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INSIGHTS FROM
INDUSTRY
LEADERS DURING
THE CONTENT
FORMATION OF THE
VANCOUVER REAL
ESTATE FORUM.

**DEMAND FOR CONDOS
CONTINUES TO BE
VORACIOUS**

Demand continues to outstrip the supply of condos resulting in almost no standing inventory.

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**AFFORDABILITY A
CHALLENGE FOR
HOMEBUYERS**

Lack of affordable housing in the lower mainland has buyers looking to the suburbs.

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**HUMAN CAPITAL
IN SHORT
SUPPLY**

Thanks to its booming economy, BC's unemployment rate is the lowest of all the provinces in Canada.

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**INTENSIFICATION
OCCURRING AS LAND
BECOMES SCARCER**

Land not at its highest and best use is being redeveloped or intensified to increased densities.

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VANCOUVER**

Vancouver has the highest hotel occupancy rate and the highest average room rate of all the major cities across Canada.

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**OFFICE MARKET IS
ONE OF THE TIGHTEST
IN NORTH AMERICA**

Influx of Hi Tech companies from the US is putting pressure on an already tight office market.

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MARIJUANA FUELS
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The pot industry is already fueling demand for industrial space and agricultural land.

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Despite a transition within this asset class, international brands entering the Vancouver market.

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**APARTMENT
(INCLUDE SENIORS)
VACANCY IS TIGHT**

2017 was the third year in a row that vacancy rated for purpose-built apartments was sub 1%.

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**NEW INDUSTRIAL
CONSTRUCTION IS
HAPPENING NOW**

All time low vacancy rates despite more than 3.6 million square feet of new construction.

For further details on these top trends please visit the Real Estate Forums Portal at realestateforums.com

1. DEMAND FOR CONDOS CONTINUES TO BE VORACIOUS

Demand continues to outstrip the supply of condos resulting in almost no standing inventory.

- The stress test that came into effect on January 1st, reduces the buying power of a purchaser, pushing first time home buyers out of ground oriented housing.
- Sales of single family detached homes have started to slow and prices have flattened as people get priced out of the market.
- In March 2018, the average price of condos sold in the Vancouver market area reached over \$750K representing a 24.2% increase from March 2017.
- Over 21K new Metro Vancouver condo housing units had been registered in 2017 with BC Housing, all to likely start in 2018.
- Royal LePage predicts that low inventory levels will continue to put upward pressure on home prices increasing them by 5.2 % by the end of 2018.

2. AFFORDABILITY CONTINUES TO BE A CHALLENGE FOR HOMEBUYERS

Lack of affordable housing in the lower mainland has buyers looking to the suburbs.

- Lack of affordable housing in the lower mainland has buyers looking to the suburbs. According to a report by VanCity, these areas are becoming less affordable too.
- In February's budget, the NDP released its 30 point plan to tackle housing affordability. Some of the key points of the plan are:
 - Introduce a speculation tax of 0.5% in 2018 increasing to 2.0% in 2019
 - Increase the foreign buyers tax to 20%
 - Increase property transfer taxes from 3% to 5% on houses over \$3M
 - Collect more buyer information to end hidden property ownership
 - Spend \$6.6B to build 114K homes through partnerships
 - Pledged \$155M over 3 years for 1,700 units of social housing for First Nations people
 - \$450M student housing program allowing post secondary institutions to borrow money from the province to build 5K new beds
 - Create a new "HousingHub," which will partner with developers, non-profits and other levels of government to build affordable.
 - Purpose built rentals will be exempted from having to pay provincial property tax
- On a municipal level, the new Housing Vancouver strategy (2018-2027) includes the development of 72K affordable homes including: 24K purpose-built rentals, 12K social housing or co-op units and 36K owned housing units.
- Pilot project was launched last summer to require 20% of all new rental units to be below-market. Proposal included such incentives as increased allowable density, lower parking requirements and fee waivers

- Creative Housing Society, an independent non-profit formed by Ian Gillespie of Westbank last fall has appointed Jennifer Keesmaat, former chief planner of the city of Toronto as CEO. Creative Housing is proposing to build 50K units of affordable housing primarily in Vancouver and Toronto. This P3 would include equity from the private sector. CMHC would be the primary lender and city owned land would be used as building sites.
- CMHC's rental construction financing initiative was introduced last year to provide \$2.5B in low-cost loans to support the construction of new rental housing. In the February budget, the Liberals boosted CMHC's lending capacity for rental construction by 50 per cent to \$3.8B over the next three years.

3. HUMAN CAPITAL IN SHORT SUPPLY

Thanks to its booming economy, BC's unemployment rate is the lowest of all the provinces in Canada.

- BC's unemployment rate fell by 1.2% in 2017 to end the year at 4.7%.
- According to StatsCan, between 2015 and 2017, 78K new jobs were added to the Metro Vancouver area.
- Trades are experiencing a severe shortage. 75% of construction companies across the province are reporting they can't find enough qualified workers according to the Independent Contractors and Businesses Association.
- Long backlog of apprentices waiting to be ticketed.
- Last August, the province announced \$1.8M for 562 additional trades seats
- As part of the Fed's Global Skills Strategy, implemented in June, fast tracks visas for skilled foreign workers. It will reduce the time it takes to process immigration from months to as short as two weeks
- CBRE reports that of 50 US and Canadian markets, Vancouver was the most inexpensive city to start up a new tech company.
- That said, Digital Journal reports that the average salary of a tech worker in Vancouver is \$34K to \$44K less than they would receive in Seattle or San Francisco.
- BC Tech estimates that by 2021 there will be 35K jobs needing to be filled.

4. LEGALIZATION OF MARIJUANA FUELS DEMAND FOR SPACE

The pot industry is already fueling demand for industrial space and agricultural land.

Cannabis Facilities in Canada



	Existing	Underway
British Columbia	2.5	4,000.0
Alberta	55.2	900.0
Saskatchewan	15.0	75.0
Ontario	1,125.4	1,928.0
Quebec	50.0	748.0
New Brunswick	133.0	504.0
	1,381.1	8,155.0

Sq. Ft. in 000's | Includes: green houses, grow rooms, related vegetation, nutrient delivery and post production infrastructure.

Source: Altus Group based on the Management Discussion and Analysis reports of public companies.

- According to the Altus Group, based on the top publically traded Marijuana companies in Canada there is currently 1.4 million SF of inventory with another 8.2M SF either under construction or planned.
- The quest for space has already begun:
 - Chilliwack council has rezoned an industrial site to allow Medigreen to proceed with a 25K SF grow-op.
 - In Delta, a 24K SF marijuana production facility has been approved for an industrial site on Annacis Island.
 - Canopy Growth is converting Delta greenhouses on Hornby for commercial marijuana cultivation.
 - In Powell River, Santé Veritas Therapeutics Inc. is retrofitting 30K SF in part of the old pulp mill
 - In Lumby, Vancouver-based True Leaf has purchased 40 acres for \$3.3M and plans to construct a 16K SF hydroponic grow building and a 9K SF building housing offices, extraction facility, and laboratory and packaging areas.
- Increased demand for storefront retail and industrial buildings for distribution is an expected side effect when the legalization of pot becomes finalized this summer.

5. OFFICE MARKET IS ONE OF THE TIGHTEST IN NORTH AMERICA

Influx of Hi Tech companies from the US is putting pressure on an already tight office market

Office Vacancy Rate in Balance with One Notable Exception



Source: Altus Group

New Office Construction, as % of Inventory



Source: Altus Group

- Amazon announced that they are opening their second office in Vancouver and has leased 150K SF of office space in Oxford's new building at 402 Dunsmuir. This is in addition to the 156K SF they are currently leasing in TELUS Garden.
- Facebook leased 45K SF of space in the Waterfront Centre
- At under 5%, downtown Vancouver has one of the lowest vacancy rates in North America.
- Market rates are expected to top \$50 PSF.
- In addition to the office towers already under construction, a spate of new office buildings are in the planning stages for the downtown.
- Office vacancy in the surrounding areas of Burnaby, Richmond and Surrey fell to 8% at the end of 2017. New office construction in these areas is expected to ease a tight market:
- In Surrey, Lark Group has completed the 172K SF City Centre 2
- Construction is underway on the GTC Professional building, a 100K SF building also in Surrey
- Anthem properties Station Square development in Burnaby, which will include around 53K SF of office space will be complete this year
- Cressy's 74K SF of office strata located in its Kings Crossing development also in Burnaby, is set to be complete next in 2019
- Blackwood Partners has announced the construction of Central City Tower 2 in Surrey, a 560K SF office complex

6. HARD TO FIND A HOTEL ROOM IN VANCOUVER

Vancouver has the highest hotel occupancy rate and the highest average room rate of all the major cities across Canada.

- 110K SF of space in the Credit Suisse's Exchange building will be converted to hotel space. The four-star boutique hotel will occupy floors 2 to 11 and will have 204 rooms.
- Adjacent to this site, Executive Resorts will redevelop the Edward Chapman building into a 13 storey purpose built hotel.
- This fall Marriott opened JW Marriott Parq Vancouver and the DOUGLAS within the Parq casino development next to BC Place.

7. INTENSIFICATION OCCURRING AS LAND BECOME SCARCER

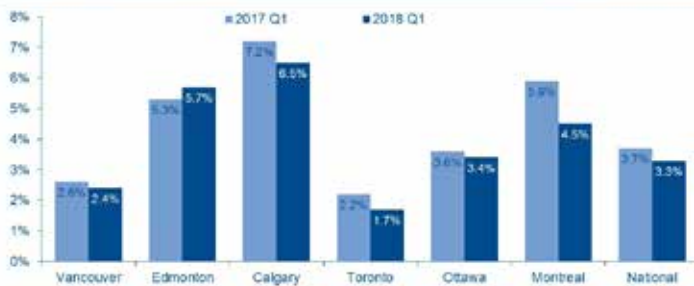
Land not at its highest and best use is being redeveloped or intensified to increased densities.

- Oxford's new 9 storey office building will sit on an underdeveloped site adjacent to their larger office building.
- The city is also seeing the wind up of stratas as they become a new source of land and the last of downtown Vancouver's gas stations have been sold
- Bentall Kennedy is redeveloping their 12 storey office building into a 31 storey 565K SF building on West Pender.
- Third phase of Cambie Corridor densification plan underway. Gregor Robertson projects an additional 12K homes in the area. Plan is to build low rise residential on either side of Cambie.

8. RETAIL OPPORTUNITIES EXIST IN NEW AND MATURE NEIGHBORHOODS

Despite a transition within this asset class, international brands entering the Vancouver market.

Industrial Vacancy Rates Remain Tight in Vancouver



Source: Altus Group

Retail Investment in Vancouver Continues to be Strong



Source: BNA Group

- Increase in minimum wage and high rental rates mean that some retailers are reducing the size of their stores or rethinking their need for bricks and mortar stores.
- The retail sector is polarized as discount retailers and luxury retailers are demanding more space

- Retail investment is booming as investors are banking on increasing rents. 2017 was a record year of retail investment with \$1.73B in transactions in Metro Vancouver.
- Approximately 100 of RioCan's properties are to be sold in phases over the next two to three years. This represents over \$2B of income properties primarily located in Canada's secondary markets, including certain non-core assets in major markets.
- New international brands are coming into the market including:
 - Muji from Japan will be opening their third store in Vancouver in Spring 2018
 - Bailey Nelson, the Australian eyewear company arrived in 2017 and will be opening their second store in Gastown
 - In December, Van Cleef & Arpels the French jewelry, watch and perfume brand opened their 4K SF flag-ship store on Alberni Street and is their second largest store in the Americas
 - Hublot, the Swiss luxury watch brand opened their first boutique in Canada in September.
 - H&M sister store COS opened a 3K SF store in Gastown, last spring.

9. APARTMENT (INCLUDE SENIORS) VACANCY IS TIGHT

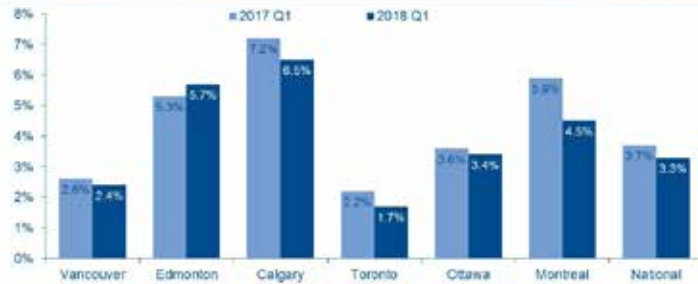
2017 was the third year in a row that vacancy rates for purpose-built apartments was sub 1%.

- According to the CMHC, the apartment vacancy rate in Vancouver was 0.9% in 2017.
- Average monthly rent for a two-bedroom unit is \$1,552, the highest in Canada.
- Rental rates continue to increase faster than the rate the province allows.
- Since 2010, the city has seen only about 5K units completed or under construction.
- High Community Amenity Contribution costs have lead to the cancellation of more than one proposed rental development in the City.
- Although Vancouver's new housing policy stipulated that it would exempt certain kinds of rentals from CACs, some projects will remain subject to the fees.
- According to the Goodman report, as of January 2018, there are an estimated 17K new rental units in 166 buildings, in the pipeline – an 82% increase from the year before.

10. NEW INDUSTRIAL CONSTRUCTION IS HAPPENING NOW

All time low vacancy rates despite more than 3.6 million square feet of new construction

Industrial Vacancy Rates Remain Tight in Vancouver



Source: Altus Group

Industrial Under Construction, as % of Inventory Remains Low (Q1 2018)



Source: Altus Group

Industrial Rental Rates Continue to Creep Up (Q1 2018)



Source: Altus Group

- In 2017's fourth quarter, more than 722K SF of industrial space was sold or leased in the Vancouver market area, and prices have hit record highs.
- Currently, industrial vacancy rates are less than 2%.
- Industrial net rents have increased by 15% from 2016 averaging \$12.06 PSF.
- Amendments to the zoning by-laws are resulting in the erosion of Industrial lands
- Although the high cost of land and rising construction costs will constrain supply the following business parks are set to complete buildings over 100K SF in the next year:
 - Crescent Business Centre, Burnaby
 - Riverbend Business Park, Burnaby
 - Richmond Industrial Centre Building 1, Richmond
 - IntraUrban Rivershore, Richmond
 - Delta Business Link Park, Delta
 - Surrey's Campbell Heights West Business Park, Surrey
 - South Surrey Business Park, South Surrey
 - Port Kells Centre, Langley
 - Golden Ears Business Park, Pitt Meadows
 - Clearbrook Logistic Centre, Abbotsford



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