The Newsletter for Apartment Owners since 1983

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Goodman report:

2017 Mid-Year Greater Vancouver Rental Apartment Review

B.C.'S NEW GOVERNMENT AND THE HOUSING SCENE

MORE BUREAUCRACY,
EVEN LESS INVENTORY AHEAD

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B.C.'S NEW GOVERNMENT AND THE HOUSING SCENE

MORE BUREAUCRACY, EVEN LESS INVENTORY AHEAD

This spring, B.C. has experienced an historic – and astounding – 52-day election. On May 9, 2017, citizens opted to realign dramatically the province's longstanding political landscape, in a vote that left no party holding a majority. The situation prompted many residents to go back for a civics lesson on the rules behind our parliamentary system, while it remained for Lieutenant Governor Judith Guichon to determine which party configuration had the confidence of the house to lead the legislative assembly.

The result: denying an eleventh-hour plea from (now former) BC Liberal premier Christy Clark to call a new election, Guichon on June 29 asked the NDP to form a minority government. With John Horgan as premier-designate and in union with the Green Party, the new NDP government, including cabinet appointments, will come together over the next few weeks.

At the Goodman Report, we've been asked repeatedly for our take on how this new order will affect rental apartment owners and tenants. As you may recall, the NDP in the past has shown a determined bias against the rental industry. After all, it's the province that controls the Residential Tenancy Act, and the party's history in power has been economically negative. Thus we can expect both landlords and their representative body LandlordBC to be extremely vigilant as the new government carries out changes to provincial housing policy. Despite the parties' campaign promises, we predict that Metro Vancouver will continue to experience a crushing lack of new inventory, with – if anything – even more stringent regulations and bureaucratic impediments holding up development.

First let's take a look at the parties' respective platforms to see what the coalition might do:

NDP Wish List

- **Affordable housing:** To build 114,000 affordable rental, nonprofit, co-op and owner-purchased housing units through partnerships over 10 years. These will be a mix of housing for students, singles, seniors and families. They'll range from supported social housing to quality market rentals.
- **Housing near transit:** To build high-density housing near transit hubs in urban and suburban areas.
- **Public land:** To use public land to build housing that B.C. can afford.

Green Wish List

- **Affordable housing:** To invest $750 million to support the construction of approximately 4,000 units of affordable housing per year.
- **Incentives:** To introduce incentives for the construction of the rental buildings.
- **Residential Tenancy Act:** To enhance provisions of the RTA to control rent increases and protect tenants from terminations that would result in losses of affordable accommodation.

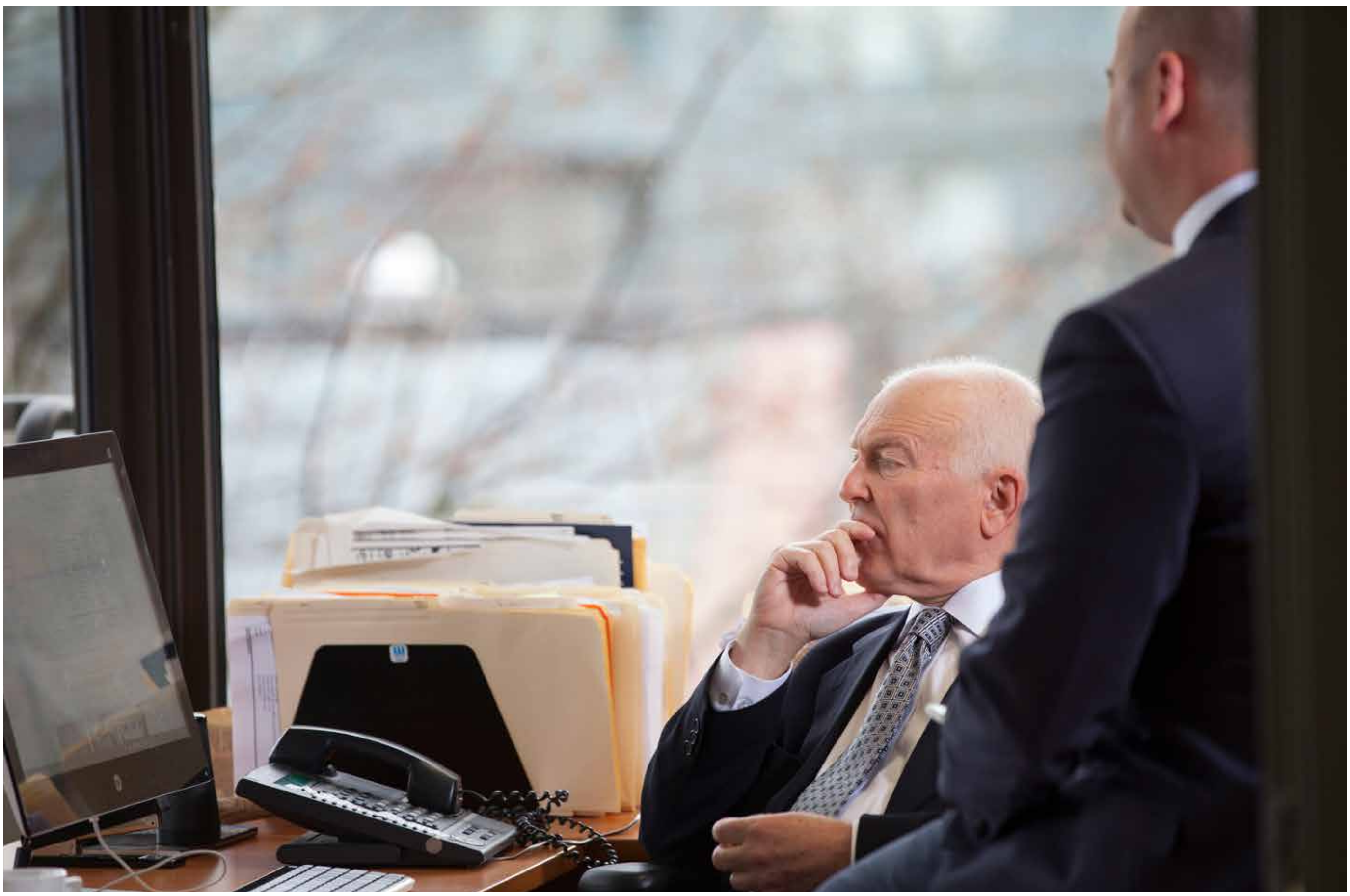
Together, the NDP and Greens are also committed to relaxing zoning to bring more density to neighbourhoods dominated by single-family homes.

Sounds good on the surface so far, assuming you're on the side of affordable housing. Dig deeper, though, and you start seeing that change is not only unlikely under the proposed new regime but, if anything, made near-impossible by even more complications than before.

First of all, the Vancouver Charter gives unique power to the city especially where it comes to zoning. The province would have its hands full trying to impose its will by arbitrarily adding density in Vancouver neighbourhoods. Further, a stepped-up involvement in housing by a newly formed provincial government is likely, despite the best of intentions, to trigger a series of costly missteps bringing little benefit to the public. We anticipate an excess of expensive overruns and displays of ineptitude by inexperienced public officials with zero background in the housing sector.

WHY THE CAMPAIGN PROMISES CAN'T PAN OUT

- **Unattainable goals:** The idea that government can produce an additional 7,000 units per year (50% of present annual production) is simply ridiculous.
- **Trades labour:** The government must also be planning to build in Victoria, Kelowna and many other communities. Where will it find the trades?
- **Land shortage:** Where will the development sites come from?
- **Funding:** Where's all the magical money for building these units?
- **Regulatory barriers:** Vancouver has the Rate of Change bylaw – no demolitions of any multifamily rentals permitted in RM and FM zoned areas.
- **Lengthy approvals**: Most municipalities take two to three years for approvals (often more in Vancouver).



Unless the government takes the unexpected route of inviting our development community to participate in administering these programs, British Columbians can expect a series of costly debacles reminiscent of the BC Ferries and Olympic Village scandals.

As for forecasts, Bryan Yu, a senior economist at Central 1 Credit Union, has been quoted in *The Globe and Mail* suggesting that Vancouver's hot housing market could pause for the next several months, much as it did after the Liberals introduced the foreign-buyer tax last summer: "It's a large asset purchase for any household, so when you are seeing uncertainty about policies or where it's going, there may be a wait-and-see attitude" (Mike Hager, "NDP-Greens seek ways to cool British Columbia's housing market," June 1, 2017).

AMIDST WORLDWIDE CHANGE, VANCOUVER'S HOUSING SUPPLY STALLS

Around the globe, societies are being endlessly affected by rapid changes in technology, art and the sciences, as well as trying to cope with drastic shifts in political and economic fortunes. It seems paradoxical, therefore, that our regional housing markets are in a logjam, with residents, developers and politicians all aware of the need for change, yet caught in regulatory stasis.

Where it comes to Metro Vancouver's long-festering, well-documented rental housing crisis, the past 10 years have seen widespread arguments not merely for more supply, but also for additional housing forms to satisfy the ever-diversifying requirements of our population now and into the future.

While some residents remain complacent in their enjoyment of our temperate weather or fixated on the efforts of the Canucks to secure a top three draft choice, many others anguish over their scarce housing options.

Participants in Metro Vancouver's rental apartment scene have a varied profile indeed. They include municipal, provincial and federal politicians; city and social planners; architects, developers and lenders, including CMHC; the Urban Development Institute (UDI); landowners and investors; the media and nonprofits; and most importantly tenants. All decry the chronic supply shortages plaguing the region's urban communities.

With such a multifaceted and complex problem, it's unusual that all the constituencies, despite their differing interests, express similar goals: that of seeing more rentals created. Yet structural inertia defies the market gods. Despite the compelling business case for the development community to increase significantly the number of market rentals, our region ekes out only hundreds of units yearly, when many thousands are required. The following matrix highlights the marginal impact of municipal efforts to generate new market rentals since 2010:

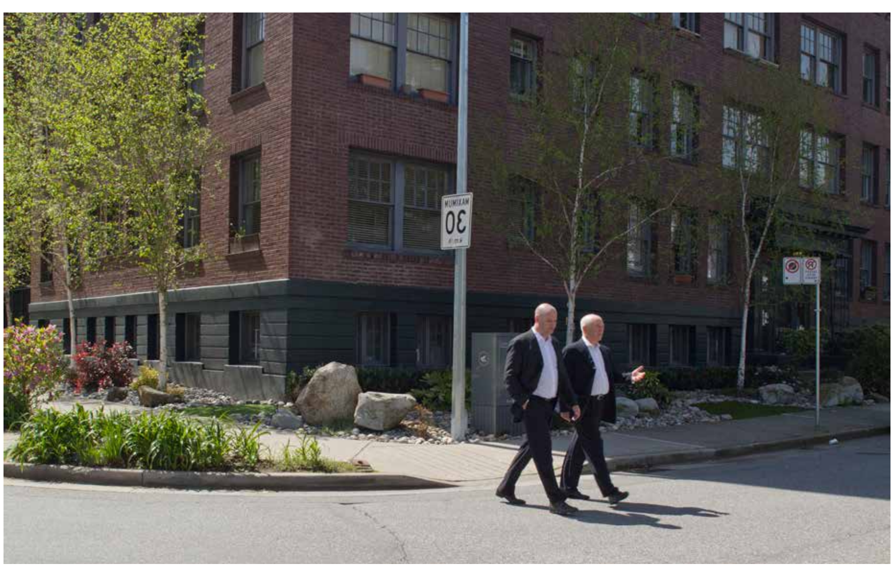
6-YEAR RENTAL STOCK CHANGE

	2010 (total apartment units)	2016 (total apartment units)	Change (units)	Change (%)
City of Vancouver	54,791	57,343	+2,552	+4.7% (avg. 425 suites/yr)
Suburban	49,666	53,630	+3,964	+8.0% (avg. 661 suites/yr)
Total	**104,457**	**110,973**	**+6,516**	**+6.2% (avg. 1,086 suites/yr)**

Source: CMHC and Goodman Report

As you can see, the average yearly increase in rental stock is less than 1% for the City of Vancouver and 1.3% for suburban areas.

In past editions of the Goodman Report, we've chronicled the history of events leading up to the current dismal state of affairs. We've identified irrefutably the prime suspects behind this mess, and we've recommended solutions. We continue to point fingers at our municipal leaders, particularly Vancouver's mayor, whose grandiose proclamations in support of new rental construction fly pathetically in the face of the actual results produced by his party. Let's not overlook the fact that in Metro Vancouver it's the mayors and their respective councils who, at day's end, regulate the ebb and flow of rental housing by way of zoning, density and the permitting process. Innovative, if not radical, change that would allow for a stepped-up flow of rental projects doesn't, however, appear central to their political universe. Methodically tracking the market, the Goodman Report is aware of only 4,806 market suites currently under construction in all of Metro Vancouver, of which 2,488 are slated for Vancouver itself and 2,318 for the suburbs. The completion of these over the next two to three years will do little to improve the bleak vacancy picture.



HOW LOW CAN WE GO (VACANCY-WISE)?

Ironically, the advent of a minority government is likely to prove highly beneficial, if not a bonanza, to landlords. Metro Vancouver's already constrained rental market will tighten still further as buyers planning to acquire residences decide instead to delay or postpone their moves because of uncertainty and some apprehension over the shifting political sands in Victoria.

FACTOIDS

- **Aging stock:** Metro Vancouver has approximately 1,875 landlords operating 3,190 separate apartment buildings – average age 57 years old (GR).
- **Total rental suites:** Total 110,973 in Metro Vancouver, with 57,343 in Vancouver and 53,630 in suburban areas (CMHC Apartment and Townhouse Survey, 2016 total), fall 2016.
- **Super-low vacancies:** Vacancy rates at 0.8% (459 vacant suites) in Vancouver and 0.7% (375) in outlying areas (CMHC), fall 2016.
- **Units under construction:** 2,488 in Vancouver, 2,318 in the suburbs (GR).
- **Average rent increases:** Average rents in 2016 are up to $1,324 in Vancouver (7.4% increase over 2015), $1,223 in the suburbs (6.9% increase over 2015) (CMHC).
- **Average salary in B.C.:** $47,914 (Statistics Canada, 2014).
- **Median family income in B.C.:** $76,720 (Canadian Census, 2014).
- **Average MLS condo pricing:** Vancouver Westside, $961,331, and Eastside, $603,660; Vancouver as a whole, $858,585. Suburban areas, $517,513 (courtesy of Kevin Skipworth, Dexter Realty). May 2017.
- **Metro Vancouver population:** Estimated 2,558,029 at July 1, 2016, an increase of 29,900 over previous year (BC Stats, 2016).
- **New households:** Estimated 15,733 new households in Vancouver CMA between 2015 and 2016 (CMHC, 2016).
- **Failing grade on affordability:** Vancouver scores D on housing affordability index, BIV's Economic Scorecards 2016 ("How Greater Vancouver stacks up against other metropolitan regions around the world," January 3, 2017).

WHY THE STATS?

The preceding statistics provide some context for our forecasts. They reveal a sweeping snapshot of dire rental shortages, income disparity and unaffordability amidst a climate of population and economic growth.

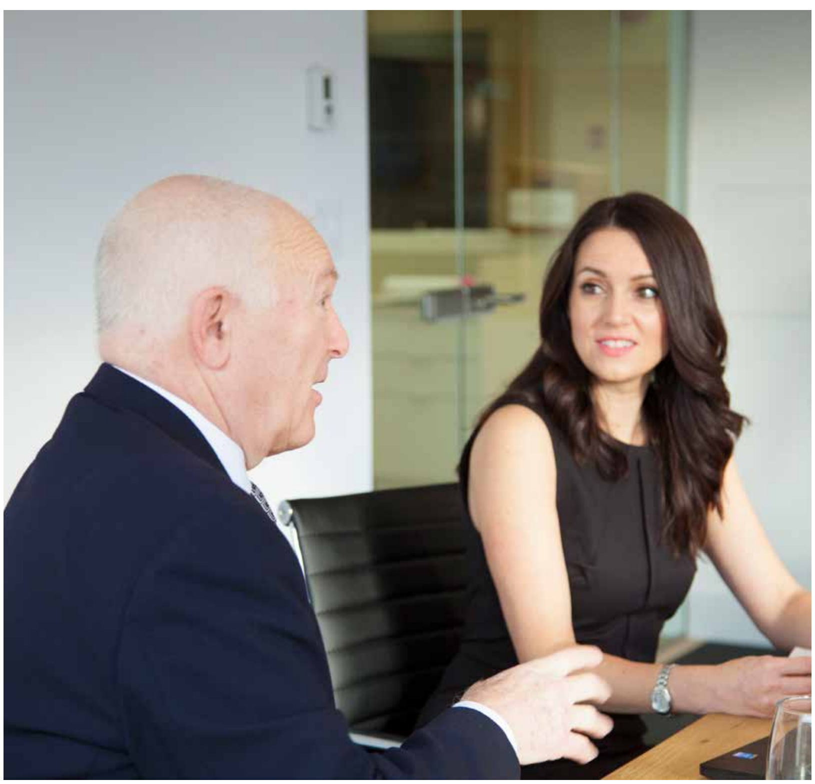
INSIGHTFUL PERSPECTIVE

Since the early '80s, the Goodman Report has been in a vaunted if not quite privileged position. By virtue of our specialization in rental apartment assets and development sites, we've been able to gain a unique perspective on current activity and likely trends. Additionally, over the past ten years, we've been closely involved with the development community, examining and advising on the feasibility of innumerable purpose-built rental projects. Ultimately, we've seen the fruition of many of these, which in turn we've sold.

A FUTURE BLEAK FOR RENTERS

Two years ago, armed with first-hand intelligence, we published the following forecast in our 2015 mid-year Goodman Report: "Over the next few years, in the face of ever-growing demand, tenants will need to brace themselves as annual rent increases will play catch-up and far surpass inflation rates." This event came to pass: rent increases upon turnover have ranged from 10% to 100% or more.

When an irresistible force such as rental demand meets an immovable object like rental supply, something invariably has got to give. In Metro Vancouver's case, rental demand has increased inexorably while supply has failed to keep pace. Economics 101 dictates that rents must take a further leap upwards, far surpassing the aforementioned sizable gains of 2015–2016.



THE BIG WINNERS

The major beneficiaries are owners of apartment buildings, especially those who have maintained and upgraded their common areas and suites. Such owners will experience overwhelming tenant demand for units at a level unlike anything ever experienced in previous times.

FORECAST: $5 PER SF

In fact, the Goodman Report is going out on a limb – again. For new purpose-built rentals in upscale core locations, we expect to see landlords charging $5 per SF over the next few years (2018–2021). These suites are likely to be much smaller but infinitely more efficient than old stock. Thus a 500-SF suite could rent for $2,500, with 1,000 SF at $5,000 a month.

Given that $5 per SF is on the horizon for new product, expect rent levels for older buildings in established areas to increase greatly likewise. For older buildings, as measured on a relative basis, it's anticipated that rents will adjust upwards in sympathetic lockstep with new product.

THE MAIN COST CULPRIT: LAND

Of course, the soaring cost of land correlates negatively with the present and historical lack of viable rental sites. The new normal is now $225+ per buildable SF. With tight-fisted density and zoning policies imposed by municipalities coupled with ever-increasing construction costs, we're seeing more and more of our clients' proformas requiring not less than $4+ per SF merely to justify a project.

THE UPSCALE TENANT

What of the tenants and their choices? Condo rentals, while an alternative, don't provide assurance of tenure, as owners may choose to occupy or sell their suites. The mainstays are the countless aging, low-density but centrally positioned three-storey frame buildings located throughout Metro Vancouver. They are relatively affordable but lack the modern-day accoutrements that today's discerning tenants can afford and are demanding: well-equipped gyms; full security; elegant finishings including custom millwork and hardwood floors; common meeting rooms and superior soundproofing; large-tiled bathrooms; and designer kitchens with Caesarstone countertops, Sub-Zero fridges and Wolf stoves.

WHY RENT?

Buying an apartment in Metro Vancouver is a sign of success. Requiring an impressive pile of cash for a down payment (typically 25% or more), it shows that a person has sufficient earning power to qualify for a substantial mortgage. Yet for the many who are able to buy but don't wish to, renting is a very convenient lifestyle move, providing a flexibility not normally associated with ownership. Perhaps not quite convinced that Metro Vancouver is right for them or unsure which part they wish to live in, they're free to move upon expiry of a one-year lease, should they err. Others may not be sure about the length of their stay, even if they enjoy the city.

Buying may not be financially feasible unless a person plans to reside in the condo at least three years or has a big loan from the bank of mom and dad. Additionally, closing costs, mortgage fees, property purchase tax and annual property tax are significant expenses to be considered.

Additionally, the financially savvy may prefer other investment vehicles over tying up so much capital in real estate. And it's not as if the well-heeled are necessarily sacrificing quality by refusing to buy. Historically, of course, a major incentive to owning was that the product would be better than a rental. Now with many newly built condos and a growing increase in new purpose-built rentals, a tenant can enjoy high-end finishes and sophisticated design without owning. Finally, with 16 years of endless price increases, along with the dawn of B.C.'s new political reality, perhaps renting becomes a sensible option.

YEAR-TO-YEAR COMPARISON

BUILDING SALES DOWN / DOLLAR VOLUMES UP / PRICES GENERALLY UP

For the first half of this year, compared to 2016, transactions have plummeted and dollar volumes remain the same, yet the average price per suite has escalated sharply. A total of 87 sales occurred in the first six months of 2017, a massive drop from 124 in the corresponding period of 2016. Interestingly, this is a continuation of a noteworthy trend that started during the second half of 2016 when a total of only 50 buildings sold. This 30% drop can be attributed to sales in the City of Vancouver in the first six months of 2017, totalling only 48 in 2017, as compared to 75 in 2016. Transactions in the suburbs have recorded 39 in 2017, compared to 49 in the first six months of 2016.

Going by the prevailing tone of the market, we forecast that approximately 145 buildings will sell in the entire year of 2017 with volume around $2 billion. These figures are as compared to $1.48 billion in volume and the sale of 174 buildings for all of 2016.

For the first six months of 2017, total dollar volume for Metro Vancouver was $1.35 billion, up slightly from $1.1 billion in 2016. Broken down, Vancouver 2017 volume is $709 million, up 1% from $705 million in 2016, whereas suburban volume grew significantly to $642 million, up 63% from 2016's volume of $395 million.

A caveat: again we remind our readers to regard Burnaby and North Vancouver as statistical anomalies. In Burnaby, six of the seven buildings sold in 2017 were development sites, along with two in North Vancouver. These sales have had the effect of increasing the average price per suite well beyond the norm.

The total number of suites sold in Metro Vancouver in the first half of 2017 was 3,307, up 14% over the 2,893 for 2016. Vancouver had a 8% drop from 1,443 suites to 1,329, whereas the suburbs had a significant increase of 36% to 1,978, up from 1,450 in 2016.

METRO VANCOUVER FACTS

Average age of purpose-built rental apartments

57

Number of building transactions in Greater Vancouver for first half of 2017

87

Total sales volume in Greater Vancouver for first half of 2017

$1.35B

*Average Greater Vancouver vacancy rate of rental apartments in 2016

0.7%

**Average Greater Vancouver cap rate in 2017

3.03%

*Average rate of monthly rent in Greater Vancouver for 2016

$1,223

Average price per suite in Greater Vancouver for first half of 2017

$408,413

Total number of apartment owners in Greater Vancouver

1,875

Total number of rental apartment buildings in Greater Vancouver

3,190

*as per CMHC

**as per Realnet

ACTIVITY HIGHLIGHTS: 2017 COMPARED TO 2016

First six months | January 1 to June 30

Building transactions

Area	2017 transactions	2016 transactions	% change
Vancouver	48	75	-36%
Suburbs	39	49	-20%
Total	**87**	**124**	**-30%**

Number of suites sold

Area	2017 suites sold	2016 suites sold	% change
Vancouver	1,329	1,443	-8%
Suburbs	1,978	1,450	+36%
Total	**3,307**	**2,893**	**+14%**

Dollar volume

Area	2017 dollar volume	2016 dollar volume	% change
Vancouver	$708,778,000	$705,215,888	+1%
Suburbs	$641,843,900	$394,509,753	+63%
Total	**$1,350,621,900**	**$1,099,725,641**	**+23%**

Average price per suite

Area	2017 $/suite	2016 $/suite	% change
Vancouver	$533,317	$488,715	+9%
Suburbs	$324,491	$272,076	+19%
Total	**$408,413**	**$380,133**	**+7%**

Buildings sold and average price per suite

Vancouver areas	2017 transactions	2016 transactions	2017 $/suite	2016 $/suite	% change
Eastside	17	20	$375,206	$279,754	+34%
Kerrisdale	7	7	$536,576	$553,999	-3%
Kitsilano	4	14	$513,500	$427,870	+20%
South Granville	8	12	$564,038	$399,004	+41%
Marpole	5	8	$361,667	$360,500	+0%
West End	5	14	$776,801	$769,875	+1%
Suburban areas	**2017 transactions**	**2016 transactions**	**2017 $/suite**	**2016 $/suite**	**% change**
Burnaby	7	22	$639,763	$332,076	+93%
New Westminster	10	11	$270,147	$153,630	+76%
North Vancouver	6	7	$472,697	$325,030	+45%
Surrey	5	2	$171,100	$155,156	+10%
White Rock	3	2	$212,443	$190,584	+11%

2017 APARTMENT BUILDING SALES: METRO VANCOUVER

First six months | January to June 30, 2017

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Vancouver (Eastside)			
* 3240 E. 58th Ave (TH)	140	$72,185,000	$515,607
7849 Knight St	12	2,810,000	234,167
1725 McLean St	6	2,975,000	495,833
** 4195 Perry St (MU, DS)	11	3,900,000	354,545
148 E. 6th Ave	18	5,300,000	294,444
2150 Pandora St	101	26,300,000	260,396
* 2274 Oxford St	8	2,360,000	295,000
2416 Fraser St	11	4,900,000	445,455
1574 Kingsway (MU)	10	2,750,000	275,000
1350-52 Kingsway (MU,ST)	17	6,820,000	401,176
3636 Fraser St	14	4,850,000	346,429
4095 Fraser St	13	3,200,000	246,154
2121 Franklin St	50	12,400,000	248,000
1451 E. 7th Ave (DS)	10	6,650,000	665,000
1834 E. Pender St	10	TBA	TBA
75 E. 8th Ave	27	TBA	TBA
360 E. 14th Ave.	28	TBA	TBA
	486	**TBA**	**TBA**
Vancouver (Kerrisdale)			
* 2346 W. 43rd Ave	9	$4,400,000	$488,889
2181 W. 40th Ave	10	4,600,000	460,000
5410 Balsam St	33	15,500,000	469,697
5850 Vine St	22	8,230,000	374,091
5815 Yew St (HR)	83	40,000,000	481,928
6020 East Boulevard (DS)	13	26,000,000	962,963
6040 East Boulevard (DS)	14		
	184	**$98,730,000**	**$536,576**
Vancouver (Kitsilano)			
2225 W. 8th Ave	47	$18,500,000	$393,617
2200 W. 5th Ave	7	5,400,000	771,429
* 1526 Arbutus St	10	TBA	TBA
1609-19 Cypress St (SP)	16	9,580,000	598,750
	80	**TBA**	**TBA**
Vancouver (South Granville)			
* 1550 W. 11th Ave	27	$12,500,000	$462,963
1616 W. Broadway Ave (DS)	12	9,500,000	791,667
541 W. 13th Ave	9	4,900,000	544,444
1569 W. 12th Ave	10	TBA	TBA
* 1546 W. 12th Ave	13	TBA	TBA
* 1686 W. 12th Ave (HR)	48	TBA	TBA
1225 W. 10th Ave	9	5,000,000	555,556
2777 Oak St (ST)	30	21,500,000	716,667
	158	**TBA**	**TBA**
Vancouver (Marpole)			
8680 Montcalm St	12	$4,000,000	$333,333
8668 Montcalm St	11	3,100,000	281,818
* 8638 Hudson St	10	TBA	TBA
8691 Selkirk St	10	TBA	TBA
8580 Oak St	17	TBA	TBA
	60	**TBA**	**TBA**
Vancouver (West End)			
** 1444 Alberni St (DS, HR)	129	$170,000,000	$1,317,829
1075 Burnaby St (SP)	53	26,300,000	496,226
1270 Nicola St (HR)	37	13,250,000	358,108
1260 Harwood St (HR)	109	42,000,000	385,321
1150 Barclay St (CO, DS)	19	18,000,000	947,368
	347	**$269,550,000**	**$776,801**
UBC			
2265 Acadia Rd (DS)	6	$3,250,000	$541,667
2287 Acadia Rd (DS)	8	3,000,000	375,000
	14	**$6,250,000**	**$446,429**

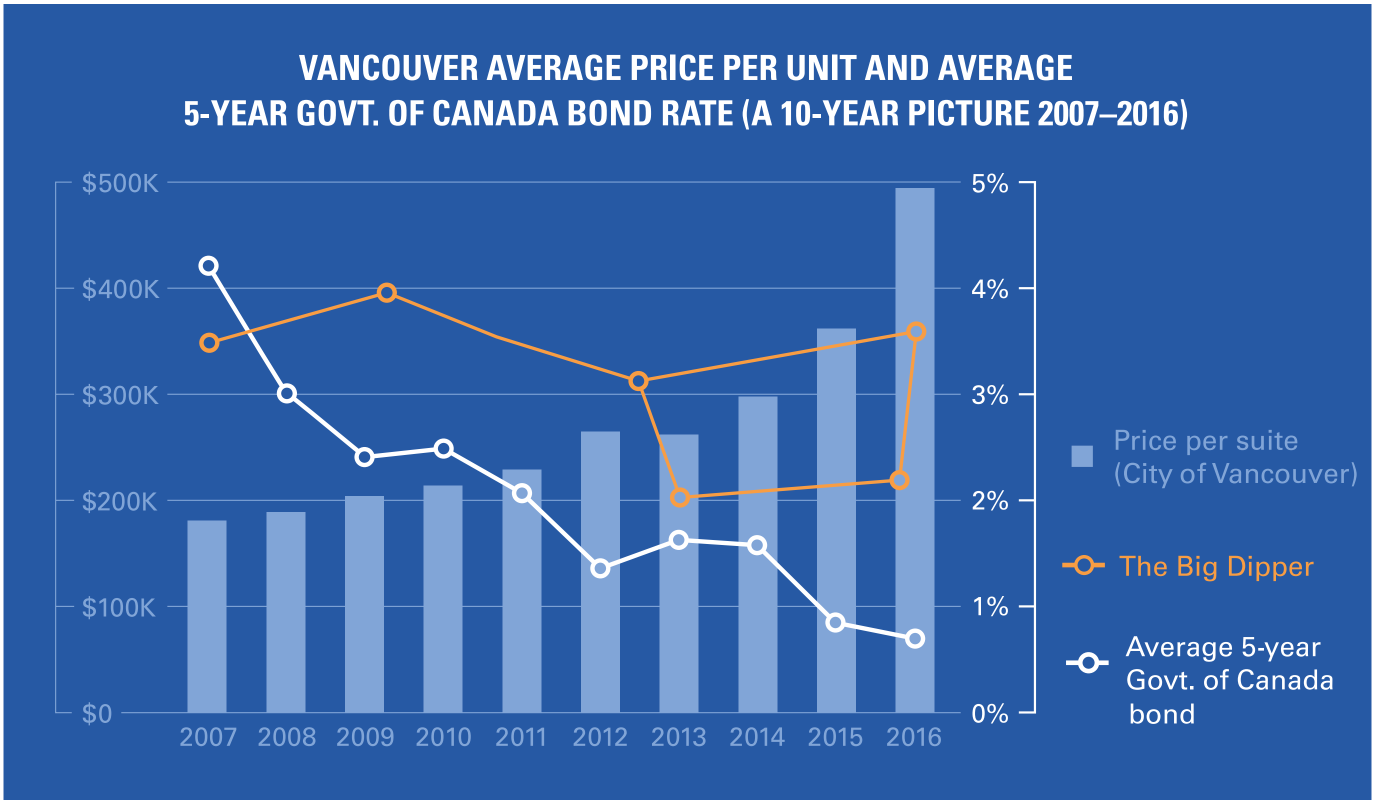
ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Burnaby			
* 7040 Arcola St	48	$12,800,000	$266,667
6450 Telford Ave (DS)	33	33,000,000	1,000,000
6444 Willingdon Ave (DS)	72	41,000,000	569,444
* 6390 Willingdon Ave (DS)	58	TBA	TBA
6075 Wilson Ave (DS)	42	45,200,000	1,076,190
4241 Maywood St (DS)	19	TBA	TBA
6688 Willingdon Ave (DS)	45	21,980,000	488,444
	317	**TBA**	**TBA**
Coquitlam			
325 Casey St	33	$5,900,000	$178,788
1040 Howie Ave	54	10,128,400	187,563
1000 Brunette Ave	126	21,500,000	170,635
549 Dansey Ave (DS)	71	18,000,000	253,521
	284	**$55,528,400**	**$195,523**
Maple Ridge			
11926 222 St	43	$6,050,000	$140,698
* 20834 Dewdney Trunk (TH)	44	10,831,000	246,159
22225 119th Ave	22	3,100,000	140,909
	109	**$19,981,000**	**$183,312**
New Westminster			
621 Twelfth St	17	$3,325,000	$195,588
** 503 Agnes St	15	2,965,000	197,667
304 Third St	15	2,850,000	190,000
735 Royal Ave	37	8,430,000	227,838
322 Seventh St	54	TBA	TBA
222 Ash St	52	TBA	TBA
* Highrise Tower	TBA	TBA	TBA
1315 Seventh Ave	23	4,900,000	213,043
1012 Fourth Ave	17	3,400,000	200,000
845 Royal Ave	11	2,917,000	265,182
	TBA	**TBA**	**TBA**
North Vancouver			
904-944 Lytton St (ST, TH, DS)	114	$51,000,000	$447,368
** 1200 Emery Place (DS, TH)	61	39,550,000	648,361
1630 Chesterfield Ave	11	3,550,000	322,727
127 & 129 E. 12th St	25	7,900,000	316,000
357 W. 4th St	12	4,042,500	336,875
156 E. 3rd St	6	2,205,000	367,500
	229	**$108,247,500**	**$472,697**
West Vancouver			
2145 Bellevue Ave (HR)	**37**	**$28,400,000**	**$767,568**
Surrey			
13032 104 Ave (TH)	8	$1,400,000	$175,000
10181 149th St	140	27,100,000	193,571
10520 132nd St	80	38,400,000	158,025
13270 105A Ave	80		
13325 105th Ave	83		
	391	**$66,900,000**	**$171,100**
White Rock			
1285 Martin St	29	$6,450,000	$222,414
15369 Thrift Ave (ST)	27	5,245,000	194,259
14990 North Bluff Rd (DS)	32	TBA	TBA
	88	**TBA**	**TBA**

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

* Sold by The Goodman Team
** December 2016 sale



INTERPRETING THE NUMBERS

There is strong evidence that we are in the midst of a perfect storm. Vacancies and mortgage rates are at or near historic lows, and rents and population continue to surge upwards, while little new rental stock is entering the stream.

Yet despite unrelenting investor demand over the past six months, only 87 recorded sales have occurred since the beginning of this year, as compared to 124 transactions in the first six months of 2016. Why the severe decline in transactions in spite of unwavering investment demand? Simply put, it's attributed to a lack of quality listings. The few newly available listings have experienced off-the-charts interest, with multiple showings and unconditional offers being the norm. Meanwhile, cap rates are continuing to fall, and prices per door are breaking through to new highs. It is our opinion that owners have seen the future and want a piece of it.

Apartment owners are all too aware of sale prices and their meteoric climb of approximately 60% over the past four years. They also recognize the new paradigm that relates to the value of their buildings. That is, they're seeing the proliferation of rental buildings offered not for their yearly income but rather as development sites for future condos or rentals, often with staggering price premiums realized. Areas where this is happening include Burnaby's Metrotown, parts of Coquitlam, the District and City of North Vancouver and finally selected neighbourhoods such as Vancouver's West End, Joyce Station, Grandview-Woodland and Marpole.

CASHING IN THE CHIPS

Have you driven along Oak, Cambie or Granville Street, West King Edward or West 41st lately? Single-family homes are falling like flies to the wrecking ball, replaced by scores of townhouses and condos. This has resulted in homeowners cashing out with mega-bucks. The same natural reaction on the part of apartment building owners now is to ask when they'll see the municipality rezone their land so that a developer will pay $500,000–$600,000 per suite. Many such owners envisioning spectacular homeruns are delaying the liquidation of their holdings until their municipalities declare intentions with respect to density increases through revised official community plans (OCPs).

VISION BLAMES WRONG PEOPLE FOR VANCOUVER'S RENTAL REALITIES

Less than a month before the provincial election, Vancouver's Mayor Robertson climbed aboard his party's soapbox in a recent Vision-sponsored video. He's seen exhorting the provincial government to tighten certain elements of the Residential Tenancy Act, while also admonishing the few errant landlords who allegedly mistreat tenants.

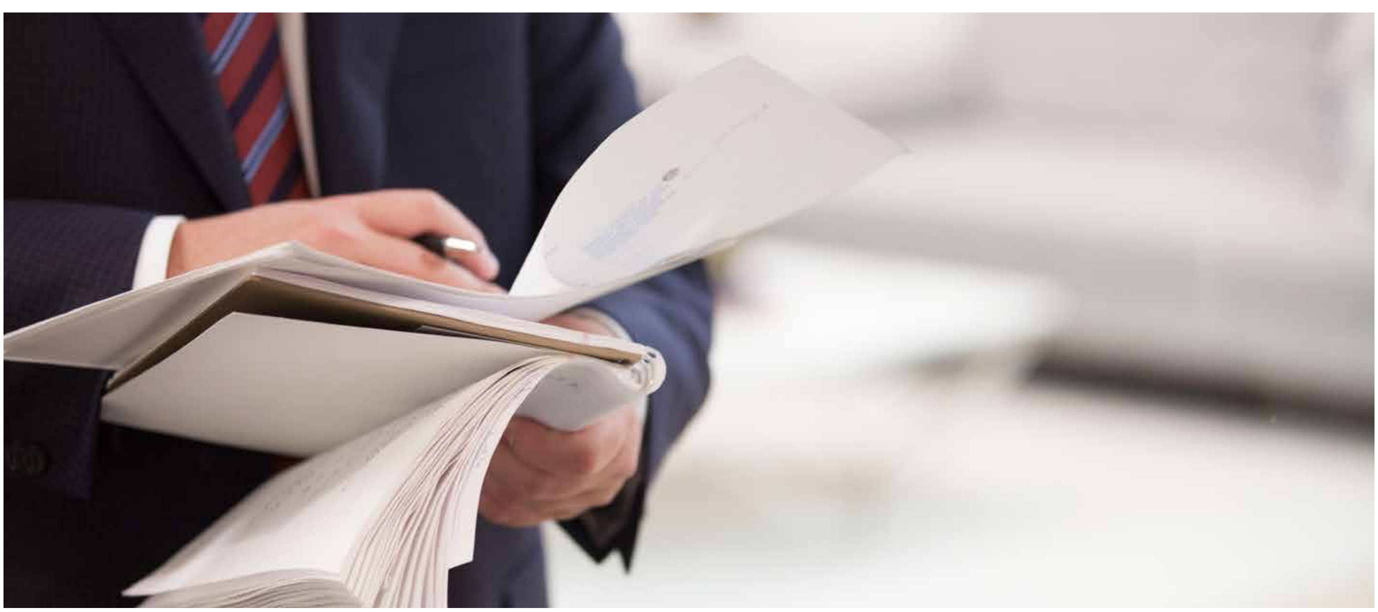
Against this backdrop, the Mayor readily concedes that Vancouver's troublesome vacancy rate, now standing at 0.8% according to CMHC's latest report, is dangerously low and has been so for the entire decade. However, the Mayor conveniently overlooks his own administration's dismal performance over the last five years, which has seen only a few thousand new rental units added to the City's inventory through the STIR and Rental 100 programs.

Additionally, Vision has steadfastly maintained the moratorium on the demolition of rental stock – now into its 10th year – with no end in sight. This moratorium was enacted in 2008 for what was originally planned to be a mere 2.5-year period. Ostensibly, the goal was to buy the time needed for our civic authorities to create new housing solutions while protecting existing rental stock, which happened to be low-density, inefficient, costly to maintain and averaging 57 years in age.

By virtue of the moratorium's implementation, Vancouver landlords have been arbitrarily stripped of their assumed property rights. Owners in most of the City are prohibited from selling their rental buildings as development sites, which frequently represents the property's highest and best use. Consequently, the burden rests on apartment owners to sustain their building's operations. Meanwhile, owners of commercial, office, industrial, hotels and even strata and co-op apartment buildings properties do not face any of the same redevelopment restrictions.

By and large, a great majority of Vancouver landlords have a good track record when it comes to maintaining the condition of their buildings. Yet the Mayor, presumably to deflect blame from his administration, is insisting that landlords who evict tenants for the purpose of carrying out badly needed renovations must also provide displaced tenants with the right of first refusal. These same tenants, he insists, would have the option to be readmitted to the renovated buildings at the original rents: a toxic recipe for the very survival of the industry that provides them and others with a place to live. Without the necessary financial incentives, namely increased rents to pay for the renovations, market forces will prevail, consequently leading to landlords' determined refusal to carry out the required upgrades. Predictably, this will lead to a serious decline in the condition of rental buildings throughout the city.

Surely our Mayor can display some leadership towards this chronic problem and generate more constructive approaches to the creation of much-needed rental housing without scapegoating those who work to provide it.



WATER SUBMETERING PROMOTES EFFICIENCY

As many building owners know, submetering is a way for landlords to bill tenants individually for utility use: an approach with both environmental and financial benefits. People become more cognizant of consumption when paying for their own usage. New technology can now also detect unusual water patterns and leaks, helping owners prevent costly damage.

Across Canada, provinces and major cities such as Toronto and Vancouver are supporting the implementation of water submetering in multi-unit residences.

Proven success

Studies have demonstrated that submetering can effectively reduce water consumption. In a study conducted as part of the Greenest City Scholars Program, the City of Vancouver together with UBC found that submetering yielded significant savings by changing consumer behavior, with local case examples showing that it encouraged residents to install water-saving mechanisms. The report recommended inclusion of these systems in all multi-unit residential and commercial buildings in Vancouver.

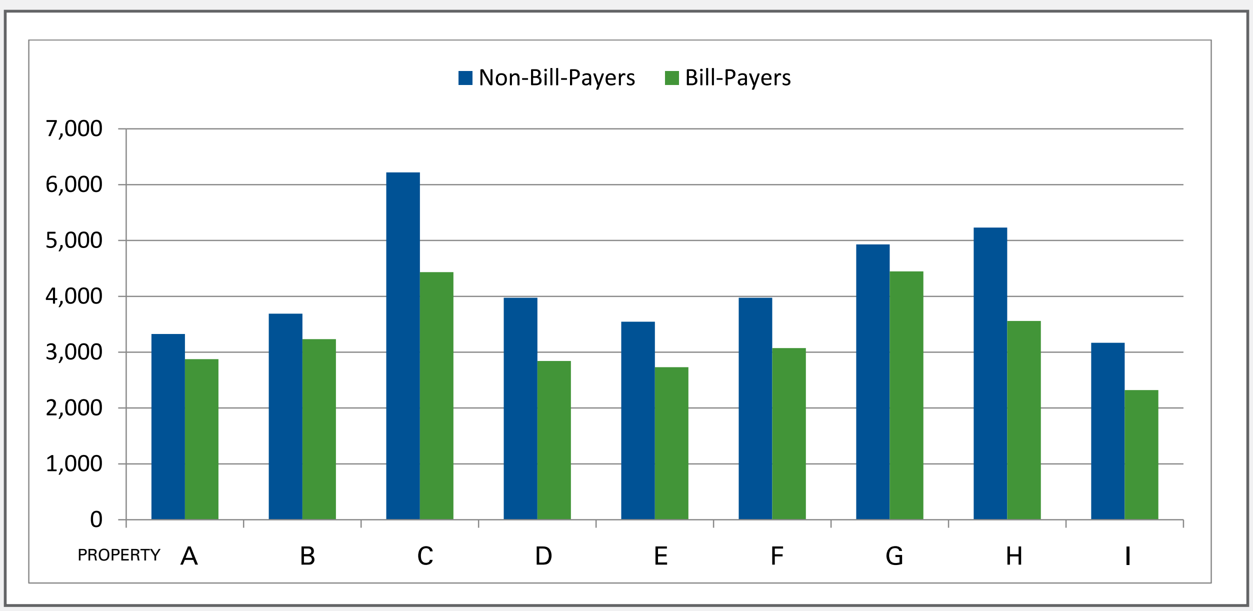
In a study by Wyse Meter Solutions, nine townhouse complexes were retrofitted with independent submetering systems, resulting in a 22% average reduction in water consumption from time of installation. These results mirror those from several other North American case studies Wyse has reviewed.

Residents and landlords see benefits

For residents, submetering means accurate, detailed monthly bills that help them monitor their water usage through a user-friendly online portal. The provider can offer additional customer service to residents, owners and managers alike.

Lack of public awareness is a common roadblock, as developers and users need more education about these options. As fresh water becomes scarcer, building owners have a part to play in reducing consumption within communities, helping to save money and the planet.

For more information, contact Peter Mills, co-CEO, Wyse Meter Solutions Inc., pmills@wysemeter.com.



Water submetering helped bill payers reduce consumption in a retrofit by Wyse Meter Solutions

WHY HIRE A PROPERTY MANAGER?

Some building owners believe that professional property management is only for large downtown office buildings and not for them. Yet unless you have the time and experience to handle day-to-day issues, it may be better for your budget and your stress level to hire a property manager.

Property management is a full-time job. Even if you have all of the technical, legal and administrative skills to oversee your property, you usually have other commitments, like a day job. As full-time property managers, we spend a large part of our day responding to maintenance and tenant issues – from tenants who lock themselves out or fail to comply with building rules, to heating, plumbing and lighting repairs. We're on call 24/7 for emergencies, and when one staff member takes a vacation, we have another qualified professional to cover.

We track revenue, expenses and maintenance. Monthly financial and operating reports tell you if your building is on track in terms of revenue and expenses and help you plan for maintenance. If you don't have the time to produce reports or make inspections yourself, you may be hit with unpleasant surprises.

We constantly look for ways to control costs. We've saved clients thousands through strategic administration: bringing rents up-to-date, renegotiating contracts, pooling buildings and shopping for bulk rates for services. We offer an umbrella insurance plan and review property taxes to ensure that they stay as low as possible.

Our qualified and bonded staff do the job right. Sadly, we've had more than one owner come to us having left their properties in the hands of unsupervised caretakers, only to suffer fraud or theft. These owners spent more on cleanup than they had saved on management fees.

We hire, train, supervise and provide vacation relief for our bonded on-site staff. Every year, we update them on current best practices and residential tenancy law. When we use outside contractors, we collect competitive quotes, vet their references, inspect their work and follow up on any deficiencies. Our clients are free to travel or focus on other business interests, knowing that their buildings are being handled by pros.

It doesn't have to be all-or-nothing. You may want to do some tasks yourself or hire service providers you've used for years. We have clients, for example, who use our administrative and accounting services but do their own cleaning and tenant selection.

Want to know more? If you'd like to learn what a property manager can do for you, please visit our new website at www.transpacificrealty.com. It's full of advice and tips for residential and commercial landlords. Questions? Please give Rod Fram, Transpacific Realty, a call at 604 873 8591.

David Goodman
Direct 604 714 4778
david@goodmanreport.com

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

goodmanreport.com

HQ Commercial
320–1385 West 8th Ave
Vancouver, BC V6H 3V9

HQ Commercial