



Urban

Formerly Urban Analytics

**Q3 2021**

RENTAL TAKE: VANCOUVER

# **SUPPLY SHORTAGE WORSENS**



# Supply Shortage Worsens

## Overall Rental Market

The purpose-built rental market in Metro Vancouver continued its strong year with availability rates decreasing and overall rental rates increasing in the third quarter. Availability are rates now at the lowest level in two years as post-secondary institutions have resumed in-person lectures and an influx of students have migrated back to the region. There continues to be strong levels of interest from young professionals and couples who are moving to the more urban sub-markets from other provinces for employment. Metro Vancouver continues to be under supplied as 20 fewer units were released within the first three quarters of 2021 as there were over the same time frame last year. Year-to-date released inventory totals were also 250 lower than in 2019.

Current low inventory levels of inventory are anticipated to persist in the near future as only 500 units are expected to complete construction and start leasing in the fourth quarter. It is also anticipated that overall average rental rates will continue to increase next quarter despite them already increasing sharply throughout the first three quarters of the year. There are several developments that will be released in the fourth quarter that will attempt to achieve record rents in their respective sub-markets.

## TOTAL PROJECTS BY SUB-MARKET

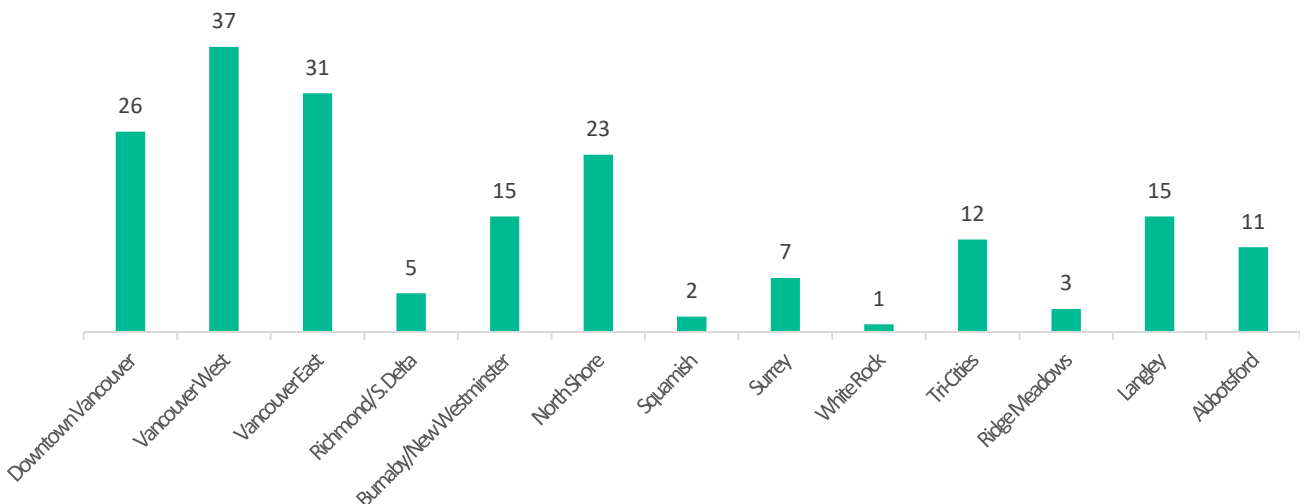


Chart 1

Zonda Urban is currently monitoring 188 newer purpose-built rental apartment projects comprising of 19,291 units across 13 major Metro-Vancouver sub-markets. The data used for this analysis comprises of 69 newer concrete rental apartment buildings, 117 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 Zonda Urban’s proprietary NHSLive data platform, which is available to industry stakeholders on a subscription basis.

### ACTIVE VS FULLY LEASED PROJECTS

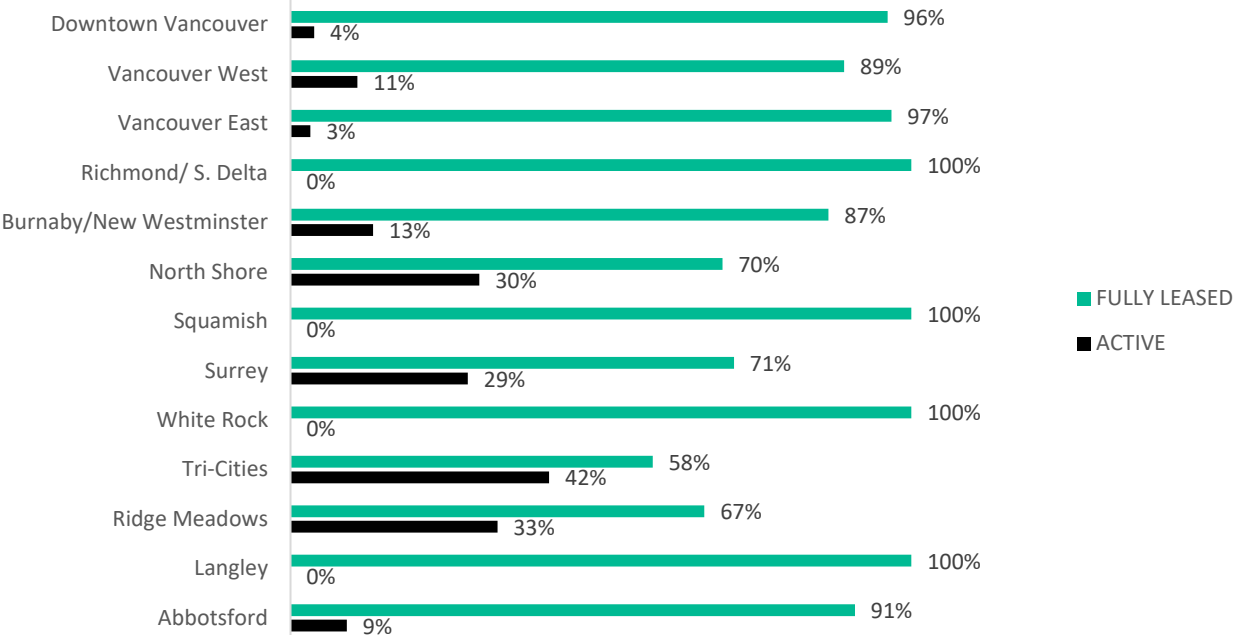


Chart 2

#### Active vs. Fully Leased Projects

Zonda Urban 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 three concrete high rise developments and one wood frame low rise development that began leasing in the third quarter. Notable project launches during the quarter included Quadreal’s *Hazel* (238 units) in Burnaby, Anthem Properties’ *Origin* (225 units) in North Vancouver, and Woodbridge Homes’ *The Moody* (142 units released) in Port Moody.

## Decreased Overall Availability

Overall purpose-built rental availability decreased by 0.6 percent in the third quarter of 2021. There were 679 new rental units released to the market during the quarter, which is 40 percent fewer than the 1,133 units that were released in the second quarter. Availability in fully leased buildings decreased by one percent with 127 fewer units available in these buildings at the end of the quarter. The overall availability total is anticipated to increase slightly as approximately 1,000 units could finish construction and begin leasing campaigns late in the fourth quarter. Leasing managers throughout Metro Vancouver have noted strong levels of demand this fall with schools returning to in-person classes. Demand is anticipated to decrease slightly due to the seasonality of demand from students. Availability in the chart below includes both units in actively leasing projects and units in fully leased projects

### AVAILABILITY PER QUARTER

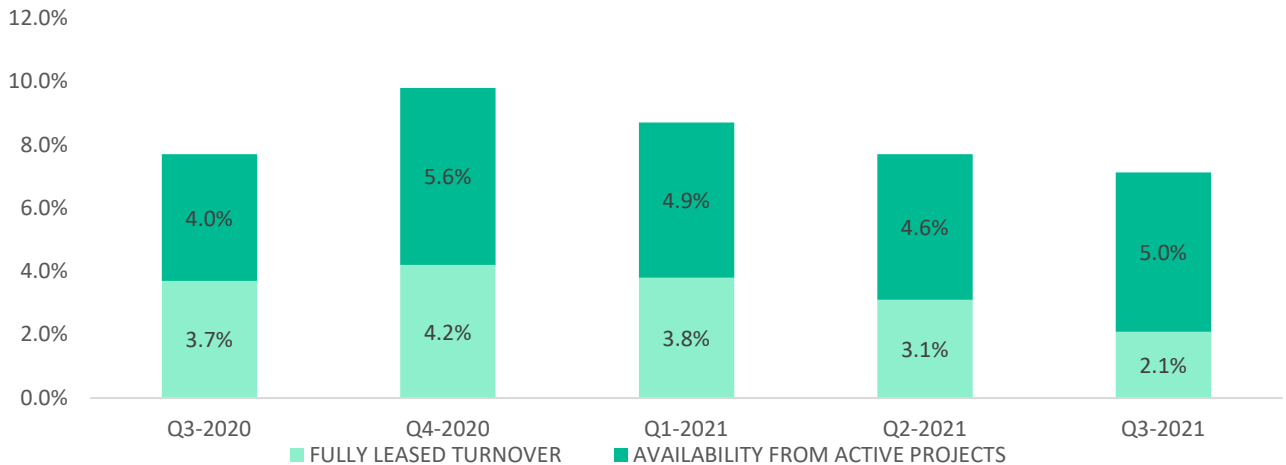


Chart 3

## Availability Decrease Around Post Secondary Schools

The below chart illustrates where the availability is located throughout the region. Sub-markets with increased availability all had new project launches in the quarter. Availability decreased in all Vancouver sub-markets. The availability rate in UBC was at 24 percent during the first quarter of 2021 and has since dropped to two percent which can explain the declining availability rate in Vancouver West.

## AVERAGE AVAILABILITY BY SUB-MARKET

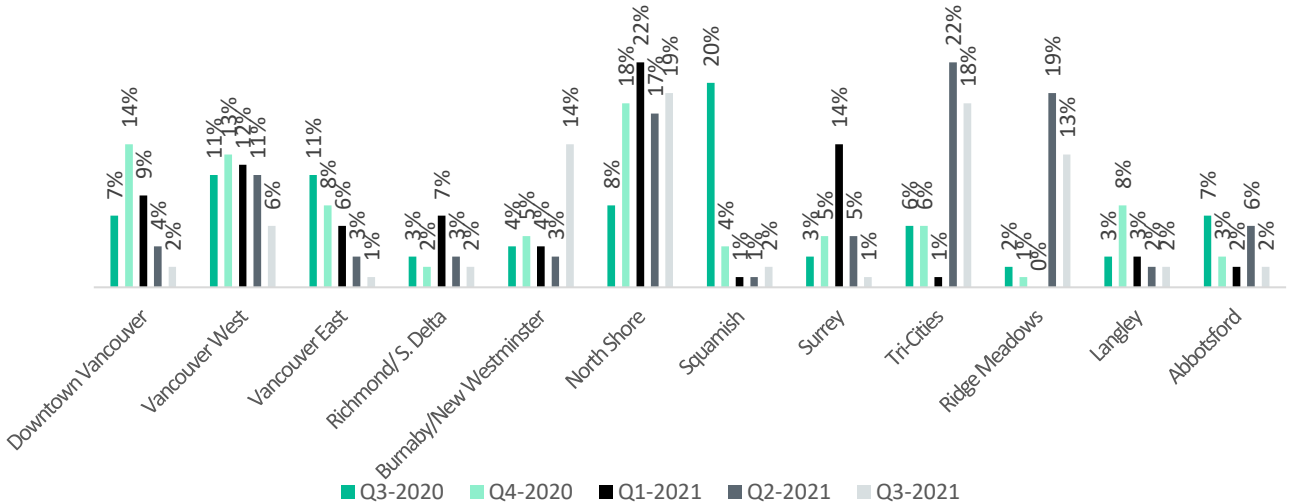


Chart 4 (Note: White Rock, and Squamish have been omitted due to a lack of historical data)

Rental rates increased dramatically during the third quarter of the year with the most notable increase in per square foot rental rates occurring in Vancouver West, which increased by \$0.50 PSF compared to last quarter. Rate increases in this location were primarily due to low inventories and a project launch in the Fairview neighbourhood. The differential between the most and least expensive sub-markets (Vancouver West and Langley) is currently at \$1.77 PSF, which is consistent with the \$1.78 differential observed in the second quarter. Per square foot rental rates in the Abbotsford sub-market increased by \$0.48 this year and have now eclipsed average values in the Langley and Ridge-Meadows sub-markets.

## AVG NET RENT \$PSF PER SUB-MARKET

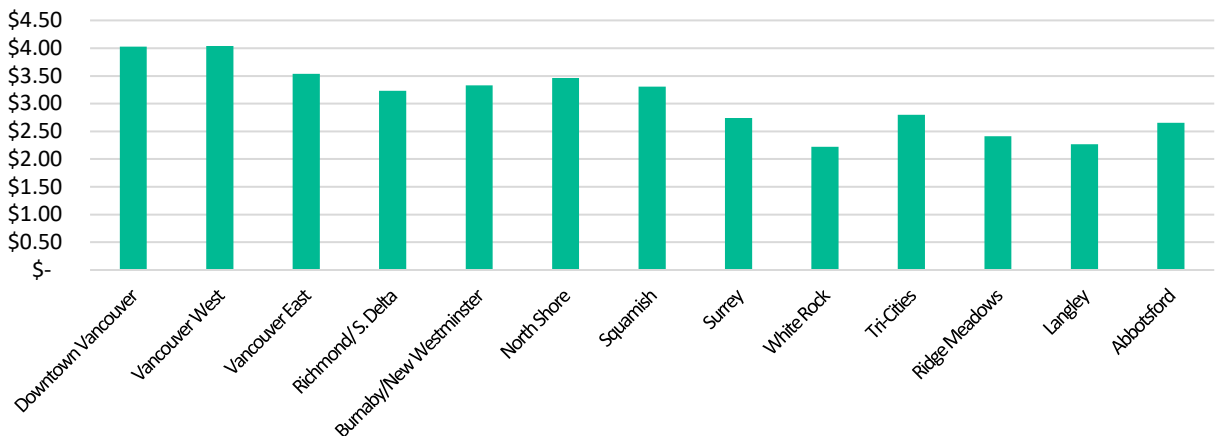


Chart 5

Overall average per square foot rents in the third quarter of 2021 were up by \$0.10 compared to last quarter. With low levels of availability, leasing teams are continuing to push rental rates where they can and capitalize on the supply crunch. There are very few projects offering incentives which is a shift from common leasing practices in early 2021. It was noted during the third quarter that along with schools, rental developments in urban locations that are close to employment centers have been experiencing higher amounts of interest, as more organizations return to the office. With multiple imminent concrete launches in Downtown Vancouver and Surrey, it is anticipated that the overall \$PSF rents in the region will increase in the final quarter of 2021.

### QUARTERLY AVERAGE \$PSF RENTS

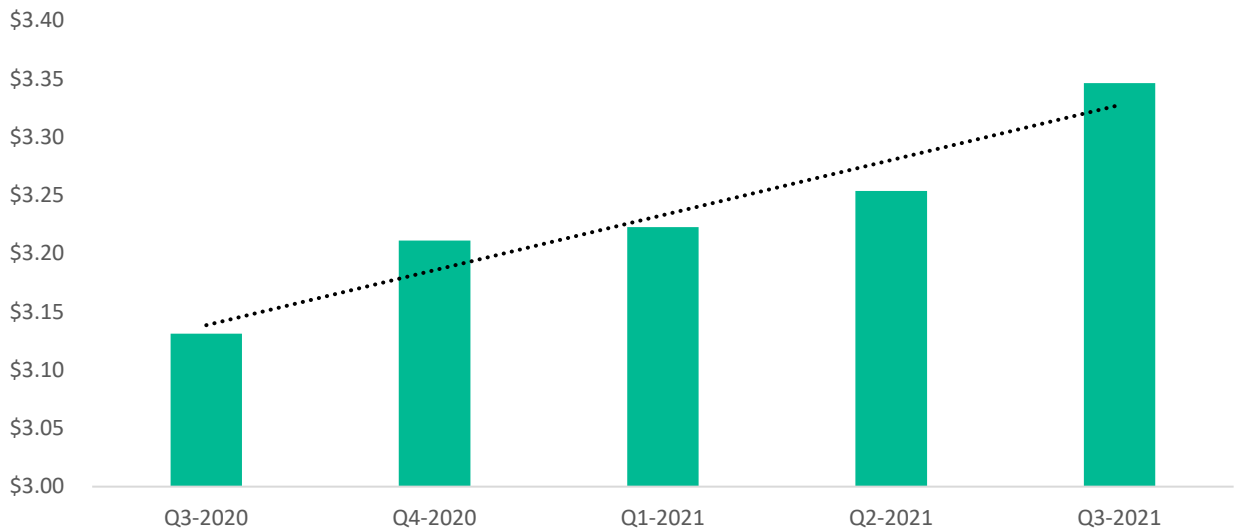


Chart 6

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

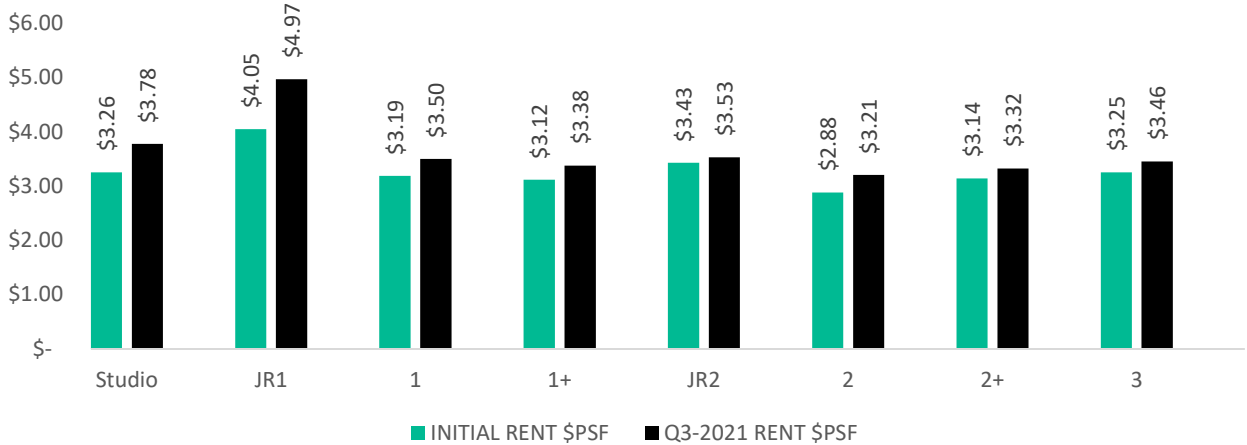


Chart 7

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: 16.0 percent higher
- Junior one bedroom units: 22.7 percent higher
- One bedroom units: 9.8 percent higher
- One bedroom plus den/flex units: 8.4 percent higher
- Junior two bedroom units: 2.9 percent higher
- Two bedroom units: 11.3 percent higher
- Two bedrooms plus den/flex units: 5.7 percent higher
- Three bedroom units: 6.2 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.

Some sub-markets were primarily responsible for the steady increases throughout the year. Along with the previously mentioned increases in Vancouver, overall per square foot rental rates were up by \$0.19 in Abbotsford and by \$0.19 in Burnaby/New Westminster. Average rental rate increases are anticipated in Downtown Vancouver and Surrey in the fourth quarter as multiple new developments are launching with rental rates much higher than the current respective sub-market averages.

## AVERAGE NET RENT \$PSF PER SUB-MARKET

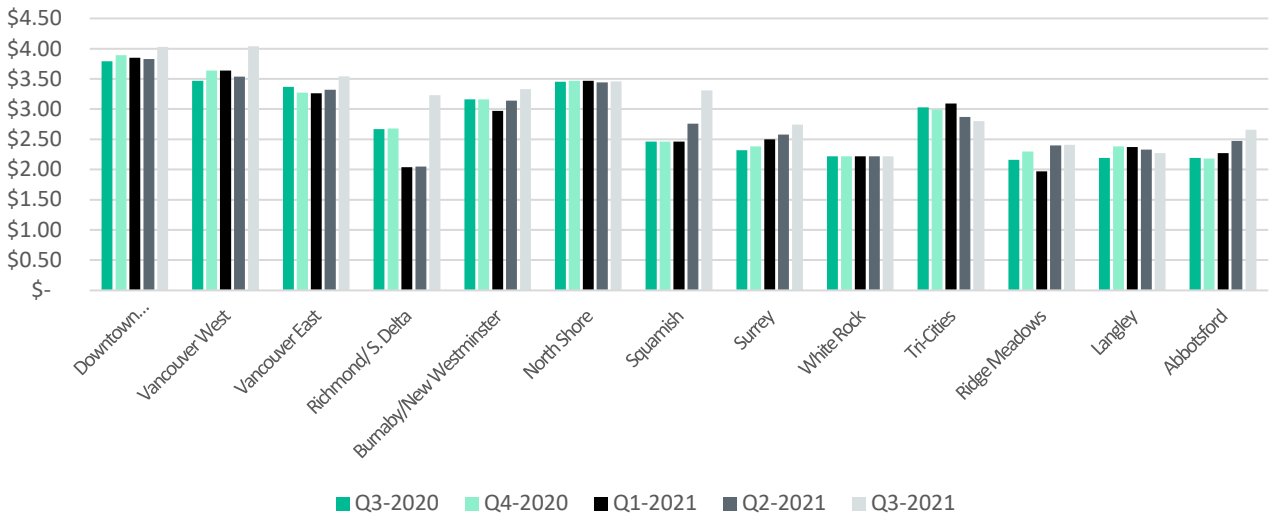


Chart 8

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 3.1 percent (or \$0.10 per square foot) and the overall unit availability has decreased by 7.8 percent over the third quarter. The supply crunch that the region is facing is illustrated below with rental availability lower than any quarter in the past year and rental rates at an all-time high. Developers are pushing rental rates and will continue to capitalize as demand remains high.

## AVAILABILITY VS NET RENT \$PSF

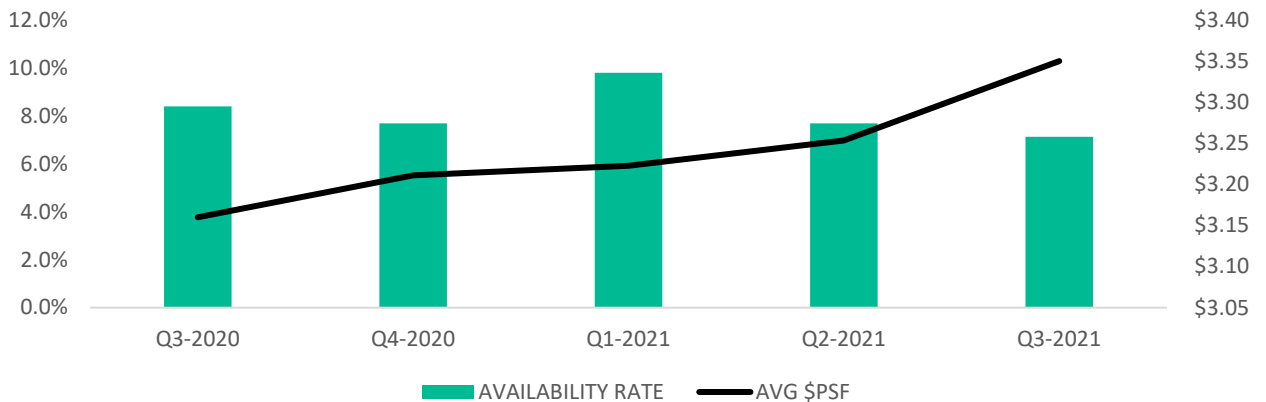


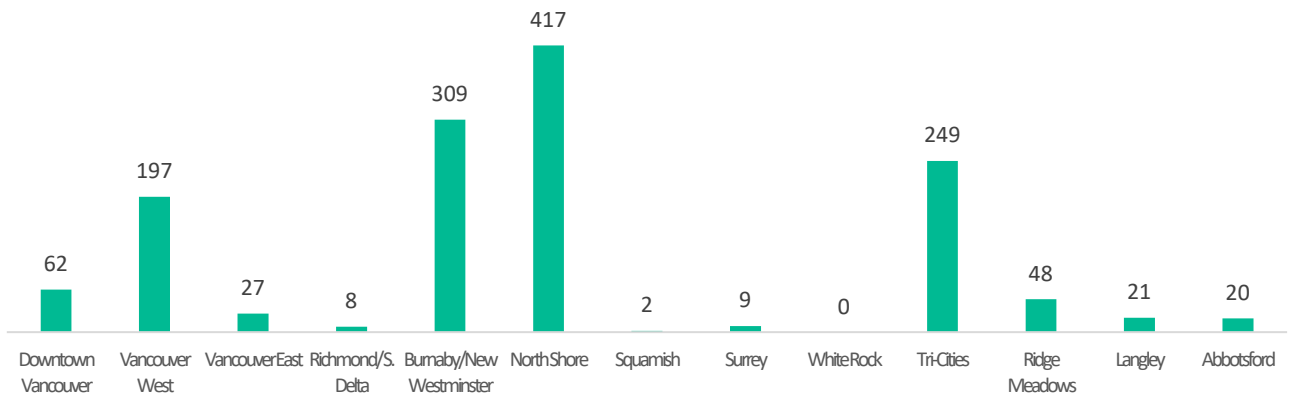
Chart 9



## Availability in Q3-2021

A new concrete apartment tower launch in the North Shore resulted in this sub-market having the most available new rental inventory in the region at 417 units. Available inventory in Burnaby/New Westminster increased in the third quarter as a 238-unit apartment tower was launched in this sub-market. The number of available units in the Tri-Cities remains at the 250-unit mark as new developments launch and the existing inventory continues to become absorbed by the market. Even as more urban sub-markets experience increased demand, there is still strong interest in Richmond/South Delta, Squamish, Ridge Meadows, White Rock, Langley, and Abbotsford with a combined total of just 108 units available in these locations.

### **AVAILABLE UNITS PER SUB-MARKET**



*Chart 10*

## Incentives & Rental Trends

Although incentives were a large part of the leasing process for new rental developments in early 2021, very few developments are offering new renters discounts or special perks. One trend that Zonda Urban is observing and expects to carry over into the New Year is the use of virtual tours and showings. Perspective renters can tour through units of a building without leaving their current home and get a feel for the layouts of the suites. Over the year, many leasing teams have turned to using online application submissions. Some developments are encouraging applications to be submitted before offering tours as a method to qualify perspective tenants. This strategy has been met with some criticism as perspective renters may want to see the product before taking time to fill out and get approved for an application on an unseen unit.

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## 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. An increasing number of new rental developments are offering co-working set ups or board rooms in their amenity plans as working from home is still a reality for many people. With food delivery extremely popular, there is now a development that offers a refrigerated delivery room for groceries. With many renters not owning vehicles, it is more common to see bike repair/ bike wash stations in the garages of buildings in urban locations. The following is a sample of amenities offered by projects that launched during the third quarter of 2021 and the projects that will launch in the fourth quarter of 2021:

- Rooftop courtyard
- Dog run
- Dog wash station
- Bike wash area
- Carshare parking/cars
- Fitness/yoga area
- Parcel delivery system
- Outdoor fire pit
- Lounge/games room
- Bike repair area
- Co-work space
- Garden plots

## Looking Ahead

Zonda Urban is currently monitoring 329 development applications for purpose-built rental projects across Metro Vancouver that represent an approved total of 17,733 rental units. According to Zonda Urbans' contemplated tracking, there are currently 13 rental developments with 2,115 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:

- 8X On the Park – Brenhill Developments (119 units)
- Chronicle – GWL Realty Advisors (128 units)
- The Line – PCI Group (371 units)
- Suterbrook – Onni Group (70 units)

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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

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