

OPINION

Ideal market conditions create bull market for apartment buildings

**Big push:
Low
interest,
vacancy
rates bode
well for
sellers**



**Barbara
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Affordable mortgage rates and low numbers of residential vacancies are making 2014 "a breakout year" for sales of apartment buildings across Metro Vancouver.

The Goodman Report, a local newsletter covering multi-family investment property, notes that selling volumes have been robust, with prices per-suite in suburban Vancouver markets up 22 per cent over 2013, 13 per cent for buildings in the city.

"Sensing that business, political and economic signs remain positive, new buyers both offshore and local have been relentlessly pursuing older three-storey frame and highrise buildings for retrofit opportunities," says the report.

Written by father-son realtors David and Mark Goodman, it predicts 125 apartment buildings will sell through 2014, with a total value exceeding \$800 million.

With 61 buildings sold as of July, the pace of sales is 36 per cent ahead of a year ago, signalling what the Goodmans are labelling "a bullish breakout."

A newly released Colliers International report backs up the opinion: "The Metro Vancouver multi-family market continues as one of limited supply and strong demand."

Colliers cites a three-storey, wood-frame, walk-up building in the West End that sold in 1999 for \$1.9 million. Last January, the building fetched \$6.3 million.

"In 15 years, the property has increased more than 330 per cent in value. This property follows a trend that can be attributed to a very high demand for multi-family assets within Metro Vancouver, and rock-bottom interest rates."



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An estimated 125 apartment buildings will sell this year in Metro Vancouver, says the Goodman Report.

Since the economic downturn in 2008, an average 88 Vancouver-area buildings have been selling annually.

Some neighbourhoods in particular are benefiting from the strong interest in multi-family units. Developers have shown great interest in capitalizing on older co-ops and underdeveloped buildings along East and West Boulevard, boosting prices for Kerrisdale properties on streets zoned commercial.

The same thing is happening in Burnaby, near Metrotown, Edmonds and Brentwood. Some buildings are selling just for land value, slated for the wrecking ball, to be replaced by modern highrise condos.

"Owners of rental buildings throughout Greater Vancouver are sitting pretty," says the report. "Investor demand far outstrips supply, with current offerings reportedly at an all-time low."

The Goodmans advise that current investors are "increasingly savvy," having research behind them in their buying activities.

Just three companies were responsible for 42 per cent of transactions in the first half of 2014.

According to Canada Mortgage and Housing, Vancouver's vacancy rate sits at 1.8 per cent, making the city one of the tightest in the country for rentals. The rate for

condominium apartments is even tighter, at 1.1 per cent.

"The rental market looks good into the future as many young people doubt home ownership will be a viable option for them in pricey Vancouver. Median household incomes, at about \$70,000, don't make it easy for people to buy."

For those wondering about the cost of an apartment building, there are choices to fit every fat wallet.

The greatest number of 2014 sales have occurred in Burnaby, with Kitsilano the next-most fertile spot.

A six-unit building on Vine Street in Kitsilano recently sold for \$2 million, while a 21-suite building on Wilson

in Burnaby sold for \$9.3 million. In Surrey, a buyer paid \$48 million for a 266-unit building on King George Boulevard.

The price paid per apartment suite runs anywhere from \$120,000 in New West, to \$628,000 in Kits.

According to Colliers, Vancouver buildings have the highest price per suite in Canada, at \$231,000 — up nearly nine per cent in the last year alone.

And, "Vancouver has tended to demonstrate the highest rental rates in most, if not all categories of multi-family housing."

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