

**NATIONAL APARTMENT GROUP
BRITISH COLUMBIA**

LOCAL KNOWLEDGE. GLOBALLY CONNECTED.



2019 MID-YEAR MULTI-FAMILY INVESTMENT REPORT

METRO VANCOUVER & GREATER VICTORIA

CBRE

MARKET UPDATE

“THE NUMBERS DON’T LIE”

Relative to the previous year, apartment building sales are down. As of June 2019, there have been a total of 41 apartment building sales combined in the Greater Vancouver and Greater Victoria markets, which is an indication we are off pace to match the 110 sales that completed overall in 2018.

So what has contributed to this slowdown in market activity in the first half of 2019? We think there are a couple of factors:

1. Market Uncertainty - In the spring of 2018, Premier John Horgan appointed a Rental Housing Task Force which released 23 recommendations for review by the Provincial Government. Following this in September 2018, **the BC Government reduced the maximum allowable rent increase for 2019 from 4.5% down to 2.5%**. Then in the Fall of 2018, a referendum on electoral reform took place, and though BC Voted in favour of maintaining the current first-past-the-post system, this introduced further uncertainty into the market, putting many prospective investors on the side lines.

2. Government Policy - Governments at various levels have introduced measures to protect tenants from demovictions & renovictions, and made rentals mandatory in new developments in some municipalities. This has caused developers looking to acquire apartment buildings on sites with underlying redevelopment potential, or investors considering underperforming apartment buildings with the intention of adding value through renovations and repositioning to revisit their value assumptions.

It shouldn't be surprising that the effects of the market uncertainty combined with government policy has slowed down sales activity. Possibly, the term **“policy induced recession”** could apply. Especially considering that it was the Government's intention to do exactly that to the residential real estate market with the introduction of numerous taxes including the foreign buyers' tax and higher Property Transfer Tax, both of which apply to apartment buildings due to them being included under the residential real estate umbrella for tax purposes.

STRONG MARKET FUNDAMENTALS

That said, the fundamentals for apartment buildings remain solid. Interest rates remain at historically low levels allowing investors to secure very favourable long-term CMHC debt. British Columbia and Metro Vancouver continue to benefit from positive migration, and governments have yet to effectively incentivize any real significant new rental stock, ensuring vacancy rates remain low, tenant demand high, and continued upward pressure on rents.

Our team continues to be leaders in the market, and although we are seeing less demand from developers interested in the underlying land and fewer low cap transactions from “value-add” investors, **we continue to see strong demand for multi-family assets that are either new construction or have been properly maintained with revenue and pricing at levels that meet with investors yield criteria.**

METRO VANCOUVER MARKET STATISTICS

JANUARY - JUNE 2019

TRANSACTIONS

41

NUMBER OF TRANSACTIONS

1,292

NUMBER OF UNITS SOLD (APPROX)

DOLLAR VOLUME

\$401,761,534

DOLLAR VOLUME OF TRANSACTIONS (APPROX)

BOND RATE

1.76%

CANADIAN MORTGAGE BOND
(5 YEAR) AS OF JULY 2, 2019

1.89%

CANADIAN MORTGAGE BOND
(10 YEAR) AS OF JULY 2, 2019

SOURCE: REALNET, CMHC, CBRE Research and CMB.



CHANGING LANDSCAPE

Extending from 2018, the protection and retention of affordable rental units has continued to be the spotlight through the Greater Vancouver region. Specifically, the municipalities of New Westminster, Burnaby and Port Coquitlam have recently implemented policy changes or made judgements that have impacted the rental apartments landscape.

Implemented in early 2019, New Westminster proposed a bylaw amendment that would see a combination of city-owned land and existing strata buildings currently utilized as rental apartments re-zoned to a "rental-only" zoning. Given the nature in the delivery of the amendment and the potential effects on the strata buildings' land value, this created quite a stir.

In Port Coquitlam, city council has taken a stand to eliminating and preemptively preventing any future "renovictions". In fear of displacing tenants, eviction notices that were issued to residents of a 51 years old 65-unit apartment building for comprehensive building renovations had to be rescinded as a result of the city council's intervention, despite the landlord having obtained the necessary building, electrical and plumbing permits. The abruptness and lack of justification behind the bylaw amendment has triggered a lawsuit between the Landlord and the City.

Over in Burnaby, the City Council recently implemented a Rental Use Zoning Policy where any developments moving forward must contain a rental component of either market rentals or affordable housing. Specifically pertaining to existing multifamily buildings, re-development of these sites must replace the rental units on a 1-to-1 basis. Moving forward, it is likely this policy will influence the trend of rental apartment buildings sold as development sites, which have been a major driving force in the Burnaby market in the recent years.

Though some of the policies referenced above may not directly impact all apartment buildings in the Metro Vancouver market, some multifamily investors have had to re-strategize on their investment criterias. For older buildings that may require extensive upgrades, are currently achieving extremely low yields or have no immediate re-development potential, investors may require higher returns relative to the compressed cap rates environment in recent years. However, for rental buildings of quality situated in appealing locations or reasonably priced and providing reasonable returns, the demand amongst investors has been consistently strong throughout the Metro Vancouver & Greater Victoria markets.

PURPOSE BUILT RENTAL APARTMENT BUILDINGS

With an abundance of market fundamentals trending positively, specifically the optimistic outlook on British Columbia's economic growth, positive migration and overall employment growth, the appeal of multifamily investments in Greater Vancouver and Greater Victoria is undeniable. Though the sale frequencies & volume are slightly off previous years' pace, sizable national and global institutions are still aggressively pursuing opportunities to invest in our markets. Specifically, the world of newly & recently constructed purpose-built rental apartment buildings are drawing interest from investors throughout North America.

In the past 10 months, our CBRE team has successfully completed two transactions involving newly constructed purpose-built rental apartment buildings in Langley, The Meridian Apartments and The Point Apartments. As housing prices remain relatively out of reach for first-time homebuyers and the availability of higher-end rental housing is scarce, this gap in the market has become the source of opportunity for developers and investors alike. On the development side, developers are able to profit and exit from a multifamily project in one efficient transaction versus traditional individual condo sales where timing and exposure to market conditions can be considerable factors, positively or negatively. From the investors' perspective, particularly institutional investors, the yields from these brand-new purpose-built rental apartment buildings are suited to meet their yield requirements effectively from takeover, with the added ability to capture rental income growth through natural market movement as well as annual allowable rent increases. Given the immediate benefits to both parties and the lack of available luxury/higher-end rental apartment buildings in Metro Vancouver, we anticipate this sales trend to continue for the foreseeable future.



**The Point Apartments: 5393 201st Street, Langley, BC
Sold by the National Apartment Group BC | CBRE Limited
June 2019; \$39,000,000**

EAST VANCOUVER



SOLD
1415 EAST BROADWAY
 \$14,200,000
 \$338,095 PER SUITE
 42 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
55 E 12TH AVE
 \$18,250,000
 \$357,843 PER SUITE
 51 SUITES



SOLD
2266 TRINITY ST
 \$6,500,000
 \$325,000 PER SUITE
 20 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
2115 TRIUMPH ST
 \$5,200,000
 \$288,889 PER SUITE
 18 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
1522 E 3RD AVE
 \$3,200,000
 \$640,000 PER SUITE
 5 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
1727 WILLIAM ST
 \$5,900,000
 \$590,000 PER SUITE
 10 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
1368 E 8TH AVE
 \$9,200,000
 \$575,000 PER SUITE
 16 SUITES
 IMAGE SOURCE: GOOGLE

**KITSILANO/
KERRISDALE**



SOLD
2466 WEST BROADWAY
\$5,050,000
\$505,000 PER SUITE
10 SUITES



SOLD
1935 CYPRESS ST
\$4,995,000
\$499,500 PER SUITE
10 SUITES
IMAGE SOURCE: GOOGLE



SOLD
2464 WEST 2ND AVE
\$6,600,000
\$660,000 PER SUITE
10 SUITES

**SOUTH
GRANVILLE**



SOLD
1676 WEST 10TH AVE
\$5,066,000
\$460,545 PER SUITE
11 SUITES

MARPOLE



SOLD
8687 SELKIRK ST
\$5,250,000
\$477,273 PER SUITE
11 SUITES
IMAGE SOURCE: GOOGLE



SOLD
8755 OAK ST
\$3,895,000
\$259,667 PER SUITE
15 SUITES
IMAGE SOURCE: GOOGLE

NORTH VANCOUVER



SOLD
228 E 15TH ST
 \$5,200,000
 \$472,727 PER SUITE
 11 SUITES



SOLD
250 E 2ND ST
 \$15,925,000
 \$353,889 PER SUITE
 45 SUITES



SOLD
2540 - 2590 LONSDALE AVE
 \$9,150,000
 \$366,000 PER SUITE
 25 SUITES
 SOLD AS DEVELOPMENT SITE

WEST VANCOUVER



SOLD
1575 ESQUIMALT AVE
 \$17,200,000
 \$554,839 PER SUITE
 31 SUITES

LANGLEY



SOLD
20939 78B AVE
 \$69,600,000
 \$364,398 PER SUITE
 191 SUITES



SOLD
5393 201 ST
 \$39,000,000
 \$397,959 PER SUITE
 98 SUITES

PORT COQUITLAM



SOLD
2060 MANNING AVE
 \$4,100,000
 \$186,364 PER SUITE
 22 SUITES
IMAGE SOURCE: GOOGLE

NEW WESTMINSTER



SOLD
1117 HAMILTON ST
 \$4,250,000
 \$202,381 PER SUITE
 21 SUITES



SOLD
313 CARNARVON
 \$3,200,000
 \$246,154 PER SUITE
 13 SUITES



SOLD
510 NINTH ST
 \$6,920,000
 \$192,222 PER SUITE
 36 SUITES

BURNABY



SOLD
7165 PANDORA ST
 \$3,939,000
 \$281,357 PER SUITE
 14 SUITES
IMAGE SOURCE: GOOGLE

CHILLIWACK



SOLD
45699 PATTEN AVE
 \$2,725,000
 \$123,864 PER SUITE
 22 SUITES
IMAGE SOURCE: REALNET

VANCOUVER ISLAND



SOLD
7088 WALLACE DR, BRENTWOOD BAY
 \$6,700,000
 \$197,059 PER SUITE
 34 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
901 ESQUIMALT RD, ESQUIMALT
 \$7,000,000
 \$280,000 PER SUITE
 25 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
1117 ESQUIMALT RD, ESQUIMALT
 \$1,900,000
 \$172,727 PER SUITE
 11 SUITES



SOLD
850 ADMIRALS RD, ESQUIMALT
 \$4,000,000
 \$200,000 PER SUITE
 20 SUITES



SOLD
831 DUNSMUIR RD, ESQUIMALT
 \$19,100,000
 \$224,706 PER SUITE
 85 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
635 BATTERY ST, VICTORIA
 \$3,000,000
 \$272,727 PER SUITE
 11 SUITES



SOLD
944 TATTERSALL DR, VICTORIA
 \$2,368,750
 \$197,396 PER SUITE
 12 SUITES



SOLD
45 BOYD ST, VICTORIA
 \$17,750,000
 \$250,000 PER SUITE
 71 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
1144 ROCKLAND, VICTORIA
 \$11,250,000
 \$250,000 PER SUITE
 45 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
69 BURNSIDE RD, VICTORIA
 \$2,927,784
 \$182,987 PER SUITE
 16 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
335-337 ST JAMES ST, VICTORIA
 \$22,700,000
 \$238,947 PER SUITE
 95 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
505 TRUTCH ST, VICTORIA
 \$8,000,000
 \$235,294 PER SUITE
 34 SUITES
 IMAGE SOURCE: GOOGLE



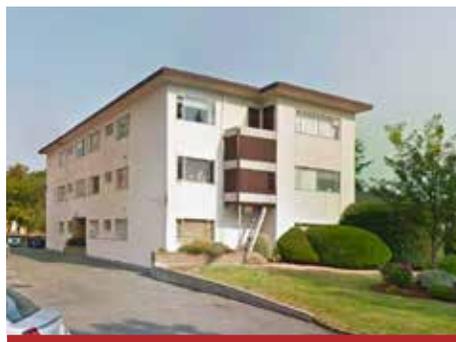
SOLD
1163 VIEW ST, VICTORIA
 \$1,200,000
 \$150,000 PER SUITE
 8 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
260 MICHIGAN ST, VICTORIA
 \$6,525,000
 \$271,875 PER SUITE
 24 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
11 PADDON AVE, VICTORIA
 \$9,325,000
 \$291,406 PER SUITE
 32 SUITES
 IMAGE SOURCE: GOOGLE



SOLD
2180 HAULTAIN ST, VICTORIA
 \$3,500,000
 \$318,182 PER SUITE
 11 SUITES
 IMAGE SOURCE: GOOGLE

2019 CBRE SALES HIGHLIGHT

THE POINT APARTMENTS: 5393 201 STREET, LANGLEY, BC

**SOLD BY
CBRE**



Address
5393 201 Street, Langley, BC

Year Built
2019

Number of Units
98

Site Size
53,205 SF

Sale Completion Date
June 2019

Sale Price
\$39,000,000

Deal Type
Forward Sale

TRANSACTION DETAILS:

- Brand new 4-storey wood-frame purpose-built rental apartment building located in the City of Langley, directly across from the Meridian Apartments which CBRE NAG also successfully sold.
- Luxury apartment building consisting of desirable amenities such as advanced security system, secured bike storage, large storage lockers, fully equipped fitness centre, entertainment room and theatre room.
- CBRE NAG assisted with a "forward-sale" structure off-market between an institutional buyer & a local developer.
- CBRE provided guidance on potential achievable rents/income & assisted with deriving a sale value & projected cap rate that satisfied both the buyer & seller.

OUR EXPERTISE WITH NEW PURPOSE-BUILT RENTAL APARTMENT BUILDINGS

With nearly 40 years of combined experience, Lance Coulson and Greg Ambrose make up the CBRE National Apartment Group – British Columbia, one of the leading multi-family investment sales team in Western Canada. Having transacted a broad scope of multi-family dispositions, ranging from low-rise walk-up apartments to institutional grade large-scale multi-family assets, our team's experience in dealing with national/international clients, private apartment owners and many of Canada's prestigious real estate companies is unparalleled.

Extending beyond the traditional low-rise apartments built between the 1960s – 1980s, our team has transacted several newly-constructed purpose-built rental apartment buildings throughout the Lower Mainland & Greater Victoria markets. The recent softening of the condo market combined with growing demand from institutional investors has contributed to more and more developers considering building purpose-built rental buildings as a less risky, but still profitable alternative.

Our team's hands-on experience in brokering multiple newly built rental apartment buildings of varying size and scope has propelled us to the forefront of our market and allowed us to establish ourselves as one of the market leaders in the consultation and disposition of these types of transactions.

HOW OUR TEAM ADDS VALUE

If you're a developer considering selling a new rental project, have a project currently under construction, or in the planning stages, our team can help. Our extensive experience with these types of transactions from start to finish allows us to consult with developers and provide valuable insight, allowing for better decision making, a smoother sale process, and ultimately a market leading end sale price.

Below are examples of how our team can add value to a developer of a new purpose-built rental apartment building from start to finish.



ACQUISITIONS

Locating suitable sites and providing guidance on market values for land.



PROPERTY FEATURES

Advising on institutional preferred mix of unit types, sizes, interior features & building amenities.



DUE DILIGENCE

Hands-on assistance with the compilation and coordination of required documents



INITIAL LEASE UP

Efficient initial lease-ups and property management platform to achieve maximized income.



INCOME PROJECTIONS

Educated projections on potential rental income & operating expenses



MARKET TRENDS

Providing insight on market capitalization rates & required yields



DEAL STRUCTURES

Applying our expertise in transacting with different sale structures



GLOBAL ADVANTAGE

National network of institution clients with capital dedicated to multi-family assets in BC

**NATIONAL APARTMENT GROUP
BRITISH COLUMBIA**

LOCAL KNOWLEDGE. GLOBALLY CONNECTED.

LET'S TALK!

HAVE QUESTIONS ABOUT OUR REPORT OR ABOUT THE MARKET?
HAVE IDEAS OF THINGS YOU WANT TO SEE IN OUR NEXT REPORT?
WANT A FREE, NO OBLIGATION VALUATION OF YOUR PROPERTY?
WE WANT TO HEAR FROM YOU! LANCE.COULSON@CBRE.COM



LANCE COULSON
PERSONAL REAL ESTATE CORPORATION
Executive Vice President
National Apartment Group - BC
CBRE Limited, Capital Markets
604 662 5141 | lance.coulson@cbre.com



GREG AMBROSE
Senior Sales Associate
National Apartment Group - BC
CBRE Limited, Capital Markets
604 662 5178 | greg.ambrose@cbre.com

NATIONALAPARTMENTGROUPBC.CA

CBRE Limited | 1021 West Hastings Street Suite #2500, Vancouver, BC V6E 0C3

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