

The background of the entire page is a night-time photograph of a city waterfront. In the foreground, a body of water reflects the lights from the city. A bridge with two large towers is visible in the middle ground. To the right, several multi-story apartment buildings are lit up, with many windows glowing. In the background, more city lights and distant mountains are visible under a dark blue sky.

CBRE

NATIONAL APARTMENT GROUP

Making Cents of the Market

2016 YEAR END RENTAL APARTMENT MARKET REPORT | VOL 1
CBRE NATIONAL APARTMENT GROUP - VANCOUVER

A RELIABLE SOURCE ON THE BC APARTMENT MARKET

WWW.CBRE.CA/LANCE.COULSON

**FOR MORE
INFORMATION
CONTACT**

LANCE COULSON
PERSONAL REAL ESTATE CORPORATION
Executive Vice President | National Apartment Group
+1 604 662 5141
lance.coulson@cbre.com

GREG AMBROSE
Senior Sales Associate | National Apartment Group
+1 604 662 5178
greg.ambrose@cbre.com

MAKING CENTS OF THE MARKET

2016 HIGHLIGHTS





- The Liberal government implemented a new 15% tax on all Class 1 Residential real estate transactions for foreign buyers effective August 2nd, 2016 - which applies to rental apartment buildings.
- Commercial Bond Yields dipped down mid-year and are now above 2016 starting levels at 1.66%*.
- There have been 80 transactions in the Vancouver Marketplace with Marpole leading the number of transactions at 13.
- Almost \$700M worth of multi-family apartment transactions have taken place in the City of Vancouver marketplace.
- Price per Door records were consistently being broken in most Metro Vancouver markets (see pg.04)

*5-yr CMB rate as at December 30th, 2016

THE RENTAL MARKET PLACE

2016 saw an incredibly strong rental apartment market improve even further with continued momentum both in transaction numbers and in sale values. 2016 has seen multiple pricing records broken in numerous areas of the Vancouver Census Metropolitan Area (CMA). Cap Rates continue to compress and inventory continues to fall short of demand, creating a favourable situation for Owners and Investors. The overall vacancy rate for the CMA dropped ten basis point between CMHC's Fall 2015 and Spring 2016 reports to 0.7%. The combination of both the low vacancy and strong demand is contributing to the tremendous growth in rental rates in Vancouver. Furthermore, as home ownership is becoming increasingly more unattainable for many, more people are resigned to continue renting. Many of these renters have good incomes and are willing to pay premium rents for condo quality finishes which is putting further upward pressure on rents. Many landlords are undergoing comprehensive renovation programs to their suites to take advantage of these new rents.

CITY OF VANCOUVER BY THE NUMBERS

	VACANCY RATE 0.8%		CAP RATE RANGE 2.75% - 3.75%
	AVERAGE RENT \$1,324		TRANSACTIONS 80

MARKET STATISTICS - CITY OF VANCOUVER

NEIGHBOURHOOD	VACANCY RATE	VACANCY RATE CHANGE YoY	AVERAGE RENTAL RATE	RENTAL RATE CHANGE YoY	NUMBER OF TRANSACTIONS IN 2016	% MARKET SHARE BY VALUE
West End/St Stanley Park	0.6%	+0.1	\$1,418	5.3%	6	12.4%
English Bay	0.8%	+0.5	\$1,473	10.7%	2	7.3%
Downtown	0.5%	- 0.1	\$1,470	6.4%	2	3.3%
South Granville / Oak	0.7%	+0.1	\$1,355	7.6%	9	12.7%
Kitsilano / Point Grey	1.2%	+0.6	\$1,391	8.7%	14	16.1%
Westside / Kerrisdale	2.0%	+0.4	\$1,453	4.0%	4	6.0%
Marpole	0.6%	- 0.4	\$985	6.3%	13	11.5%
Mount Pleasant / Renfrew Heights	0.8%	+0.4	\$1,147	7.5%	12	7.9%
East Hastings	0.8%	+0.2	\$1,050	4.4%	12	15.1%
Southeast Vancouver	0.8%	-0.2	\$1,223	3.6%	5	2.3%
University Endowment Lands	0.0%	-0.1	\$1,762	2.8%	1	5.3%

Source: CMHC Rental Market Report Vancouver CMA (2016) & Realnet Canada Inc.

Note: Realnet Canada Inc. search parameters do not include sales under \$1.0M or any sale type other than a market transaction. It is possible that some sales of apartment buildings were classified as "Land" sales by Realnet Canada Inc. and therefore would not be represented in the numbers above. CMHC does not officially recognize the University Endowment Lands as part of the City of Vancouver but we have included this area in the statistics shown and have included the sale as part of the total volume of sales for the City of Vancouver.

Leading the GVA Market in 2015/2016 with sales value in excess of \$530 Million.*

*SOURCE: REALNET and CBRE Limited (From January 1, 2015 – December 31, 2016). Includes transactions with co-operating Brokers.

MAKING CENTS OF THE MARKET

"As a result of large rental rate increases in the City, there have been reports that the City of Vancouver may restrict fixed-term tenancy rent negotiations..."

WHAT TO WATCH FOR IN 2017

- **British Columbia's general election** is scheduled for May 9th, 2017 to elect members of the Legislative Assembly. A tight race between the Liberal and NDP party is expected.
- The **effects of the new foreign-buyer tax** in Metro Vancouver will be under close review by the brokerage community, investors, the municipal government, and other real estate industry firms and associations.
- The **Empty Homes Tax**, a 1% tax on empty and under-utilized homes, came into effect on January 1st, 2017. It was created in an effort to increase rental housing supply. The City is also looking at measures to curb short-term rentals through sites such as "Airbnb".
- As a result of large rental rate increases in the City, there have been reports that the City of Vancouver may **restrict fixed-term tenancy rent negotiations** and only allow landlords to apply the standard allowable rent increase of 3.7% for 2017 for tenants that plan to stay in the same unit. It is expected that legislation will be put forward in early 2017 at the next session of the B.C. Legislature.
- The **new mortgage rules** that were introduced by the Federal Government in October 2016 in an effort to reduce the risk of Canada's financial system becoming unstable may make it even harder for first-time homebuyers to get into the home-ownership market. The new measures included a "stress test" to all insured mortgages where the homebuyer would have to qualify for a loan at the negotiated rate in the mortgage contract, but also at the Bank of Canada's five-year fixed posted mortgage rate, which is higher than what most buyers can negotiate. We may see even more demand for rental apartment accommodation.
- **Increased wind-up of residential strata corporations** in the wake of amended regulations (**Bill 40**) introduced earlier this year lowering the required threshold from unanimous to 80% approval to dissolve the strata in order to make the property salable for redevelopment.



TIPS FOR APARTMENT OWNERS CONSIDERING SELLING IN 2017...

Thinking of Selling? We have a few tips that can expedite the Purchaser's due diligence process and help to drive value for you and create the potential for **"Subject Free"** offers:

- **Environmental Report:** Lenders require up-to-date environmental reports as a condition of funding. Having a recent environmental report on hand for Prospective Purchasers can reduce the Purchaser's due diligence time period and create the potential for a more aggressive offer.
- **Building Inspection Report:** Similar to above, a recent building inspection can reduce the Purchaser's due diligence time period, identify potential future repairs or maintenance issues up-front and thus reduce the risk of any price adjustments during the due diligence period. It can also help to create the potential for a more aggressive offer.
- **Have a Site Survey completed:** Similar to having a current environmental report, a site survey is also a requirement for many mortgage lenders. Having a site survey completed up-front is another way to cut back on the due diligence time period.

CBRE Limited would be happy to recommend service providers for any of the items listed above.

THE MULTIFAMILY MARKET PLACE

THE BOND RATE AND WHAT IT MEANS TO YOU...!

2016 saw a lot of movement in the bond rate. The surprise election of Donald Trump in the United States caused a sell-off in the bond market as investors anticipate that his promised tax cuts and infrastructure spending will result in higher inflation. The sell-off pushed bond yields, which move inversely from bond prices, higher. Fixed mortgage rates and bond yields tend to move hand-in-hand, which means that it is more expensive for North Americans to get mortgages. Earlier in this report, we mentioned that the Canadian Federal Government introduced new regulations governing insured mortgages. Banks in turn have been increasing their rates as a response to the increased cost of lending. What this means to property owners is higher debt payment costs. Investors will be looking for higher yields to make up for the lost spread if their purchase requires new financing. In the coming year, property owners looking to sell may

Bond Rate Movement Over 2016



Source: First National Financial LP

have to come to terms with the fact that buyers may be looking for higher cap rates, which in term means lower prices for sellers. If you are a property owner considering selling, now may be the time.



SMALL BUILDINGS, BIG NUMBERS!



2565 Cornwall Street



1557 West 12th Avenue



1530 West 13th Avenue

One interesting real estate trend in 2016 has been the sale of smaller Vancouver apartment buildings, which had undergone substantial updates, at remarkably high price per door values. In some cases, these buildings are selling at similar or greater price per door values than comparable condominium units or units in newly constructed purpose built apartment buildings. The following transactions represent examples of some of the highest price per door sales of 2016:

ADDRESS	PRICE	# OF SUITES	\$ PER DOOR	SALE DATE
2565 Cornwall Avenue	\$5,765,000	8	\$720,625	May 15, 2016
1557 West 12th Avenue	\$7,000,000	10	\$700,000	June 30, 2016
1530 West 13th Avenue	\$10,850,000	16	\$678,125	July 28, 2016

So how are these values being achieved? Owners and Investors are taking advantage of new higher rents and creating value by updating these older buildings through comprehensive renovation and retrofit programs, and are replacing the old below market rents with much higher new rents. These impressive sale values are a reflection of substantially higher income streams and are direct examples of the tremendous investment potential of value-add properties. Whether you own an older building or are looking to invest in a value-add opportunity, please call us directly anytime to discuss how we can assist you with your real estate objectives.

NOTABLE GREATER VANCOUVER APARTMENT SALES IN 2016



1131 BARCLAY STREET

Sale Price: \$13,500,000
 No. of Units: 28
 Price Per Door: \$482,143
 Sale Date: December, 2016
 Vancouver, BC



204 AGNES STREET

Sale Price: \$2,848,888
 No. of Units: 14
 Price Per Door: \$203,492
 Sale Date: September, 2016
 New Westminster, BC



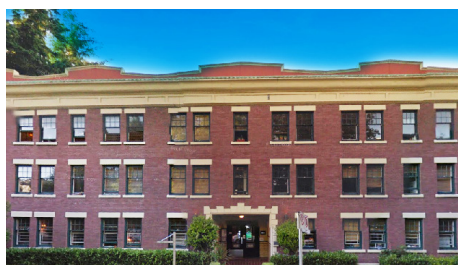
210 & 230 EAST 2ND STREET

Sale Price: \$24,000,000
 No. of Units: 64
 Price Per Door: \$375,000
 Cap Rate: 2.3%
 Sale Date: September, 2016
 North Vancouver, BC



2272 WEST 7TH AVENUE

Sale Price: \$9,000,000
 No. of Units: 20
 Price Per Door: \$450,000
 Cap Rate: 2.7%
 Sale Date: August, 2016
 Vancouver, BC



8650 OSLER STREET

Sale Price: \$7,700,000
 No. of Units: 26
 Price Per Door: \$296,154
 Cap Rate: 2.1%
 Sale Date: August, 2016
 Vancouver, BC



919 WEST 13TH AVENUE

Sale Price: \$15,500,000
 No. of Units: 38
 Price Per Door: \$407,895
 Cap Rate: 2.4%
 Sale Date: August, 2016
 Vancouver, BC



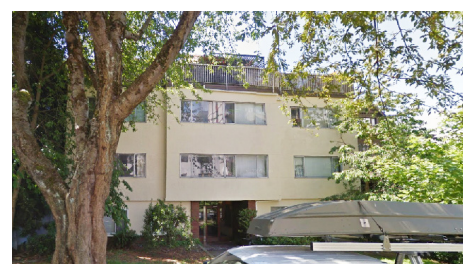
325 WARD STREET

Sale Price: \$11,300,000
 No. of Units: 57
 Price Per Door: \$198,246
 Cap Rate: 3.5%
 Sale Date: August, 2016
 New Westminster, BC



124 WEST 20TH STREET

Sale Price: \$6,820,000
 No. of Units: 22
 Price Per Door: \$310,000
 Sale Date: July, 2016
 North Vancouver, BC



1742 PENDRELL STREET

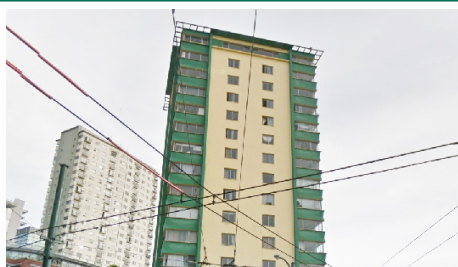
Sale Price: \$7,680,000
 No. of Units: 23
 Price Per Door: \$333,913
 Sale Date: June, 2016
 Vancouver, BC

NOTABLE GREATER VANCOUVER APARTMENT SALES IN 2016



815 5TH AVENUE

Sale Price: \$8,450,000
 No. of Units: 61
 Price Per Door: \$138,525
 Cap Rate: 4.0%
 Sale Date: June, 2016
 New Westminster, BC



1770 DAVIE STREET

Sale Price: \$43,000,000
 No. of Units: 61
 Price Per Door: \$704,918
 Cap Rate: 1.9%
 Sale Date: June, 2016
 Vancouver, BC



1230 & 1270 BURNABY STREET

Sale Price: \$17,250,000
 No. of Units: 45
 Price Per Door: \$383,333
 Cap Rate: 2.7%
 Sale Date: June, 2016
 Vancouver, BC



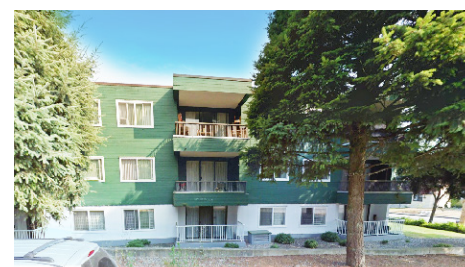
1929 WEST 3RD AVENUE

Sale Price: \$19,800,000
 No. of Units: 53
 Price Per Door: \$373,585
 Sale Date: May, 2016
 Vancouver, BC



1875 & 1885 WEST 7TH AVENUE

Sale Price: \$13,500,000
 No. of Units: 39
 Price Per Door: \$346,154
 Sale Date: May, 2016
 Vancouver, BC



311 ASH STREET

Sale Price: \$5,000,000
 No. of Units: 27
 Price Per Door: \$185,185
 Cap Rate: 3.3%
 Sale Date: May, 2016
 New Westminster, BC



2910 ALDER STREET

Sale Price: \$12,400,000
 No. of Units: 36
 Price Per Door: \$344,444
 Cap Rate: 2.3%
 Sale Date: May, 2016
 Vancouver, BC



2285 TRIUMPH STREET

Sale Price: \$4,500,000
 No. of Units: 16
 Price Per Door: \$281,250
 Sale Date: December, 2016
 Vancouver, BC



1190 WEST 10TH AVENUE

Sale Price: \$12,000,000
 No. of Units: 35
 Price Per Door: \$342,857
 Cap Rate: 2.7%
 Sale Date: February, 2016
 Vancouver, BC

NOTABLE GREATER VANCOUVER APARTMENT SALES IN 2016



Sale Price: \$16,250,000
 No. of Units: 53
 Price Per Door: \$306,603
 Cap Rate: 2.9%
 Sale Date: January, 2016
 North Vancouver, BC



Sale Price: \$18,100,000
 No. of Units: 47
 Price Per Door: \$385,106
 Cap Rate: 3.2%
 Sale Date: January, 2016
 Vancouver, BC



Sale Price: \$7,200,000
 No. of Units: 13
 Price Per Door: \$553,846
 Cap Rate: 3.1%
 Sale Date: January, 2016
 Vancouver, BC



Sale Price: \$12,400,000
 No. of Units: 62
 Price Per Door: \$200,000
 Cap Rate: 3.0%
 Sale Date: January, 2016
 Burnaby, BC



Sale Price: \$12,850,000
 No. of Units: 41
 Price Per Door: \$313,415
 Cap Rate: 3.5%
 Sale Date: January, 2016
 Vancouver, BC



Sale Price: \$12,680,000
 No. of Units: 53
 Price Per Door: \$239,245
 Cap Rate: 3.0%
 Sale Date: January, 2016
 Vancouver, BC



Sale Price: \$32,000,000
 No. of Units: 115
 Price Per Door: \$278,260
 Sale Date: January, 2016
 Port Coquitlam, BC

LOOKING FOR RENTAL APARTMENTS IN GREATER VICTORIA?

Did you know? We have led the market for apartment buildings in Victoria for the past 5 years and our team has significantly more experience than any other team operating in the Victoria Apartment Market. This experience provides us with unrivaled market insight that our clients find useful as it allows them to make more informed decisions. Thinking of selling? Interested in opportunities in Victoria? Call us directly to learn more!



FEATURED SALE:

FAIRFIELD APARTMENT PORTFOLIO

*Comprised of 4 Rental Apartment Properties in Victoria in the Heart of the Fairfield Neighborhood!

SOLD by CBRE in January, 2016

MARKET TRENDS IN GREATER VANCOUVER

	2015	2016	CHANGE (%)	
Total Transactions	140	128	-8.6%	▼
\$ Volume	\$957,950,349	\$959,717,635	+0.2%	▲
Cap Rate - Low Rise	4.00% - 4.50%	3.00% - 3.75%	0.75% - 1.00%	▼
Cap Rate - High Rise	3.75% - 4.50%	2.75% - 3.25%	1.00% - 1.25%	▼
Vacancy Rate	0.80%	0.70%	-0.10%	▼
Bond Rate CMD 5 Year (Year End)	1.45%	1.66%	+0.21%	▲
Bond Rate CMD 10 Year (Year End)	2.13%	2.36%	+0.23%	▲

Source: CMHC Rental Market Report Vancouver CMA (2016), Realnet Canada Inc., CBRE Research, & First National Financial LP

Note: Total Transactions and \$ Volume statistics above are reflective of the entire Greater Vancouver area which includes 16 different municipalities. Realnet Canada Inc. search parameters do not include sales under \$1.0M or any sale type other than a market transaction. It is possible that some sales of apartment buildings were classified as "Land" sales by Realnet Canada Inc. and therefore would not be represented in the numbers above.

The CBRE National Apartment Group (NAG) Vancouver Team have been a leader in the sale of apartment buildings in the Greater Vancouver and Victoria markets during the period of January 1, 2012 to December 31st, 2016; with a total value in excess of over \$1Billion Dollars.* We have also transacted major dispositions with national and international scope on behalf of many of Canada's most prestigious real estate companies. Members of the NAG are also members of the wider National Apartment Team which broadens the scope of marketing across all Canadian and international markets. Our national scope and international presence gives us unprecedented access to clients and sources of capital that our competitors cannot match. This, combined with our in-depth local market knowledge gives a level of service and exposure for our client base that is unique to the marketplace.

*SOURCE: REALNET and CBRE Limited (From January 1, 2012 – December 31, 2016). Includes transactions with co-operating Brokers.

CBRE MULTI-FAMILY TEAM:



Lance Coulson

Senior Vice President

National Apartment Group | CBRE Limited

Suite 2500 - 1021 West Hastings Street

T: 604 662 5141

E: lance.coulson@cbre.com



Greg Ambrose

Sales Associate

National Apartment Group | CBRE Limited

Suite 2500 - 1021 West Hastings Street

T: 604 662 5178

E: greg.ambrose@cbre.com



Justin Pang

Financial Analyst

National Apartment Group | CBRE Limited

Suite 2500 - 1021 West Hastings Street

T: 604 662 5179

E: justin.pang@cbre.com

This disclaimer shall apply to CBRE Limited, Real Estate Brokerage, and to all other divisions of the Corporation; to include all employees and independent contractors ("CBRE"). The information set out herein, including, without limitation, any projections, images, opinions, assumptions and estimates obtained from third parties (the "Information") has not been verified by CBRE, and CBRE does not represent, warrant or guarantee the accuracy, correctness and completeness of the Information. CBRE does not accept or assume any responsibility or liability, direct or consequential, for the Information or the recipient's reliance upon the Information. The recipient of the Information should take such steps as the recipient may deem necessary to verify the Information prior to placing any reliance upon the Information. The Information may change and any property described in the Information may be withdrawn from the market at any time without notice or obligation to the recipient from CBRE. CBRE and the CBRE logo are the service marks of CBRE Limited and/or its affiliated or related companies in other countries. All other marks displayed on this document are the property of their respective owners. All Rights Reserved. Image Sources: Google Earth, iStock Photo, CBRE Limited.