

## OPINION

# Rental property market distorted

**Bidding wars:**  
Report details  
a 'rapid, once-  
in-a-generation  
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levels'



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A massive infusion of offshore cash into the Lower Mainland's multi-family residential property market is "disrupting the local development and investor communities," resulting in bidding wars and a surge in the value of real estate sales.

A report by well-known apartment property analysts David Goodman and his son Mark also notes the region's vacancy rates continue to drop and tenants in some parts of the region are being hit with rent hikes of more than five per cent.

Property prices are increasing so fast that the two realtors, principals at HQ Commercial, assert the widely accepted practice of setting asking prices based on recent prior sales, or "comparables," is no longer useful.

"With the frequent surpassing of pricing assumptions and expectations comes a growing need to dispense with preconceived notions of market."

The dollar volume of rental property sales in the region jumped by nearly 100 per cent, to \$1.55 billion in 2015. Sales were up 46 per cent, reflecting 180 transactions.

But it was rental buildings in the suburbs around Vancouver

that really flew off the shelf, with the value of sales reaching \$936 million, up 67 per cent from 2014. Sales volumes jumped 67 per cent, for 102 transactions.

The numbers are astounding. The Goodmans describe "a rapid, once-in-a-generation surge in prices to unimagined levels ... with bidding wars waged daily on almost all offerings."

The usual reasons are cited to justify the mayhem — low interest rates, a low dollar, more immigration from other provinces, a continued influx of immigrants, Vancouver being a safe and beautiful place to live.

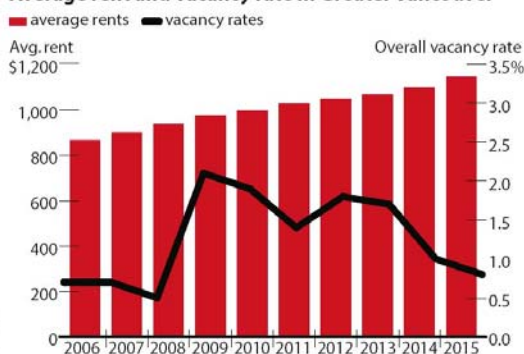
But the Goodmans also cite investor groups from China, which they say are "relatively small in number yet immensely powerful and extremely well-capitalized, with billions of dollars at their disposal."

"Locals either lose out or feverishly raise their bids to compete with the new kids on the block."

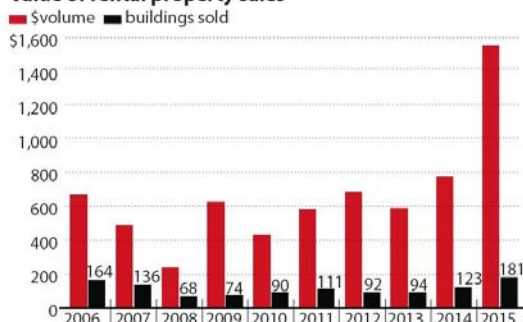
The foreigners are "leaving an indelible mark on local real estate. ... Their acquisitions have served not only to underpin the markets, but to propel pricing to unforeseen levels."

They are buying development sites, "strategically located land

**Average rent and vacancy rate in Greater Vancouver**



**Value of rental property sales**



Source: Goodman Report

plays with development prospects still years off and existing commercial and multi-family assets.

"Rental housing demand is shifting to outlying suburban centres due to (tenant) affordability challenges in the City of Vancouver." The dollar value of sales last year grew everywhere but in Surrey.

Rental buildings are hot, in part, because vacancy rates are down to 0.6 per cent in Vancouver, and 0.8 per cent across the region.

"Vancouver's municipal politicians have not done nearly enough to address the dire plight of those seeking affordable housing," assert the Goodmans.

They are critical of a

moratorium on rental building demolitions, now nine years old, and municipal programs encouraging development take up to four years for bureaucratic approvals.

They also criticize zoning policies that preclude "even modest densification increases in non-downtown urban areas."

Structures that are not fully capitalizing on existing density allowances are being retained despite an obvious need for more rental suites, they say, because of "undue government interference."

More than 80 per cent of Vancouver rental buildings are older than 35 years, "and showing it."

But while the realtors chastise the government for pandering to renters, who comprise a huge voting constituency, their own viewpoint reflects a clear pro-development bias that potentially would bring disruption to many existing tenants.

Rents went up last year by 3.9 per cent despite a 2.5-per-cent allowable threshold set by the province's Residential Tenancy Branch.

The 2016 threshold is 2.9 per cent.

Landlords can exceed any given threshold when renting to new tenants.

Some try to circumvent rent thresholds by offering leases that oblige tenants to vacate after a year, and negotiate a new-tenant lease if they wish to remain.

In parts of downtown, South Granville, on Oak Street, Richmond and the Tri-Cities area, rents went up by more than five per cent.

All of which justifies the Goodmans' characterization of Vancouver's existing housing situation as "a mess."

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