

Q2 2021

UA Rental Take: Metro Vancouver PHASING OUT INCENTIVES



Q2-2021 VANCOUVER RENTAL TAKE: Phasing Out Incentives

Overall Rental Market

The purpose-built rental market in Metro Vancouver carried over from a strong first quarter and remained hot as multiple projects became fully leased and some even became fully leased prior to first occupancy in the second quarter of the year. There was a notable number of students who came back to the region during the second quarter as various post-secondary institutions get ready to welcome students back to in-person classes. Multiple leasing managers across the Lower Mainland have reported a recent uptick in the number of professional workers who are moving to Metro Vancouver from different provinces within Canada. Leasing teams have also recently experienced high levels of inquiries on their available suites which has allowed them to increase rental rates. While the full-time working from home scenario that occurred in 2020 allowed renters to live significantly further away from the urban core, now that much of the workforce is returning to the office at least on a part-time/hybrid basis, rental demand in Vancouver has dramatically increased.

Overall average rental rates increased during the second quarter and it is anticipated that they will continue to increase in the second half of the year as leasing teams across the market aim to push rents for their respective developments.

TOTAL PROJECTS BY SUB-MARKET



Chart 1

Urban Analytics is currently monitoring 184 newer purpose-built rental apartment projects comprising of 18,434 units across 13 major Metro-Vancouver sub-markets. The first actively leasing project in Port Moody is now being tracked and will be included in the Tri Cities sub-market. The data used for this analysis comprises of 66 newer concrete rental apartment buildings, 115 newer wood frame rental apartment buildings and three newer rental townhome projects. The data is gathered on an ongoing basis through primary research methods. The information is then consolidated and entered in UA's proprietary NHSLive data platform, which is available to industry stakeholders on a subscription basis.

ACTIVE VS FULLY LEASED PROJECTS

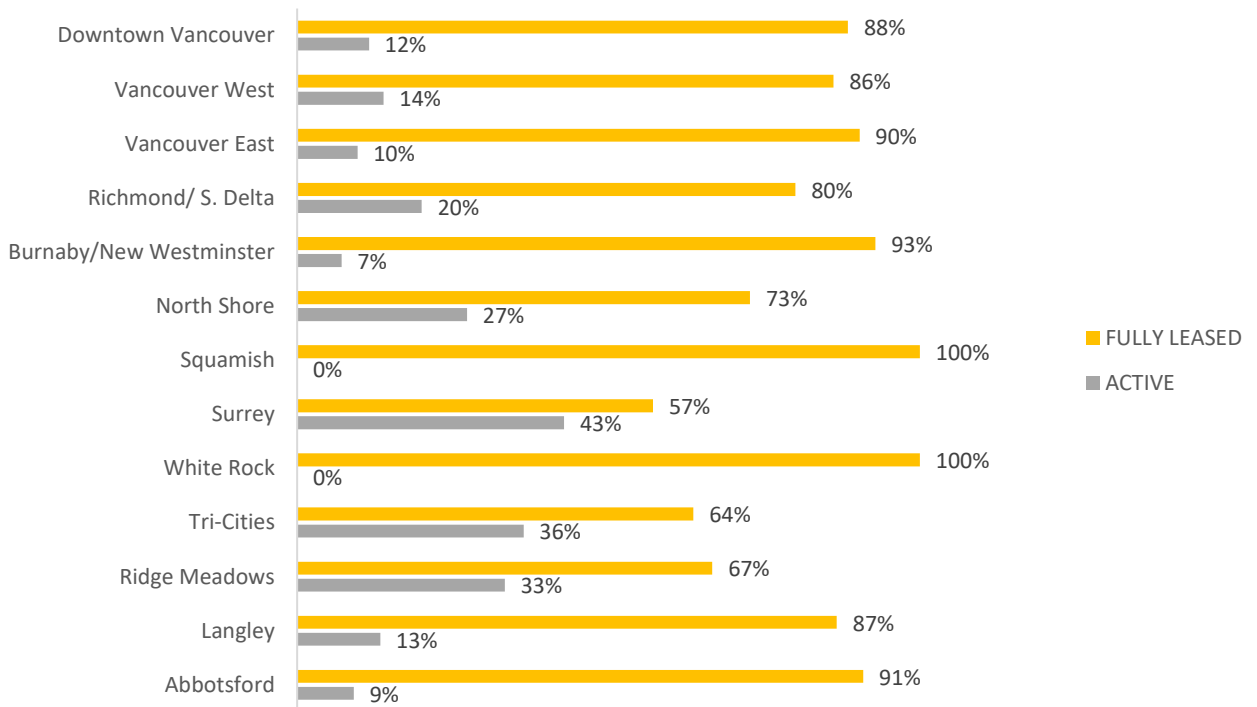


Chart 2

Active vs. Fully Leased Projects

UA considers a rental apartment project in its initial lease-up campaign as 'actively leasing'. Once a project completes its initial leasing campaign and has rented all units, the project is considered 'fully leased', and subsequent turnover is monitored monthly. There were nine total projects in four different sub-markets that launched in the second quarter of 2021. Notable project launches during the first quarter of 2021 included Cressey Developments' Wilkinson (104 units) in Vancouver West, Kevington's The U in Coquitlam, and PC Urban/Realstars' Inlet Station Apartments (221 units) in Port Moody.

Decreased Overall Availability

Overall purpose-built rental availability decreased by one percent in the second quarter of 2021. After only 466 new rental units were released to the market in the first quarter, there were 1,133 units released in the second quarter. Availability in fully leased buildings also declined by 0.7 percent compared to the previous quarter and has decreased by 1.1 percent since the fourth quarter of 2020. The overall availability total is anticipated to increase slightly as an estimated 1,500 units could finish construction and begin leasing campaigns within the next three to six months. Leasing managers throughout Metro Vancouver continue to report higher levels of demand than what was experienced six to 12 months ago. It has been anecdotally reported that there is more interprovincial migration as well as increased demand from students and young professionals entering the market. Availability in the chart below includes both units in actively leasing projects and units in fully leased projects.

AVAILABILITY PER QUARTER

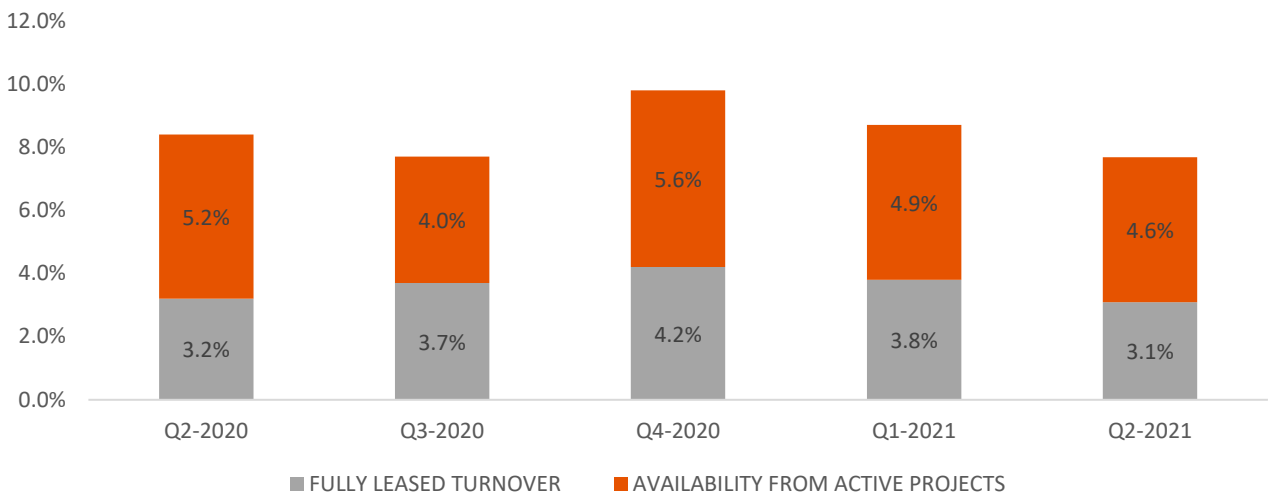


Chart 3

Availability Decrease in Urban Areas

The chart shown below displays available inventory in previously fully leased buildings. Availability has notably decreased in all Vancouver locations (Downtown Vancouver, Vancouver West and East) as people are moving back into the city with restrictions being eased across the region and schools hosting in person classes for the fall. Although fully leased available inventory has decreased across Metro Vancouver as a whole, Tri-Cities, Abbotsford, Surrey and the North Shore has experienced an increase for this product type.

FULLY LEASED AVAILABILITY BY SUB-MARKET

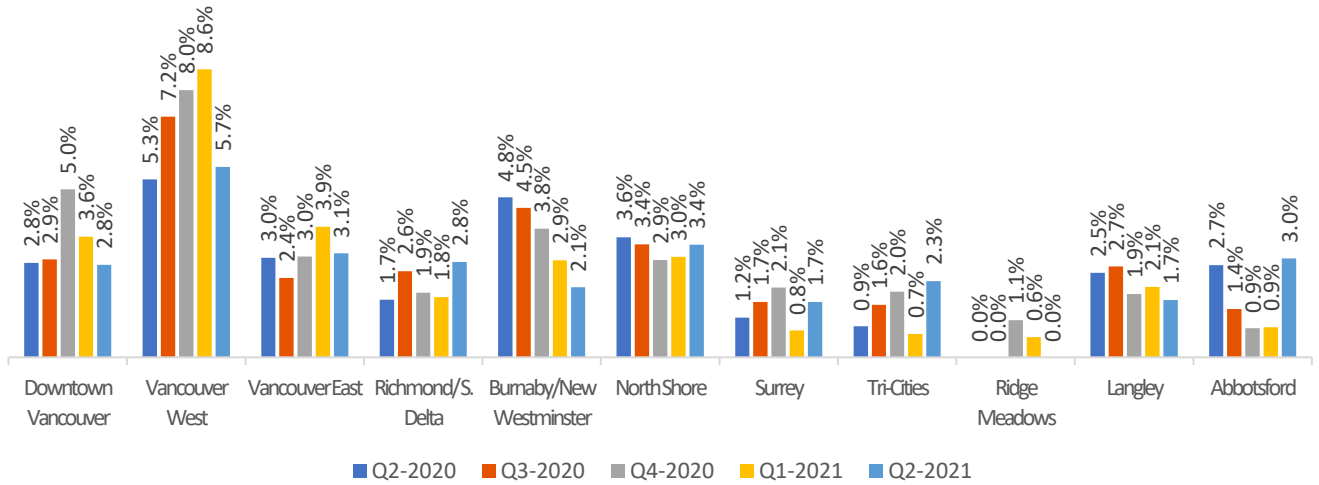


Chart 4 (Note: White Rock, and Squamish have been omitted due to a lack of historical data)

Rental rates have increased through much of Metro Vancouver during the second quarter of the year with the most notable increase in per square foot rental rates occurring in Ridge-Meadows, which increased by \$0.43 PSF compared to last quarter after a new project launch. The differential between the most and least expensive sub-markets (Downtown Vancouver and Richmond/South Delta) is currently at \$1.78 PSF, which is tighter than the \$1.88 PSF differential recorded in the previous quarter. The reduction in the differential since early 2020 provides an indication that renters in more cases are currently opting to rent in sub-urban locations as they offer more living space at lower rental rates on average.

AVG NET RENT \$PSF PER SUB-MARKET

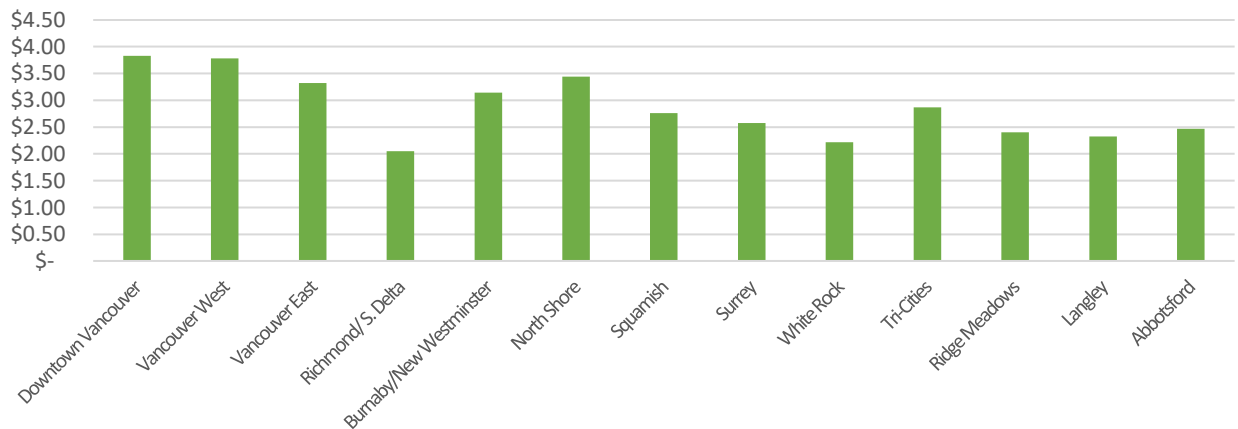


Chart 5

Overall average per square foot rents in the second quarter of 2021 were up by \$0.03 compared to last quarter. There were a few projects who had been offering incentives for new renters but have since taken them away as market conditions improved. It is expected that the overall \$PSF rents in the region will continue to increase as multiple project launched in Downtown Vancouver, Vancouver West, Burnaby and the North Shore are anticipated for the third quarter of the year.

QUARTERLY AVERAGE \$PSF RENTS

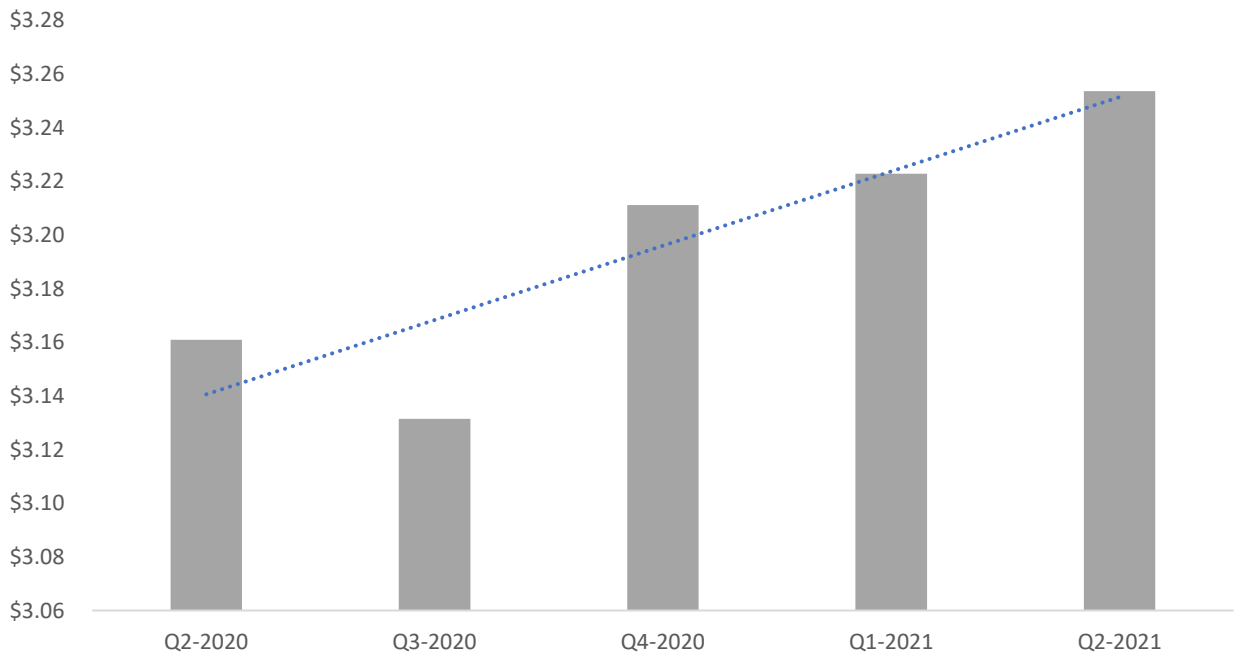


Chart 6

Chart 7 shows the asking rent per square foot for recently turned over units (by unit type) for newer purpose-built rental projects in the region and compares them to their respective initial lease-up rates. Asking rents for turned over apartment units have increased for all unit types and can be explained by the higher proportion of availabilities occurring in more urban and expensive sub-markets.

RENTAL RATE CHANGES \$PSF

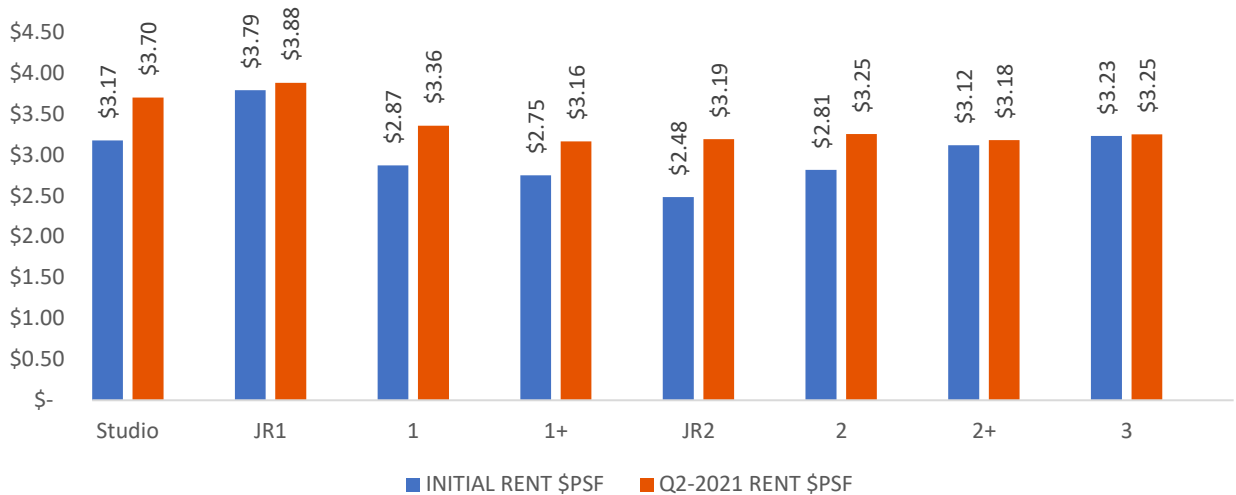


Chart 7

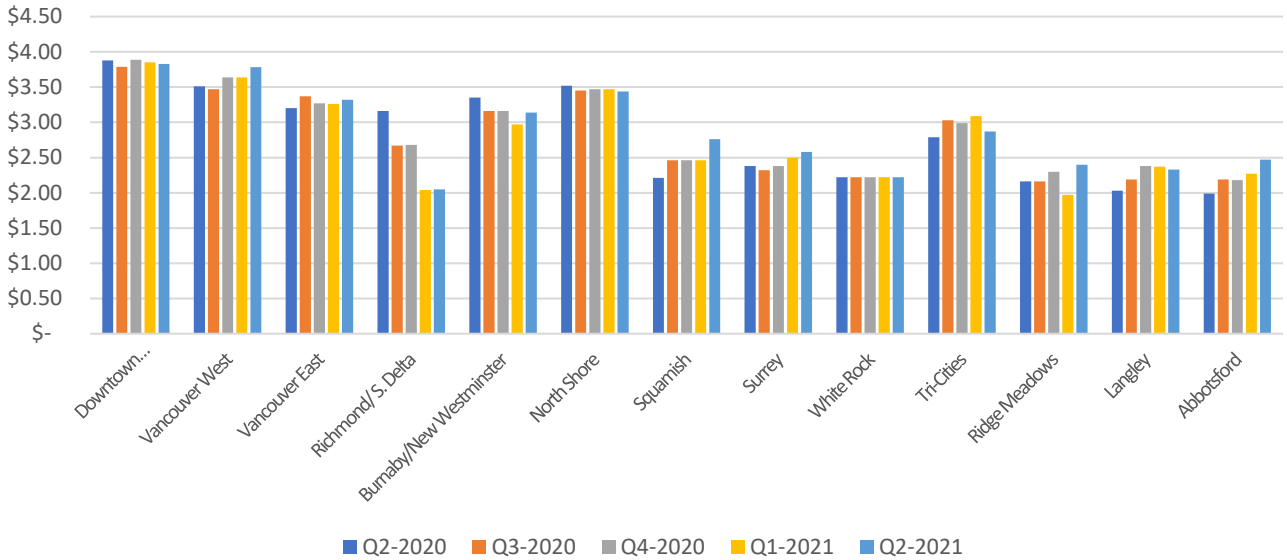
The following summarizes the increased rental rates (on a per square foot basis) in recently turned-over units relative to initial lease-up rates (by unit type):

- Studio units: 16.5 percent higher
- Junior one bedroom units: 2.4 percent higher
- One bedroom units: 16.9 percent higher
- One bedroom plus den/flex units: 15.1 percent higher
- Junior two bedroom units: 28.4 percent higher
- Two bedroom units: 15.5 percent higher
- Two bedrooms plus den/flex units: 2.0 percent higher
- Three bedroom units: 0.6 percent higher

A portion of the rent increases can be attributed to buildings in the City of Vancouver that were initially leased at reduced rates as required by the Rental 100 program they were approved under.

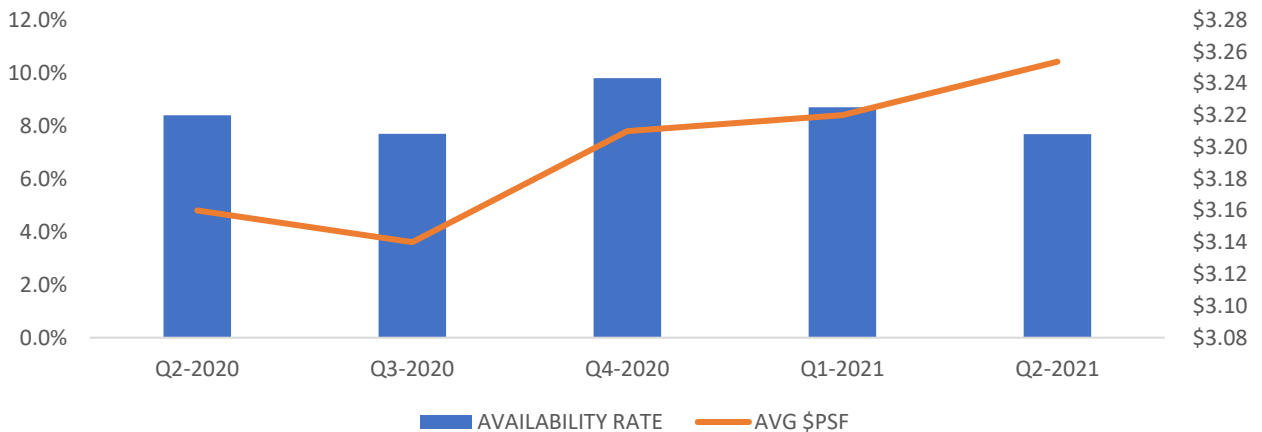
While most sub-markets experienced growth over the second quarter, there were three markets that experienced a decrease in overall rents. Overall average per square foot rents were up by \$0.14 in Vancouver West, up by \$0.06 in Surrey and up by \$0.20 in Abbotsford. Average per square foot rents were lower in the Tri-Cities and are the result of the first new rental woodframe project in Port Moody (with a lower per square foot rental average) launching in the second quarter. Average rental rate increases are likely to occur in the Burnaby/New Westminster and Downtown Vancouver sub-markets as new projects in these locations are anticipated to be launched at record high rents next quarter.

AVERAGE NET RENT \$PSF PER SUB-MARKET



The chart below compares the proportion of available units to average per square foot lease rates for newer purpose-built rental projects in Metro Vancouver. The overall average net per square foot rent has increased by 0.9 percent (or \$0.03 per square foot) and the overall unit availability has decreased by 1.0 percent over the second quarter. This is the second quarter in a row where the availability rate has dropped while average per square foot rental rates have increased. UA anticipates that this trend will continue as developers continue to phase out incentives and demand increases towards the end of summer leading into the upcoming school year.

AVAILABILITY VS NET RENT \$PSF



Availability in Q2-2021

Two new concrete apartment building launches in Vancouver West in the second quarter resulted in this sub-market now having the most available new rental inventory in the region at 337 units. Available inventory in the Tri-Cities increased by the most in the second quarter with 598 units being released in the quarter. A total of 551 newer purpose-built rental units were available in the City of Vancouver at the end of Q2-2021 which is a 32 percent decrease from the first quarter. With new product being released throughout the more suburban locations, the below chart highlights 418 available units in Squamish, White Rock, the Tri-Cities, Ridge Meadows, Langley and Abbotsford.

AVAILABLE UNITS PER SUB-MARKET

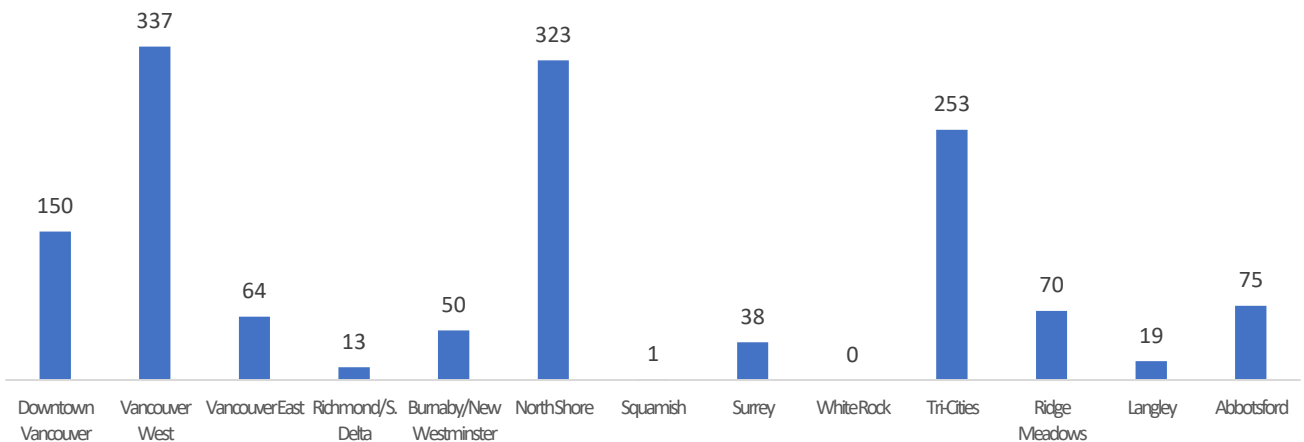


Chart 10

Incentives & Rental Trends

While incentives were a large part of the lease-up process during 2020 and early 2021 fewer incentives were offered throughout the second quarter. Only two of the nine newly launched rental developments offered incentives as rental demand rebounded back up to pre 2020 levels. There are four concrete apartment buildings that are anticipated to launch in the summer of 2021 that will not be offering incentives during the initial lease up. A continuing trend that is still being used by nearly all actively leasing and fully leased developments is offering virtual tours to perspective renters. These are conducted by either virtual appointments with a leasing representative or by offering self-guided tours through different unit types or amenity spaces from a pre-recorded video or a 3D online tour. Leasing teams have reported that renters who request in-person viewings after experiencing the virtual showing have converted into tenants at a higher rate.

Some examples of incentives currently offered in the marketplace include:

- 1 year transit pass
- \$500 off first month rent
- 1 year free internet, phone, and cable
- 1 month free rent
- 4 months at 50 percent rent
- 2 month free rent on select units
- Free car share membership
- Free parking and storage
- Moving expenses paid by the landlord

Amenities

Amenity offerings are a significant part of what differentiates purpose-built rental developments from one another. Many projects have successfully identified and executed amenities that appeal to different demographic groups in the buildings and the communities they live in. Amenity offerings in newer purpose-built rental projects are being designed to provide as much convenience as possible for the primary target tenant. Almost all new rental developments are now incorporating parcel delivery systems as an amenity and an increasing number of leasing teams are putting an emphasis on co-working spaces. The following is a sample of amenities offered by projects that launched during the second quarter of 2021 and the projects that will launch in the third quarter of 2021:

- Rooftop courtyard
- Dog run
- Dog wash station
- Swimming pool
- Building-wide events
- Carshare/parking/cars
- Fitness/yoga area
- Parcel delivery system
- Kid's play area
- Bike repair area
- Lounge/games room
- Daycare centre
- Co-work space
- Garden plots
- Yoga area

Looking Ahead

UA is currently monitoring 319 development applications for purpose-built rental projects across Metro Vancouver that represent an approved total of 16,234 rental units. According to Urban Analytics' contemplated tracking, there are currently 18 rental developments with 2,907 units that are in the interior finishing stage of construction and are likely to complete within the next six to nine months.

The following are some examples of new projects anticipated to complete in the next two quarters that UA will be monitoring closely:

- The Moody – Woodbridge Properties (142 units)
- 8X on the Park – Brenhill Developments (110 Units)
- Hazel – QuadReal (238 units)
- Origin – Anthem Properties (225 Units)

Given the ever-shifting conditions in the various sectors of the new home markets in Metro Vancouver, having access to the most current and accurate data at your fingertips is more vital than ever. NHSLive provides timely data on the new Land, Multi-Family Home, and Rental Apartment sectors of the market in Metro Vancouver. With its superior user-friendly interface and extensive functionality, it has become an invaluable tool for over 1,200 industry stakeholder users. Call or email us today to schedule a demonstration of NHSLive.

With the increasing competition in Metro Vancouver's new purpose-built rental apartment market and the uncertainty in the new condominium and townhome sector of the market, it is crucial to ensure your project is appropriately designed and positioned prior to launching. Urban Analytics provides comprehensive advisory services that meet your firm's specific needs in all markets we service. Call or email today to ask how we can help



We appreciate your feedback. Please contact us with any questions regarding this UA Take or any of our other periodic publications.

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