	520,000
	2386 W 3rd Ave (DS)	8	4,670,000	583,750
	2620 Trimble St (ST, MU, DS)	7	7,150,000	1,021,429
	2880 W 4th Ave (ST, MU, DS)	15	11,800,000	786,667
	2760 W 4th (DS)	10	5,225,000	522,500
		87	**$50,605,000**	**$581,667**

	ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
	Vancouver (South Granville)			
	1126 W 11th Ave (ST)	10	5,702,500	570,250
	3755 Cambie St	12	7,625,000	635,417
	1430 W 13th Ave (SP)	19	8,500,000	447,368
*	3208–30 Willow St (ST, DS)	7	3,800,000	542,857
	821 W 10th Ave	12	5,500,000	458,333
	3939 Cambie St (SP)	18	9,150,000	508,333
	1116 W 12th Ave	11	4,062,500	369,318
	1770 W 12th (ST, DS)	41	41,104,500	1,002,549
		130	**$85,444,500**	**$657,265**
	Vancouver (Marpole)			
	8679 Montcalm St	9	$3,150,000	$350,000
	8938 Montcalm St	20	5,843,500	292,175
	1520 Avery Ave	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
	1441 W 70th Ave	22	6,533,000	296,955
	1235 W 70th Ave	9	3,100,000	344,444
	1179 W 70th Ave	10	3,425,000	342,500
		111	**$39,101,500**	**$352,266**
	Vancouver (West End)			
*	1065 Pacific St (DS)	30	$14,000,000	$466,667
	1305 Jervis St	23	8,750,000	380,435
	1260 Nelson St (HR, SP)	107	50,000,000	467,290
	1056 Burnaby St	23	9,215,000	400,652
	1142 Granville St (HR, MU)	108	48,000,000	444,444
	925 Bute St	23	8,400,000	365,217
		314	**$138,365,000**	**$440,653**

* Sold by Goodman Commercial Inc.
** December 2022 sale

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

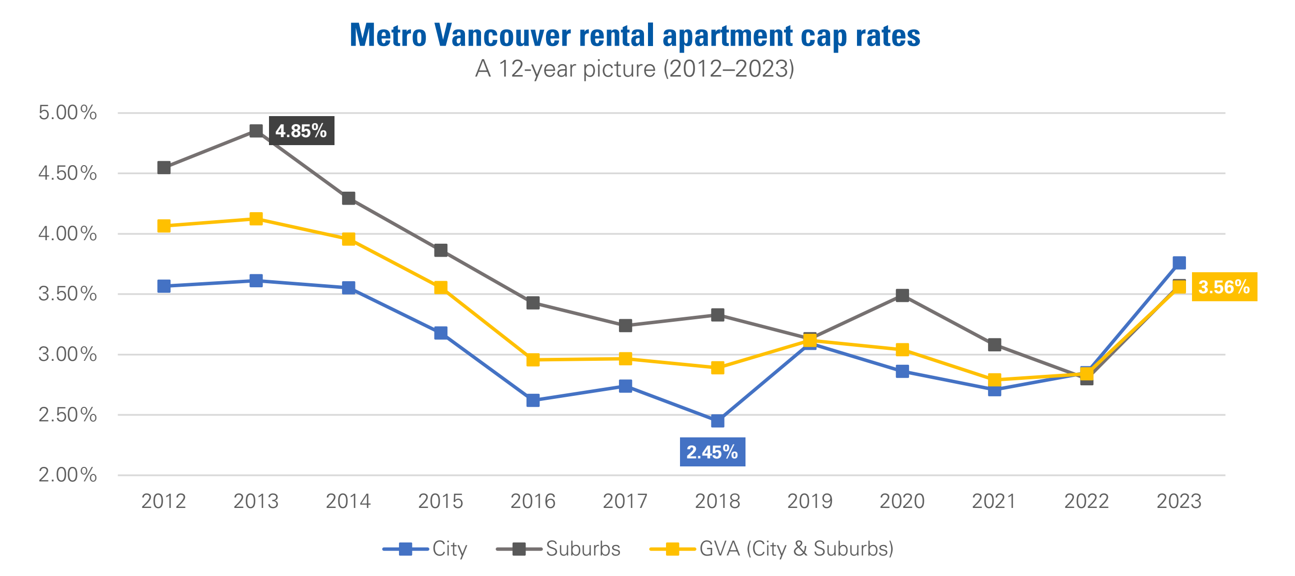
1. Suite mix
2. Rent/SF
3. Rent leaseable area
4. Buildings' age and condition
5. Location
6. Frame or highrise
7. Strata vs. non-strata
8. Land value development site)
9. Special financing

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

2023 APARTMENT BUILDING SALES: SUBURBS

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Burnaby			
5468 Hastings St	17	5,100,000	300,000
	17	**$5,100,000**	**$300,000**
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
* 523 Gatensbury St	97	23,175,000	238,918
1320 King Albert Ave	65	14,500,000	223,077
	334	**$178,121,000**	**$533,296**
Delta			
11944 92nd Ave (TH, ST, DS)	**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
12151 224 St (SP, HR)	89	18,000,000	202,247
	132	**$25,700,000**	**$194,697**
Mission			
33368 1st Ave	15	$2,640,000	$176,000
	15	**$2,640,000**	**$176,000**

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
New Westminster			
** 230 Eighth St	18	$4,380,000	$243,333
1007 Sixth St	9	2,600,000	288,889
1320 Fifth Ave	13	4,000,000	307,692
	40	**$10,980,000**	**$274,500**
North Vancouver			
1630 Chesterfield (SP)	11	$4,000,000	$363,636
130 West 12th St	33	16,750,000	507,576
120 E Keith St (MR)	42	18,138,000	431,857
	86	**$38,888,000**	**$452,186**
Port Coquitlam			
3481 Sefton St	7	$2,500,000	$357,143
2066 Coquitlam Ave	12	3,987,867	332,322
	19	**$6,487,867**	**$341,467**
Surrey			
2151 151A St (ST, SP)	34	14,900,000	$438,235
2566 154 St (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
14884 North Bluff Rd	27	6,050,000	224,074
	68	**$17,025,000**	**$250,368**



Source: Altus Group and Goodman Report

LEGISLATING DENSITY: GOVERNMENT INTERVENTION CAN'T COMMAND MARKET REACTION

The provincial government sparked a flurry of interest when, in an effort to make more land available for much-needed urban housing, it passed legislation that increases heights and densities allowed on properties near transit stations and other so-called transit-oriented development (TOD) sites. It's an important intervention. The provincial action either overrules resistant municipal governments or provides political cover for councils that might have wanted to increase density in these critical areas, but feared NIMBY backlash.

But, as we have advised our would-be sellers, this alone will not fix the complicated problem of creating new, denser housing developments, nor will it turn every neighbourhood into a sprawling construction zone. The legislation, while significant, does not change market economics or override the real estate concept of highest and best use.

Every week, we at Goodman talk to owners who are surprised to learn that their property is worth more in its current form than what a developer could afford to pay as a development site, even under these new, more-permissive conditions.

Highest and best use is a crucial analysis to determine the use of a particular property which results in the highest value, taking into account what is: legally permissible; physically possible; and financially feasible. With the new legislation, the government has changed the first variable, greatly expanding what's legally permissible. But that won't be enough to transform the development potential of many target properties.

In urban areas around Metro Vancouver, most potential redevelopment sites are already 'improved' – they have already been developed with residential or commercial buildings. We simply don't have much vacant land in high-

value locations, and when a property has been developed, at whatever density, even a generous upzoning may not be enough to make it attractive to someone interested in redevelopment. A new, higher-density project would still have to be financially viable, which means that the underlying land must be worth more to a developer than whatever exists on the site, already.

In Vancouver, the same factors that make sites desirable to developers also make existing buildings valuable assets in their own right. A cash-flowing apartment or commercial building might well be worth more to an investor than what a developer would be willing to pay. Especially in the current higher-rate economic environment, even low-density duplexes and single-family homes – which are also in short supply in desirable transit-connected neighbourhoods – are often worth more to homeowners or buy-and-hold investors than what developers can afford to pay to tear down and rebuild.

To illustrate, consider a typical 33′ × 120′ lot in Fairview, improved with a triplex – each unit worth $1.5 million. Assume the lot is located in an area of the Broadway Plan permitting a floor space ratio (FSR) of 6.5 – allowing 25,740 square feet (SF) of buildable area. Anyone looking to develop the lot would have to come up with at least $4.5 million (3 × $1.5M) to match what three homeowners would pay for the triplex. The Broadway Plan also requires a 150-foot minimum frontage on most new, high-density projects, so a developer would also have to assemble five of these 33′ lots, convincing 15 different owners to sell. Moving is expensive and inconvenient, so developers might also have to pay a premium to motivate owners who are otherwise happy in place. Even a 20% premium (many sellers expect more) would push the land cost to $5.4 million per 33′ lot, or $210 per buildable square foot ($5,400,000 / 25,740).

Illustration on the cost to assemble five 33′ × 120′ triplex lots		
	Triplex	**Five triplex lots**
Lot size	3,960 SF	19,800 SF
Floor space ratio (FSR)	6.5 FSR	6.5 FSR
Buildable area	25,740 SF	128,700 SF
Owners	3	3 × 5 = 15
Cost per unit	$1.5 million	$1.5 million + 20% premium
Total cost	$4.5 m	$5.4 m × 5 = $27 m
$/SF buildable	$174	$210

In the example above, a developer would prepare a proforma, an economic plan for the property, weighing the price of the land, plus the other hard and soft development costs, against the expected revenues for a new building. If the price of the land is too high to leave room for a profit, the developer will look elsewhere.

The new provincial legislation will help shift the highest-and-best-use calculation in favour of redevelopment on many properties, especially those in lower-value neighbourhoods and those within 200 metres of a Skytrain station where the highest densities will be permitted. Moving further out, where permitted densities are lower, and in neighbourhoods where existing property values are higher, the opportunities drop off quickly.

How many properties will become viable development sites will depend on the forthcoming details. Different permitted uses have different economics and, therefore, support different land values. For example, a property designated for market strata condos may be viable for redevelopment, while one allowing only secured rental with 20% of units at below market rents may not.

This gets to a final point: while the government cannot necessarily intervene to make a project viable, it can do a lot to take viability away. For example, each time a municipality layers on size or frontage restrictions, requirements for below-market units, or increases Development Cost Charges (DCCs) or Community Amenity Charges (CACs), it becomes harder to meet the highest-and-best use test. This inevitably leads to fewer properties trading hands and ultimately fewer new homes being built.

We at Goodman are always available for consultation, and we are uniquely capable of providing reliable land-valuation estimates. And the legislative changes make it worthwhile for many landowners to review the possibilities of their portfolio. But it’s best not to celebrate – or panic – too early. Notwithstanding this particular government intervention, the market remains an effective moderating force.

FEDS' LONG-DELAYED GST WAIVER ON RENTAL HOUSING A WELCOME RELIEF

The federal government has finally confirmed its intention to remove GST charges on new rental housing, an excellent but critically delayed measure.

The federal Liberals first promised this relief on the campaign trail in 2015 – eight long years ago, during which time a serious rental housing shortage turned into a national crisis. Canadian Mortgage Housing Corporation (CMHC) recently updated their statistics regarding the number of homes we need between now and 2030[1] – a staggering 3.5 million over and above current production. One can't help but ponder where we might be as a country had this promise been fulfilled in 2016.

As with all government announcements[2], the details are crucial. This is what Prime Minister Justin Trudeau announced at the Sept. 14, 2023, news conference in London, ON:

To continue taking urgent action to drive down the cost of housing across the country, including for renters, the federal government:

- will incentivize the construction of much-needed rental homes by introducing legislation to remove the Goods and Services Tax (GST) on the construction of new apartment buildings for renters. This is another tool to create the necessary conditions to build the types of housing we need, and that families want to live in.
- is calling on provinces that currently apply provincial sales taxes or the provincial portion of the Harmonized Sales Tax (HST) to rental housing to join us by matching our rebate for new rental housing.
- will require local governments to end exclusionary zoning and encourage building apartments near public transit in order to have their Housing Accelerator Fund applications approved

[1] https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-research/research-reports/accelerate-supply/housing-shortages-canada-updating-how-much-we-need-by-2030
[2] https://www.pm.gc.ca/en/news/news-releases/2023/09/14/fighting-for-the-middle-class
[3] https://www.canada.ca/en/department-finance/news/2023/09/enhanced-gst-rental-rebate-to-build-more-apartments-for-renters.html
[4] https://www.cmhc-schl.gc.ca/media-newsroom/news-releases/2023/notice-cmhc-increase-multi-unit-mortgage-loan-insurance-premiums
[5] https://www.cmhc-schl.gc.ca/professionals/industry-innovation-and-leadership/industry-expertise/resources-for-mortgage-professionals/mortgage-loan-insurance-and-premiums

Qualifying rental housing is further defined as "new purpose-built rentals, meaning apartment buildings, student housing, and senior residences built specifically for long-term rental accommodation."

The GST waiver[3] will apply to projects that start construction between September 14, 2023, and December 31, 2030, and complete by December 31, 2035, providing support for projects in the planning process and for future acquisitions; there's a long lead time for starting (7 years) and for completing (12 years). But given the long delay in keeping this promise, the announcement is still a significant miss for projects already underway.

Here are some questions we hope are answered soon:

- When will this legislation come? Is there an opportunity for amendments?
- What's the definition of "starting construction"?
- If a project stops and restarts, perhaps moving from condo to rental, does this meet the criteria for waiver?
- Are there regulations relating to the type of product? Construction type, location, size, unit mix, etc.?
- If a project is stratified (say, as a requirement by the municipality), with an accompanying Housing Agreement setting out the units must be for long term rental use for the life of the building, will these projects meet the criteria for waiver?

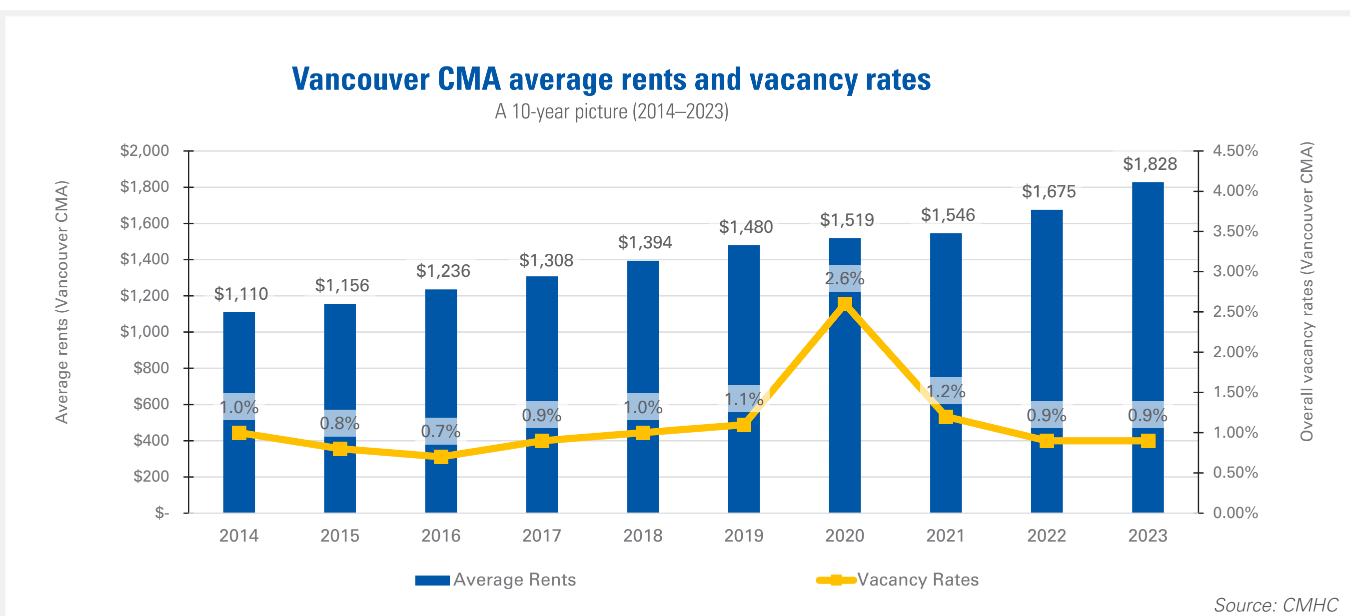
Given the hundreds of thousands of units that are needed, there should be no restrictions attached to this waiver. If a project is designated rental housing, the feds should let it run. Additionally, the government should credit recently completed (and GST paid) rental projects. The country needs all those developers to stay in the field, and yet we are aware of several who, having just completed projects amidst the highest cost increases we've seen, are now unwilling to look at delivering more, citing too much work and too much risk.

Setting these considerations aside, it's likely there will be an immediate positive impact for many projects. Some may even flip from condo to rental, especially if other levels of government join the effort to support rental construction – or, at least, stay out of the way. We fear, for example, that municipalities may see this as a potential windfall for CAC negotiations, increasing their demands on new projects to benefit from the GST waiver. The federal government should make it very clear that this is prohibited.

We also hope the feds will fix the backlog at CMHC, as most new rental projects require CMHC financing to get out of the ground. A reported 4,600 applications came in ahead of the CMHC deadline[4] to avoid premium increases and wait times are extremely long.

All in all, the GST waiver is a positive step for new rental housing construction in Canada. We have an extreme shortage of rental housing, and Canadians are feeling those effects coast to coast. It's excellent to see the government begin to move on this file, even if it's taken much longer than it should have.

For more information, the Ministry of Finance provided further details here: https://www.canada.ca/en/department-finance/news/2023/09/enhanced-gst-rental-rebate-to-build-more-apartments-for-renters.html



CAPPING RENTAL RATES – BILLION-DOLLAR DECISIONS IMPACT RENTAL HOUSING IN B.C.

On September 11th, 2023, the B.C. government moved for the fifth time in six years to limit the maximum allowable rent increase below the level set out in the government's own standard.

Stated government policy is that the allowable increase on B.C. rentals should be tied to the 12-month average percent change in the All-Items Consumer Price Index for B.C. ending in July of the previous year. By that calculation, the rate for 2024 should have been 5.6%.

Instead, the government set a limit of 3.5% – and they waited later than ever in the calendar year to make that announcement, leaving less time for rental housing providers to get their notices out or adjust to this effective contraction.

For landlords, this cap on rental increases is challenging as expenses such as property taxes, maintenance, utilities and insurance have risen at much higher rates. Compounding the issue, mortgage rates have increased at a torrid pace.

To illustrate the potential impact of these decisions on rental housing in B.C., we've run some rough numbers:

Impact of capping rental rates	
Average rent / month[1]	$1,526
Average rent increase at 5.6%	$85.50 / month
Average rent increase at 3.5%	$53.40 / month
Difference $32.05 / month	$386 / year
Number of rental households in B.C. [2]	688,000
Net operating income (NOI) decline on average for 2024	$265,000,000
Capped at 4.0%	$6,615,000,000

These are multi billion-dollar decisions that limit rental housing providers' ability to access capital to maintain or upgrade their buildings or to complete emergency repairs. These decisions also discourage the construction of new rental housing as all B.C. units are subject to these rent caps.

Given the impact on existing rental housing and future construction, we are hopeful for additional announcements to assist landlords with rising costs, and to provide incentives to build new purpose-built rental housing. For real-world examples demonstrating expense increases over time, see these articles:

- **Province caps annual rent increase well below inflation**
  https://news.gov.bc.ca/releases/2023HOUS0112-001430
- **Inflation pushes housing providers to the brink**
  https://goodmanreport.com/market-insights/inflation-pushes-housing-providers-to-the-brink/
- **With new federal government, we await housing plan**
  https://goodmanreport.com/market-insights/with-new-federal-government-we-await-housing-plan/

For more information on the announcement and the rules for delivering notice to tenants, please visit: https://www2.gov.bc.ca/gov/content/housing-tenancy/residential-tenancies

[1] 2022 CMHC average for apartments in B.C.: https://www.cmhc-schl.gc.ca/professionals/housing-markets-data-and-research/housing-data/data-tables/rental-market/rental-market-report-data-tables
[2] 2021 StatsCan

Goodman:

Gow Block
3589 Commercial Street, Vancouver

Mixed-use 6-unit heritage building. Completely rebuilt in 2010.

List $4,800,000 (3.7% cap)

2-tower Oakridge development site
5409–5489 Manson Street, Vancouver

42,243 SF corner lot. Build up to 18 storeys. $150–$172/SF buildable.

List $39,900,000

Kits Point waterfront development site
1000 Cypress Street, Vancouver

14,256 SF Kits Point DP-approved waterfront development site with direct beach access.

List $15,500,000

Vacant full-block high-density site
320 5th Avenue SE, Calgary

Full-block high-density site. 2.83 acres in the heart of downtown Calgary. Up to 20 FAR.

Call for details

Lonsdale Court
8669 Heather Street, Vancouver

23 suites in Marpole. 10-minute walk to the Marine Drive Skytrain station. $303k/unit.

List $6,980,000

Virtuoso Volare
Scafe Road & Wren Place, Langford

114-unit DP-ready development site in Langford's City Centre. 40,808 SF lot.

List $7,200,000

Beaconsfield
884 Bute Street, Vancouver

5-storey heritage rental apartment building. 39 suites in West End – 8,646 SF corner lot.

List $26,000,000

975 West 10th Avenue
Vancouver

17-unit apartment building across from VGH. Drawings in place for an 18th suite.

List $6,420,000

Lynmour Apartments
1767 Coronation Avenue, Victoria

15-unit apartment building – 11,597 SF corner lot. Steps to Royal Jubilee Hospital.

List $3,350,000

Wilby Residences
1909 Charles Street, Vancouver

Completely rebuilt 9-unit 4-storey building. Seniors housing investment opportunity.

List $3,850,000

Bethany Estate
3940 Pender Street, Burnaby

41 suites in Burnaby Heights – major renovation completed. 26,474 SF lot.

List $11,790,000

Vancouver C-2 zoned warehouse
57 Lakewood Drive, Vancouver

Development site – 24,142 SF corner lot. Build up to 3.0 FSR (6 storeys).

List $12,700,000

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