The Newsletter for Apartment Owners since 1983

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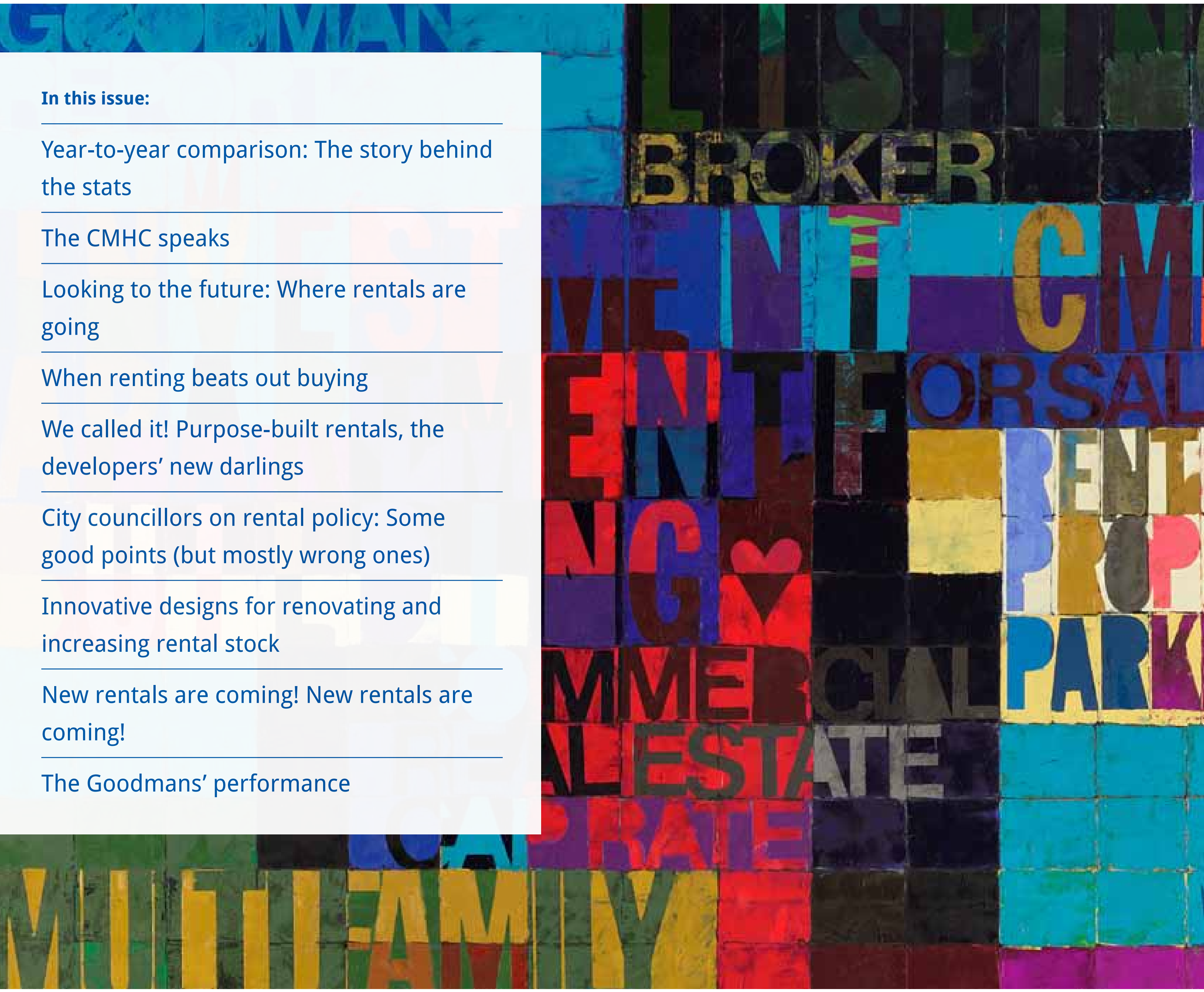
Goodman report:

2013 Greater Vancouver Apartment Building Market Review



In this issue:

Bratsa Bonifacho. *The Goodman Report*, 2013. Oil on canvas, 78 x 58 inches

2013 – Year-end review

Crosscurrents of economic opinion abound as we move into 2014.

The theme? Uncertainty. Financial observers are increasingly wary of Canada's pricey real estate, particularly housing. Most Canadian economists believe the residential sector is headed for a soft landing, not a U.S.-style meltdown, while many outside observers warn of a growingly fragile market. As talk of a housing bubble resurfaces, we're seeing record levels of household debt, conflicting interest-rate forecasts and concerns from the Bank of Canada about inflation versus deflation.

Stephen Poloz, governor of the Bank of Canada, has recently observed that inflation is running below the 2% target and that risks that inflation will run too low "appear to be greater" than those that it rises too high. "Minimizing the risks of making a big mistake here is what we're trying to do, and that tells us that we should be holding rates where they are until the data flow changes our mind," Poloz said in an interview on CBC Television. He projected that inflation would take about two years to get back to the 2% target, indicating that interest rates would stay where they were "for quite some time." He called for a soft landing: a gradual slowing of housing sales and starts.

In what seems a curious challenge to the Bank of Canada's monetary authority, Minister of Finance Jim Flaherty has implied that interest rates should be raised. Flaherty cites the recommendations coming from the Organisation for Economic Co-operation and Development and the International Monetary Fund that Canada increase rates. He argues further that there is some pressure to tighten because the U.S. Federal Reserve is scaling back its bond-purchasing program. Notably, U.S. 30-year fixed mortgage rates are at 4.41%, up from 3.35% in May 2013: perhaps a prelude of what's to come in Canada.

The Bank of Canada calls for growth of 2.3% in 2014 and 2.6% in 2015, which would bring the economy back to health by the middle or end of the latter year. Others disagree with this upbeat forecast. In an article in the *Financial Post* of January 3, 2014, Amna Asaf and David Madani of Capital Economics predict much weaker GDP growth of 1.5% for Canada in 2014. Madani foresees that the Bank of Canada could cut its trendsetting lending rate, which has been at 1% since 2010, rather than hiking borrowing costs.

Economist Nouriel Roubini, who predicted the collapse of American housing and the worldwide recession following, warns of bubble-like housing markets in Canada and elsewhere. As featured in an article by Michael Babad in *The Globe and Mail* on December 6, 2013, Roubini indicates that "fast-rising home prices, high and rising price-to-income ratios and levels of mortgage debt as a share of household debt" are "signs that home prices are entering bubble territory in these economies." Certainly, the proportion of mortgage to household debt is a big problem in Canada and a headache for policy makers, though credit growth has slowed noticeably.

The U.S. economy is softer than expected, but as fiscal headwinds dissipate and household deleveraging ends, growth should accelerate through 2014 and 2015. While China is showing renewed economic momentum, its wealthier citizens are increasingly moving money overseas as the stresses on Chinese credit markets become more apparent.

And here? According to Jock Finlayson, executive vice-president and chief policy officer of the Business Council of British Columbia, the capital cost of "major projects" under way or approved is $83 billion, with another $150 billion or more in proposals identified in the government's Major Projects Inventory. Proposals include LNG and oil pipelines, while infrastructural projects feature highway upgrades, expansion of Vancouver International Airport, improvements at Port Metro Vancouver and the Port of Prince Rupert, and many more. Our economy appears on the uptick with a recovering forestry sector, assisted by a U.S. housing surge, and major shipyard expansions in North Vancouver and Victoria triggered by federal shipbuilding programs.

We live in a very special place, with abundant resources and continuing investment from abroad. Simultaneously, fluctuations in world and Canadian markets mean that as a B.C. real-estate owner, you're wise to be cautious, thoroughly exploring your options with your financial planner and other advisors.

To a most successful year.

Year-to-year comparison: The story behind the stats

The 2013 numbers are in. Any observer attempting to interpret the year's performance faces a bewildering set of signals.

In 2013, investors appeared to focus on location, stepping up acquisition of core Vancouver-based multi-family buildings while simultaneously easing off investments in suburban areas. Perhaps they were compelled by the lower vacancy rates (Vancouver rentals being preferred by new immigrants), better repositioning potential, shorter commute periods and convenient access for tenants to SkyTrain and other amenities available in the city.

In Greater Vancouver, a total of 94 rental apartment buildings changed hands in 2013, up a nominal 2% from the 92 buildings sold in 2012. Vancouver itself rebounded nicely, recording 54 sales, up 17% from the 46 in 2012, while the suburbs experienced a decline to 40 sales, down 13% as compared to 2012's more buoyant 46.

As for Vancouver neighbourhood transactions, the Eastside held firm at 15 sales in 2013 versus 17 in 2012, as did Marpole at seven, which were slightly lower than the eight recorded a year earlier. Kitsilano increased its activity to eight transactions versus five in 2012, as did South Granville, increasing sharply to 11 sales as compared to four in 2012. Kerrisdale had three reported sales in 2013, with only one in 2012. The West End remained steady at 10 in 2013 versus 11 in 2012.

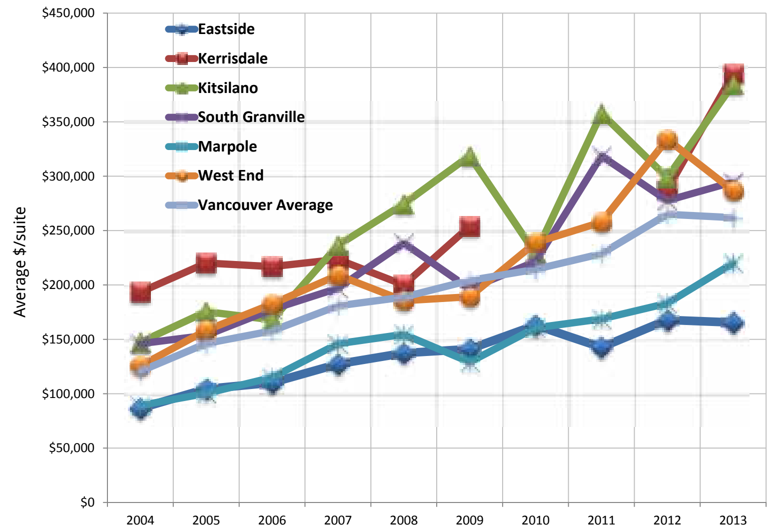
Total dollar volumes for Greater Vancouver decreased by 14% to $587 million, as compared to $683 million in 2012. Vancouver itself, however, countered the trend with volume increasing to $385 million, a 27% increase over 2012's figure of $302 million, whereas suburban dollar volume registered a dramatic 47% decrease to $202 million, a $178-million decline from 2012's $380 million.

2013's average price per suite for Greater Vancouver rentals was up 14% to $230,000, as compared to $202,000 in 2012. Vancouver's average per suite decreased to $262,000, down a slight 1% over 2012's figure of $265,000, whereas the suburban average rose 9% to $186,000, as compared to $170,000 in 2012.

Overall, Vancouver neighbourhoods continue to demonstrate remarkable resiliency, with Kerrisdale, Kitslano, Marpole and

Vancouver neighbourhoods 2004–2013

Average price per suite

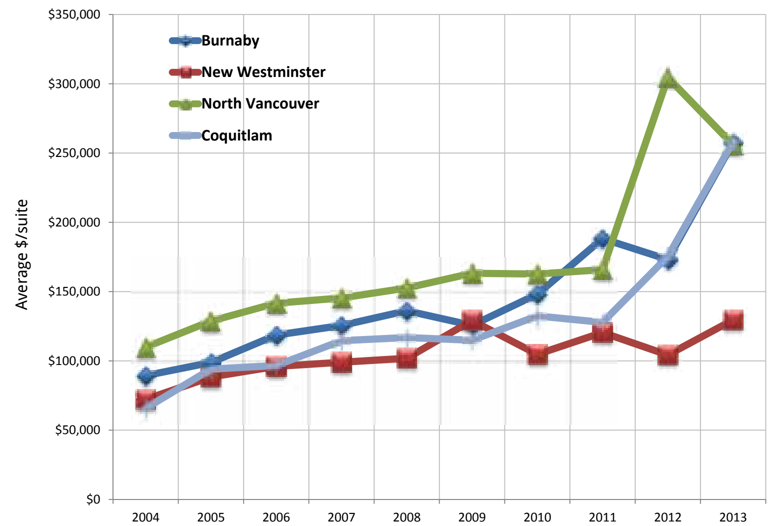


Kerrisdale
Kitsilano
South Granville
West End
Vancouver Average
Marpole
Eastside

Disclaimer: A one-year snapshot of activity does not mean a trend. We typically arrive at our conclusions by comparing and tracking statistics over prolonged periods.

Suburban neighbourhoods 2004–2013

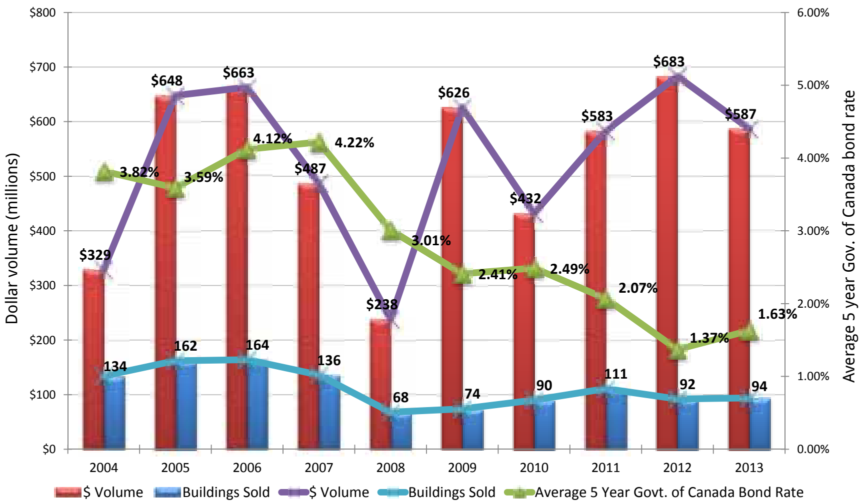
Average price per suite



Coquitlam
Burnaby
North Vancouver
New Westminster

Source: Goodman Report

Greater Vancouver 10-year multi-family performance



Source: Goodman Report

South Granville registering gains of 6% to 37% in their dollar-per-suite averages. On the strength of two high-valued sales in the University Endowment Lands and one on Point Grey Road, values in Kitsilano escalated dramatically in 2013 to $385,000 per suite versus $299,000 in 2012, a 28% increase. Kerrisdale, traditionally characterized by few if any transactions, showed a strong increase in value to $394,000 per suite versus $288,000, a 37% increase over 2012. The Eastside was flat at $166,000 per suite as opposed to $168,000 in 2012. The only neighbourhood to drop in value was the West End, showing a 14% decrease per suite at $287,000 versus $334,000 in 2012. Perhaps a couple of off-market sales that weren't well exposed and the absence of any blockbuster sales on Beach Avenue had something to do with it.

With respect to suburban values, Burnaby sales transactions, while similar to the previous year, showed a large increase in value as seven former apartment buildings were sold to developers for land value: a whopping 49% increase per suite at $257,000 versus $173,000 in 2012. Similarly, New Westminster showed a 24% increase to $130,000 per suite versus $104,000 in 2012, a further indication that the municipality is rapidly gaining a more favourable image. Maple Ridge, thanks to a rare and noteworthy highrise sale on 224th Street, saw values climb 6% to $89,000 per suite. By contrast, Langley experienced two sales with an 11% decline to $116,000 per suite, while North Vancouver, despite increased activity of seven sales in 2013 as compared to two a year earlier, still saw average prices decline 16% to $256,000 per unit versus $304,000 in 2012. The fact that North Vancouver only experienced two sales in 2012, however, distorts the averages for that year. White Rock saw only two sales in 2013 to its three in 2012, with an average increase in price per unit to $189,000 as compared to $156,000.

Ladner reported no sales in 2013, while Coquitlam, Port Coquitlam, Mission and Surrey registered one each.

We see a dichotomy when comparing year-over-year performance across Greater Vancouver. While the overall number of transactions in the region remained flat, Vancouver itself had a strong uptick in the number of transactions and dollar volumes, at the same time that the suburbs experienced quite the opposite, with huge downward swings in sales volume and activity, against the backdrop of modest increases in value. Refer to chart on page 6 for a year-over-year comparison.

Market Plateauing?

Hidden amongst the reams of statistical data we've unearthed, there lies perhaps a sign of things to come. Since 2003, when prices in Vancouver averaged $119,500 per suite, an inexorable climb in values has occurred, pushing the average price to $265,000 as of 2012: an increase of 122%. Correspondingly, during the same 10-year period, cap rate compression ensued that saw yields drop by approximately 60% (now between 2.5 and 4.25%) and the five-year Government of Canada bond rate drop by 66%.

In our 2012 – *Year End Review*, we forecasted a firming of lending rates and suggested that values were likely to plateau. When we review 2013's sales figures, this appears to have occurred, with Vancouver's value effectively flat at $262,000 per suite in comparison to $265,000 in 2012. While this 1% drop appears very minor, might it be an early, subtle signal that a price ceiling has been reached? Time will tell. Price volatility can be exacerbated by dramatic changes in interest rates, deflationary and inflationary concerns, altered migration patterns or overall weakening of the economy of British Columbia or Canada. As we've reported over the past 31 years, this asset class has repeatedly demonstrated great resiliency. For 2014, the economic consensus is still quite positive.

The CMHC speaks

The new purpose-built rental supply seems to have affected vacancy rates in newer buildings more than it has affected those in buildings constructed before 2000. Vacancies in purpose-built rentals that were completed in 2000 or later rose from 1.3 to 2.2% during the past year, whereas vacancies in units built before 2000 either edged lower or remained relatively unchanged. The increase in vacancies in comparatively new buildings may also reflect competition from rental condo units or stronger demand for older units, which tend to have lower rents than those in newer buildings.

Full-time job growth in Vancouver census metropolitan area (CMA) over the past year has been relatively flat. Gains achieved earlier in the year were quickly offset so that by the end of the third quarter, full-time employment for all age cohorts was nearly back where it was a year before. Without robust growth in full-time employment to support home ownership, renting was likely to be favoured over owning, especially when overall unemployment remained just under 7% even as overall labour-force participation edged lower, suggesting generally softer employment conditions for most.

Increased competition from new and renovated purpose-built rentals may have added some pricing constraints for rental condo apartments. Condos usually command rent premiums over purpose-built rentals. Over the past five years, the average rent premium recorded for a two-bedroom condo has been approximately 32%. By October 2013, however, this average had fallen to 23 percent. Also, the average rents recorded for two-bedroom rental units in Vancouver CMA were mostly lower in October 2013 than those noted a year before.

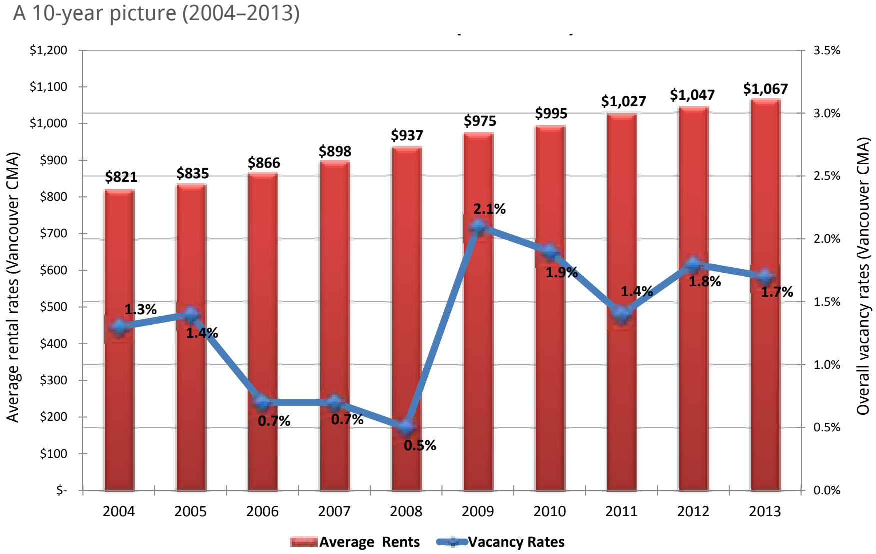
In general, purpose-built rental apartments are still the least expensive housing options in Vancouver CMA. Average rents were $1,005 for a one-bedroom and $1,281 for a two-bedroom. By contrast, renting a condo apartment would require $1,287 or $1,580 for a one or two-bedroom unit, respectively. Yet the cost of renting either a purpose-built rental or a condo would still be significantly lower than buying a comparable home in Vancouver CMA.

Key points from the *Rental Market Report, British Columbia Highlights*, 2013, published by the Canada Mortgage and Housing Corp. (CMHC):

- Greater Vancouver's vacancy rates remained steady both for purpose-built rental and for rental condominium apartments.
- The average vacancy rate for purpose-built rental apartments adjusted down to 1.7% in October 2013 from 1.8% a year earlier.
- The average vacancy rate for the secondary condo market adjusted higher to 1.1% in October 2013 from 1.0% a year earlier.
- Of the 194,598 total condo suites existing, 51,224 or 26.3% are in rentals: an increase of 5.6% over 2012.
- In the downtown core (Burrard Peninsula), condos averaged $1,930 in monthly rents, 36% higher than their purpose-built counterparts at $1,230.
- The average rate of rent increase between October 2012 and October 2013 was only 1.9%.

Greater Vancouver CMA average rents and vacancy rates

A 10-year picture (2004–2013)



- Of the 108,666 suites available in Vancouver CMA, only 1,847 were vacant in 2013 versus 1,947 in 2012.
- For purpose-built buildings in Vancouver CMA, the average rent in 2013 was $1,067, a 1.9% increase over 2012's figure of $1,047.
- In the last 10 years, average Vancouver CMA rates have increased 30% from $821 to $1,067.

Source: CMHC & Goodman Report

Activity highlights

2013 compared to 2012

Building transactions

Area	2013 Buildings sold	2012 Buildings sold	% change	2013 Suites sold	2012 Suites sold	% change
Vancouver	54	46	+ 17%	1,472	1,141	+ 29%
Suburban	40	46	- 13%	1,084	2,235	- 51%
Totals	**94**	**92**	**+ 2%**	**2,556**	**3,376**	**- 24%**

Dollar volumes

Area	2013	2012	% change
Vancouver	$385,491,984	$302,342,000	+ 27%
Suburban	$201,601,500	$380,366,285	- 47%
Totals	**$587,093,484**	**$682,708,285**	**- 14%**

Average price per suite

Area	2013	2012	% change
Vancouver	$261,883	$264,980	- 1%
Suburban	$185,979	$170,186	+ 9%
Totals	**$229,692**	**$202,224**	**+ 14%**

Neighbourhood transactions / average price per suite

Vancouver areas	2013 transactions	2012 transactions	$ per suite (2013)	$ per suite (2012)	% change
Eastside	15	17	$165,507	$167,838	- 1%
Kerrisdale	3	1	$393,828	$287,500	+ 37%
Kitsilano	8	5	$384,685	$298,696	+ 28%
Marpole	7	8	$220,044	$183,102	+ 20%
South Granville	11	4	$294,697	$277,574	+ 6%
West End	10	11	$286,687	$333,983	- 14%
Suburban areas	**2013 transactions**	**2012 transactions**	**$ per suite (2013)**	**$ per suite (2012)**	**% change**
Burnaby	15	13	$257,496	$173,148	+ 49%
Langley	2	3	$116,146	$131,496	- 11%
Maple Ridge	2	3	$88,864	$83,540	+ 6%
New Westminster	8	10	$129,582	$104,267	+ 24%
North Vancouver	7	2	$255,906	$304,493	- 16%
White Rock	2	3	$189,259	$156,164	+ 21%

Building size, midrise/highrise, sales over $10 million

Type	2013	2012
Size (over 50 units)	13 of 94 sales (14%)	10 of 92 sales (11%)
Midrise/highrise	8 of 94 sales (9%)	8 of 92 sales (9%)
Over $10 million	17 of 94 sales (18%)	16 of 92 sales (17%)

Apartment building sales | Greater Vancouver

January 1st to December 31st, 2013

Address	Suites	Price ($)	$/Unit
Vancouver (Eastside)			
1986 Woodland	7	1,448,000	206,857
1619 E. Broadway	8	2,224,990	278,124
2067 Pandora St	8	1,620,000	202,500
211 E. 16th (MU)	10	1,480,000	148,000
* 1209 Woodland	6	1,675,000	279,167
* 668 E. 8th	11	3,100,000	281,818
1831 E. Georgia	17	3,000,000	176,471
605 S.E. Marine Dr (DS)	126	11,750,000	93,254
2603-29 Kingsway (MU)	28	6,700,000	239,286
2026 Franklin	8	1,375,000	171,875
30 E. 10th (HR)	66	12,000,000	181,818
837 E. Broadway	12	1,399,994	116,666
2703 Main (MU)	23	6,500,000	282,609
* 2272 Franklin	10	1,725,000	172,500
2254 McGill	35	6,067,000	173,343
Total	**375**	**$62,064,984**	**$165,507**
Vancouver (Kerrisdale)			
* 6455 W. Blvd	18	7,525,000	418,056
670 - 692 W. 45th Ave (TH)	33	13,000,000	393,939
5616 Yew	13	4,680,000	360,000
Total	**64**	**$25,205,000**	**$393,828**
Vancouver (Kitsilano)			
2438 Pt. Grey	9	5,000,000	555,556
* 1929 W. 3rd Ave	53	15,200,000	286,792
2222 Alma	21	5,500,000	261,905
2014 W. 3rd Ave	16	4,275,000	267,188
5516 Dalhousie (UBC)	11	4,475,000	406,818
* 2350 W. 1st Ave	16	5,750,000	359,375
5506-36 Kings (UBC) (TH) (DS)	12	12,988,000	1,082,333
1996 Trutch	11	4,130,000	375,455
Total	**149**	**$57,318,000**	**$384,685**
Vancouver (Marpole)			
8676 Oak	9	2,450,000	272,222
8675 Laurel	29	5,770,000	198,966
8796 Fremlin	13	2,150,000	165,385
* 8018 Cambie (MR) (NC)	110	26,800,000	243,636
8747 Granville St	14	3,575,000	255,357
8725 French St	46	7,950,000	172,826
1347 W. 72nd	7	1,475,000	210,714
Total	**228**	**$50,170,000**	**$220,044**
Vancouver (S Granville)			
2620 Hemlock	17	4,500,000	264,706
1215 W. 13th Ave	20	6,000,000	300,000
1016 W. 13th Ave	11	3,200,000	290,909
1535 W. 16th Ave	14	4,000,000	285,714
1309 W. 14th Ave	23	8,000,000	347,826
* 1715 W. 11th Ave	65	14,867,000	228,723
* 1015 W. 13th Ave	11	3,700,000	336,364
1006 W. 12th Ave	20	4,230,000	211,500
1056 W. 13th Ave	11	2,925,000	265,909
Olympic Village (MR) (NC)	119	42,000,000	352,941
1290 W. 11th Ave	22	4,712,000	214,182
Total	**333**	**$98,134,000**	**$294,697**
Vancouver (West End)			
** 1689 Robson (DS)	17	5,000,000	294,118
1333 Jervis	23	5,750,000	250,000
990 Bute	36	13,000,000	361,111
1952 Comox (HR)	61	16,350,000	268,033
1059 Nelson	28	7,800,000	278,571
950 Jervis (HR) (SP)	41	11,640,000 (EST)	283,902
1380 Jervis (HR) (SP)	56	17,360,000 (EST)	310,000
1270 Burnaby (SP)	22	5,800,000 (EST)	263,636
1230 Burnaby (SP)	23	6,000,000 (EST)	260,870
852 Nicola	16	3,900,000	243,750
Total	**323**	**$92,600,000**	**$286,687**

Address	Suites	Price ($)	$/Unit
Burnaby			
** 5895 Barker Ave (DS)	48	12,500,000	260,417
** 6530 Nelson (DS)	20	5,700,000	285,000
** 6580 Dunblane (DS)	10	2,360,000	236,000
** 1325 Madison	12	1,945,000	162,083
** 6749 Sussex	7	1,328,000	189,714
6832 Balmoral	6	888,000	148,000
6622 Willingdon	27	4,275,000	158,333
4449 Imperial	20	3,540,000	177,000
6730 Burlington	18	3,128,000	173,778
6730 Dunblane Ave	11	2,480,000	225,455
6255 Cassie (DS)	32	11,550,000	360,938
6004 Wilson (DS)	11	4,600,000	418,182
6006 Wilson (DS)	11	4,600,000	418,182
6611 Marlborough (DS)	17	6,000,000	352,941
6844 Balmoral	6	1,025,000	170,833
Total	**256**	**$65,919,000**	**$257,496**
Coquitlam			
663 Whiting Way (DS)	**17**	**4,390,000**	**$258,235**
Langley			
5255 208th (TH)	9	1,975,000	219,444
5450 204th	39	3,600,000	92,308
Total	**48**	**$5,575,000**	**$116,146**
Maple Ridge			
11682 224th	21	1,650,000	78,571
12151 224th (HR)	89	8,125,000	91,292
Total	**110**	**$9,775,000**	**$88,864**
Mission			
33371 2nd Ave	**26**	**$1,950,000**	**$75,000**
New Westminster			
125 Agnes	19	2,100,000	110,526
321 Hospital	40	5,800,000	145,000
425 12th (ST)	34	5,875,000	172,794
520 11th	51	5,450,000	106,863
607 3rd Ave (MU)	22	2,850,000	129,545
610 Blackford	29	3,741,000	129,000
329 Seventh	21	2,709,000	129,000
1115 4th	35	4,000,000	114,286
Total	**251**	**$32,525,000**	**$129,582**
North Vancouver			
** 143 E. 5th St. (DS)	8	1,600,000	200,000
130 E. 17th St	12	2,412,500	201,042
308 Forbes	47	8,700,000	185,106
644 E. Victoria Park	10	2,500,000	250,000
155 E. 12th	31	6,225,000	200,806
170 E. 5th (SP)	53	10,200,000 (EST)	192,453
* 3701 - 3817 Princess (SP) (TH)	57	24,150,000	423,684
Total	**218**	**$55,787,500**	**$255,906**
Port Coquitlam			
2209 Atkins Ave	**10**	**$1,340,000**	**$134,000**
Surrey			
5875 177B St	**40**	**$3,900,000**	**$97,500**
White Rock			
15391 Buena Vista	15	2,440,000	162,667
1371 Blackwood (MR) (SP) 14989 Roper Ave	93	18,000,000	193,548
Total	**108**	**$20,440,000**	**$189,259**

*** Sold by The Goodman Team**

*** December 2012 sales.*

The sale information provided is a general guide only. There are numerous variables to be considered such as:

1) Suite mix
2) Rental/sq. ft.
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

Looking to the future: Where rentals are going

On October 13, 2013, Mark Goodman appeared as an invited panelist at an event called "The Future of Rental Housing: Local and National Perspectives." Co-panelists were Bev Grieve, acting director of development services, City of New Westminster, and Thom Armstrong, executive director, Co-operative Housing Federation of British Columbia. The lead speaker was David Hulchanski, professor, housing and community development, University of Toronto. We're pleased to bring you the presentation Mark Goodman gave at the panel.

Introduction by Margot Young, co-principal, Housing Justice Project: As commercial real-estate agents, Mark Goodman and his partner David Goodman collectively have 42 years of experience in the Greater Vancouver rental-apartment market. They've highlighted by way of The Goodman Report *sales activity, trends, forecasts, new legislation that impacts apartment owners and proven methods of enhancing the value of apartment assets for their clients and investors alike. They have participated in the sale of over 400 rental buildings [and] 40 development sites and remain at the forefront of the growing trend of pre-construction offerings or "forward sales" of rental buildings and mixed-use projects.*

It's now with some irony that we are hearing a chorus of politicians across Canada chirping about the need for the creation of affordable housing. Here in the Lower Mainland, even our own planners and politicians, tenant-advocacy groups and the business community are acknowledging that the time has come to initiate development programs of renewal or replacement of our aging, low-density rental stock, much of which has become functionally obsolete. Government policies and actions suggest, however, that the very groups they're intended to assist, namely renters, are the very groups being negatively impacted by these same regressive policies.

We are able to conclude that the failure to provide adequate rental housing lies at the feet of all three levels of government, certainly not the developers – amongst North America's most creative and well-capitalized – nor investors. This audience is well aware that senior levels of government are housing-adverse; in other words, no funding or tax incentives are available. Additionally, the Feds continue to stall on implementing rollover tax legislation or small-business classification for the rental-housing industry, while steadfastly maintaining the need for GST on any newly built rentals, all of which are major impediments to new supply.

At the provincial level, British Columbia's contribution to the disincentive game is the cap on yearly rent increases, which for 2014 is 2.2%.

The real culprits, however, have been the municipalities, in particular Vancouver. While they pay lip service to supporting the growth of the rental industry, not nearly enough has been done until recently, with the introduction of the Rental 100 Program.

Vancouver's City Council, unable to stem the slow but steady loss of rental buildings and under some public duress, arbitrarily shifted the onus of preserving rentals onto the backs of building owners. Troubled by the erosion of its aging rental stock, Vancouver instituted its now infamous moratorium on demolitions and its rate-of-change regulations in 2007. A two-and-a-half-year moratorium has now stretched into its seventh year.

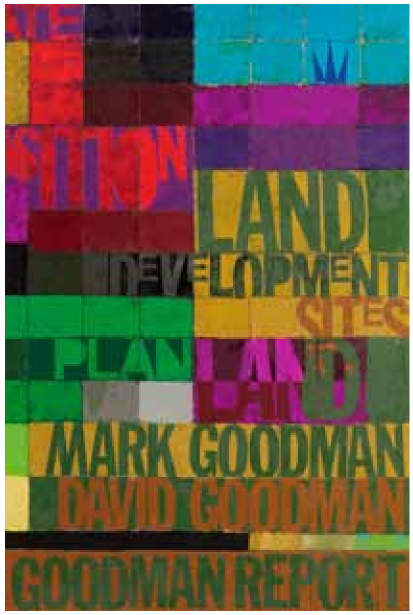
It is the city's stated policy that existing rental buildings in RM, FM and CD-1 zoned areas are to be protected at all costs. According to the Canadian Federation of Apartment Associations, this long-standing moratorium on the demolition of rental housing is unique to Vancouver, not copied by any another municipality in Canada.

Because of Vancouver's restrictive policies, in our opinion, driven in part by the political expediency of chasing the tenant vote, owners of the 1,500 or so wood-frame buildings averaging 58 years of age in the multi-family zones are no longer permitted to redevelop their properties even under the old one-for-one replacement or zero-rate-of-change policies. Unfortunately, Council refuses to rezone these existing areas outright, in spite of repeated proposals from owners and developers who are offering creative solutions that will allow for viable mixtures of rental and market housing.

It is our view that the underused resource of approximately 650 acres found in the existing multi-family zones are badly underutilized and instead should be the main focus of the city's desire to create supply and affordability, not merely our single-family neighbourhoods or arterial routes offering C-2 or C-3 zoning.

As an example, Vancouver rejected outright the idea of replacing an outdated and aging 65-unit frame rental building in an RM zone in South Granville with a new 160-unit rental apartment and separate highrise condo project. We were informed by a Vancouver city planner that this concept was a "showstopper" as the city would not provide incentives to allow for the destruction of a rental building, even if the outcome saw the creation of 160 new rentals in its place. We must ask the City: why not accept the benefits of the trickle-up effect? With the delivery of new, pricier rentals occupied by tenants able to afford them, more affordable suites would become freed up. In addition, CMHC reports that approximately 30% of all new strata units are rented by investors.

Vancouver's entrenched policies of one-for-one replacement and the zero rate of change should be modified. Instead, why not allow a mix of redevelopment including rental and market housing in RM, FM and CD-zoned multi-family areas, while simultaneously devising methods of protecting the well-being of vulnerable tenants on fixed incomes who pay modest rents? For example, a plan could provide temporary accommodation by relocation until the tenants' building is redeveloped, albeit at much higher density. Indeed, a well-formulated concept might even provide for these same tenants to move to new suites at or near their original rents for a certain period of time.



Until a few years ago, most developers resisted initiatives that embraced new purpose-built rentals; indeed, sentiments were overwhelmingly negative. In fact, when a developer constructed a purpose-built rental, it was usually under some obligation by the respective municipality, normally by the one-for-one replacement policy or in return for receiving additional density for a condo project.

Regardless, there have always been a few developers who were prepared to launch purpose-built rental projects even without the tax breaks or municipal concessions yet were thwarted, unable to achieve the prerequisite return on investment, if any return at all. This despite the fact there was very strong demand from institutional investors and tenants alike and that 95% of our rental stock is made up of buildings constructed before 1974. It was quite apparent, however, that the economics and political will were lacking that would have allowed for the replacement of aging, increasingly inefficient rental stock.

Historically, our local municipalities haven't been motivated or able on their own initiative to delve into the housing sector. By employing a carrot-and-stick approach and allowing developers to earn sufficient returns, we could increase the rental housing supply, particularly in view of slowing condo activity in Greater Vancouver. Local planning departments in Greater Vancouver have been, of late, offering some modest density and height bonusing combined with relaxed parking, suite size concessions, and have waived or reduced CACs (community amenity charges) and DCCs (development cost charges) in order to try and make rental projects viable. The incentives being offered, however, while an improvement, are still not quite adequate.

In an illuminating article from *The Vancouver Sun*, "Mortgage rules won't lower prices" (July 6, 2012), Wendell Cox, co-author of the *Demographia International Housing Affordability Survey*, states, "It should not be surprising that this rationing of land raises house prices. No one disputes the fact that artificial supply restrictions in other economic sectors raise prices." He goes on to say that other than Hong Kong, Vancouver is the most unaffordable city of 325 metropolitan areas the affordability survey tracks.

The bottom line: if our elected officials in all levels of government are genuinely intent on creating more rental housing, they must step it up and instruct their staff further to sweeten the proverbial pot. Aggressively paring the extraneous add-ons, reinstituting some tax incentives and/or mitigating the various tax burdens would be appropriate steps for our various governments to take. The low interest-rate environment and supply of rental condos in the rental pool alone, while helpful, will not be enough to create the required new rental supply.

When renting beats out buying

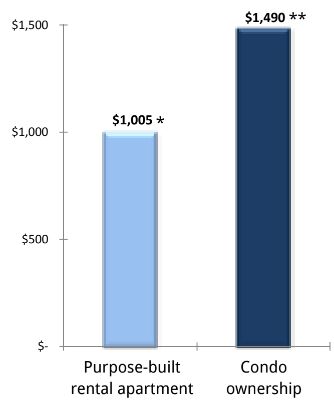
In an excellent article "The rising tide of home ownership may have finally met its match" (*Financial Post*, December 19, 2013), journalist Gary Marr encourages those thinking of buying homes in Canada to look at a recent report from the International Monetary Fund stating that "Canada is now the most expensive place in the world to own relative to the cost of renting" and is 85% above the world average. Marr goes on to suggest that the tide may "finally be turning on Canada's high rate of home ownership which reached 69% of households in 2011. Only 60.3% of households owned residences in 1971."

Sam Kolias, chairman and chief executive officer of Boardwalk REIT, which is one of the largest apartment owners in Canada, is described in the article as suggesting that "high-ratio mortgages backed by the government, which [allow] consumers to buy into the market with as little as 5% down, have allowed young consumers to skip renting." Benjamin Tal, deputy chief economist of CIBC World Markets Inc., says in the same article that "he's not surprised to see the numbers produced by the IMF" and says "the shift could be towards renting now." Tal also observes frankly that this is not a market for first-time buyers and notes that increases in rental rates have simply not kept pace with those in the housing market.

A recent article by Jason Kirby in *Maclean's*, "Econwatch: Bringing down the house" (January 3, 2014), highlights how most of the world views our housing market. Kirby writes, "Canada's housing market is in the danger zone. Rating agency Fitch warns the market is overvalued by 21 per cent. The OECD pegs it at 25. Relative to rental rates, *The Economist* figures prices are 78 per cent overvalued. Meanwhile, Nobel prize-winning economists Paul Krugman and Robert Shiller fear Canadians have perilously overextended themselves to buy homes. A sharp correction would cripple Canada's economy."

Relative costs of rental vs condo ownership

Average one-bedroom monthly outlay ($)



* Rental figures based on average Greater Vancouver monthly rent for one-bedroom unit as per CMHC's 2013 Rental Market Report.

** Ownership assumption: conventional 5-year mortgage rate (P & I); 10% down payment; 25-year amortization (costs <u>do not</u> include tax, maintenance or strata fees); average condo value as per 2013 MLS.

Residents of Greater Vancouver suffer the distinction of having to endure some of the highest housing prices in Canada. According to Kevin Skipworth, managing broker of Dexter Associates Realty, the word that best sums up Vancouver's residential market activity in 2013 is "balance."

In his annual report, Skipworth observes that "the first half of 2013 saw a wait-and-see approach – visions of an NDP victory and interest rates rising kept prospective buyers on the sidelines." Skipworth goes on to say that "neither event happened" and that "with signs of economic improvement" and "elimination of the HST in favour of GST/PST," pent-up demand "did what it eventually does": compelled buyers to buy. Indeed: "Despite sluggish global economies" and the United States government's debt-ceiling and shutdown crisis, sales of real estate "climbed through the summer and into the fall" and "units sold for 2013 in Greater Vancouver were up 14% compared to 2012" even though overall sales were "still 5% down compared to the yearly average over the last 28 years. So a hot market it was not despite being labeled as such in the media. What's the key word? Balance!" Skipworth forecasts that this trend will endure "as baby boomers relocate and share some of their property wealth with their children" and as foreign investment continues, along with "the belief that Vancouver is an attractive place to live."

According to "Demographic and Socio-economic Influences on Housing Demand," a chapter in the CHMC report *Canadian Housing Observer* 2013, "net international migration has accounted for an increasing share of population growth in Canada, rising from 40% in the early 1990s to two-thirds (67%) in 2012. In the first decade of this century, the pace of immigration to Canada exceeded that of any decade of the 20th century. Immigrants to Canada settle disproportionately in large urban centres, the majority initially choosing to rent their homes."

Tenants have an opportunity-cost advantage

A valid argument can be made that Greater Vancouver's rental rates provide today's resident with outstanding dollar value as compared to ownership. Average rental prices have increased only marginally over the past year to $1,067, just a 1.9% rise. As cited previously, CMHC's annual rental market report indicated that it is 32.5% less expensive to rent a one-bedroom in Greater Vancouver than to own (whether one rents a condo or an older purpose-built unit). The gap increases considerably once strata fees, maintenance costs and taxes are also taken into account. It is thus significantly less expensive to rent in Greater Vancouver as compared to owning, and this gap is greater than in any other major metropolitan area in Canada.

We surmise that the tightening of financial qualifications has diminished the ability of first-time buyers to purchase. Given that the trend toward home ownership has been slowing, even marginally, the impact on already tight rental vacancies in Greater Vancouver will be dramatic. We would expect to see rents increase well beyond today's rate of inflation; clearly a bonus for landlords.

We called it! Purpose-built rentals, the developers' new darlings

Some five years ago, *The Goodman Report* set out on a mission to alert readers and any politicians who would listen to the serious plight of Greater Vancouver's aging and growingly ineffective purpose-built rental stock. We highlighted the ways in which municipal policies, especially Vancouver's cumbersome land-use guidelines, functioned to the detriment of apartment owners. We derided the lack of political will shown by planners and politicians, as well as their historic dependency on condo rentals to address the crisis of affordable housing. Often we felt like Don Quixote, tilting not at windmills but at the lack of vision and flexibility on the part of regulators.

Yet something extremely welcome has happened in the interval. Now the media have stepped in, realizing that issues plaguing rental housing are huge, not just in B.C. but across the country. Since March 2013, we have located at least 12 major articles in the local and national press debating rental-housing policies and often stressing the need for significant increases in purpose-built rentals.

Throughout Greater Vancouver, rental projects are now garnering support at the local level: a trend that would have been unthinkable three or four years ago. Below is a sampling of the recent coverage we've seen.

From the newsroom

- "Rental housing remarks highlight divide between Vision Vancouver and COPE," Yolande Cole, *The Georgia Straight*, December 31, 2013
- "Affleck questions Vancouver's spending on record-high rental housing," Larissa Cahute, *The Province*, December 30, 2013
- "Vancouver's affordable-housing debate isn't gone – it's hibernating," Stephen Quinn, *The Globe and Mail*, December 27, 2013
- "Affordable housing: Some parts just aren't City Hall's job," Jackie Wong, *The Tyee*, December 17, 2013
- "Cap set on initial rates for rent-only buildings," Jeff Lee, *The Vancouver Sun*, December 4, 2013
- "Beyond 'let's make a deal'," Michael Geller, *Western Investor*, October 2013
- "New business balks at Metro's affordable housing crisis," Peter Ladner, *Business in Vancouver*, September 24, 2013
- "Rental apartment construction set to boom," Tara Perkins, *The Globe and Mail*, September 8, 2013
- "Vancouver affordable housing strategy too timid, say critics," Peter Mitham, *Business in Vancouver*, July 16, 2013
- "Rental-apartment construction sign of renewal," Derrick Penner, *The Vancouver Sun*, July 13, 2013
- "Canada's big-city mayors want action on growing affordable housing crisis," Dene Moore, *The Vancouver Sun*, May 31, 2013
- "Experts renew calls to solve foreign investment housing affordability puzzle," Kate Webb, *Metro News*, March 17, 2013

To its credit and after facing severe criticism from many quarters, the City of Vancouver is now allowing developers to get the job done. On the next page we highlight 31 different projects representing some 3,153 additional purpose-built rental suites expected to come on stream within the next 12 to 36 months.

Vancouver rental apartment projects awaiting development permits

(as of January 2014)

Address	Total Rental Suites	Type	FSR	Developer / Architect
1755 W. 14th Ave.	122 rental suites	12 storey	3.56	Sunlife
458 W. 41st Ave.	50 rental suites	6 storey	2.55	GBL Architects
3120 Knight St.	54 rental suites	6 storey	2.41	Stuart Howard Achitects
1551 Quebec St.	137 rental suites out of 736 units	18 - 15 - 15 - 14 - 12 storeys	2.24	Concert Properties
3680 E. 22nd Ave.	25 rental suites	5 storey	1.57	W.T. Leung Architects Inc.
275 Kingsway	194 rental suites	14 storey	8.65	Edgar Development Corp.
508 Helmcken St.	109 rental suites out of 464 units	36 storey	17.1	Brenhill Developments Limited
1526 Kingsway	77 rental suites	6 storey (MU)	3.79	GBL Architects
41 E. Hastings St.	67 rental units out of 169 units	14 storey	8.11	Atira Development Society
3002 W. Broadway	83 rental suites	5 storey (MU)	3.37	Orr Development Corp.
1396 Richard St.	129 rental suites out of 269 units	42 storey	8.6	Onni Group
4533 Cambie St.	35 rental suites out of 167 units	three - 6 storey	2.5	Intergulf Development Group
4320 Slocan St.	41 rental suites	4 storey (MU)	2.14	Yenik Realty Ltd.
1412 Howe St.	95 rental suites out of 502 units	52 - 10 - 6 storeys	5.08	Wesbank Corp.
5658 Victoria Dr.	30 rental suites	6 storey (MU)	3.65	Bhandal Homes Ltd.
725 Neon St.	89 rental suites	10 storey	6.99	Cressey Development Group
1600 Beach Ave.	118 rental suites	9 storey & 4 storey	4.49	IBI/HB Architects
1290 Burrard St.	87 rental suites out of 723 units	54 storey & 36 storey	13.3	Reliance Properties Ltd. Jim Pattison Developments Ltd.
800 Griffiths Way	614 rental suites	3 towers	5.38	Aquilini Development and Construction Inc.
960 Kingsway	39 rental suites plus commercial	6 storey	n/a	Matthew Cheng Architect Inc.
1412 E. 41st Ave.	35 rental suites	4 storey (MU)	2.33	Matthew Cheng Architect Inc.
3058 Kingsway	30 rental suites	6 storey (MU)	3.65	Matthew Cheng Architect Inc.
4255 Arbutus St.	109 rental suites out of 508 units	6 - 7 - 8 storeys plus mezzanine	n/a	Larco Investments Ltd.
1754 Pendrell St.	26 rental suites out of 79 units	21 storey	6.17	Westbank Corp.
706 W. 13th / 725 W. 14th Ave.	230 rental suites mixed income	5 - 7 - 10 storey	2.29	NSDA Architects, on behalf of Metro Vancouver Housing Corp.
445 Southwest Marine Dr.	70 rental suites 63,000 sf	27 storey & 21 storey 514 market residential units – 388,000 sf	4.27	Concord Pacific Group
665-685 West 41St./ 5675 Madison St./ 5688 Heather St.	55 rental suites	6 storey residential Levels 1, 4 to 6 market residential units	2.87	Kellog Developments
2975 Oak St.	50 rental suites out of 114 units	11 storey	2.84	Aquilini Development and Construction Inc.
7645-75 Cambie St.	138 rental suites	two - 6 storey	2.88	South Street Development Group
1155 Thurlow St.	168 rental suites	22 storey (MU)	9.45	Bosa Properties Inc.
179 Main St.	47 rental suites	9 storey	3.98	Atelier Pacific Architectural
	Total of 3,153 rental suites			

(MU) Mixed-use

City councillors on rental policy: Some good points (but mostly wrong ones)

Geoff Meggs, a Vision Vancouver city councillor, has one of the toughest roles in town. As a high-profile spokesman for the city's rental-housing initiatives, he seems to have it half right. Ironically, he has vigorously to fend off accusations from Sean Antrim, executive director of Coalition of Progressive Electors (COPE), still further on the left.

According to Jackie Wong in an article "Affordable housing: Some parts just aren't City Hall's job" that ran in *The Tyee* (December 17, 2013), Antrim called on the city to:

1. stop zoning high-end market rentals and condos in neighbourhoods with high existing concentrations of affordable housing;

2. curb evictions for renovations ("renovictions") and refuse a renovation permit unless the landlord can guarantee that tenants will be allowed to return to the new units without extraordinary rent increases; and

3. reactivate the city's dormant public-housing corporation.

As quoted in Wong's article, Meggs dismisses Antrim's ideas as infeasible. Allowing tenants back into renovated suites without extraordinary rent increases, he says, would unfairly force landlords to lose money: "I don't think anybody, regardless of their perspective on rents, can afford to renovate a home and not pay off that renovation somehow."

We're with Meggs on that. Where we disagree is on his stated opposition to the renewal of old rental housing in order to replace it with new higher-density rental/market housing in the mainly RM-zoned areas. Without the City's willingness to embrace a more creative approach to the renewal of aging stock in Vancouver's established apartment zones, involving some relaxation of the archaic zero-rate-of-change policy and the moratorium on rental demolitions, owners will be obligated to keep at least somewhat competitive by upgrading suites on turnover (in the likeliest scenario, evicting tenants to renovate).

Meggs is not alone in arriving at a position that appears partially to forestall workable solutions to housing supply. As featured in a recent article, NPA Vancouver's George Affleck admonished the city for subsidizing market rental housing without giving similar breaks for social housing ("Affleck questions Vancouver's spending on record-high rental housing," Larissa Cahute, *The Province*, December 30, 2013).

The City of Vancouver is notorious for having some of Canada's lowest vacancies in rental apartments. As the economics have been so poor, Vancouver has seen almost no renewal of its rental stock in nearly 25 years since senior governments abandoned involvement in this asset class. Although much of what impedes new investment in rentals lies in the jurisdiction of the federal and provincial government, Vancouver, after a clumsy start with the Short Term Incentives for Rental (STIR) program, recognized that without density bonuses, relaxation on parking and height requirements and the waiving of development cost charges (DCCs), no rentals would ever be built, despite strong demand from investors and tenants.

Let's face it: as the average age of existing stock approaches 60 years, the maintenance, retention and continued replacement of these units will be critical to the city's supply of rentals for the foreseeable future.

If social or subsidized housing should be a Vancouver priority, perhaps Mr. Affleck can persuade Victoria or Ottawa to ante up.

Innovative designs for renovating and increasing rental stock

by Michael Geller, architect, AIBC, FCIP, RPP

On December 14, 2013, approximately 15,000 B.C. strata corporations were required to complete depreciation reports to assess the condition of their projects and help plan for the repair, maintenance and replacement of common property.

Many real-estate observers are pleased that the province is now requiring these reports. While receiving little attention from media, they could have significant ramifications for B.C.'s housing industry, including rentals.

In some cases, owners of older condo projects will not be able to afford the special assessments that will have to be levied to repair buildings. As a result, they may decide to rent rather than owning.

The new requirement could also put the spotlight on older rental buildings throughout the province, many of which are in poor condition as well and need costly repairs and maintenance. Moreover, in many instances, these buildings underuse their sites relative to the permitted zoning.

While the City of Vancouver and other municipalities have policies allowing redevelopment of rental housing sites provided that units are replaced one for one, few sites, if any, are being redeveloped since planners under pressure from Council generally discourage such initiatives. It is also financially difficult to replace older units with new without increasing density or height.

Some owners do not want to undertake major renovations for fear of being accused of "renovictions." In other cases, where buildings underuse their sites, costly repairs may not make sense. When a building owner may be prepared to proceed, existing residents and neighbourhood activists are often concerned with the prospect of redevelopment since new units will usually be more expensive to rent. Astonishingly, one local politician even argued that landlords should be obligated to rent out renovated units at the same rent as before!

In its April 2012 report to the Mayor's Task Force on Housing Affordability, the Roundtable on Building Form and Design put forward two design ideas to encourage the retention of older rental housing.

The first was to allow additional penthouse levels on top of existing buildings in return for building upgrades. Lightweight steel or modular construction would make this structurally feasible. Moreover, in some instances, building owners might choose to live in the new penthouse suites themselves.

The second idea was to allow the development of multistorey laneway apartment buildings in the rear yards of buildings. Unlike the laneway houses already existing in the city, these would be small apartment buildings or townhouses stacked onto parking units. There are a number of valuable sites in South Granville, Kerrisdale and elsewhere in the region where this might be desirable.

It is noteworthy that the City of Vancouver has adopted this idea in its recently approved West End community plan, as described in a story in *The Globe and Mail* ("Vancouver looks to laneways to increase downtown density," Frances Bula, November 19, 2013).

As more municipalities accept increased densities, other opportunities for infilling new housing around existing buildings will arise to help finance the upgrading and maintenance of rental units. For example, in 2013 Vancouver City Council approved a proposal by the owner of Beach Towers to add new rental units. In another case, the owner of a North Shore highrise is presently seeking approvals to add 50 rental units in two lowrise buildings around the base of his tower, and so far the response from the municipality has been positive.

While infill housing will require thoughtful design and a careful process for consulting with the community, it could be a viable way both to improve and to increase stock.

On the other hand, if municipalities do not work with apartment owners seeking solutions for improving older buildings, over time these structures will deteriorate further. Some will collapse, others will burn down, and many more will be destroyed in the event of an earthquake that puts tens of thousands of tenants on the street.

Then people will ask why the situation wasn't predicted and why nothing was done before it was too late.

It's to be hoped that 2014 will be the year when more municipal planners, architects and apartment owners join together and work on innovative designs both for renovating older buildings and for adding to the overall rental stock. Such an effort is in everyone's interest.

Michael Geller can be reached at michaelarthurgeller@gmail.com or 778-997-9980.

A compelling endorsement

Again in 2013, the majors stepped up aggressively, acquiring more than $280 million in 17 separate transactions valued at over $10 million each. This group was made up of institutions, developers, offshore interests and private local players either committing to first-time acquisitions or adding to their already hefty portfolios.

2013 sale highlights (over $10,000,000)

	Location	Address	Suites	Price	Seller	Buyer
	Olympic Village Vancouver	Olympic Village	119 units	$42,000,000	City of Vancouver	Bentall Kennedy
*	Marpole Vancouver	8018 Cambie St. (MR) (NC)	110 units	$26,800,000	Intracorp S.W. Marine Limited Partnership	Mayfair Properties Ltd.
*	District of North Vancouver	3701 Princess Ave. (SP)	57 townhouses	$24,150,000	Polygon Homes Ltd.	Manji Investments Ltd.
	White Rock	1371 Blackwood Street & 14989 Roper Avenue (MR) (SP)	93 units	$18,000,000	Bentall Kennedy	WIP Corp.
	West End Vancouver	1380 Jervis St. (HR) (SP)	56 units	$17,360,000 (EST)	Cardiff Estates Ltd.	Brilliant Circle Group Investments Ltd.
	West End Vancouver	1952 Comox St. (HR)	61 units	$16,350,000	The Breakers Holdings Ltd.	Hollyburn Properties Limited
*	Kitsilano Vancouver	1929 W. 3rd Ave.	53 units	$15,200,000	Sharmerob Investments Ltd.	NVKY Holdings Inc.
*	South Granville Vancouver	1715 W. 11th Ave.	65 units	$14,867,000	Major Development Ltd.	Hsus Enterprises Corp.
	West End Vancouver	990 Bute St.	36 units	$13,000,000	20089 Investments Ltd.	Belmont Bute 990 Holdings Inc.
	Kerrisdale Vancouver	670 - 692 W. 45th Ave.	33 townhouses	$13,000,000	Vanac Development Corp.	Tiffany Apartments Ltd.
	Vancouver UBC	5519-49 Toronto 5506-36 Kings (DS)	12 townhouses	$12,988,000	Verbano Enterprises Ltd.	Di Min Li
	Burnaby	5895 Barker Ave. (DS)	48 units	$12,500,000	Bernard Reed	Concord Pacific
	Eastside Vancouver	30 E. 10th Ave. (HR)	66 units	$12,000,000	The Baptist Housing Society of BC	Vanac Development Corp.
	Eastside Vancouver	605 S. E. Marine Dr. (DS)	126 units	$11,750,000	Vohra Enterprises Ltd.	Peterson Investment Group
	West End Vancouver	950 Jervis St. (HR) (SP)	41 units	$11,640,000 (EST)	Cardiff Estates Ltd.	Brilliant Circle Group Investments Ltd.
	Burnaby	6255 Cassie Ave. (DS) (SP)	36 units	$11,550,000	Peter Funk	Boffo Developments Ltd.
	City of North Vancouver	170 E. 5th St.	53 units	$10,200,000 (EST)	Cardiff Estates Ltd.	Brilliant Circle Group Investments Ltd.

* Sold by The Goodman Team

(DS) Development site
(HR) Highrise
(SP) Share purchase
(MR) Midrise
(NC) New construction
(EST) Estimated

New rentals are coming! New rentals are coming!

Today's landlords of older, minimally upgraded buildings should be gearing up to confront a profound new set of challenges about to befall them. In the era of low vacancy rates that have been the norm over the past 25 years, the only real competition most apartment owners have experienced has been from the retrofitted buildings and the newer condos owned by investors that are now established parts of the rental pool. For the typical 55-year-old rental building in Greater Vancouver, the average rents as reported in the CMHC's yearly *Rental Market Report* are the typical rent levels achieved, whereas the upgraded suites or condos command rents approximately 25 to 50% higher.

Yet throughout Greater Vancouver today, 49 new purpose-built projects, representing 5,849 suites, are on the drawing board, awaiting development permits or under construction. Over the next 12 to 36 months, expect to see this new inventory make a formidable impact, not just in Vancouver's

Westside, West End, Downtown and Eastside, but also in the City and District of North Vancouver, New Westminster, Richmond and Burnaby. We would not be surprised, however, if some of the slated projects do not get off the ground due to cost overruns, lack of experience and/or financing issues.

These sparkling, highly functional purpose-built buildings will be the new kids on the block. Suites will include the latest in flooring, lighting, countertops, appliances, cabinetry, bathroom fixtures, security, in-suite washers and dryers and, in some cases, co-op cars and recreational facilities such as fitness centres. The owners of the tired, inefficient buildings left in the shadows of the new construction will feel intense competition as tenants are attracted to the nearby luxury suites equipped with all the bells and whistles.

The benefits of making overdue upgrades to your building can be dramatic. Almost daily we hear of rewarding financial paybacks supporting our long-held position that an investment of approximately $12,000 per suite, with corresponding improvements to common areas such as balconies, piping, windows, furnace and roof, will usually yield an increase in rents from 25 to 100% and may enhance a building's value upward of $100,000 per unit.

Many tenants have ample cash flow and wish to move into better digs. Not quite ready to buy, many a tenant when presented with a wider range of selections will opt for a new purpose-built rental over risking eviction by an owner seeking to take back a condo unit for personal use.

As an owner, you may be beset by growing competition and vacancies, and you'll be compelled to ponder the following business choices:

1. spend money and time and endure the hassle of tenant evictions to upgrade your rental building to stay competitive and increase your return on investment;

2. maintain the status quo with low rents to keep your building fully occupied; or

3. realize that you've had a great run, that your property has appreciated significantly and that it's time to take a profit by listing your building for sale with real-estate aces David Goodman and Mark Goodman.

The Goodmans' performance

2013 was another eventful year for the Goodman team, as highlighted by a sales volume that again exceeded $100 million. We assisted a major developer-client in finalizing the acquisition of a prime development site of approximately 1.75 acres and in securing a 4.5-acre site, both in Lynn Valley, District of North Vancouver.

The 110-unit forward sale of Intracorp's MC² purpose-built rental at Marine Drive and Cambie Street in Vancouver was firmed up. We successfully handled sales of apartment buildings in Kitsilano, the Eastside, Marpole, South Granville, Kerrisdale and Penticton. Additionally, we sold Twin Lakes in North Vancouver, a totally retrofitted 57-unit luxury townhouse project on a 9.42-acre site.

For 2014, we've already booked $20 million in sales consisting of four apartment buildings, and an 88-suite North Vancouver highrise is also under contract. Additionally, we're in the midst of a significant land assembly in the Eastside with a major developer for a high-density rental/market project.

The development community continues to play an important role in our practice. Numerous groups have consulted us for advice and guidance on their efforts to create purpose-built rentals.

We are flattered that *The Goodman Report* was quoted and referenced on 10 occasions during the year in newspapers and other publications locally and nationally.

Additionally, we gave two speeches in 2013: one at a panel hosted by the Canadian Rental Housing Coalition entitled "The Future of Rental Housing: Local and National Perspectives" and the other at the Sauder School of Business at UBC.

Please join us on February 20, 2014 at the Vancouver Real Estate Forum held at the Vancouver Convention Centre, where David Goodman will participate as a panelist on the subject of multi-family real-estate investment.

Having completed our 30th year of publishing *The Goodman Report*, we thank you, our readers, for your continued support. Please contact us if we can be of any assistance.

> *"It is a socialist idea that making profits is a vice; I consider the real vice is making losses."*
>
> **— Winston Churchill**

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