

Rental Executives National Think Tank

# RENTT



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***Moderator: John Dickie, President, Canadian Federation of Apartment Associations***

# THE VANCOUVER HOUSING MARKETS

This month's issue of *RHB Magazine* brings together a special RENTT (Rental Executives National Think Tank) panel representing the city of Vancouver. Our esteemed panel members discuss topics that are relevant to the BC market, including market conditions in Vancouver, multi-family markets, capex improvements, apartment marketing and more.

## John Dickie: In your views, where are the various Vancouver housing markets going?

**Brian McCauley:** Although we hear a great deal in the press about the runaway housing market here in Vancouver and the incredible pressure on the market by foreign buyers/investors, I do not believe that's the entire story. Interest rates have remained low for some time, with little indication they will increase suddenly in the near future. Simple supply and demand are definitely at play. Vancouver is geographically constrained, and it seems harder and takes longer to bring new housing to the market, whether it is rental or strata/condo, or single family development such as townhouses.

**David Hutniak:** The fact that there was virtually zero new purpose-built rental construction for such a significant period of time has exacerbated the current supply situation in the Lower Mainland, Victoria and other areas of the province. Over the last several decades, the existing rental supply has aged and the population has grown at an accelerated pace, so that demand has outpaced supply, resulting in higher prices for housing of all types.

The federal tax changes and rent control have inhibited rental development. The challenges have been compounded by municipal

bylaws like "rate of change," which place restrictions on the replacement of existing stock. Then there's the issue of timelines for the approval of projects. Four or more years seems to be the norm.

The low interest environment is a great opportunity but the rental market would be better served if we move fast and focus more on purpose-built rental and less so on strata/condos for long-term rental housing. People and rental developers need all levels of government to work with the private sector on these critical issues.

**Jon Stovell:** There is an increased willingness among consumers to buy or rent micro-suites. Concert entered the micro-suite market early with its building at 600 Drake.

**John Dickie:** Yes, landlords who attended CFAA Rental Housing Conference 2012 in Vancouver will remember that building from the Building Innovations Bus Tour.

**Brian McCauley:** Yes, 600 Drake continues to work well for us. Given the building's downtown location and generous common area amenities, the building has remained virtually 100% occupied from day one.

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**DAVID HUTNIAK**



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**BRIAN MCCAULEY**



**John Dickie:** What are the most attractive segments of multi-family markets for BC investors right now? Are there any hidden gems?

**Brian McCauley:** Transit-oriented sites are the hottest locations for multi-family in Metro Vancouver. As for hidden gems, there will always be opportunities for unique product offerings including micro-suites, or even the odd mid-market hotel conversion to rental housing as we did in Victoria.

**Scott Ullrich:** I agree with Brian about transit-oriented sites in Vancouver. Victoria and other areas of Vancouver Island are also attractive. As well, a number of my clients are looking at Alberta, but most of them are waiting for prices to fall some more.

**Jon Stovell:** Vancouver Island seems to be the current hot spot. And with today's high land values and high construction costs, micro-suites are coming to Victoria too.



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**JON STOVELL**

**John Dickie:** Changing topics, which capex improvements usually produce the highest ROI? What makes them work so well?

**Jon Stovell:** In renovating a new acquisition, I usually find the greatest return comes from renovating kitchens and bathrooms.” Insert that answer unless Marc pulled it out deliberately..

**Scott Ullrich:** I'm a big believer in curb appeal, and often focus renovations on building exteriors and common areas. Of course, the suites also have to be clean and attractive. If in-suite laundry can be installed, that has a huge impact on ROI, both through higher rents and lower costs.

**Jon Stovell:** I agree with Scott that lobbies and hallways are also important, along with adding condo-style amenities—like laundry in-suite—if that is possible.

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**SCOTT ULLRICH**



**Brian McCauley:** Even though the rental housing stock Concert owns is relatively new—20 years old at the most—we are constantly assessing buildings to determine what upgrades are needed to remain competitive.

Concert's rental buildings were built to condo quality, but we are replacing carpet with laminate, upgrading appliances and replacing light fixtures throughout to ensure the greatest energy savings. Renters today compare our suites against the array of condos being offered. We need to keep up with the competition.

**David Hutniak:** Across the industry, energy efficiency and sustainability are an important area of emphasis. That includes in-suite upgrades even if the tenants incur the cost of the utility (hydro, for example), because it's good business from a customer service perspective. Tenants increasingly care about their landlords being environmentally conscious and appreciate the lower hydro bills too. Ultimately, they are prepared to pay more to live in a green building. Energy-saving investments improve the assets, and provide cost savings and higher rents over the long run.

**John Dickie: How has apartment marketing changed over the last 5 to 15 years?**

**Scott Ullrich:** Fifteen years ago, our focus was on newspapers and rental magazines. On behalf of our property owners, Gateway spent over \$1,000,000 on Pacific Press ads alone (*Vancouver Sun* and *Province*). Today, almost all our advertising is on the web and through social media. Advertising costs have fallen significantly.

**Brian McCauley:** The biggest change is in giving immediate access to information. Rental marketers must provide up-to-date information on all forms of social media and web access to provide prospective tenants with current information about suite details, rents and availability. Today's renters want all the information at their fingertips right away.


In addition, leasing today is much more like condo sales. Landlords need experienced and knowledgeable staff to "sell" the prospective tenant on all that they have to offer.



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**DAVID HUTNIAK**



**John Dickie: Thank you, everyone, for your involvement in this special RENTT panel. I am sure that our readers will appreciate your insights. **