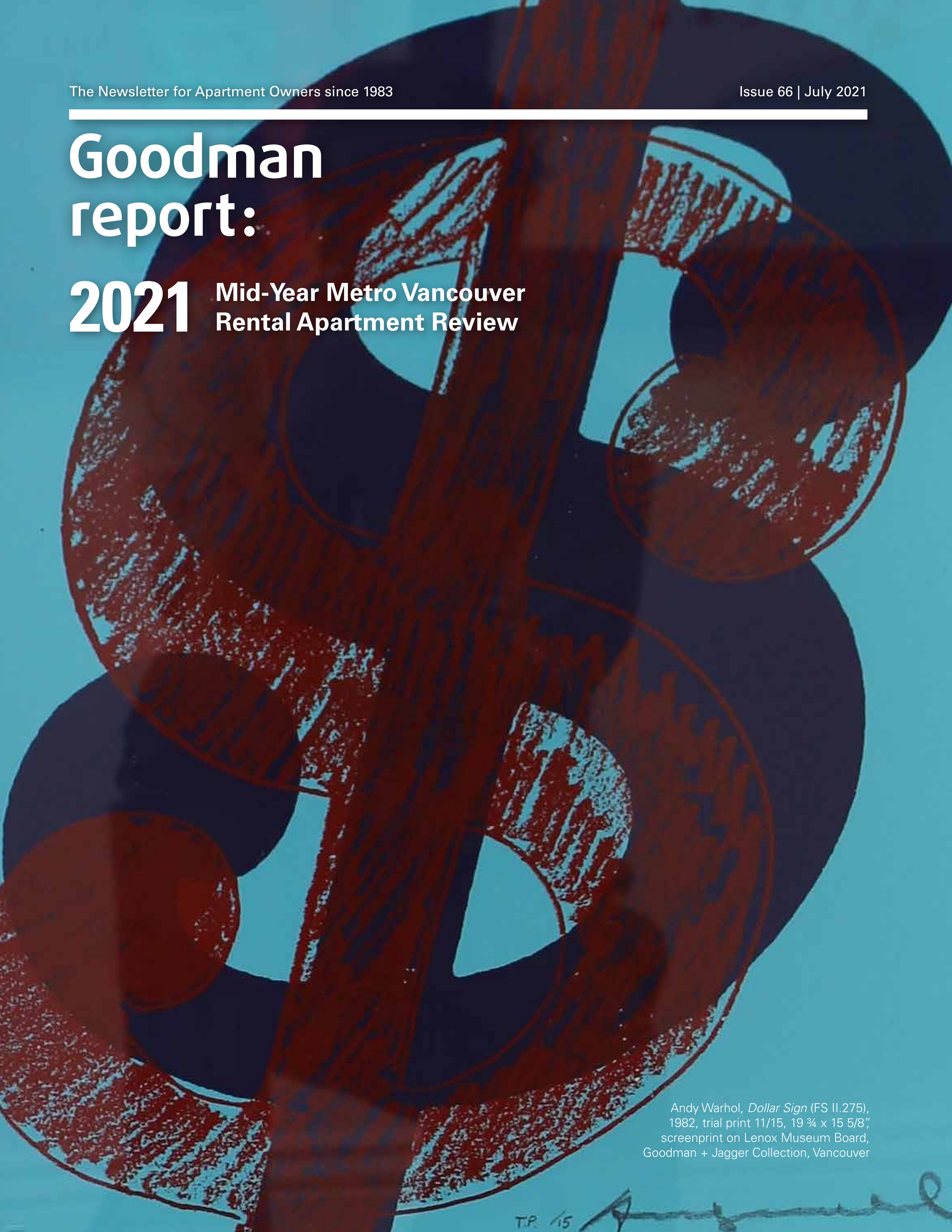
The Newsletter for Apartment Owners since 1983

Issue 66 | July 2021

Goodman report:

2021 Mid-Year Metro Vancouver Rental Apartment Review



Andy Warhol, *Dollar Sign* (FS II.275), 1982, trial print 11/15, 19 ¾ x 15 5/8", screenprint on Lenox Museum Board, Goodman + Jagger Collection, Vancouver

IN THIS ISSUE

Mark Goodman and Cynthia Jagger, principals of Goodman Commercial

THE HALF-YEAR OF THE HIGHRISE

The first half of 2021 has been a half like no other. Following the difficult pandemic year of 2020, multifamily assets came out as a Metro Vancouver favourite. This wasn't a surprise given the interest that had started in early 2020 and was temporarily sidelined by COVID-19.

Total sales volume of $1.64 billion is the highest reported since 2006 (16 years), when the Goodman Report began mid-year reporting. The previous mid-year high was in 2018 at $1.45 billion.

At mid-year 2021, dollar volume and number of transactions have far exceeded the first half of 2020. This finding is partially skewed by one large portfolio transaction that closed in Q1 2021, involving 17 buildings. Outside this trade, the stats still represent an above-average year.

The first half of 2021 saw 94 sales versus 27 for the same period a year earlier, a staggering change.

A further trend is the number of highrise sales: 18 highrises out of 94 sales total. This is likely the largest number of concrete buildings to have traded in the last 30 years we've been publishing the Goodman Report.

While a short-term bump in vacancy rates and decrease in rental rates provided a welcome breather from the last decade of low vacancies and increasing rents for tenants, we anticipate these trends to be short-lived. Rules and policy changes along with lack of new purpose-built rental construction continue to plague this sector, and the shortage will be exacerbated this fall when universities are back in session. One can only assume this represents one of the many reasons for the focus on acquisitions in this asset class. While there were many multifamily buyers, there have also been many sellers: a very liquid market.

Enjoy the articles here, as well as our "Story behind the stats" column. As always, please reach out to discuss any of your commercial real-estate needs.

The Dalip
5656 Victoria Drive, Vancouver

47-suite mixed-use rental
Completed in 2020 – condo-quality

List $33,900,000

The Garth Apartments
1133 Barclay Street, Vancouver

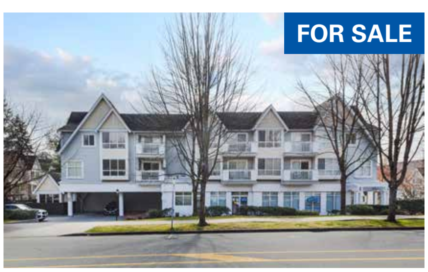
31 suites in the West End
Substantially renovated

List $15,700,000

Rental development site
1065 Pacific Street, Vancouver

Development opportunity with holding income
~13,000 SF site in the West End

List $18,950,000



Mixed-use rental building
7312 Magnolia Terrace, Burnaby

15 units: 14 residential + 1 CRU
700 metres to Edmonds Skytrain station

List $6,380,000

Normandy House
1290 West 13th Avenue, Vancouver

23 suites in South Granville
12,500 SF corner lot

Sold $9,900,000

Casa Jubilee
1555 Jubliee Avenue, Victoria

21-suite rental apartment building
1.5 blocks from the Royal Jubilee Hospital

List $6,275,000

RENTAL IS A COMMUNITY AMENITY

Community amenity contribution (CAC) liability a major disincentive for investing in new rental projects

At Goodman Commercial, here's something we're noticing lately. Three separate builders have independently told us about the community amenity charge (CAC) process they've been thrust into for proposed rental projects in the City of Vancouver.

If you keep up with housing news in Vancouver, you already know about CACs as an aspect of the condo market. The processes can be inconsistent and brutal. They involve multiple departments, proforma reviews and lump-sum payments suddenly added to the cost estimates of projects. If these costs are set rates known at the time of land acquisition (say, $ per SF), then they can be accounted for. But adding a significant cost sometimes amounting to millions near the beginning of construction can kill a project, especially a rental.

In the cases the builders told us about, these were development sites purchased over the past few years. The much-needed rental units planned for these sites could ultimately end up on the sideline, as unexpected costs could render these developments infeasible.

Not long ago, a policy paper from the City of Vancouver stated clearly that 100% rental projects wouldn't be subject to CACs in specific areas. See the link here: https://council.vancouver.ca/20171128/documents/a4.pdf

The reasoning was included in the City paper from 2017:

"It is recommended that the CAC process be streamlined so that routine, lower density rental rezoning applications (outside the Downtown) be exempt from CACs. This approach would enable a majority of rental rezoning projects to proceed without a CAC and free rezoning applications from participating in the City's negotiated CAC process while also having the added benefit of allowing staff more time to work on complex, larger rezoning applications."

Now the tide may be turning, with CACs imposed for rentals in some cases. Here's the updated policy paper (https://guidelines.vancouver.ca/cac-policy-for-rezonings.pdf) from February 2021, showing that some areas do remain exempt:

Table 1: Exemptions for Routine, Lower Density Secured Market Rental Rezoning Applications[a]

Areas	Zoning District	Rezoning to Specific Height
Mixed-Use Commercial/ Residential Areas	C-1	<= 4 storeys
	C-2 zones	<= 6 storeys
	C-3A	Refer to local height maximums in C-3A guidelines
	MC-1	<= 6 storeys
Residential Areas	RS/RT zones	<= 5 storeys
	RS/RT zones (in community plan areas)[b]	<= 6 storeys
	RM zones (applicable to infill projects where existing rental units are not demolished)	<= 6 storeys

Notes:

a. Table excludes the Oakridge Municipal Town Centre area in the Cambie Corridor

b. RS/RT applies to Cambie Corridor, Marpole, Grandview-Woodland, and Joyce-Collingwood Station Precinct

Source: City of Vancouver

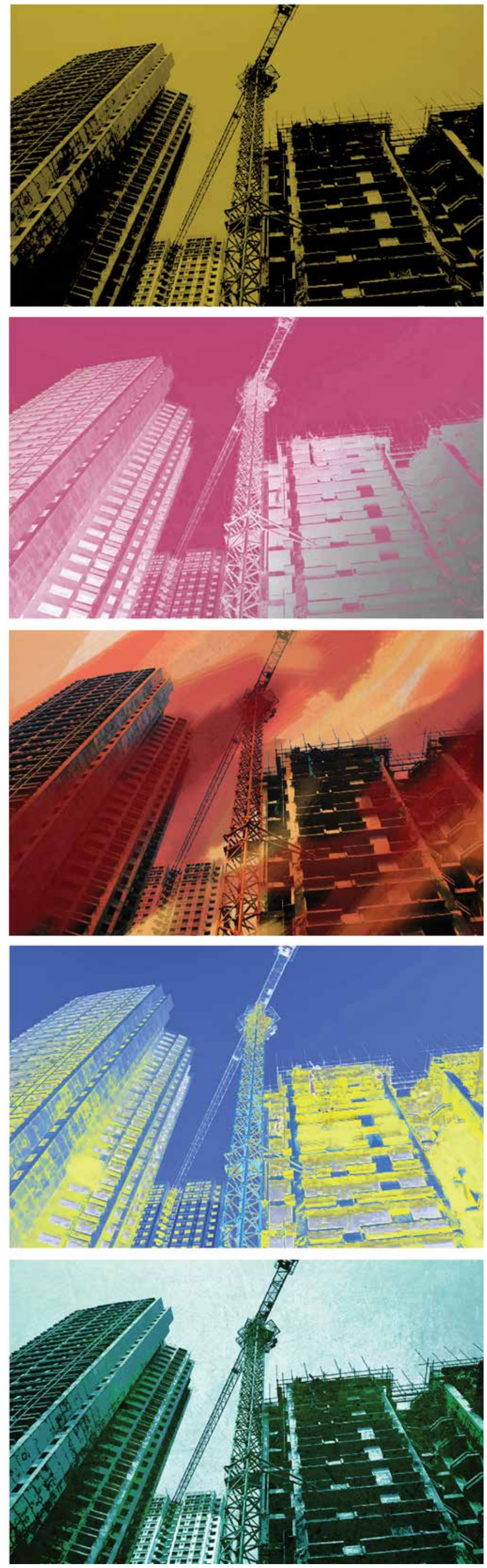
In 2020, only 896 rental units were completed in the City of Vancouver within a universe of 59,453 existing. Adding 1.5% to the existing purpose-built stock won’t move the dial on vacancy and rental rates long-term. A drawn-out, negotiated CAC process clearly doesn’t create an enabling environment.

Politicians need to be aware that we’ve been operating in a unique period when the stars have aligned for rental construction. Higher rents, lower cap rates, low interest rates and some government policies have helped. However, a further rationalization involving a pre-sale market slump for new condo projects has turned the attention of many builders to rental. Now, given escalating costs and the returning strength of pre-sales, we anticipate that many rental projects will either stall out or convert back to condo if the numbers are tight.

A shift in perspective is needed. The incentives that worked before may not work now or in the future. Where rental is concerned, better to overdo incentives than under.

Recommendations:

- Get new rental policies out and working – more density will be needed.
- Clear the backlog – thousands of units are stuck.
- Provide early, consistent communication about anticipated costs.
- If a new cost is added, grandfather projects already in process.
- Prezone where possible.



B.C. GOVERNMENT CLAMPS DOWN ON RENTAL RATE INCREASES WHILE EXPENSES SKYROCKET

Earlier this year, B.C.'s provincial government froze residential rental rate increases to December 31, 2021.

With this move, by the year's close, rental housing providers will have faced two full calendar years of 0% increases. What's more, by the time increases are allowed again, owners will also presumably be at least two years behind in compounded increases lost.

Against this backdrop, here's an actual example of what one of our clients has faced in expense increases from 2019 to 2020 for a 20-suite building in the City of Vancouver:

1. Property taxes: +24%
2. Insurance: +36%
3. Heat and light: +16%
4. Water and sewer: +10%
5. Cleaning and sanitation: +6%

Many people have suffered greatly in the last 18 months, physically, mentally and financially. Some have good claims to a break from increased rents. Yet those who may actually be better off financially and able to pay their increases should be expected to pay their share of costs, as in normal times.

So the NDP made good on its promise. Yet if increasing the availability of rental is really a goal, the government will need to dial back its barrage of negative policies in rental housing to enhance the likelihood of construction.

With respect to the NDP's goal of 114,000 units built in 10 years, note that we're about a third of the way through this period, yet only 2.6% of units have been built, hardly a meaningful increase in purpose-built rentals. In its fall 2020 report, CMHC demonstrated an increase of only 896 units in the City of Vancouver.

If rents go down while costs and vacancies go up – which has happened during COVID – less rental housing will be built in the future. These factors, along with an ongoing blanket freeze on rental rates with nothing to balance out expenses, will further exacerbate the decline in rental housing starts. Add the increased demand for condo projects, and it's only a matter of time before developers turn their attention back to building what's tried, tested and true.

PIVOTING TOWARD PURPOSE-BUILT RENTAL

Moving into Step 3 of British Columbia's COVID-19 four-step restart plan means renewed optimism as the province's vaccination efforts continue to ramp up.

Early thoughts on the pandemic's effects on the Metro Vancouver region, particularly the real-estate market, were extremely pessimistic. Some predicted drastic drops in residential values upwards of 18 percent. However, the market's overall resiliency, coupled with favourable financial terms, ended up contributing to one of the most active periods in local real-estate history. As of May 2021, average residential prices across B.C. had increased by 26.2 percent over the year.

As for the multifamily rental market, owners reported stability in rent collection and tenancies across Metro Vancouver during the pandemic. Bolstered by the multifamily asset class, extremely strong sales in the second half of 2020 continued into 2021.

COVID's early days marked a turning point for some of the largest local developers, as the outlook for new market condos appeared grim while multifamily rental displayed its grit. As the months passed, the new condo market re-emerged with the sale of several development projects across Metro Vancouver. The majority of these achieved record-high prices per square foot, supporting the goal of affordability in the region while drawing attention to the dire need for more housing options and supply.

An eye on the cities

Despite obvious challenges, some developers have pivoted projects toward purpose-built rental construction as home ownership continues to grow out of reach for many. 2020 was a time for reflection and re-evaluation of existing assets and projects in the pipeline. Some developers chose to go ahead with large-scale rental development applications and, in some cases, revisions to prospective condo projects with an increase in secured market rental units. Highlights from the few last months are noted below:

Vancouver

- **Westbank** and **QuadReal** revised plans at the Oakridge redevelopment to include a 100% 52-storey rental building, which if completed would be Metro Vancouver's tallest rental tower.
- **Westbank** and **Crombie REIT** revised plans for the Safeway redevelopment at Broadway and Commercial, increasing the rental units from 160 to 452 units while reducing its strata units.
- **Bosa** revised its West End condo application, announcing two 34-storey towers containing 575 new rental units.

Surrey

- **Rize Alliance** revised its City Centre site from a 30-storey strata tower to a 38-storey, 392-unit secured market rental building.
- **Bosa** announced a 375-unit rental building.

Burnaby

- Toronto-based **Starlight Developments** announced an all-rental rezoning of Lougheed Village comprising three additional concrete tower buildings with 1,200 new rental apartments.

Coquitlam

- **Marcon** in partnership with **QuadReal** submitted a rezoning application for a 11.6-acre property in Coquitlam Town Centre. Two of the nine towers slated for construction will be purpose-built rental with approximately 1,000 homes.

We're cautiously hopeful that these strategic investments will turn from concept to reality. While we celebrate them, their sheer size also comes with longer approval and construction timelines. Lowrise (wood-frame) applications have also increased over the past year throughout Metro Vancouver, but the increasing cost of construction is quickly dissipating their economics. Purpose-built rental comes with larger capital requirements up front, than condo developments. Therefore, this market segment is becoming even less economical for smaller local development companies, which are often the ones undertaking the missing-middle projects that should be a top-priority for every municipality.

Demand for new housing will be driven by Ottawa's bold immigration targets, which seek to add nearly 1.2 million immigrants between 2021 and 2023. Metro Vancouver also recently revised its population modelling, projecting that the region would grow at an average pace of 35,000 people per year until reaching 3.8 million by 2050, from 2.8 million in 2021.

These growth trends are clear. Our trajectory toward being a world-class metropolitan area will push forward post-COVID. It is how we respond along the way to embrace the region's diversity in this new chapter that will make all the difference.

Goodman Commercial welcomes Manraj Dosanjh

Manraj Dosanjh joins Goodman Commercial as an associate broker after holding the position of acquisitions manager for a major Metro Vancouver real-estate development company. Prior to that development role, he was the senior market analyst at a Vancouver-based analytics company specializing in new multifamily and rental development consulting throughout B.C. and Alberta. With a Diploma of Urban Land Economics and nearly a decade of experience in real estate, Manraj brings his instinctive nature to gathering data and interpreting trends that shape the local market.

THE STORY BEHIND THE STATS

Contrary to how today's real-estate market was expected to perform a year ago, Metro Vancouver has just experienced the highest total sales volume recorded during the first six months of any year since 2006, the year we first began publishing our mid-year Goodman Report.

At $1.64 billion in total sales, mid-year 2021 transactions were an astonishing 235% higher than the same period last year and 14% higher than the previous high in 2018. The strong first-half sales were 45% higher than the entire 2020 annual total. Further cementing the insatiable demand for Metro Vancouver investment properties, the mid-year 2021 figure alone would equate to the third-highest annual sales volume ever recorded. (The record annual total was $2.98 billion, in 2018.)

At mid-year 2021, Metro Vancouver witnessed a 248% rise in the number of apartment building transactions compared to the first half of 2020. The 94 transactions were second only to the 124 first-half transactions in 2016. The City of Vancouver accounted for 69% of the total transactions, contributing to 67% of the total dollar volume. Within Vancouver, the West End experienced the largest number of transactions, representing 32% of the total Vancouver sales, followed by Marpole and East Vancouver at 20% and 17% respectively.

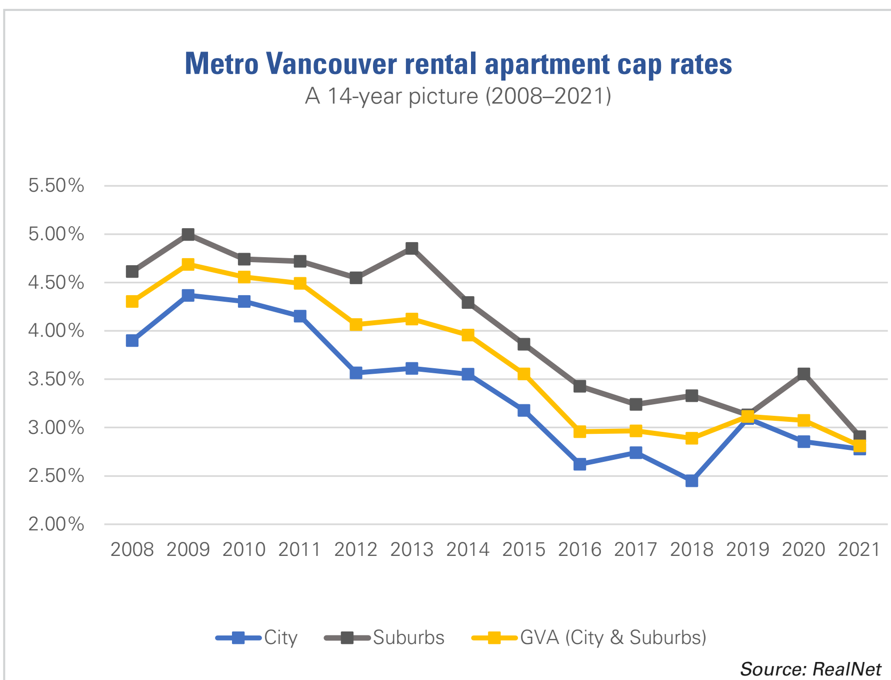
Note that a large portfolio sale of 17 buildings represented just over one-quarter of transactions, suites sold and total sales volume in Vancouver, and nearly one-fifth of the total transactions in Metro Vancouver.

A total of 3,347 suites sold during the first half of 2021, the largest number recorded during the Goodman Report mid-year reporting era. The 2,298 suites sold in the City of Vancouver exceeded by 59% the previous record, set in 2016 when 1,443 suites traded. 2021 was the first time that over 1,500 suites sold in Vancouver, dating back to the beginning of our mid-year report.

Suburban scene

With respect to submarkets outside the City of Vancouver, a total of 29 buildings traded hands, representing nearly 1,049 suites sold and $535 million in total volume. North Vancouver contributed to 38% of total transactions and 33% of total units sold. Even with just 4 buildings sold in West Vancouver, the $179.3 million in sales represent 34% of the total suburban dollar volume. Richmond achieved its first sale since 2018. In dollar value, Goodman Commercial's $45,465,000 sale of 14000 & 14088 Riverport Way almost equalled Burnaby's 6 transactions totalling $48,974,000.

In West Vancouver, 2222 Bellevue was one of two buildings that transacted for more than $100,000,000. This 100-suite building sold for $1,013,000 per door. The same purchaser acquired the neighbouring 62-suite property for $41,602,000, or $671,000 a door. It is quite possible that both these buildings were purchased for redevelopment. These two sales contributed to suburban average per-door prices trending higher than the City of Vancouver for the first time in mid-year report history at $509,588, compared to $482,542 for Vancouver. Average per-suite prices for Vancouver were down 10% compared to the previous mid-year reporting period. This can be attributed to the substantial increase in sales over the year in East Vancouver and Marpole, where prices are relatively lower than in the rest of the city.



ACTIVITY HIGHLIGHTS: 2021 COMPARED TO 2020

First six months | January 1 to June 30, 2021

Building transactions	2021	2020	% change
Vancouver	65	17	+282%
Suburbs	29	10	+190%
	94	**27**	**+248%**

Number of suites sold	2021	2020	% change
Vancouver	2,298	722	+218%
Suburbs	1,049	386	+172%
	3,347	**1,108**	**+202%**

Dollar volume	2021	2020	% change
Vancouver	$1,108,882,499	$383,390,000	+189%
Suburbs	$534,558,280	$106,470,000	+402%
	$1,643,440,779	**$489,860,000**	**+235%**

Avg $/suite	2021	2020	% change
Vancouver	$482,542	$531,011	-9%
Suburbs	$509,588	$275,829	+85%
	$491,019	**$442,112**	**+11%**

Building transactions			Average price		
City	2021	2020	2021 $/suite	2020 $/suite	% change
Vancouver					
Eastside	11	4	$358,015	$546,559	-34%
Kerrisdale	2	1	$564,356	$804,598	-30%
Kitsilano	10	1	$449,215	$420,000	+7%
South Granville	8	2	$524,345	$470,370	+11%
Marpole	13	1	$379,680	$305,000	+24%
West End	21	8	$525,602	$474,966	+11%
Suburbs					
Burnaby	6	1	$328,685	$500,000	-34%
New Westminster	2	2	$392,440	$268,927	+46%
North Vancouver	11	1	$504,323	$373,000	+35%
Surrey	-	1	N/A	$188,889	N/A

2021 APARTMENT BUILDING SALES: CITY OF VANCOUVER

First six months | January 1 to June 30, 2021

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Vancouver (Eastside)			
566 E 44th (ST)	30	$10,500,000	$350,000
1383 E Broadway	30	11,250,000	375,000
1344 E 1st Ave	30	8,300,000	276,667
3080 E 54th Ave	18	6,200,000	344,444
* 150 E 16th Ave	27	9,300,000	344,444
765 Victoria Dr	14	5,500,000	392,857
1522 E 3rd Ave (DS)	5	2,900,000	580,000
837 E Broadway (ST)	12	5,900,000	491,667
229 E 13th Ave	25	8,218,000	328,720
550 E 15th Ave	6	2,150,000	358,333
1536 E 3rd Ave (ST, DS)	8	3,175,000	396,875
	205	**$73,393,000**	**$358,015**
Vancouver (Kerrisdale)			
5815 Yew St (HR)	83	$50,000,000	$602,410
5940 Balsam St	18	7,000,000	388,889
	101	**$57,000,000**	**$564,356**
Vancouver (Kitsilano)			
4640 W 10th Ave	14	$7,250,000	$517,857
2280 W 6th Ave (SP)	43	17,051,724	396,552
2040 York Ave (SP)	54	21,413,793	396,552
1968 W 2nd Ave	24	13,500,000	562,500
2035 W 5th Ave	9	4,000,000	444,444
1977 W 3rd Ave	16	7,350,000	459,375
1540 Yew St	10	4,525,000	452,500
* 2012 Cornwall Ave	20	10,075,000	503,750
3670 W 5th Ave	25	11,500,000	460,000
2155 W 7th Ave	20	8,900,000	445,000
	235	**$105,565,517**	**$449,215**
Vancouver (South Granville)			
1326 W 13th Ave (MR)	30	$16,185,000	$539,500
1355 W 14th Ave (MR)	28	17,000,000	607,143
1003 Wolfe Ave	6	3,200,000	533,333
3075 Willow St (TH)	8	7,088,000	886,000
1364 W 11th Ave (SP)	30	13,980,000	466,000
1107 W 14th Ave (SP)	32	13,850,000	432,813
1766 W 11th Ave (ST)	7	3,760,000	537,143
1366 W 12th Ave	30	14,600,000	486,667
	171	**$89,663,000**	**$524,345**

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Vancouver (Marpole)			
1383 E Broadway	30	$11,250,000	$375,000
* 8755 Laurel Ave	33	10,500,000	318,182
8675 French	72	29,000,000	402,778
8740 Cartier St (SP)	35	13,879,310	396,552
8790 Cartier St (SP)	35	13,879,310	396,552
1373 W 73rd Ave (SP)	36	14,275,862	396,552
8582 Cartier St	10	3,650,000	365,000
8726 Hudson St	10	4,350,000	435,000
8735 Selkirk St	22	8,100,000	368,182
8777 Montcalm St	19	6,880,000	362,105
8707 Montcalm St	16	6,150,000	384,375
8757 Selkirk St	17	6,150,000	361,765
8645 Fremlin St	10	2,925,000	292,500
	345	**$130,989,482**	**$379,680**
Vancouver (West End)			
1537 Burnaby St (SP)	24	$13,000,000	$541,667
* 1435 Pendrell St (SP)	21	8,375,000	398,810
1955 Nelson St (DS)	11	6,387,500	580,682
1885 Barclay St	41	22,100,000	539,024
1924 Barclay St (HR)	42	22,750,000	541,667
1580 Haro St (MR)	61	32,000,000	524,590
855 Jervis (MR)	48	25,265,000	526,354
1270 Nicola (MR)	37	17,950,000	485,135
1461 Harwood St (MR)	38	22,500,000	592,105
* 1623 Haro St	24	10,000,000	416,667
2035 Barclay St (SP)	28	15,200,000	542,857
* 1869 Comox St (HR)	86	40,800,000	474,419
1249 Granville St (ST, MU, SP)	46	23,300,000	506,522
2054 Comox St	23	10,800,000	469,565
1825 Haro St (HR)	90	37,300,000	414,444
* 1011 Beach Ave (SP, HR, IF)	220	Confidential	Confidential
* 1160 Broughton St (HR)	75	29,750,000	396,667
945 Jervis St (SP, EST)	109	60,500,000	555,046
1454 Pendrell St	51	24,194,000	474,392
1348 Barclay St (HR, SP, EST)	143	86,000,000	601,399
1825 Comox St	23	9,100,000	395,652
	1241	**$652,271,500**	**$525,602**

* Sold by Goodman Commercial

** December 2020 sale

2021 APARTMENT BUILDING SALES: SUBURBS

First six months | January 1 to June 30, 2021

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
Burnaby			
6660 Telford Ave	47	$14,700,000	$312,766
6649 Burlington Ave (DS)	8	3,800,000	475,000
6868 Arcola St	7	1,655,000	236,429
4424 Pender St	29	9,694,000	334,276
366 Howard Ave	45	12,375,000	275,000
* 4651 & 4663 Hastings St (MU)	13	6,750,000	519,231
	149	**$48,974,000**	**$328,685**
Coquitlam			
1160 Inlet St (DS, TH, ST)	**36**	**$34,551,360**	**$959,760**
Langley			
20709 Eastleigh Cres (DS, TH)	**7**	**$4,100,000**	**$585,714**
Mission			
7365 Alder St	**8**	**$1,400,000**	**$175,000**
New Westminster			
** 818 Twelfth St (MU)	7	$3,950,000	$564,286
65 First St (ST, DS)	61	22,735,920	372,720
	68	**$26,685,920**	**$392,440**

ADDRESS	SUITES	PRICE ($)	AVG $/UNIT
North Vancouver			
1629 St Georges Ave	22	$10,800,000	$490,909
215 E 16th St (DS)	25		
235 E 16th St (DS)	17	19,700,000	328,333
1540 St. Georges Ave (DS)	18		
154 E 18th St (NC, HR, SP, EST)	96	54,000,000	562,500
143 E 21th St (NC, MR, SP, EST)	99	55,000,000	555,556
145 E 4th St (DS)	11	9,600,000	436,364
153 E 4th St (DS)	11		
2832 Capilano Rd (ST)	14	9,500,000	678,571
165 E 19th St	14	5,700,000	407,143
380 E 1st St (DS)	20	10,700,000	535,000
	347	**$175,000,000**	**$504,323**
Richmond			
* 14000 & 14088 Riverport Way	**135**	**$45,465,000**	**336,778**
West Vancouver			
425 6th St (SP)	16	$11,880,000	$742,500
2025 Bellevue Ave (MR)	42	24,500,000	583,333
2190 Bellevue Ave (HR)	62	41,602,000	671,000
2222 Bellevue Ave (DS, HR)	100	101,300,000	1,013,000
	220	**$179,282,000**	**$814,918**
White Rock			
1455 Fir St	58	$12,800,000	$220,690
15281 Royal Ave	21	6,300,000	300,000
	79	**$19,100,000**	**$241,772**

* Sold by Goodman Commercial
** December 2020 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
(RH) Rooming house

> Being good in business is the most fascinating kind of art. Making money is art and working is art and good business is the best art.
>
> — ANDY WARHOL

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