

## Rental buildings are hot real estate commodity

### Sales in Metro Vancouver shot up 47 per cent in 2015; higher rents expected fallout from activity, realtor says

Sales of rental apartment buildings in Metro Vancouver surged 47 per cent in 2015 — and the total value of all sales of apartment buildings went up 99 per cent from 2014.



In Metro Vancouver last year, 181 rental apartment buildings were sold. The average price per suite was \$362,424 in the city and \$205,476 in the suburbs.

But that's because most of the apartment blocks sold were bigger. The number of suites in the 181 buildings sold in 2015 was 6,259, up from 3,282 in 123 buildings the year before. The average price paid per suite was up only five per cent, to \$247,879 in 2015 from \$237,025 in 2014.

The figures come from the Goodman Report, a newsletter for apartment owners put out by commercial realtors David and Mark Goodman.

David Goodman said the increase was due to several factors.

"Obviously there's low interest rates," said Goodman.

"There's a significant lack of supply. There's just not enough land in the Lower Mainland, and when there is land it's difficult as hell to develop new rentals, very difficult.

“Besides that, there is a staunch opposition to tearing down older rental buildings. It seems to be ingrained in the DNA of politicians — protect at all costs existing rentals.”

Goodman tracks 3,020 apartment buildings in Metro Vancouver. Last year 78 buildings were sold in Vancouver and 103 in the suburbs. The average price per suite was \$362,424 in the city and \$205,476 in the suburbs.

In dollar value, this worked out to sales of more than \$612 million in Vancouver, and more than \$938 million in the suburbs, for a total of more than \$1.5 billion.

There were 17 apartment blocks sold in the West End, 15 in Kitsilano, and 14 in both East Vancouver and Marpole. The highest prices per suite were registered by buildings near UBC, \$769,231, followed by Kerrisdale at \$611,340 and the West End at \$392,192.

Burnaby led the suburbs with 36 sales of apartment buildings, followed by New Westminster with 22 and North Vancouver with 10.

The prices paid were significantly less than in the City of Vancouver. Apartments in North Van sold for \$289,362 per suite, in Burnaby for \$260,036 and in Richmond for \$251,880. Apartments in Maple Ridge sold for \$92,614 per suite, and in Surrey for \$128,419.

Goodman said most buyers of rental apartments are local.

“I would say 80 per cent of them are local,” he said.

“We know them all, it’s the same players over and over again. What has changed a bit this year is that there is investment coming in from China. Not an avalanche, they’re (usually) buying land.”

Goodman said the net result of all the sales will be that rents will go up. But there are other factors in those rent increases, such as when a long-term tenant moves out and a landlord renovates the suite.

“Why have rents gone up beyond 2.9 per cent, which is the mandated rent increase? Because if you own a building and you’ve had a tenant living there for 14 years and they finally leave, it goes from typically \$900 or \$1,000 to \$1,400.

“And they paint it, they spend money on the suite, they’ll spend \$10,000 to \$15,000 on a unit and mark it up 30/40 per cent. Well, when you have some of those happening, it skews the 2.9 so it reports as four to five per cent.”

Vancouver Coun. Geoff Meggs notes that half the city’s population lives in an estimated 67,000 rental apartments. He said the high prices paid for apartment blocks is “worrisome,” and said the city is doing everything it can to keep and expand rental stock.

“In Vancouver and I think maybe North Van you have to replace a rental unit if you tear it down,” Meggs said.

“But in some other municipalities, notably Burnaby, that’s not the case. And we’ve seen significant losses, which is discouraging. These are valuable lower-cost units, and they’re being snapped up in some cases for redevelopment as condominiums, depending on the municipality.”

Meggs said Vancouver insists developers build rental apartments in any new project.

“All major developments already have a 20 per cent requirement in our case,” he said.

“If it’s too small a project to warrant construction of the units right there, the money goes into a fund instead and we build it nearby. The rental program requires it to stay rental for 60 years or the life of the building, whichever is longer.”

Goodman said that while Vancouver’s goal of building 800 to 1,000 new rental apartments per year is laudable, it falls far short of the demand.

“It’s really a paltry amount, given what the marketplace needs, probably 4,000 to 5,000 a year,” he said.