Article rank | 29 Jul 2015 | The Vancouver Sun | EVAN DUGGAN | SPECIAL TO THE SUN

Tides turn slowly on rental stock

Changes made, but developers still not constructing enough to meet demand

"A vacancy rate of three to four percent is seen to be more healthy, and that's what we're striving towards. We will be looking at policies constantly to see how we can improve that.
MUKHTAR LATIF CITY OF VANCOUVER CHIEF HOUSING OFFICER

Jacob Butula knows he has his work cut out for him.

The 30-year-old graduate student is trying to relocate from Victoria to Vancouver this fall to continue his studies and to be closer to friends and family.

After spending a previous sixmonth stint as a renter in Vancouver, Butula knows how tough it is to find a decent apartment when Vancouver's rental vacancy rate is 0.5 per cent.

"I expect to be competing with many other students who will also be looking for housing around the same time," he said last week. "I also expect I'll need to live a rather financially tight lifestyle or rapidly increase my student loan debt until I am on top of my graduate studies enough to get a part-time job."

Investors and developers are recognizing that there's a premium on market rental buildings in Vancouver. So far this year, buyers have been aggressively seeking rental apartment buildings as landlords earn well from chronic shortages and unyielding demand, according to a new report.

Over the first six months of this year, there have been 36 apartment building sales in the city of Vancouver compared to 30 in the same period last year, according to the July edition of the Goodman Report.

Across Metro Vancouver, some 155 apartment buildings are predicted to sell this year for a total of roughly $1 billion. That would be up from $778 million last year, according to the report.

In the city of Vancouver, 647 units have sold this year — a 24 per cent increase over last year, with the dollar value of those sales climbing from $158 million to $215 million.

"It's not a huge increase. But it's an increase," said David Goodman, principal at HQ Commercial and the report's author.

Sales in the suburbs are cooler. Outside of Vancouver, 1,268 rental units have sold so far this year — a seven per cent drop from the first half of 2014. Total sales figures have also fallen outside of Vancouver, dropping by 14 per cent from $279 million to $240 million.

Goodman said the rate of new rental developments isn't expanding enough to ease the "shockingly low" vacancy rate in Vancouver. "I see it getting worse over the next year or so," he said.

A shortage of land, lack of co-operation from the provincial and federal governments, and municipal red tape are slowing down the development of market rental apartments, he said.

"The land that we have, of course, is battled over between citizens, the NIMBYs, the developers, the council members, the planners," he said. "They all have a different take on how this land should be utilized."

With historically low interest rates, developers should be keen to build rental buildings in Vancouver, but it's not happening fast enough.

For its part, the City of Vancouver says renters' needs are a critical priority.

The current vacancy rate of 0.5 per cent is "definitely not acceptable," said Vancouver's chief housing officer, Mukhtar Latif. "A vacancy rate of three to four per cent is seen to be more healthy, and that's what we're striving towards. We will be looking at policies constantly to see how we can improve that."

Since 2010, the city has approved 3,783 units of new market rental housing units through a variety of programs, including its Rental 100 program, which encourages buildings made of 100 per cent rental units. The policy waives the development cost levy, eases parking requirements, relaxes unit size and allows for more density beyond the existing zoning criteria.

The city is also trying to protect existing aged rental apartments by requiring one-for-one replacement of existing rental housing for new developments of six units or more. Redevelopment can only take place — ousting existing tenants in the process and boosting future rent prices — if applicants can meet this requirement under existing zoning.

"Up until five years ago, there was no incentive for developers to develop any rental stock in the city," Latif said.

Before 2010, only five per cent of new housing stock was market rental, he said. Now, nearly 20 per cent of new housing developments are market rental.

"The municipalities are, on one hand, talking about encouraging rentals, but they're not doing a great job at all," Goodman said. "If they produce 5,000 units over five years, the need is really 25,000 units. It's hardly addressing the deep-rooted need we have for rentals because it's all on the backs of municipalities."

Butula said he's worried about the "significant time and energy" it will take to search for housing and then compete with other tenants to sign a lease.

"I've felt from the start that moving to Vancouver involves giving up the financial comfort I would have nearly anywhere else in B.C.," he said.

"I might end up staying in a hostel or bugging the people I know for a place to couch surf until I can find somewhere to stay."

Goodman added that the current imbalance in the market could result in "very sizable rent increases," even as new stock comes online.

"Those tenants who are in are safe," he said. "But in turnover, I think landlords are going to recognize there's such a shortage. If a dozen people show up for a suite on Craigslist, I think landlords are going to realize they could move (their rent prices) up."

Previous Story Next Story