ACKNOWLEDGMENTS

CitySpaces Consulting would like to thank the individuals and groups who made the time to participate in surveys or interviews as part of this study. The information and opinions shared has helped us collectively to gain a better understanding of the apartment condominium rental market in Vancouver.

Three individuals and their respective associations deserve special recognition and thanks — Andrew Ramlo from Urban Futures Inc., Tsur Somerville from the Sauder School of Business, and Tony Gioventu from the Condo Homeowners’ Association of BC. Each contributed significantly to the completion of this study through their insight, review and information-sharing.

The staff and consultants involved with the Rental Housing Strategy for the City of Vancouver are also to be recognized for their assistance and support.
STUDY SUMMARY

Introduction

Since the 1980s, in parallel to the decline of purpose-built rental housing starts, privately-owned strata condominiums have played an increasingly important role in the city of Vancouver’s rental housing market. As part of the Rental Housing Strategy of the City of Vancouver, CitySpaces Consulting has undertaken a research study on Vancouver’s condominium rental market. ¹ Through the review of multiple data sources and consideration of qualitative research findings, this study aims to gain a better understanding of the apartment condominium stock in Vancouver and its potential contribution to the rental stock. The purpose of the study is to:

- Develop a profile of the Vancouver’s apartment condominium stock, particularly the investor-owned segment of the stock;
- Present a profile of condominium rents and other factors that influence investors to rent their condominium units; and
- Review the regulatory context including the role of rental restrictions.

This research study is made up of five sections, each of which addresses different aspects of the condominium rental market and/or uses different data sources for the analysis. The five sections include:

1. Profile of Vancouver’s Apartment Condominium Stock Owned by Investors
   2009 BC Assessment (BCAA) data was used to estimate the investor-owned share of apartment condominium units in the Vancouver and to compare selected variables of investor-owned units to owner-occupied units.

2. Condominium Rents and Investors’ Motivations
   Rent data from CMHC’s Market Rental Reports and custom data tabulations from the most recent Census were considered. In addition, a simplified cash flow model illustrates the potential return given current market conditions of an apartment condominium purchased as a rental investment in the Vancouver.

3. Rental Restrictions and Strata Bylaws
   The Provincial legislation governing rentals in strata condominiums was considered alongside two data sets that estimated the prevalence of rental restriction bylaws throughout the Vancouver — Multiple Listing Service (MLS) sales data and a sample of strata bylaws.

4. Survey of Condo Home Owners’ Association Members
   A mail-out survey of the Condo Home Owners’ Association of British Columbia (CHOA) membership base was conducted. The survey of strata council representatives included questions on rental restrictions and tenant-owner dynamics.

5. Snapshot of Rental Listings
   A telephone survey was conducted with homeowners and agents with apartment units listed for rent on web-based listing services and the classified section of the Vancouver

¹ Unless otherwise specified, references to “Vancouver” throughout this report will be for the city of Vancouver and not the region.
Sun/The Province. The opinion survey was designed to identify investors’ plans and motivations and to present a snapshot of the condo stock available for rent in Vancouver at that time.

In addition to the quantitative data sources used to develop estimates of the apartment condominium stock and related variables, key-informant interviews were conducted to supplement the quantitative data; provide information about tenant-owner dynamics in strata condominium buildings and the motivations and factors influencing investors; and to help clarify other research questions. In total, fourteen interviews were conducted with BC-based associations, representatives of property management/rental management agencies, real estate agents, developers and members of local strata councils.

To facilitate the analysis at a sub-area level, six sub areas have been considered as part of the study: Downtown, West End, East Side/Marpole, Mount Pleasant/North East, Fairview/Kitsilano and the West Side.

Figure S1: Map of Sub Areas in the City of Vancouver

This Study Summary presents highlights and additional commentary on the research results presented in the five sections of the report.

**Investor-Ownership in Vancouver’s Apartment Condominiums**

The profile estimates of Vancouver’s apartment condominium stock (based on analysis of the BC Assessment Authority data) illustrate that investor-ownership is a fairly substantial component of the apartment condominium market — one that has experienced different pattern shifts and characteristics than the owner-occupied stock in the past 10 years.

- In 2009, there were approximately 23,000 units that were investor-owned in Vancouver or 35% of the city’s apartment condominium stock. More than half of the investor-owned...
units were located Downtown (53%). Fairview/Kitsilano, and the West End areas housed another 31% of investor units.

- Investor units were typically found to be in newer and larger buildings compared to owner-occupied units. Investor units were also found to be smaller in size, generally, and had a higher per square foot value than non-investor units.

- It appears that, over time, a shift to owner-occupancy occurs. Among the 2001 investor-owned units, the investor share declined from 35% in 2001 to 30% in 2009. This loss of approximately 2,000 investor units was offset during this period by a greater share of investor ownership (46%) in new buildings.

- Downtown buildings absorbed a greater share of investor units between 2001 and 2009. By comparison, the other areas of the city (particularly Fairview/Kitsilano and the West End) had a smaller share of investor ownership in 2009 compared to 2001.

**Apartment Condominiums as Rental Property**

The estimates for investor-ownership provided a general indication of the proportion of the apartment condominium stock that has the potential to be rented. It is understood that not all of the 23,000 investor-owned units will necessarily be rented. Some of those units may be held as recreational properties, or otherwise sit empty for other reasons.

- Canada Mortgage and Housing Corporation’s rental market survey provides estimates of the percentage of condominium rentals in Vancouver. According to the Fall 2008 survey, approximately 17,000 units, or 27% of Vancouver’s apartment condominium stock, were rented. Comparing the BCAA-based analysis of investor ownership from the spring of 2009 to CMHC’s 2008 survey figures on rental condominiums, it could be estimated that up to 6,000 units or one quarter of the investor-owned stock may not be rented.

- Apartment condominium units were found to have higher rents than purpose-built rental units. Rented apartment condominium units were usually newer than the purpose-built rental stock, with higher-end finishes and fixtures and more building amenities. There was also a concentration of apartment condominium units in the Downtown area, with higher values overall and where buyers and renters alike are more willing to pay a premium to be centrally located.

- The data for apartment condominium units was based on a custom-based Census tabulation and those for purpose-built rental units are based on CMHC’s 2008 market rental survey. The data sets showed a 20% rent premium for one-bedroom units ($1,049 for apartment condominiums compared to $871 for purpose-built units) and a 25% premium for two-bedroom units ($1,510 compared to $1,245).

**The Effects of Provincial Legislation**

Provincial legislation under the BC Strata Property Act (2000) enables strata corporations to create or amend bylaws that restrict or prohibit the renting of units in a strata condominium building.

- Recent amendments to the Strata Property Act (Bill 8 -2009) have direct implications on the ability of strata corporations to prohibit or restrict rentals. The previous legislation exempted the owner-developer and the first purchaser from strata bylaws restricting rentals. With the new amendments of Bill 8, owner-developers are able to file Rental
Disclosure Statements as of 2010 that would override future rental restriction bylaws. This ‘right to rent’ would essentially by extended to all owners during the rental period identified in the Rental Disclosure Statement.

- While there are no guarantees that owner-developers would opt to use this new right to override rental restriction bylaws by strata corporations, it was reported by representatives of the development industry that having this ‘right to rent’ statement in place would be advantageous for owner developers. It would potentially enhance future liquidity of their property and ensure there is a broader market base for their units.

**Rental Restrictions and Strata Bylaws**

The impact of the prevailing rental restrictions on the potential of the condominium rental market to be rented has been significant. Three data sources were used to estimate the impact of rental restrictions on the apartment condominium market — Multiple Listing Service (MLS) sales data; a review of a sample of strata bylaws; and survey of strata council representatives and members of the Condo Homeowners’ Association.

- Using realtor-based reporting in the MLS database of sales listings, it is estimated that 88% of all buildings in Vancouver allow rentals and 12% have rental bylaws that completely prohibit rentals. These figures are based on a sample of 592 buildings, representing 39% of buildings in Vancouver. The data on partial restrictions was not considered reliable and was excluded.

- A review of a sample of 94 strata corporation bylaws provided additional figures on rental restrictions. The sample of strata bylaws found that 9% of the strata corporations had bylaws that prohibited rentals, 50% had partial restrictions on rental and 41% allowed rentals with no restrictions.

- The third data set is based on a survey of Condo Homeowners’ Association (CHOA) members that represent strata councils in Vancouver. Of the 52 completed surveys, one third of the strata corporations were reported to allow rentals, just over half had partial restrictions and 15% did not allow any rentals. The survey may have captured townhouse condominiums in the sample; it also under-represented Downtown units and was skewed towards a stock of older and generally smaller buildings.

<table>
<thead>
<tr>
<th>Data Sources (2009)</th>
<th>Rentals Prohibited</th>
<th>Rentals Allowed With Restrictions</th>
<th>Rentals Allowed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>MLS Sales Data</td>
<td>12%</td>
<td>88%</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>Strata Bylaws Sample Review</td>
<td>9%</td>
<td>50%</td>
<td>41%</td>
<td>100%</td>
</tr>
<tr>
<td>Survey of Strata Councils</td>
<td>15%</td>
<td>52%</td>
<td>33%</td>
<td>100%</td>
</tr>
</tbody>
</table>

- Overall, the three data sets present a picture of rental restrictions in Vancouver (summarized in Table S1). Between 9% and 15% of the apartment condominium stock cannot be rented, representing 6,000 to 10,000 units. Of the remaining stock that allows rentals, more than half of the units had partial restrictions in place. On average, these buildings allowed 15% to 17% of their units to be rented, based on the review of strata bylaws and survey of strata councils. None of the strata buildings had bylaws that
permitted more than 50% of their units to be rented. By extrapolation, we roughly estimate that an additional 20,000 to 25,000 units have been excluded from the rental market as a result of partial rental restrictions.

- In all three data sets, the smaller buildings were found to be more likely to have a restrictive bylaw in place, while the larger buildings were less likely to limit rentals. The pattern of rental restrictions also showed that as buildings get older, there is an increased likelihood of rental restrictions. According to the review of strata bylaws, restrictions were typically introduced nine years after the registration of the strata corporation. In the survey of CHOA members, the strata corporations adopted their rental restriction bylaws on average after 14 years of occupancy.

- In terms of the sub-area analysis, none of the Downtown buildings prohibited rentals according to all of the data sets. Compared to the MLS sample, which had 18% of buildings in the West End with rental prohibition bylaws, the other two sample sources did not identify any strata corporations in the West End that had rental prohibition bylaws. Generally, Downtown and the West End were found to have the least restrictions of all sub-areas in the city.

**Tenants and Owners in Strata Condominium Buildings**

A series of telephone interviews was held with representatives of property management firms, rental management companies and strata councils to gain a better understanding of dynamics between owners and renters that might lead to the adoption of rental restriction bylaws by strata councils. In addition, open-ended comments were provided by individual investors and strata council representatives who completed one of the two surveys undertaken in the study. Collectively, this information provided additional insight into the current context of tenants and owners in strata condominium buildings.

- Incidents reported at strata condominium buildings, including bylaw violations and formal complaints, were directed at both rental and owner-occupied units. Problems in buildings were not necessarily attributable to renters. Noise and litter were the main issues noted by respondents.

- Several respondents reported that rental units demand more time and resources on the part of strata councils and property management firms. This is in part associated with the high turnover of rental units and the additional wear and tear that this might have on a building.

- Rental management firms suggested many of the problems that arise with tenant occupants could be mitigated by pre-screening/interviewing tenants as well as providing the latest bylaws and information on building rules to tenants on a regular basis.

- Strata council representatives reported that non-resident owners were less inclined to participate in the strata council or to make additional expenditures to upgrade the building as resident owners. Other comments suggested that the lack of engagement or neighbourliness of some tenants was a potential source of tension between residents.

- Some resident owners prefer to maintain the option of renting and are concerned about the ease of selling their units if rental restrictions are adopted.
**Investors’ Motivations**

Between 2003 and 2008, Vancouver experienced a real estate boom with a significant upswing in housing starts and a strong demand for apartment condominiums. A large proportion of this demand was investor-based. To better gauge the financial considerations of a prospective investor interested in purchasing a rental condominium in today’s market conditions, a simplified cash flow model analysis was undertaken.

- The model considered a typical one-bedroom investment unit in a relatively new building. In this example, the annual carrying costs exceeded the revenue generated from renting the property. To break even, the unit would have to see its value increase by 2.5% per year. The example demonstrates that an investor, under current market conditions, would only be able to justify the purchase of the rental property as a financial investment if they held on to it for five years. In this context, the investor would be anticipating appreciation in the value of their property and/or considering other non-financial motivations.

- The analysis also showed how sensitive the rate of return was to cost increases such as the addition of GST on a new unit or higher interest rates. Ultimately, it is the range of current market conditions combined with an investors’ objectives that will determine the degree to which an investment provides a positive return.

A survey of investors with rental listings was undertaken in June 2009 with specific questions to identify investors’ motivations and considerations. A total of 36 surveys were completed, 26 by owners and 10 by agents who were acting on behalf of the owners.

- The majority of respondents indicated that, upon purchase, their intention was to rent their apartment condominium and that their ability to rent their unit would have been a primary factor in that decision. The largest proportion of responses was from owners and agents who expected the suites to be rented for more than four years (41%).

- The majority of the investors in the sample were local residents, either from the city of Vancouver (52%) or from elsewhere in the region (40%). Of the remaining eight percent of respondents, half were from elsewhere in BC and half were from outside of BC.

**In Conclusion**

The apartment condominium stock has played a major role in contributing to Vancouver’s rental housing stock. With a continued decline in purpose-built rental units, rental housing that is made available through individual property owners (e.g. secondary suites and apartment condominiums) has made a substantial impact to the city’s rental supply. While apartment condominiums have higher rents compared to purpose-built apartment units, renters may be more willing to pay a premium for units that are more often located Downtown and in newer buildings.

As time passes, there is evidence that apartment condominium units that are owned by investors gradually shift over to owner occupancy. However, a certain level of stability in this stock is evident as the loss of units to owner-occupancy (that occurred between 2001 and 2009) was offset by the purchase of newer condominiums by investors. In the end, the proportion of the apartment condominium stock that was investor-owned remained constant at 35% in both 2001 and 2009.

In 2009, there were approximately 23,000 units that were owned by investors and had the potential to be rented. Roughly three quarters of those units were estimated to be rented
(17,000 units). Some investor-owners may choose not to rent their units because they prefer to maintain them as second homes or for recreational purposes. This research, however, has noted that rental restriction bylaws have had a remarkable impact on the ability of investor-owners to rent their units.

Between 9% and 15% of apartment condominiums are estimated to have strata bylaws that prohibit the renting of any units in the strata plan. This reflects between 6,000 and 10,000 apartment units that cannot be rented. An additional 50% of the apartment stock is estimated to be subject to partial rental restrictions, thereby affecting roughly 33,000 apartment units (of 65,000 units).

The recent amendment to the legislation that governs strata condominiums has the potential to limit the effect of rental restriction bylaws on new condominium developments. While it is advantageous for developers to do so, the extent to which developers will take advantage of this new “right to rent” will depend on their familiarity with the legislation and their recognition of the market benefits. How this legislative change will ultimately affect the supply of rented apartment condominiums in Vancouver will not become evident for many years.
TABLE OF CONTENTS

STUDY SUMMARY

SECTION 1: PROFILE OF VANCOUVER’S APARTMENT CONDOMINIUM STOCK

SECTION 2: CONDOMINIUM RENTS AND INVESTOR MOTIVATIONS

SECTION 3: RENTAL RESTRICTIONS AND STRATA BYLAWS

SECTION 4: SURVEY OF MEMBERS OF THE CONDO HOME OWNERS’ ASSOCIATION (CHOA)

SECTION 5: SNAPSHOT OF RENTAL LISTINGS

APPENDICES

A - References and Sources

B - Condo Homeowners’ Association Survey

C - Survey of Rental Listings in Vancouver
SECTION 1: PROFILE OF VANCOUVER’S APARTMENT CONDOMINIUM STOCK

For this segment of the study, CitySpaces collaborated with the UBC Sauder School of Business and Urban Futures Inc. to develop a profile of the apartment condominium stock in Vancouver based on current (2009) and historical (2001) BC Assessment data. We acknowledge the contribution of the Sauder School of Business in developing the approach to coding the BC Assessment database and providing the output tables for this analysis. Urban Futures Inc. provided strategic input and review for this component of the research.

Section 1: Research Highlights

The examination of investor-owned units was used as an indication of the potential for the condominium apartment stock to be rented in Vancouver. It was also used to profile the characteristics of this potential rental stock. While the data set does not paint a precise picture of Vancouver’s condominium rental stock, it is indicative of the share of condominium units that could fall into the rental market and how these units may differ from the non-investor-owned stock.

• What percentage of condominium apartments are investor-owned?
  In 2009, investor-owned units made up roughly one third of the total stock of apartment units in Vancouver (35%) and owner-occupied units made up the other two thirds (65%). The share of investor ownership varies across the sub-areas of the city — the Downtown and West End sub-areas have higher proportions of investor-owned units than the other four sub-areas.

• Where are the investor units located?
  The Downtown, Fairview/Kitsilano and West End areas had the greatest shares of the city’s investor units — 53% were located Downtown, 17% in Fairview/Kitsilano and 14% in the West End. This factor, particularly the high investor share in Downtown Vancouver, strongly influences all other profile characteristics of the investor stock. While each of these communities also had high shares of apartment condominiums in the city, their investor shares outweighed each areas’ share of the total condominium stock — Downtown had 39% of the total condominium stock (versus 53% of the investor-owned stock), 21% in Fairview/Kitsilano (versus 17%) and 12% in the West End (versus 14%).

• In what types of buildings are investor units most prevalent?
  Overall, investor units in Vancouver tend to be located in newer and bigger buildings.
  - Investor-owned units were typically found to be in younger buildings with an average age of 14 years compared to 17 years for owner-occupied units. These characteristics can be attributed to the high share of investor units Downtown where building age was considerably younger than the rest of the city (11 years for all buildings Downtown compared to an average age of 16 years city-wide).
  - Investor units were also found to be located in larger buildings with an average of 127 units per building compared to owner-occupied units which averaged 92 units per building. One of the reasons for this difference would again be the prevalence of investor units in the higher density areas of Downtown and the West End where buildings tend to be larger. In the lower density areas of the city, the differences in building sizes were less marked.

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1 As of November 2009, the research team at the Sauder School of Business was undertaking longer term research on the condo rental market on a region-wide basis. Contact Tsur Somerville for more information.
Table 1.1: 2009 Statistics for The Condominium Apartment Stock in Vancouver

<table>
<thead>
<tr>
<th>Descriptive Statistics for Vancouver (2009)</th>
<th>Owner-Occupied</th>
<th>Investor-Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Number of Units in Building</td>
<td>92</td>
<td>127</td>
</tr>
<tr>
<td>Average Age of Building</td>
<td>17</td>
<td>14</td>
</tr>
<tr>
<td>Average Unit Floor Area</td>
<td>899</td>
<td>844</td>
</tr>
<tr>
<td>Average Number of Bedrooms</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Average Number of Storeys</td>
<td>13</td>
<td>19</td>
</tr>
<tr>
<td>Average Assessed Value of Unit</td>
<td>$478,000</td>
<td>$502,000</td>
</tr>
<tr>
<td>Average Assessed Value Per Square Foot</td>
<td>$512</td>
<td>$562</td>
</tr>
<tr>
<td>Average Unit Price (2007, 2008)</td>
<td>$492,000</td>
<td>$498,000</td>
</tr>
<tr>
<td>Average Unit Price Per Square Foot (2007, 2008)</td>
<td>$547</td>
<td>$553</td>
</tr>
</tbody>
</table>

- **Are there other characteristics that distinguish investor units from non-investor units?** Generally, investor units were smaller in size and had a higher per square foot value than non-investor units.

- Investor-owned units were typically smaller than the owner-occupied stock — with an average size of 844 sq.ft., 6% smaller than the average owner-occupied unit in Vancouver. Among Downtown units, the difference is more pronounced with a 12% difference between the average investor unit of 846 sq.ft. and the average owner-occupied unit of 945 sq.ft.

- Investor units were more likely to be in one-bedroom units or studios than their non-investor counterpart. Non-investor units were more likely to be found in the larger units, two bedrooms or greater.

- On an area by area basis, investor units tended to have a lower total assessed value than their owner-occupied counterparts, which reflects their smaller size. On a city-wide basis, the total assessed value is greater for investor units, the result of the large share of the investor-owned stock being in higher-valued Downtown units. That said, investor units city-wide had a higher average price on a per square foot basis — $553 per sq.ft. for investor units and $547 for non-investor units — which can in part be attributed to the high investor share in Vancouver’s newer buildings.

Table 1.2: 2001 Statistics for The Condominium Apartment Stock in Vancouver

<table>
<thead>
<tr>
<th>Descriptive Statistics for Vancouver (2001)</th>
<th>Owner-Occupied</th>
<th>Investor-Owned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Number of Units in Building</td>
<td>73</td>
<td>105</td>
</tr>
<tr>
<td>Average Age of Building</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>Average Unit Floor Area</td>
<td>894</td>
<td>874</td>
</tr>
<tr>
<td>Average Number of Bedrooms</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>Average Number of Storeys</td>
<td>10</td>
<td>16</td>
</tr>
</tbody>
</table>
• How does investor ownership change over time?
  While a shift appears to occur towards owner-occupancy over time, this is offset by a greater share of investor ownership in the newer apartment condominium stock.

  • For investor units that existed in 2001 and were still present in the 2009 database (i.e. were not demolished), their investor share declined from 35% in 2001 to 30% in 2009. This represents a loss of approximately 2,000 investor units during this period. However, the investor presence in new buildings (i.e. buildings constructed between 2001 and 2009) was above average, with 46% of new units being investor-owned. This gain of 10,000 new investor units between 2001 and 2009 more than offsets the loss to owner-occupancy in the older units, resulting in a net gain of approximately 8,000 investor units.

  • In terms of the distribution of the new units throughout Vancouver’s neighbourhoods, Downtown buildings absorbed a greater share of investor units between 2001 and 2009, resulting in an increase in their share of investor-owned units (53% in 2009 compared to 40% in 2001). The other areas of the city, particularly Fairview/Kitsilano and the West End, each had a smaller share of the total investor stock of apartment units by 2009 compared to 2001.

  • Investor-owned units were more likely to be smaller in size in 2009 compared to 2001, with a 3% decline in unit size overall. Interestingly, the non-investor units experienced only a marginal decline (less than 1%) in average unit size over this period.

  • Other shifts in the characteristics of investor units, including an increase in building size (total number of units and number of storeys) were found to occur consistently across both investor and non-investor owned units.

• Are all investor units rented?
  While this analysis estimates that there are 23,000 investor-owned units in Vancouver, not all of those units will necessarily be rented. Some of those units may be held as recreational properties or otherwise sit empty for other reasons. A 2009 study by BTA works estimated that between 5.5% and 8.5% of a sample of Downtown apartment condominium units were empty.
Section 1: Research Findings

Approach to The Analysis

• The data set is based on BC Assessment roll data from 2009 and 2001 for strata condominium apartment units in buildings with more than four units. From the 2009 database, this excluded approximately 7,400 townhouse units and 1,500 units in smaller buildings with four units or less. Also excluded were stratified buildings that were 100% rental and any stratified non-market units as the focus of the study is the portion of the condominium stock that is owned and rented independently by individual investors.

• For the purposes of this study, investor-owned apartment condominium properties were identified by units that had assessment notices mailed to a location other than the physical property address. These investor-owned units were considered to have the potential of being rented.

• The data limitations are that some properties flagged as “investor-owned” may have been held as second residences or for part-time occupancy and, reasonably, may not have been part of the rental market at the time of the study. Equally, some investor-owned units that were actually in the rental pool may have had their assessment notices sent directly to the same address to be collected by their tenants. The first limitation would result in an over-reporting of the investor-owned share, while the second limitation would result in under reporting.

• From the total list of strata condominium properties, the 2001 and 2009 BCAA roll data were used to provide estimates of the number and characteristics of investor-owned condominium apartment units across major geographic sub-areas in Vancouver. More specifically, the fields in the BCAA database were used to provide information on:
  • The share of condominium units which were investment owned as per the location of the mailing of the assessment notice (coded as “investor flagged units”) by sub-area within the city;
  • The distribution of the investor-owned units throughout six sub-areas in the city;
  • The average size of buildings in terms of both number of units and number of storeys for investor-owned and non-investor units;
  • The number of bedrooms and average unit size on a square footage basis of investor-owned units compared to non-investor-owned units;
  • The average age of the investor-owned units versus non-investor units;
  • The average BCAA assessed value (land plus improvements) and recent transaction price (based on sales recorded in 2007 and 2008) for investor-owned and non-investor units;
  • An assessment of buildings that were deemed to have a high proportion of investor-owned units; this was conducted by segmenting out the buildings that fell within the top quartile — 75th percentile — of buildings in each sub-area, based on their share of investor ownership; and
  • An assessment of the stock of investor-owned units in 2001, their investor-ownership status in 2009 and an assessment of the stock of investor and non investor-owned units built between 2001 and 2009.
• The six sub-areas considered as part of the study include: Downtown, West End, East Side/Marpole, Mount Pleasant/North East, Fairview/Kitsilano and the West Side.

Figure 1.1: Map of Sub-Areas in Vancouver
The Investor Share of the Apartment Condominium Stock (2009, 2001)

- From the 2009 BCAA database, there were a total of 65,612 strata condominium apartment units in the city, 22,769 which were coded to be investor-owned and 42,843 which were estimated to be owner-occupied — 35.2% of the apartment condominium stock was therefore investor-owned and 64.8% was owner-occupied (Figure 1.2). (Note: this does not include duplexes, townhouses, stratified rental apartments or condominium units in buildings smaller than four units.)

- In 2001, there were 44,429 strata condominium apartment units, 15,412 of which were investor-owned and 29,017 that were owner-occupied. The investor share of the total apartment condominium stock was 34.7%, which is 1.4% less than its share of the stock in 2009 at 35.2% (Figure 1.3).

- Between 2001 and 2009, there was a 49% increase in the stock of apartment condominium units in Vancouver (approximately 22,000 units). While investor units saw an increase of almost 8,000 units, a 51% increase to its total stock, owner-occupied units grew by roughly 14,000 units, a 48% increase overall. With these increases, the share of investor to owner-occupied units in the city’s apartment condominium stock more or less remained the same at 35%.
Percentage of Owner-Occupied vs. Investor-Owned Units by Sub-Area (2009, 2001)

- As shown in Figure 1.4, in 2009, the sub-areas with relatively large shares of investor-owned units among its apartment condominium stock were Downtown (48% investor-owned), followed by the West End (40%) and then Fairview/Kitsilano (27%). Overall, Downtown was over-represented in terms of its investor-owned share, above the city-wide average of investor-owned units (35%) and above its share of total condominiums in the city (40%).

- Compared to 2001, as shown in Figure 1.5, investor ownership was less prominent in 2009 throughout most sub-areas, with the exception of the West End and the Mount Pleasant/North East area. In 2001, Downtown had 50% of its stock in investor-owned units compared to 48% in 2009. Other notable differences were in the West Side and East Side areas where the investor shares dropped from 25% to 18% and 25% to 19% respectively. By contrast, the West End and Mount Pleasant/North East areas saw a marginal increase in their investor share.
Distribution of Investor-Owned Units Across Vancouver Sub-Areas

- As shown in Figure 1.6, in 2009, in terms of where the investor-owned units were located, more than half the investor-owned units were in Downtown Vancouver (53%), followed by Fairview/Kitsilano (17%), and the West End (14%). The West Side had the smallest share of investor-owned units in the city (3%) and the smallest number of investor units overall (732 units).

- Compared to the total stock of apartment condominiums, Downtown’s investor share (53%) far surpasses its share of total apartment condominium units in Vancouver (40%). The West End’s investor share (14%) is also greater than its share of total units (12%). Fairview/Kitsilano, however, had a smaller share of investor units (17%) compared to its total share (21%). The other sub-areas in the city had a smaller share of investor units compared to their overall share of apartment condominium units.

- In 2001, investor-owned units were more evenly distributed across areas of the city with Fairview/Kitsilano home to 21%, the West End 18% and another 40% Downtown. Between 2001 and 2009, Downtown buildings absorbed more than half the investor units added city-wide.

Figure 1.6: 2009 Distribution of Investor-Owned Units

Figure 1.7: 2001 Distribution of Investor-Owned Units
Average Age of Building by Sub-Area (2009)

- Investor-owned units were found to be weighted towards newer buildings. In the city as a whole, the average age of all condominium buildings was 16 years — with owner-occupied units in buildings averaging 17 years of age and investor-owned units located in buildings that averaged 14 years. This again is largely due to the disproportionate share of investor-owned units in the Downtown where building age was, on average, much younger than that of the rest of the city (11 years for all apartment units compared to 16 years city-wide).

- There is also three or four years difference in the age of investor and owner-occupied units in the West End, West Side and Mount Pleasant/North East. For example, buildings in the West End had an average age of 21 years, five years older than the city average. Owner-occupied units in West End buildings had an average age of 23 years compared to investor units that were only 19 years old.

Average Number of Units per Building by Sub-Area (2009)

- On average, all strata condominium apartments in the city (as adjusted for this study) had an average of 104 units per building. Once again, buildings Downtown had a larger average size with 167 units per building, compared to all other sub-areas which fell below the city-wide average (ranging from 46 to 96 units per building). The West Side, Fairview/Kitsilano and Mount Pleasant/North East areas had the smallest average building size in the range of 46 to 49 units per building, while the East Side and West End areas fell in the middle with 89 to 96 units per building.

- Comparatively, investor-owned units were found to be located in larger buildings and this distinction was most prevalent in the higher density areas of the city, including Downtown and the West End. In the lower density areas, the differences between the building sizes were less marked.

- Higher investor share buildings (75th percentile) were typically larger, with 169 units on average. This approximates Downtown’s average size for investor units of 174 units per building and is again a reflection of the high proportion of buildings with a high investor share located Downtown (70%).
Throughout Vancouver, apartment units were located, on average, in mid-sized buildings of 15 storeys. Investor-owned units were generally found to be in taller buildings (19 storeys on average) and owner-occupied units in smaller ones (13 storeys on average). This again would be driven by the high proportion of investor-owned units in Downtown and the West End where taller buildings predominate.

In the West End, investor-owned units were typically found in taller buildings with 20 storeys compared to owner-occupied units which were located in 14-storey buildings on average. Otherwise, in all other areas, there was little or no difference found between the number of storeys of investor-owned or owner-occupied units, even in Downtown buildings.

The higher investor share buildings (75th percentile) were typically located in 24-storey buildings, yet another indicator of the predominance of investor units in Downtown buildings.
**Average Unit Floor Area by Sub-Area (2009)**

- Typically, units were smaller than the owner-occupied stock. On average, investor-owned units were 7% smaller in Vancouver and 12% smaller than the owner-occupied units in Downtown. Specifically, the difference between the average-sized units Downtown was almost 100 sq.ft. — an average of 945 sq.ft. per unit for owner-occupied and 846 sq.ft. for investor-owned.

- Interestingly, the units in Fairview/Kitsilano were very similar in size, which may be related to the era when many of these units were built. The average age of buildings in this area was slightly older (21 years) than the city-wide average (16 years) with little difference in the average age of investor and non-investor units.

![Figure 1.11: 2009 Average Unit Floor Area by Sub Area](image)

Considering the higher investor share buildings (75th percentile) throughout the city, units in these buildings had an average floor area of 798 sq.ft., which is 6% smaller than the typical investor unit. Among Downtown units, the average size of these “high investor share” units was even smaller at 763 sq.ft., 11% smaller than the average-sized investor unit Downtown. This would be the result of the Downtown absorbing a disproportionate share of investor-owned units added between 2001 and 2009 and the average size of new units being smaller than existing units.

![Figure 1.12: 2009 Average Unit Floor Area by Sub Area](image)
Average Number of Bedrooms by Sub-Area (2009)

- As with the total floor area distinctions, investor units were typically found to have fewer bedrooms than the owner-occupied stock — an average of 1.5 bedrooms per unit for investor units versus 1.6 for owner-occupied units.

- Vancouver’s condominium apartment stock (investor and non-investor) had an average of 1.6 bedrooms per unit, as was the average in the West End, Downtown and Fairview/Kitsilano. The units in the West Side of the city were slightly larger on average, indicating a larger share of units with two or more bedrooms. The Mount Pleasant/North East area, on the other hand, had the smallest units with an average of 1.3 bedrooms per unit.

Bedroom Mix (2009, 2001)

- The largest share of Vancouver’s total apartment condominium units in 2009 were found in two-bedroom unit configurations (46%), followed by one-bedroom units (43%), units of three or more bedrooms (7%) and studios (4%). Combined, the one and two bedroom units comprised 88% of the total condominium stock. Compared to the total apartment condominium stock in 2001, the greatest increase was seen in one-bedroom units (54% growth) followed by two bedroom units (46%) and studios (41%). As a result, one-bedroom units saw their share of the total apartment condominium stock increase as studios and three or four bedroom units saw their shares fall. Two-bedrooms showed little change.

- For the 2009 stock, there was a greater share of investor units in one-bedroom units and in studios compared to non-investor units. Where 40% of non-investor units were found to be one-bedroom units, 47% of investor condominium apartments were one-bedrooms. Equally, while only 3% of non-investor units were in studios, 7% of investor units were in studio apartments. As would be expected, non-investor units predominated among the larger units: two bedrooms (48% versus 41% of investor units) and three or more bedrooms (8% versus 6%).

Figure 1.13: 2009 Distribution of Units by Number of Bedrooms

- Between 2001 and 2009 the greatest change for investor-owned condominiums were the smaller units: the greatest increases were in one-bedroom units (65% growth) and studios (55%). Two bedroom units grew by 42% over the period. As a result, one-bedroom units also
saw their share of the investor condominium stock increase. Comparatively, the non-investor stock grew by 48% for one-bedroom units and 29% for studios. The largest increases in the non-investor stock were with two-bedroom units which grew by 49% between 2001 and 2009.

- The bedroom mix of investor units shows some variation across Vancouver’s sub-areas. Most of all, there is a greater share of studios and one-bedrooms in the Mount Pleasant/North East area and an above average share of two bedrooms among the Fairview/Kitsilano and West Side’s investor stock. This pattern is interesting when it is compared to the total condominium stock in each area. For example, in Mount Pleasant/North East, 60% of the apartment units are in one-bedroom units which shows that the investor pattern follows the average for the total stock in that area.

- In general, the investor units tended to have a greater share of one bedroom units and studios and a smaller share of two bedroom units. Two examples of this trend are worth noting here. There is a greater tendency for investor units in the East Side and the West Side areas to be in one-bedrooms. For example, 46% of investor units were in one-bedrooms compared to 38% of the total stock in the East side. A similar pattern was evident in the West Side where 38% of investor units were in one-bedrooms compared to 28% of the total stock.

<table>
<thead>
<tr>
<th>Bedroom Mix</th>
<th>Vancouver</th>
<th>Downtown</th>
<th>W. End</th>
<th>Fairview/Kits</th>
<th>W. Side</th>
<th>E. Side</th>
<th>Mt Pleasant/NE</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Bedrooms+</td>
<td>5%</td>
<td>6%</td>
<td>6%</td>
<td>4%</td>
<td>7%</td>
<td>4%</td>
<td>1%</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>41%</td>
<td>40%</td>
<td>42%</td>
<td>48%</td>
<td>52%</td>
<td>44%</td>
<td>28%</td>
</tr>
<tr>
<td>1 Bedrooms</td>
<td>46%</td>
<td>46%</td>
<td>45%</td>
<td>43%</td>
<td>38%</td>
<td>46%</td>
<td>60%</td>
</tr>
<tr>
<td>Studios</td>
<td>7%</td>
<td>7%</td>
<td>7%</td>
<td>4%</td>
<td>2%</td>
<td>6%</td>
<td>11%</td>
</tr>
</tbody>
</table>

**Figure 1.14: 2009 Distribution of Investor Units by Number of Bedrooms by Sub Area**

**Average Value of Unit by Sub-Area (2009)**

- Overall in Vancouver, investor-owned units were found to have a 5% higher average assessed value — approximately $502,000 versus $478,000 for owner-occupied units. However, as shown in the Figure 1.14, the West End was the only area where the investor-owned average value was substantially above that of owner-occupied units (10% greater). All other sub-areas saw average values for non-investor units that were similar to or above that of investor-owned units. Even in the Downtown, the value differential was weighted towards owner-occupied units which had an average value of $621,000 versus $568,000 for investor units.

- It is important to note here that this pattern is in part driven by the high value of investor-owned units in the Downtown (23% above the city-wide average) and the significant share of
condominium units Downtown being investor-owned (53%). This, combined with the high value of investor units in the West End results in the city-wide average value for investor-owned units being above that of owner-occupied units.

- The differences in assessed values between the owner-occupied and investor-owned units is paralleled by recent sales data. Based on transactions from 2007 and 2008, this data also showed that investor-owned units tend to have lower prices than owner-occupied units on an area by area basis. The exception to this rule was, once again, investor-owned units in the West End, which had higher average sales prices than owner-occupied ones.

- It is reasonable to consider that this pattern of lower assessed value for investor units in each of these areas is largely due to the fact that investor units were found typically to be in smaller units and have fewer bedrooms on average relative to the owner-occupied units. The pattern of average sales price (or assessed value) on a square foot basis provides a clearer picture of value differences.

![Figure 1.15: 2009 Average Assessed Value by Sub Area](image)

### Average Assessed Value Per Square Foot by Sub-Area (2009)

- On a per square foot basis, the difference in assessed value is reversed with investor-owned units having a higher value on average than owner-occupied units — $562 per square foot for investor units versus $512 for non-investor units. This difference occurs across all communities within the city and is a reflection of the smaller average size of investor-owned units. This price gradient is common, where price per square foot tends to decrease as a unit’s size increases.

- Downtown units for all apartment condominiums were assessed at a greater value ($616 per sq.ft.) compared to the rest of the city ($529 per sq.ft.). As a result of the high share of investor units Downtown, the difference between investor and non-investor units appears unusually large at 9.7%. As with total value, the higher per square foot values and the higher share of investor units Downtown pulls up the total per square foot value for investor units in Vancouver as a whole.
As with total average value, recent sales data (2007 and 2008) paints a similar picture for per square foot value: investor-owned units were valued higher on average on a per square foot basis and this is attributed to the disproportionately large share of investor units located Downtown where values are typically higher than other parts of the city. In the other city areas, the differences were small in this regard, but generally, owner-occupied units sold at a higher per square foot price point than investor units.

In other city areas, the differences were small in this regard. Generally, however, owner-occupied units sold at a higher per square foot price point than investor units.

Across the sub-areas, Downtown units from 2007 and 2008 sold at the highest per square foot prices (8% above the average price) followed by the West End and West Side areas, each of which had an average price per square foot that was 6% above the average. Units in the East Side and Mount Pleasant/Northeast sold at below average prices, 28% and 16% respectively.

Figure 1.16: 2009 Average Assessed Value Per Square Foot by Sub Area

Change in Investor Presence (2001 to 2009)

As indicated previously, the condominium apartment stock in Vancouver in 2001 was comprised of approximately 44,000 units, of which 35% (15,000 units) was investor-owned and 65% (29,000 units) owner-occupied.²

Between 2001 and 2009, there were 22,000 condominium apartment units added to the total stock. Of these new units, 46% were investor-owned in 2009 (approximately 10,000 units) and 54% were owner-occupied (approximately 12,000 units). Relative to the 35% of apartment condominiums that were investor-owned in 2001 and 35% investor-ownership in 2009, the recent additions show a far greater share of investor ownership in the newly-constructed stock. This would also show that, in order to hold the share at 35% between the two dates, a certain number of investor units present 2001’s stock would have been converted to owner occupancy by 2009.

² These units do not include those demolished between 2001 and 2009.
• Tracking only the units that were found in both the 2001 and 2009 databases, the share of units that were investor-owned in 2001 declined by approximately 2,000 units — from 15,000 investor-owned units in 2001 (35%) to 13,000 of those units being investor-owned units by 2009 (30%). This resulted in the stock of existing investor units falling from 35% of the apartment condominium stock in 2001 to 30% by 2009.

• This loss of investor-ownership among the 2001 stock was, however, offset by the addition of investor-owned units that were built after 2001. Therefore, a net increase of approximately 8,000 investor-owned units was seen overall between 2001 and 2009, representing a 51% increase in investor-owned units during this time period. This addition brought the share of investor-owned units in the total stock back up to 35% by 2009.

Descriptive Statistics of 2001 Stock of Investor-Owned Units

• There is evidence of a shift in some of the characteristics of investor units between 2001 and 2009. Some of these differences occurred across the entire stock of apartment condominium units, while others were particular to the investor stock of units:

• As was seen in the 2009 database, investor units were located in buildings with a younger average building age than owner-occupied units. This difference also existed in 2001 where the average building age for investor units was 12 years old versus 14 years for owner-occupied units. By 2009, the stock as a whole had aged by three years on average (from 13 to 16 years), but investor units aged by only two years, due to an above average share of the newly-added stock being held as investor units.

• On average, there was a 24% increase in building size (from 84 units to 104 units per building) and a 23% increase in the number of storeys (from 12 to 15 storeys) for apartment condominium buildings in Vancouver between 2001 and 2009. This change occurred across the sub-areas.

• The size of the average apartment unit declined slightly between 2001 and 2009 from 887 sq.ft. to 880 sq.ft. (by 0.8%). For investor units, the difference was more pronounced with a 3.4% decline in average size from 874 sq.ft. to 844 sq.ft.

• There was little change in size of the average number of bedrooms between 2001 and 2009. Throughout Vancouver, the average was 1.6 bedrooms per unit in both years. However, for the investor stock, a small shift was seen with the average number of bedrooms dropping by 2%.

Table 1.3: 2001 - 2009 Differences in the Characteristics of Investor Units in Vancouver

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Age of Building</td>
<td>12</td>
<td>14</td>
<td>17%</td>
</tr>
<tr>
<td>Average Number of Storeys</td>
<td>16</td>
<td>19</td>
<td>19%</td>
</tr>
<tr>
<td>Average Number of Units in Building</td>
<td>105</td>
<td>127</td>
<td>21%</td>
</tr>
<tr>
<td>Average Unit Floor Area</td>
<td>874</td>
<td>844</td>
<td>-3%</td>
</tr>
<tr>
<td>Average Number of Bedrooms</td>
<td>1.55</td>
<td>1.47</td>
<td>-5%</td>
</tr>
</tbody>
</table>
The Rental Potential of the Investor Stock

Based on this analysis, 23,000 apartment condominium units in 2009 were estimated to be investor-owned, and thereby had the potential to be rented. While no direct analysis as part of this study was undertaken to determine how many apartment condominiums were unoccupied, it is reasonable to assume that a portion of the investor-owned stock would not be rented and would remain empty for portions of the year.

A recent study by BTA Works attempted to estimate the percentage of empty condominiums through a sample study of Downtown buildings. The study defined empty condominiums as those units that were vacant for large portions of the year and otherwise unavailable for rental use. The study examined a sample of 2,400 condominium units in 13 buildings in the city's Downtown. For this sample, BC Hydro account usage data from 2006 and 2007 was used to classify condominium units as “empty” if their electricity usage levels were below a threshold of 75 kilowatts (Kw) of electricity per month or 100 Kw per month.

- Based on a 75 Kw per year usage level, 5.5% of the units in the sample of Downtown buildings are suggested to have been empty.
- When the use threshold is increased to 100 Kw per month, the estimate of empty units increases to 8.5% of units.

If we were to apply these sample-based findings to the total stock of apartment condominiums in Downtown Vancouver, this would suggest that between 5.5% and 8.5% of the units Downtown could potentially be empty for a portion of the year. This is simply noted to provide some consideration that a portion of the investor-owned stock identified in the BCAA analysis may not necessarily be rented and that the potential for rental may be less than that which has been estimated.

As the BCAA data analysis identified a higher than average share of investor ownership in Vancouver's Downtown relative to other sub-areas in the city (48% Downtown versus 26% in the rest of the city), it may be assumed that applying the same approach to other areas of the city would likely have lower estimates of unoccupied units compared to Downtown.

---

Data Tables

Table 1.4: Total Number of Units - Owner-Occupied vs. Investor-Owned (2009)

<table>
<thead>
<tr>
<th>Sub-Area Distribution</th>
<th>2009</th>
<th>2001</th>
<th>Total</th>
<th>Owner</th>
<th>Investor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver Total*</td>
<td>42,843</td>
<td>23,269</td>
<td>66,112</td>
<td>29,017</td>
<td>15,412</td>
<td>44,429</td>
</tr>
<tr>
<td>Downtown</td>
<td>13,344</td>
<td>12,169</td>
<td>25,513</td>
<td>6,114</td>
<td>6,205</td>
<td>12,319</td>
</tr>
<tr>
<td>East Side</td>
<td>6,091</td>
<td>1,396</td>
<td>7,487</td>
<td>3,674</td>
<td>1,201</td>
<td>4,875</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>10,081</td>
<td>3,758</td>
<td>13,839</td>
<td>8,401</td>
<td>3,265</td>
<td>11,666</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>5,193</td>
<td>1,526</td>
<td>6,719</td>
<td>4,271</td>
<td>1,187</td>
<td>5,458</td>
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<tr>
<td>West End</td>
<td>4,846</td>
<td>3,188</td>
<td>8,034</td>
<td>4,281</td>
<td>2,746</td>
<td>7,027</td>
</tr>
<tr>
<td>West Side</td>
<td>3,288</td>
<td>732</td>
<td>4,020</td>
<td>2,136</td>
<td>720</td>
<td>2,856</td>
</tr>
</tbody>
</table>

* Approximately 500 units from 2009 and 300 units from 2001 were dropped from the total figures due to coding variances. The sub-area units do not add up to the Vancouver totals as these units were not dropped from the sub-area figures.

Table 1.5: Distribution of Units by Sub-Area (2009, 2001)

<table>
<thead>
<tr>
<th>Sub-Area Distribution</th>
<th>2009</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver Total</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Downtown</td>
<td>31%</td>
<td>21%</td>
</tr>
<tr>
<td>East Side</td>
<td>14%</td>
<td>13%</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>24%</td>
<td>29%</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>West End</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>West Side</td>
<td>8%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Table 1.6: Average Number of Units in Building (2009, 2001)

<table>
<thead>
<tr>
<th>Average # Units in Building</th>
<th>2009</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>92</td>
<td>73</td>
</tr>
<tr>
<td>Downtown</td>
<td>160</td>
<td>145</td>
</tr>
<tr>
<td>East Side</td>
<td>87</td>
<td>58</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>48</td>
<td>46</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>46</td>
<td>45</td>
</tr>
<tr>
<td>West End</td>
<td>83</td>
<td>79</td>
</tr>
<tr>
<td>West Side</td>
<td>46</td>
<td>39</td>
</tr>
</tbody>
</table>
### Table 1.7: Estimated Bedroom Mix (2009, 2001)

<table>
<thead>
<tr>
<th>Number of Bedrooms</th>
<th>2009</th>
<th>2001</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2009 Owner</td>
<td>2009 Investor</td>
</tr>
<tr>
<td>Studios</td>
<td>1,348</td>
<td>1,493</td>
</tr>
<tr>
<td>1 Bedrooms</td>
<td>17,119</td>
<td>10,604</td>
</tr>
<tr>
<td>2 Bedrooms</td>
<td>20,552</td>
<td>9,345</td>
</tr>
<tr>
<td>3 Bedrooms +</td>
<td>3,379</td>
<td>1,304</td>
</tr>
<tr>
<td>Total</td>
<td>42,398</td>
<td>22,746</td>
</tr>
</tbody>
</table>

### Table 1.8: Estimated Bedroom Mix by Sub-Area (2009)

<table>
<thead>
<tr>
<th>Bedroom Mix</th>
<th>2009 Owner</th>
<th>2009 Investor</th>
<th>Total Units</th>
<th>2001 Owner</th>
<th>2001 Investor</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Studio</td>
<td>1,348</td>
<td>1,493</td>
<td>2,841</td>
<td>1,048</td>
<td>966</td>
<td>2,014</td>
</tr>
<tr>
<td>1 Bdrm</td>
<td>17,119</td>
<td>10,604</td>
<td>27,723</td>
<td>11,536</td>
<td>6,408</td>
<td>17,944</td>
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<tr>
<td>2 Bdrm</td>
<td>20,552</td>
<td>9,345</td>
<td>29,897</td>
<td>13,834</td>
<td>6,604</td>
<td>20,438</td>
</tr>
<tr>
<td>3 Bdrm+</td>
<td>3,379</td>
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<td>Total</td>
<td>42,398</td>
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<td>65,144</td>
<td>28,759</td>
<td>15,266</td>
<td>44,025</td>
</tr>
</tbody>
</table>

### Table 1.9: Average Age of Building (2009, 2001)

<table>
<thead>
<tr>
<th>Age of Building</th>
<th>2009 Owner</th>
<th>2009 Investor</th>
<th>Total Units</th>
<th>2001 Owner</th>
<th>2001 Investor</th>
<th>Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver Total</td>
<td>17</td>
<td>14</td>
<td>16</td>
<td>14</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Downtown</td>
<td>12</td>
<td>10</td>
<td>11</td>
<td>10</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>East Side</td>
<td>13</td>
<td>12</td>
<td>12</td>
<td>9</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>21</td>
<td>20</td>
<td>21</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>23</td>
<td>20</td>
<td>23</td>
<td>18</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>West End</td>
<td>23</td>
<td>19</td>
<td>21</td>
<td>16</td>
<td>13</td>
<td>15</td>
</tr>
<tr>
<td>West Side</td>
<td>18</td>
<td>15</td>
<td>17</td>
<td>16</td>
<td>10</td>
<td>14</td>
</tr>
</tbody>
</table>
### Table 1.10: Average Floor Area (2009, 2001)

<table>
<thead>
<tr>
<th>Floor Area</th>
<th>2009 Owner</th>
<th>2009 Investor</th>
<th>2009 Total Units</th>
<th>2001 Owner</th>
<th>2001 Investor</th>
<th>2001 Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver Total</td>
<td>899</td>
<td>844</td>
<td>880</td>
<td>894</td>
<td>874</td>
<td>887</td>
</tr>
<tr>
<td>Downtown</td>
<td>945</td>
<td>846</td>
<td>898</td>
<td>940</td>
<td>871</td>
<td>905</td>
</tr>
<tr>
<td>East Side</td>
<td>794</td>
<td>748</td>
<td>786</td>
<td>819</td>
<td>784</td>
<td>810</td>
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<tr>
<td>Fairview/Kitsilano</td>
<td>916</td>
<td>904</td>
<td>913</td>
<td>909</td>
<td>947</td>
<td>919</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>730</td>
<td>699</td>
<td>723</td>
<td>725</td>
<td>677</td>
<td>715</td>
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<tr>
<td>West End</td>
<td>935</td>
<td>880</td>
<td>1,047</td>
<td>934</td>
<td>879</td>
<td>912</td>
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<tr>
<td>West Side</td>
<td>1,068</td>
<td>948</td>
<td>1,075</td>
<td>1,093</td>
<td>1,022</td>
<td>1,075</td>
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</table>

### Table 1.11: Average Number of Storeys (2009, 2001)

<table>
<thead>
<tr>
<th>Storeys</th>
<th>2009 Owner</th>
<th>2009 Investor</th>
<th>2009 Total Units</th>
<th>2001 Owner</th>
<th>2001 Investor</th>
<th>2001 Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>13</td>
<td>19</td>
<td>15</td>
<td>10</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Downtown</td>
<td>26</td>
<td>26</td>
<td>26</td>
<td>24</td>
<td>25</td>
<td>24</td>
</tr>
<tr>
<td>East Side</td>
<td>9</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>5</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>4</td>
<td>5</td>
<td>5</td>
<td>4</td>
<td>4</td>
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</tr>
<tr>
<td>West End</td>
<td>14</td>
<td>20</td>
<td>17</td>
<td>13</td>
<td>18</td>
<td>15</td>
</tr>
<tr>
<td>West Side</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

### Table 1.12: Number of Bedrooms (2009, 2001)

<table>
<thead>
<tr>
<th>Storeys</th>
<th>2009 Owner</th>
<th>2009 Investor</th>
<th>2009 Total Units</th>
<th>2001 Owner</th>
<th>2001 Investor</th>
<th>2001 Total Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
</tr>
<tr>
<td>Downtown</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.7</td>
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<td>1.6</td>
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<tr>
<td>East Side</td>
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<td>1.6</td>
<td>1.7</td>
<td>1.7</td>
<td>1.7</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>1.3</td>
<td>1.2</td>
<td>1.3</td>
<td>1.3</td>
<td>1.2</td>
<td>1.3</td>
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<tr>
<td>West End</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>1.6</td>
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<tr>
<td>West Side</td>
<td>1.9</td>
<td>1.6</td>
<td>1.8</td>
<td>1.9</td>
<td>1.8</td>
<td>1.9</td>
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</table>
Table 1.13: Average Value of Unit ($) (2009)

<table>
<thead>
<tr>
<th>2009 Roll</th>
<th>Total Assessed Value</th>
<th>Value Per Sq.Ft.</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Owner</td>
<td>Investor</td>
</tr>
<tr>
<td>Vancouver</td>
<td>$477,547</td>
<td>$502,101</td>
</tr>
<tr>
<td>Downtown</td>
<td>$620,559</td>
<td>$568,482</td>
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<tr>
<td>East Side</td>
<td>$286,610</td>
<td>$274,711</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>$465,210</td>
<td>$444,851</td>
</tr>
<tr>
<td>Mt Pleasant/North East</td>
<td>$291,249</td>
<td>$291,693</td>
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<tr>
<td>West End</td>
<td>$495,617</td>
<td>$546,767</td>
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<tr>
<td>West Side</td>
<td>$556,280</td>
<td>$501,313</td>
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</table>

Table 1.14: Average Price Based on 2007-2008 Sales ($)

<table>
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<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Owner</td>
<td>Investor</td>
</tr>
<tr>
<td>Vancouver</td>
<td>$491,706</td>
<td>$498,333</td>
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<tr>
<td>Downtown</td>
<td>$568,959</td>
<td>$507,072</td>
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<tr>
<td>East Side</td>
<td>$301,828</td>
<td>$271,389</td>
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<tr>
<td>Fairview/Kitsilano</td>
<td>$480,645</td>
<td>$461,263</td>
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<tr>
<td>Mt Pleasant/North East</td>
<td>$338,203</td>
<td>$324,908</td>
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<tr>
<td>West End</td>
<td>$573,670</td>
<td>$724,836</td>
</tr>
<tr>
<td>West Side</td>
<td>$623,013</td>
<td>$560,768</td>
</tr>
</tbody>
</table>

Table 1.15: Characteristics of Units with High Investor Share (75th Percentile)

<table>
<thead>
<tr>
<th>2009 Roll</th>
<th>Average Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units in Building</td>
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<tr>
<td>75th Percentile</td>
<td></td>
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<tr>
<td>Vancouver</td>
<td>169</td>
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<tr>
<td>Downtown</td>
<td>198</td>
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<tr>
<td>East Side</td>
<td>18</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>36</td>
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<tr>
<td>Mt Pleasant/North East</td>
<td>43</td>
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<tr>
<td>West End</td>
<td>150</td>
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<tr>
<td>West Side</td>
<td>20</td>
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</tbody>
</table>
SECTION 2: CONDOMINIUM RENTS AND INVESTOR MOTIVATIONS

Section 1 presented a profile of the existing apartment condominium stock in Vancouver. The 23,000 investor-owned apartments units identified by this analysis represent the share of the apartment condominium stock that could potentially be rented. To explore additional characteristics of the condominium rental apartment stock, this report considers a number of existing studies and data sets, including:

- Rental Market Reports by Canada Mortgage and Housing Corporation (CMHC);
- A custom-tabulation of Census data;
- Secondary reports and studies; and
- A rate of return analysis on a hypothetical example of an investment property. A generalized cash flow model was developed to identify the potential return on a rental apartment condominium in Vancouver, given current market conditions.

Once again, Urban Futures Inc. provided strategic review and input in the writing of this report, particularly with the development of the cash flow model and subsequent analysis.

Section 2: Research Highlights

- CMHC’s market rental reports found that approximately 17,000 units, or 27% of Vancouver’s privately-owned apartment condominium stock, were being rented in October 2008. Newer apartment condominium buildings and units in the Downtown peninsula were found to have a greater percentage of rentals.

- Apartment condominium units had higher rents than purpose-built rental units with a 20% premium for one-bedroom units ($1,049 compared to $871) and a 25% premium for two-bedroom units ($1,510 compared to $1,245).

- To illustrate the extent of the price differential, 69% of one-bedroom condominiums rented above $1,000, while 82% of purpose-built apartment units rented for less than $1,000.

- The cashflow model analysis looked at a one-bedroom investment unit, which has been previously-owned, in a relatively new building.
  - Under current market conditions, the costs associated with the property (approximately $2,400 per month or $29,000 per year) would exceed the potential rent ($1,600 per month or $19,000 per year).
  - Assuming the unit is sold at the end of its five-year mortgage term for the same price for which it was purchased, the investment would not yield a positive return. To achieve a positive rate of return, the property would have to realize an appreciation in value of approximately $30,000 or 1.4% per year.
  - This simplified analysis shows that investors would be able to justify their investment over the period of five years, but that they are anticipating appreciation in their property or are considering other factors that cannot be accounted for in this approach. For example, investors may purchase their condominium property for their children, elderly parents or for future downsizing.
  - Other cost increases, such as the addition of GST on a new unit or higher interest rates, would impact the rate of return on this investment. While a prudent investor
could realize reasonable returns on a condominium apartment investment, the level of return will depend on the market conditions at the time.

- Ultimately, it will be the range of current market conditions combined with an investors’ objectives that will determine the degree to which an investment provides a positive return.

Section 2: Research Findings

**CMHC’s Rental Market Report Analysis**

In 2006, Canada Mortgage and Housing Corporation (CMHC) introduced its Secondary Rental Market Survey (SRMS) for selected Census Metropolitan Areas (CMAs) in Canada. This new survey aimed to capture those segments of the rental market that were not previously covered by the Market Rental Report, which only considered the purpose-built rental stock of three or more self-contained units. The new SRMS survey, therefore, includes individually-rented condominiums (apartments and townhouses), detached, semi-detached and accessory dwellings; it does not include stratified market rental buildings. The data on rented condominium units is collected through various surveys including:

- A survey of condominium apartment buildings. The survey includes all the largest buildings in the condominium apartment universe with only some of the smaller buildings randomly sampled. Building managers or management firms are asked the number of owner-occupied units and the number of units that are typically rented out.

- A rent survey of households living in condominium apartments. This telephone survey collects rent and unit size information from a sample of households living in condominium apartments.

In this report, only those survey components that focused on condominium units have been reviewed.

For the purposes of this study, CMHC prepared custom tables that included data for two sub-areas of the city — the Downtown peninsula and the rest of the city. While this CMHC survey is the most comprehensive survey of the rented condominium stock, there are a number of limitations associated with this data set that are important to note:

- The sample design limits the amount of detail that can be reported and does not allow for unit size information. Due to the emphasis on larger buildings, the figures may not be representative of the diversity of building sizes within the rental apartment stock.

- The accuracy of the information depends on the information available to the respondents. Building managers and property management firms may or may not have complete knowledge of rentals in the buildings they manage.

The data tables summarizing CMHC’s Secondary Rental Market Survey (SRMS) results for Vancouver’s apartment condominiums are included as an appendix to this report. The highlights from the most recent report (Fall 2008) show that:

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4 Rental units in buildings that are stratified but where over 50% of the units are rented out by a single management company or owner are included in the Market Rental Report and do not appear in the SRMS.

5 Several key-informant interviews reported that rental disclosure forms (Form Ks) are not consistently submitted.
• There were 17,168 units, or 27% of the city's apartment condominium stock, that were being rented in October 2008. This is compared to 19% of the apartment condominium stock in the rest of the Vancouver Census Metropolitan Area (CMA) being rented.

• A higher percentage of rented units was found to characterize the newer buildings — 30% of units built since 2000 were rented and 29% of those built in the 1990s. Older units, those constructed in the 1980s or earlier, had 20% and 24% rentals respectively. (Figure 2.1)

Figure 2.1: Fall 2008 Rented vs. Owner-Occupied Units, Period of Construction, Vancouver

• The Downtown Peninsula had a greater percentage share of its condominium units being rented compared to the rest of the city (35% versus 20%) (Figure 2.2). This was the case for all units with the exception of those constructed during the 1980s, where Downtown units saw 18% of its condominium units rented compared to 21% in the rest of the city. For units built since 1990, the proportion of condominium units being rented was almost double in the Downtown peninsula compared to the rest of the city.

Figure 2.2: Fall 2008 Rented Units in Two Sub Areas by Period of Construction

• Compared to the rest of the Vancouver Census Metropolitan Area, there was a 47% greater percentage of rental units in Vancouver’s stock of apartment condominium units — 27% in Vancouver compared to 19% in the Vancouver CMA (Figure 2.3). This difference was particularly noted in the newer buildings (units constructed since 1990), where the difference in the percentage of units rented was more pronounced than in the pre 1990 stock.
The BCAA data analysis presented in Research Report 1 found that 35% of the apartment condominium stock and 23,000 units were investor-owned. There is a notable difference between these investor ownership figures and CMHC’s rental survey analyses where 17,000 units and 27% of the apartment stock were found to be rented. This difference arises from several sources: the result of CMHC’s sampling approach, the coding approach used to segment the BCAA database, or it could be, in part, an indication of the percentage of the stock of investor-owned units that are empty or used by their owners for part of the year.

Similar to the CMHC analysis that found a higher percentage of rentals in newer buildings, the BCAA analysis also found that there was a higher percentage of investor units in newer buildings (46% in units built after 2001 compared to 35% overall). Another point of comparison is the BCAA analysis found Downtown to have an above-average share of the city’s investor units (48% compared to 35%), while the CMHC analysis found Downtown to have a higher share of rentals compared to the city as a whole (35% compared to 27%).

**Custom Tabulation of Census Data**

A custom tabulation of Census data was purchased by the City of Vancouver for a number of small user-defined areas in order to further define different aspects of the rental condominium housing stock in the city. While the Census distinguishes which owners are living in condominium units, no distinction is made between renters living in condominiums and renters in other types of rental accommodation. Therefore, the approach was to begin by identifying blocks in the City of Vancouver’s database as blocks where the housing consists entirely of condominium buildings.

The dwelling units identified in these “mostly condominium” blocks as tenant-occupied (rental) were considered to make up the stock of investor-owned condominium units which have subsequently been rented (the rented condominium stock). Once identified, this stock could then be cross-tabulated with other Census-based variables such as shelter costs, or even the age composition of residents. The blocks selected include about half the condominium stock on the Downtown peninsula and one-third of the stock in the rest of the city. However, the data from the tabulation is considered to be indicative of the rented condominium stock, rather than conclusive, because of two factors:

- The sample is biased towards larger projects where condominium buildings were predominant. Smaller buildings located in “mixed use” blocks would not have been captured. This is relevant as smaller buildings may have different characteristics than the larger condominium projects.
• Other considerations include non-response rates, interpolation for non-response by the Census (the Census undercount) and errors associated with self-reporting, specifically with respect to shelter cost and income.

Historically, there was very little data available on renting a condominium (or other private market housing) compared to purpose-built rental units. The next section looks at rents for condominium units followed by a comparison of condominium units to purpose-built rental units.

• The Census showed that a majority of one-bedroom condominium units (69%) rent for over $1,000 per month and that 20% of these units rent at over $1,400 per month (Figure 2.4). There is a surprisingly high proportion of units (7%) renting for under $600 per month. This latter figure may be the result of owners renting their units to family members or relatives at below-market rates, but there is not enough information to verify this.

![Figure 2.4: 2006 Rents for 1-Bedroom Condo Units, Census-Based Estimates](image)

- $<600: 7%
- $600-$799: 9%
- $800-$999: 15%
- $1000-$1199: 24%
- $1200-$1399: 25%
- $1400+: 20%

• Rents for two-bedroom units were substantially greater than those for one-bedroom units, with 85% of the units renting for over $1,000 and 44% of the stock renting for more than $1,600.

![Figure 2.5: 2006 Rents for 2-Bedroom Condo Units, Census-Based Estimates](image)

- $<600: 7%
- $600-$799: 2%
- $800-$999: 6%
- $1000-$1199: 8%
- $1200-$1399: 11%
- $1400-$1599: 22%
- $1600+: 44%
Figure 2.6 presents average rents for apartment condominium units (based on the Census tabulation) and compares them to average rents in purpose-built apartment units (based on CMHC’s Fall 2005 Rental Market Report).

- Rents for one-bedroom condominium units were 20% higher than purpose-built apartment units—$1,049 for apartment condominiums compared to $871 for purpose-built apartments. For two-bedroom units in condominium apartments, there was a 25% rent premium ($1,510 versus $1,245).

- This difference can be attributed to the fact that rented apartment condominium units are more often located in newer buildings than the purpose-built rental units and often have higher-end finishes and fixtures and more building amenities. There is also a concentration of apartment condominium units in the Downtown area, with higher values overall and where buyers and renters may be more willing to pay a premium to be centrally located.

- Figures 2.7 and 2.8 compare rents for purpose-built units from the CMHC Fall 2005 survey with those of the rented condominium stock from the 2006 Census. Looking at one-bedroom units in particular, a pattern emerges in terms of rents for condominium units compared to the purpose-built stock. The rented condominium units were generally rented above $1,000 (69% of these condominium units), while the purpose-built apartment units were typically rented for less than $1,000 (82% of this stock).

**Figure 2.6: 2006 Average Rents in City of Vancouver Apartments, CMHC Rental Surveys**

<table>
<thead>
<tr>
<th></th>
<th>1-Bedroom</th>
<th>2-Bedroom</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose-Built Apartments</td>
<td>$871</td>
<td>$1245</td>
</tr>
<tr>
<td>Condo Rental Units</td>
<td>$1049</td>
<td>$1510</td>
</tr>
</tbody>
</table>

**Fig 2.7: Rents, 1-Bed Condo Units (Census)**

- $1200+: 45%
- $1000-$1199: 24%
- <$1000: 31%

**Fig 2.8: Rents, Purpose-Built 1-Bed Units (CMHC)**

- $1200+: 5%
- $1000-$1199: 13%
- <$1000: 82%
Rents for two-bedroom units (Figures 2.9 and 2.10) were even greater for condominium units compared to purpose-built units. The two-bedroom condominium unit had a far greater share of the stock rented for more than $1,600 (44%) compared to the purpose-built stock (15%).

Figure 2.9: Rents, 2-Bed Condo Units (Census)  Figure 2.10: Rents, Purpose-Built 2-Bed Units (CMHC)

Rental Property Investments

Like all investment choices, the decision to make an investment in residential real estate can be a relatively complex one due to the wide range of factors to consider. In the context of this research, the choice to invest in a rental property involves, on the one hand, consideration of the carrying costs associated with the acquisition and maintenance of the property and, on the other hand, an assessment of potential revenues; bringing the two together to assess the potential rate of return on the investment.

At the outset, individuals who choose to invest in residential real estate would typically assess the ongoing economic viability of that investment. That is, would the rental income generated from that investment cover the carrying costs associated with maintaining the property? Typical carrying costs would include: mortgage payments, maintenance/strata fees, property taxes, insurance, management and upkeep-related costs and a contingency for vacancy. The aggregate of these annual costs would then be compared to expected market rents to find out if the costs were covered by the rental stream.

A 1990 survey of investors’ motivations in Ontario showed that while monthly carrying costs were important for nonresident owners who were renting their properties, 72% reported that rental income was less than monthly carrying costs for the property. Other considerations, such as appreciation in the real estate asset, the need to provide housing for family members or to provide for their own future housing needs were reported to have been key factors in the respondents’ investment decisions.

To better understand investors’ motivations and the extent to which a rental condominium apartment in Vancouver would be considered a sound investment under current market conditions, a simplified cash flow model was developed that considered the potential rate of return on a rental apartment condominium investment.

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6 Preston et al. 1993. Condominiums: An Investment Decision or Lifestyle Choice? The study, which compared investment decisions and characteristics of resident and nonresident condominium owners, involved a telephone survey of 86 resident owners and 84 nonresident owners.
Returns on Rental Investments - An Investment Example

The following presents an example of investing in a rental apartment condominium unit in Downtown Vancouver. This example is not intended to be exhaustive in the considerations typically involved in an investment decision, but indicative of potential returns that could be achieved from this real estate investment over the first-five year period of a typical mortgage.

The example is based on a 600 square foot apartment selling in Downtown Vancouver at a price of $700 per square foot. The purchase price for the apartment unit would therefore be $420,000. Assuming a downpayment of 20% ($84,000), financing based on posted rates for a five-year fixed term rate of 3.99% (25-year amortization) and an allocation of the Property Transfer Tax, the total mortgage amount would be $342,400 with mortgage carrying costs of $1,799 per month or $21,591 annually.

In addition to the monthly mortgage carrying costs would be the net operating costs. An estimated $560 of additional monthly costs would be associated with the investment, ranging from the strata fees to property taxes and insurance (see Table 2.1). Combined, the total monthly operating costs including debt servicing for the apartment would be $2,359 or $28,311 annually.

The next aspect to consider is the potential rent associated with the property. A recent report estimates that tenants in Vancouver have the ability to spend between $2.50 and $3.75 per square foot on a condominium rental. A unit in the 600 square foot range would therefore rent between $1,500 and $2,250 per month. Reflecting a moderately-appointed unit, as would be typical for an investor to purchase, it is reasonable to assume a monthly rent that falls towards the lower end of this range of $1,600 per month (inclusive of costs such as heat and hot water). This would result in an annual rental income of $19,200.

Table 2.1: Net Operating Income (Revenue vs. Expenses)

<table>
<thead>
<tr>
<th></th>
<th>Monthly Costs</th>
<th>Annual Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>$1,600</td>
<td>$19,200</td>
</tr>
<tr>
<td>Vacancy + collection (2%)</td>
<td>$32</td>
<td>$384</td>
</tr>
<tr>
<td><strong>Gross Income</strong></td>
<td>$1,568</td>
<td>$18,816</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
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<td></td>
</tr>
<tr>
<td>Strata Fees</td>
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<tr>
<td>Property Taxes</td>
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<td>Insurance</td>
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<tr>
<td>Maintenance + replacement</td>
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<td>$480</td>
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<td>Management fees (10%)</td>
<td>$160</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td>$560</td>
<td>$6,720</td>
</tr>
<tr>
<td><strong>Net Operating Income (Income - Expenses)</strong></td>
<td>$1,008</td>
<td>$12,096</td>
</tr>
<tr>
<td><strong>Debt Servicing</strong></td>
<td>$1,799</td>
<td>$21,591</td>
</tr>
</tbody>
</table>

At this point it is possible to calculate the net operating income for the investment, which is typically expressed as:

- Net operating income (NOI) = effective gross income (EGI) - operating expenses (OE)\(^8\)

The net operating income reflects the total income generated from the rental property after all operating expenses have been accounted for and amounts to $1,008 per month or $12,096 per year for our example investment. The NOI excludes the costs associated with debt servicing.

With this information in hand we can begin to assess the potential returns for the investment. As the approaches to doing so are wide and varied, we will consider two methods — a capitalization approach and an internal rate of return approach.

**Capitalization Rate**

The Capitalization Rate (cap rate) measures the relationship between a property’s net operating income and its price and is a common marker for the viability of an investment. The cap rate is determined by dividing the property’s net operating income by its value (i.e. sales price). In this case, the cap rate for this investment would be 2.9% ($12,096 divided by $420,000).

_How would this level of return compare to other potential investments?_ Current capitalization rates for purpose built apartment rental properties are in the range of 3.0% to 5.0%. This hypothetical example of an apartment rental property investment would therefore be considered a viable investment when compared to cap rates for purpose-built rental properties, but would fall towards the lower end of the scale.

**Rate of Return**

The second approach is to calculate the rate of return on the investment through a discounted cash flow analysis. To simplify the analysis, we assume that all costs and revenues related to the property (e.g. rents and expenses) would remain constant for the duration of the mortgage term. This implies that any increases would be directly reflected in the rent charged by the owner of the property. Similarly, we also assume that the investment would be sold at the end of the five-year term of the initial mortgage. To determine the impact of capital accumulation, it is assumed that the property would be sold for the same price for which it was purchased for five years earlier ($420,000).\(^9\)

Before calculating the rate of return on the investment, one other important distinction needs to be made — the age of the condominium being purchased. This distinction is important as the Goods and Services Tax (GST) would apply to the purchase of a new condominium unit and not one that was previously occupied. The GST would add upwards of $21,000 to the $420,000 purchase price of a new unit.

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\(^8\)_EGI is the anticipated income from the property adjusted for vacancies and collection-related losses. OE includes fixed expenses such as property taxes and insurance and variable expenses such as management fees and maintenance costs.

\(^9\)_Note: This analysis does not include income or capital gains related taxes that would be paid on the investment property upon disposition.
Table 2.2 shows the debt servicing schedule for a previously-owned property over the five-years of the mortgage, including the initial investment of $84,000. Over the five-year period, total debt servicing payments of $107,954 would be made, $63,575 would be paid in interest and $44,379 to principle, resulting in an outstanding mortgage balance of $298,020 at the end of the five-year term. With the assumption of selling the unit at the same purchase price ($420,000) at the end of the initial mortgage, total dispositions from the sale would be $101,879 (net of a 5% real estate commission).

### Table 2.2: Debt Servicing Over Five Year Period

<table>
<thead>
<tr>
<th>Debt Servicing</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage Payments</td>
<td>$21,591</td>
<td>$21,591</td>
<td>$21,591</td>
<td>$21,591</td>
<td>$21,591</td>
</tr>
<tr>
<td>Principal</td>
<td>$8,189</td>
<td>$8,519</td>
<td>$8,862</td>
<td>$9,219</td>
<td>$9,591</td>
</tr>
<tr>
<td>Interest</td>
<td>$13,402</td>
<td>$13,072</td>
<td>$12,729</td>
<td>$12,372</td>
<td>$12,000</td>
</tr>
<tr>
<td>Gross Income After Debt Service</td>
<td>-$9,495</td>
<td>-$9,495</td>
<td>-$9,495</td>
<td>-$9,495</td>
<td>-$9,495</td>
</tr>
<tr>
<td>Value of Investment</td>
<td>-$84,000</td>
<td></td>
<td></td>
<td></td>
<td>$101,879</td>
</tr>
</tbody>
</table>

Therefore, with a net operating income of $60,480 over the five years and total mortgage payments of $107,954 ($44,379 to principle and $63,575 to interest), the investment would not yield a positive return if it were sold at the same price for which it was purchased.

As there are currently apartment condominiums being purchased by small investors as rental properties, and assuming investors are making rational investment choices, there must therefore be other considerations that have not been factored into the analysis thus far. One of these factors is the appreciation in the value of the property over time, a factor that likely weights heavily in investors’ decision-making.

In this case, to move the investment from a negative to a positive return situation, the value of the property would have to increase by roughly $30,250 for the investment to break even, or by 1.4% each year. In order to increase the rate of return above that which is possible for a current 5-year term deposit (3.25% for a five-year GIC, which is associated with no investment risk), the property would have to appreciate by more than $48,800 over the five years (or by 2.2% annually). The scenario shows that current investors are expecting real growth in the value of the asset to offset the annual costs associated with the investment. Similarly, the analysis would change if the time horizon over which the investment was considered was expanded, or if different investor motivations were surveyed, e.g. investments made for future downsizing, accommodating children or aging parents.

### Different Scenario Considerations

If the investor were to have purchased a new condominium unit (thereby incurring the 5% GST), the debt servicing and rate of return on the initial investment of $84,000 changes considerably. In order for the investment to break even, the new property would have to appreciate by almost $55,000, $25,450 more than in the previously-owned scenario.

To break even, the new unit would have to see its value increase by 2.5% each year over the five-year term. Assuming that each unit (new and old) were to appreciate, this would mean that the new

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10 ING posted rates for 5-year GICs as of November 2009.
If the investment were to achieve the 3.25% return (based on current GIC rates), it would have to appreciate by almost $75,000 over the five-year period (or 3.3% per annum).

This simplified analysis shows that investors would be able to justify their investment over the period of five years, but that they are anticipating appreciation in their property or are considering other factors that cannot be accounted for in this approach. However, it also shows that small changes in the cost of acquiring such an investment can have a significant impact on the rate of return, such as the added cost of the GST charged on a new condominium unit. Other cost increases (or decreases) could change the investment outlook considerably. For example, if financing costs were 4.75% for the five-year mortgage (rather than the assumed 3.99%), the return on the investment for the pre-owned unit would fall to just under 1% (assuming a $48,800 appreciation).

Ultimately, it will be the range of current market conditions combined with an investors’ objectives that will determine the degree to which an investment provides a positive return.

**Data Tables**

**Table 2.3: 2008 Vancouver City & Rest of Vancouver CMA, CMHC Secondary Rental Market Survey**

<table>
<thead>
<tr>
<th>Period of Construction</th>
<th>Owner-Occupied</th>
<th>Rented</th>
<th>Total</th>
<th>Owner-Occupied</th>
<th>Rented</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver City</td>
<td></td>
<td></td>
<td></td>
<td>Rest of Vancouver CMA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-1980/Unknown</td>
<td>6,724</td>
<td>2,104</td>
<td>8,828</td>
<td>9,795</td>
<td>2,266</td>
<td>12,061</td>
</tr>
<tr>
<td>1980’s</td>
<td>7,544</td>
<td>1,879</td>
<td>9,423</td>
<td>13,576</td>
<td>3,423</td>
<td>16,999</td>
</tr>
<tr>
<td>1990’s</td>
<td>16,790</td>
<td>6,663</td>
<td>23,453</td>
<td>29,857</td>
<td>5,331</td>
<td>35,188</td>
</tr>
<tr>
<td>2000’s</td>
<td>14,608</td>
<td>6,402</td>
<td>21,010</td>
<td>16,693</td>
<td>4,857</td>
<td>21,550</td>
</tr>
<tr>
<td>Total Units</td>
<td>45,666</td>
<td>17,048</td>
<td>62,714</td>
<td>69,921</td>
<td>$15,877</td>
<td>85,798</td>
</tr>
</tbody>
</table>

**Table 2.4: 2008 Downtown Peninsula & Rest of Vancouver City, CMHC Secondary Rental Market Survey**

<table>
<thead>
<tr>
<th>Period of Construction</th>
<th>Owner-Occupied</th>
<th>Rented</th>
<th>Total</th>
<th>Owner-Occupied</th>
<th>Rented</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Peninsula</td>
<td></td>
<td></td>
<td></td>
<td>Vancouver East/West</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pre-1980/Unknown</td>
<td>2,190</td>
<td>1,058</td>
<td>3,248</td>
<td>4,534</td>
<td>1,046</td>
<td>5,580</td>
</tr>
<tr>
<td>1980’s</td>
<td>2,942</td>
<td>647</td>
<td>3,589</td>
<td>4,602</td>
<td>1,232</td>
<td>5,834</td>
</tr>
<tr>
<td>1990’s</td>
<td>7,326</td>
<td>4,381</td>
<td>11,707</td>
<td>9,464</td>
<td>2,282</td>
<td>11,746</td>
</tr>
<tr>
<td>2000’s</td>
<td>7,818</td>
<td>4,729</td>
<td>12,547</td>
<td>6,790</td>
<td>1,673</td>
<td>8,463</td>
</tr>
<tr>
<td>Total Units</td>
<td>20,276</td>
<td>10,815</td>
<td>31,091</td>
<td>25,390</td>
<td>$6,233</td>
<td>31,623</td>
</tr>
</tbody>
</table>

11 Note: A similar 1.1% increase in the value of the previously owned unit over the five years would result in a 7.5% rate of return.
Table 2.5: 2008 Rents in Apartment Condominiums v. Rest of Apartment Stock, Census Custom Tabulation

<table>
<thead>
<tr>
<th>Rented Apt Units</th>
<th>Studios All Rented Units</th>
<th>Condo Units</th>
<th>1-Bedroom All Rented Units</th>
<th>Condo Units</th>
<th>2-Bedroom All Rented Units</th>
<th>Condo Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$400</td>
<td>28%</td>
<td>6%</td>
<td>10%</td>
<td>6%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>$400-$599</td>
<td>14%</td>
<td>3%</td>
<td>8%</td>
<td>1%</td>
<td>5%</td>
<td>0%</td>
</tr>
<tr>
<td>$600-$799</td>
<td>30%</td>
<td>16%</td>
<td>28%</td>
<td>9%</td>
<td>12%</td>
<td>2%</td>
</tr>
<tr>
<td>$800-$999</td>
<td>18%</td>
<td>25%</td>
<td>32%</td>
<td>15%</td>
<td>20%</td>
<td>6%</td>
</tr>
<tr>
<td>$1000-$1199</td>
<td>5%</td>
<td>19%</td>
<td>12%</td>
<td>24%</td>
<td>14%</td>
<td>8%</td>
</tr>
<tr>
<td>$1200-$1399</td>
<td>3%</td>
<td>17%</td>
<td>6%</td>
<td>25%</td>
<td>15%</td>
<td>11%</td>
</tr>
<tr>
<td>$1400-$1600</td>
<td>1%</td>
<td>8%</td>
<td>2%</td>
<td>13%</td>
<td>11%</td>
<td>22%</td>
</tr>
<tr>
<td>$1600-$1799</td>
<td>0%</td>
<td>1%</td>
<td>1%</td>
<td>3%</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>$1800+</td>
<td>1%</td>
<td>5%</td>
<td>1%</td>
<td>4%</td>
<td>9%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Table 2.6: Rent Comparison - CMHC Secondary Rental Market Survey v. Census Custom Tabulation

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;$400</td>
<td>1%</td>
<td>6%</td>
<td>0%</td>
<td>6%</td>
<td>0%</td>
<td>6%</td>
</tr>
<tr>
<td>$400-$599</td>
<td>12%</td>
<td>3%</td>
<td>3%</td>
<td>1%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>$600-$799</td>
<td>60%</td>
<td>16%</td>
<td>33%</td>
<td>9%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>$800-$999</td>
<td>24%</td>
<td>25%</td>
<td>46%</td>
<td>15%</td>
<td>22%</td>
<td>6%</td>
</tr>
<tr>
<td>$1000-$1199</td>
<td>2%</td>
<td>19%</td>
<td>13%</td>
<td>24%</td>
<td>20%</td>
<td>8%</td>
</tr>
<tr>
<td>$1200-$1399</td>
<td>0%</td>
<td>17%</td>
<td>4%</td>
<td>25%</td>
<td>24%</td>
<td>11%</td>
</tr>
<tr>
<td>$1400-$1599</td>
<td>0%</td>
<td>8%</td>
<td>1%</td>
<td>13%</td>
<td>13%</td>
<td>22%</td>
</tr>
<tr>
<td>$1600+</td>
<td>1%</td>
<td>6%</td>
<td>0%</td>
<td>7%</td>
<td>15%</td>
<td>44%</td>
</tr>
</tbody>
</table>
SECTION 3: RENTAL RESTRICTIONS AND STRATA BYLAWS

This research report on rental restrictions and strata bylaws considers the Provincial legislation governing rentals in strata condominiums and examines two data sets that estimate the prevalence of rental restriction bylaws throughout Vancouver — Multiple Listing Service (MLS) sales data and a sample of strata bylaws. Key-informant interviews supplement the quantitative data with information on tenant-owner dynamics in strata condominium buildings.

Section 3: Research Highlights

The Legislation

- The BC Strata Property Act, which came into effect in 2000, specifies the roles and responsibilities of the developer, strata corporation, manager, owners and tenants. The Act enables strata corporations to create bylaws that restrict or prohibit the renting out of units in the building.

- Recent amendments to the Strata Property Act (Bill 8 -2009) have direct implications on the ability of strata corporations to prohibit or restrict rentals. According to the updated legislation, Rental Disclosure Statements filed by owner developers after December 31, 2009 will override future rental restriction bylaws against all owners until the expiry of the Rental Disclosure Statement. The previous legislation only allowed the owner developer and the first purchaser to be exempt from strata bylaws restricting rentals. This amendment extends this right to all owners during the rental period identified in the Rental Disclosure Statement.

Review of Multiple Listing Service Sales Sample Data

- Based on MLS sales information over a two-year period, it is estimated that 88% of all buildings in Vancouver allow rentals and 12% have rental bylaws that completely prohibit rentals. These figures are based on a sample of 592 buildings, representing 39% of buildings in Vancouver. If the 12% estimate was extrapolated to the entire stock of 1,506 buildings in Vancouver, a total of 180 buildings would be estimated to have bylaws that prohibit rentals.

- The buildings with bylaws that prohibited rentals tended to be smaller in size and older compared to those that allowed rentals. Among the buildings that permitted rentals, the average age of the buildings was 20 years old compared to buildings that did not allow rentals, which had an average age of 30 years. In terms of size, buildings with restrictions had an average of 115 units per building, versus 151 units per buildings for those with permissive bylaws.

- In considering sub-areas within Vancouver, none of the sampled buildings in Downtown had bylaws that prohibited rentals and only 1% of those in the East Side had such bylaws. The other sub-areas ranged from 15% to 40% of the buildings that had adopted bylaws that prohibited rentals.

Review of Sample of Strata Bylaws

- Partial restrictions on rental could not be determined using the MLS sales data. A small sample of strata bylaws was reviewed to supplement the MLS data set and provide more in-depth information of rental bylaws. Based on a review of a sample of 94 strata corporation bylaws, it

12 Bill 8 achieved Third Reading on October 6, 2009 and has since been ratified. The regulation amendments specific to rental bylaws come into effect January 1, 2010. http://www.leg.bc.ca/39th1st/3rd_read/gov08-3.htm
was found that 9% of the strata corporations had bylaws that prohibited rentals, 50% had partial restrictions on rental and 41% allowed rentals with no restrictions.

- There was considerable variation in the prevalence of rental restrictions across the city’s sub-areas. The Downtown and West End areas had no buildings that prohibited rentals and the largest proportion of buildings with no rental restrictions. Across the other sub-areas, the percentage share of buildings that prohibited rentals ranged between 10% and 13%.

- These sub-area specific percentages are lower than those noted in the MLS sample data which ranged from 15% to 40% of the buildings with rental prohibitions. This sample also did not identify any strata corporations in the West End that had rental prohibition bylaws, compared to the MLS review which had 18% of buildings with such bylaws.

- Of the sample of strata corporations with partial restrictions in place, approximately one-quarter of buildings allowed no more than 10% of the units to be rented, roughly two thirds allowed between 10% and 29% of their units to be rented and only 9% allowed more than 30% of the units to be rented. None of the strata corporations had bylaws that permitted more than 50% of the units to be rented.

- The smaller strata corporations had a greater likelihood of having a restrictive bylaw and the larger strata plans were less likely to limit owners from renting their units. Based on the sample, the strata corporations that prohibited rentals had an average of 32 units, those with partial rental restrictions had an average of 44 units and those with no rental limitations had an average of 79 units.

- On average, restrictions were introduced by strata corporations nine years after the registration of the strata corporation.

Dynamics Between Renters and Owners

- A series of telephone interviews was held with representatives of property management firms, rental management companies and strata councils to gain a better understanding of dynamics between owners and renters that might lead to the adoption of rental restriction bylaws by strata councils.

- Several rental management firm representatives reported the misconception that tenants were more difficult occupants than owners, while in actuality, there were few problems that were directly attributable to renters.

- Rental management firms suggested many of the problems that arise with tenant occupants could be mitigated by pre-screening/interviewing tenants as well as providing the latest bylaws and information on building rules to tenants on a regular basis.

- Strata council representatives reported the importance of having a certain proportion of owner occupants in every building to ensure there is a base of resident owners available to participate in the strata council. Absentee owners were also reported to be less willing to spend on upgrading costs.

- Other comments by strata council representatives suggested that the lack of engagement or neighbourliness of some tenants was a potential source of tension between residents.
Section 3: Research Findings

This component of the Vancouver Condominium Rental Study focuses on rental restrictions and their impact on rentals within strata condominiums. One of the major factors influencing the rental market, and the potential for the investor stock to be rented, is the type and magnitude of the restrictions that are placed on the owners of strata condominiums. Strata condominiums have the ability, according to the Strata Property Act (2000), to adopt bylaws that limit the use of strata units.

To set the context, this report begins with an examination of the Provincial legislation governing rentals in strata condominiums, including the amendments to the legislation that are currently proposed by the BC government. The report then considers two data sets that seek to estimate the prevalence of rental restriction bylaws throughout Vancouver — Multiple Listing Service (MLS) sales data, and a sample of strata bylaws.

We acknowledge the contribution of the Sauder School of Business in providing the output tables based on the MLS sales information and Urban Futures Inc. for providing strategic input and review of this component of the research.  

Approach to Analysis

The review of the legislation governing strata condominiums includes consideration of:

- Sections of the Strata Property Act (2000) that relate to rental restrictions; and
- Amendments proposed in Bill 8 - the Strata Property Act Amendment (2009).

To estimate the prevalence of rental restrictions and their potential impact on the condominium rental market, two approaches or data sets were considered:

- MLS information based on data tables that are to be presented in a forthcoming report by the UBC Centre for Urban Economics and Real Estate. This sample data set is based on sales information for apartment units sold between April 2007 and May 2009, for which rental restriction data was reported. The data set was matched with the inventory of apartment units from the BC Assessment Authority analysis (CitySpaces’ Research Report 1) and therefore excludes townhouse units and units in buildings with four units or less.

- A random sample of 94 strata bylaws undertaken by the City of Vancouver staff (retrieval and inventory of bylaws) from BC Land Titles and Survey Authority office. The review of this sample considered the type of rental restriction (number and percent of units) and the year when the restrictive bylaws came into effect. The data was matched with the City’s housing inventory and BC Assessment data in order to show building-specific information, such as the structure type (low rise or high rise), number of units per building, and location by sub-area. The data is current as of October 2009.

A third data set based on a mail-out and online survey of members of the Condominium Homeowners Association of BC is ongoing and will be presented in Research Report 4.

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13 Note that the research team at the Sauder School of Business is currently undergoing longer term research on rental restrictions in the condo rental market on a region-wide basis. Please contact Tsur Somerville for more information.

Additionally, to further understand the dynamics and perspectives that lead strata corporations to the adoption of rental restriction bylaws, a number of key-informant interviews were held to provide additional insight on the situation. Key-informant interviews were held with property managers, strata council representatives, developers and other agency representatives. A list of key-informants is provided in the Appendices.

The Legislation

The *BC Strata Property Act* specifies the roles and responsibilities of the developer, strata corporation, manager, owners and tenants of a condominium building. It applies to condominiums developed under the former *Condominium Act* and ones developed since the *Strata Property Act* came into effect in 2000. The Act details the regulations that apply to the property and operations of every condominium including the duties of owners, tenants, occupants, visitors, the corporation and the strata council and procedures.

The Strata Corporation

The *Strata Property Act* requires that a strata corporation has bylaws that provide for the control, management, maintenance, use and enjoyment of the strata lots, common property and common assets of the strata corporation and for the administration of the strata corporation. The strata council’s role is to:

- act as the managing body for the strata corporation;
- make daily decisions that enable the strata corporation to operate smoothly; and
- operate within any restrictions created by the Act, regulations, bylaws, or a majority vote of the owners.

The strata council can hire a strata manager to perform some or most of the functions of the strata council. However, if a strata council has delegated its powers to a strata manager, the strata council remains ultimately responsible for ensuring that its obligations under the *Act* are fulfilled.

Rental Restriction Bylaws

Every strata corporation must have bylaws. The strata corporation can create or amend its bylaws by three-quarters of its members voting in favour of the new or amended bylaw. Since the establishment of the *Strata Property Act*, many strata corporations have adopted bylaws that restrict or prohibit the renting out of units in the building. The *Strata Property Act* outlines how strata corporations can limit or prohibit rentals. A rental restriction bylaw can:

- prohibit the rental of residential strata lots entirely;
- limit the number of strata lots that may be rented; or
- limit the length of time the strata lots may be rented.

If a strata corporation has a rental restriction bylaw, an owner may be permitted to rent his or her strata lot despite the bylaw under the following provisions:

- rentals to family members under the family member exception;
- rentals permitted on the basis of hardship as determined by the Strata Council;
• rentals permitted under a Rental Disclosure Statement where an owner’s right to rent is preserved by this Statement; and

• rentals established prior to the filing of a rental restriction bylaw in the Land Title Office and permitted to continue under the provisions which delay the application of a rental restriction bylaw.

The strata corporation cannot:

• screen tenants;

• establish screening criteria;

• require that it approve of tenants; and

• require the insertion of terms in tenancy agreements.

The Act contains specific provisions that delay the effectiveness of rental restriction bylaws (or bylaws that have age or pet-related restrictions) until one year after the bylaw is passed or one year after the tenant who is occupying the strata lot ceases to occupy it (whichever is later).

Rental Disclosure Statements

Under the Act, owner-developers must provide prospective purchasers with a “Rental Disclosure Statement” (Form J) which has been filed with the Superintendent of Real Estate if the owner-developer intends to rent or wishes to preserve the right to rent any of the residential units. Form J describes the strata lots which may be rented and sets out the date during which the rentals may occur. The effect of the Form J is to preserve the right to rent the strata lot for the length of time set out regardless of whether a rental restriction bylaw has been passed. Any length of time selected by the owner-developer can be specified. This right to rent is maintained for:

• the owner-developer; or

• the first purchaser from the owner developer.

The right to continue to rent a strata lot, despite a rental restriction bylaw, is not preserved for a subsequent purchaser who buys the strata lot from someone other than the owner-developer even if the time period in the Form J has not expired. In such circumstances, the strata lot may only be rented by a subsequent purchaser if there is no rental restriction bylaw or they fall within one of the exceptions noted above (family member, hardship or provision for delay).

Strata Property Act Amendments 2009

The Strata Property Amendment Act (Bill 8) was introduced in the Provincial legislature in September of 2009. Sections of the Act provide clarification and amend the rules under which rental restriction bylaws are applied. These elements are specifically noted in Sections 22 to 24 of Bill 8 and are summarized here:

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15 Third Reading of Bill 8 was passed on October 6, 2009. Government of British Columbia. 2009 Legislative Session: First Session, 39th Parliament.
• Section 22:
  • Provides that a strata lot rented to a family member or under an exemption is not considered to be rented in terms of the number of rentals permitted under a strata corporation’s rental restriction bylaw.

• Section 23:
  • Clarifies that a rental restriction bylaw enacted by an owner-developer is effective immediately when there are no other owners.
  • Provides that a rental restriction bylaw does not apply until the strata lot is conveyed by the first owner (other than the owner-developer) or until the rental period identified in the Rental Disclosure Statement expires. This applies to Rental Disclosure Statements filed before January 1, 2010.
  • Where Rental Disclosure Statements are filed after December 31, 2009, rental restriction bylaws would not apply to the strata lot until the rental period identified in the Rental Disclosure Statement expires.

• Section 24:
  • Provides that an owner is exempt from a rental restriction bylaw if the owner applies for an exemption hearing and the strata corporation does not conduct the hearing within four weeks after that application.

**Commentary**

The extent to which the Act has limited the potential for investors to rent their condominiums is difficult to determine. There is very limited data available on rental restrictions and, historically, it has been difficult to inventory rental bylaws or identify the buildings with rental restrictions. Property management companies are not always willing to disclose information related to number of rentals in their building and no consistently-updated database of strata corporation bylaws exists. As a result, it is difficult to ascertain the extent to which the legislation, by enabling corporations to adopt rental restriction bylaws, has impacted condominium rentals in Vancouver.

However, for buildings where rentals comprise more than 25% of the units, it is less likely for strata corporations to adopt bylaws that prohibit rentals. In such circumstances, the three-quarters majority vote by a strata corporation is not likely to be achieved.

With regard to the proposed amendments (Bill 8), it would appear that these changes would have the potential to reduce the number of buildings with rental restrictions in future years. An owner-developer who wishes to maintain the right to hold on to residential units and to rent them out directly, or to sell them to agencies for rental purposes, may opt to put forward a lengthy rental period to take advantage of the amendment to the Act, if approved. Under such a scenario, any rental restriction bylaws introduced by the strata council would essentially become ineffective until the rental period in the Rental Disclosure Statement expires.

• An original developer, acting rationally, would typically want to keep his or her assets liquid and could, therefore, be foreseen to put in place a lengthy rental period to ensure that future buyers have the option to rent the units. This would be important to an owner-developer interested in maintaining the sale-ability of units to a broad base of buyers that include: owner-occupiers, investors and third party rental management companies.
Representatives of the development community indicated that the adoption of rental restrictions (or the ability of a strata council to adopt restrictions) presents a risk of future revenue loss for an investor. Without a guarantee that restrictions will not be introduced, this risk could lead some investors to purchase investment property elsewhere, where such enabling legislation is not in place. As such, owner-developers would be expected to use this new authority as a means of minimizing the risk for purchasers interested in investment.

The next sections consider questions around rental restrictions and attempt to gain a better understanding of their prevalence and the dynamics that often lead to their adoption.

**Review of Multiple Listing Service Sales Statistics**

The MLS data is based on reporting by realtors who report on the bylaws that restrict the use of their condominium listing. While different types of restrictions are noted in the MLS listing, there is often some discrepancy in how the partial restrictions data is captured. As a result, the bylaws data for “rentals not allowed” has been used in this analysis, but the data on partial restrictions has not been included.

The analysis examines the sample data in two ways — how rental restrictions are applied to buildings and the impact on the total unit base. This is important to consider as buildings vary in size, and the impact on the stock of units could differ from the stock of buildings.

- Based on the MLS data, it is estimated that 88% of all condominium buildings in Vancouver allow rentals and 12% have rental bylaws that prohibit rentals. These figures are based on a sample of 592 buildings for which MLS sales data was available, i.e. there had been sales in that building between 2007 and 2009. This sample represents 39% of all condominium buildings in Vancouver. If the 12% estimate was extrapolated to the entire stock of 1,506 buildings in Vancouver, a total of 180 buildings would be estimated to have bylaws that prohibit rentals.

- The buildings with bylaws that prohibited rentals tended to be smaller in size and older compared to those that allowed rentals. Among the 522 buildings that permitted rentals, the average age of the building was 20 years old. This is compared to the 70 buildings that did not allow rentals, which had an average age of 30 years. In terms of size, buildings with restrictions had an average of 115 units per building versus 151 units per buildings for those with permissive bylaws.

![Figure 3.1: Buildings with Rental Prohibition Bylaws (MLS)](image1)

![Figure 3.2: Units Impacted by Rental Prohibitions (MLS)](image2)
The examination of the stock on a unit basis provides a slightly different picture of the overall impact that rental bylaws have on apartment condominiums.

- Compared to the sample of buildings, the percentage of units with a rental prohibition is smaller, with 7% of units that do not allow rentals. As the sample of sales data that is used for this analysis was based on a total of roughly 39,000 units, the number of units that could not be rented was approximately 2,600 units. If this 7% estimate is extrapolated to the entire stock, it would be estimated that around 4,400 units in Vancouver could not be rented today due to current strata regulations that prohibit rentals.

- Based on the sample results, the age and size variables for units follow the pattern for buildings. Where rentals are allowed, on average, the age is 15 years and located in buildings with 255 units. In comparison, on average, units where rentals are prohibited have an average age of 31 years and are located in buildings with 182 units.

![Figure 3.3: Percentage of Buildings With Rental Prohibition Bylaws by Sub Area (2009)](image)

- In considering sub-areas within the city, different patterns of rental prohibition bylaws emerge. While 12% of the buildings citywide had bylaws that prohibited rentals, none of the sampled buildings in Downtown Vancouver had bylaws that prohibited rentals and only 1% of the building in the East Side sub-area had such bylaws. In the other sub-areas, 15% to 40% of the buildings prohibited rentals.

![Figure 3.4: Percentage of Units Impacted by Rental Prohibitions by Sub Area (2009)](image)
Figure 3.4 shows the breakdown of rental restrictions by units (as opposed to buildings) throughout the city's sub-areas. The pattern is very similar to those of buildings. Again, no units in the Downtown area were affected by restrictions that prohibit rentals and only a small share of those in the East Side (1%). The West Side had the greatest proportion of units affected by restrictions (40%) and the West End, Mount Pleasant/North East and Fairview/Kitsilano ranged between 14% and 18%.

- If we consider the location of the buildings where rentals are not permitted, an interesting pattern of distribution is seen. The West End appears to have the highest share of buildings where rentals are not permitted (34%), which can be explained in part by the concentration of apartment buildings in the West End overall compared to other neighbourhoods of the city. The West Side and Fairview/Kitsilano made up almost half of the buildings with prohibitive bylaws.

**Review of Strata Bylaws**

As a secondary data source and to allow for an examination of the different types of rental restrictions, a sample of 94 strata corporation buildings was reviewed. The sample of strata corporations was randomly selected and stratified by age and size. The entire set of bylaws from each of the strata corporations was reviewed and information related to the timing and type of rental restrictions was recorded. In terms of the prevalence of rental restrictions in Vancouver, the strata bylaws sample presents similar findings to that of the MLS sample. However, it should be noted that the survey results are illustrative as the sample size is too small to make definite conclusions about sub-areas and sub-populations in the city.
Based on the sample of strata bylaws, it was found that 9% of the strata corporations in the sample had bylaws that prohibited rentals, half the strata corporations had partial restrictions on rental and 41% allowed rentals with no restrictions.

In considering the location of the 94 strata corporations sampled, there was considerable variation in the prevalence of rental restrictions across the city’s sub-areas. The Downtown and West End areas had no buildings that prohibited rentals and also the largest proportion of buildings with no rental restrictions (69% and 57% respectively). Across the other four sub-areas, the percentage share of buildings that prohibited rentals was similar, ranging between 10% and 13%. In terms of partial restrictions, however, more variation was seen with Mount Pleasant/North East having the smallest share of units with partial restrictions (40%) and the East Side having the largest share of units with partial restrictions (70%).
• To further consider the extent of partial restrictions, Figure 2.8 shows the distribution of the buildings with partial restrictions by the percentage of rental units allowed. The 47 strata corporations in the sample that had partial rental restrictions (50% of the 94 strata corporations in the sample) showed considerable variation in the percentage of units that were allowed to be rented. For example:

• In the sample of 47 strata corporations with partially restrictive rental bylaws, there are a total of 1,934 units and an average of 43 units per strata corporation. In these buildings with partial restrictions, 14% of the units, a total of 279 units are allowed to be rented, which represents an average of seven units per strata corporation.

• Approximately one quarter (26%) of strata corporations with partial restrictions allowed no more than 10% of the units in the strata plan to be rented. Roughly one third of the sample (34%) allowed 10% to 19% of their units to be rented and another third of the sample (32%) permitted 20% to 29% of the units to be rented. Only 9% of the strata corporations in the sample allowed 30% to 50% of the units to be rented. From this sample, none of the strata corporations had bylaws that permitted more than 50% of the units to be rented.

• If these estimates were extrapolated to the entire stock of apartment units, it would be estimated that around 24,000 units are located in buildings with partial rental restrictions and that roughly 3,000 to 4,000 of those units could be rented. In other words, about 20,000 units from buildings with partial restrictions could not be rented in addition to the 3,000 units in buildings with rental prohibitions (based on the strata bylaws sample). In total, that amounts to 23,000 units or 35% of all apartment units in Vancouver (65,600 units) that are excluded from the rental market.

• The review of the sample of strata corporation bylaws indicates that rentals are most likely to be allowed in the largest buildings, with restrictions becoming more common as buildings get smaller. For example, based on the sample, the strata corporations in Vancouver that prohibited rentals were found to have an average of 32 units versus those with partial rental restrictions that had an average of 44 units. Those with no rental limitations had an average of 79 units.
In light of the small number of units in the sample, two of the sub-areas were aggregated together (Figure 3.9) — the West Side area includes Fairview/Kitsilano and the East Side includes the Mount Pleasant/North East area. The same general citywide pattern is seen across these sub-areas in the city. The smaller strata corporations appear to have a greater likelihood of having a restrictive bylaw and the larger strata plans are less likely to limit owners from renting their units. An exception to this is seen in the West Side where the reverse pattern is noted.

Another way to consider the pattern of rental restrictions would be to segment the buildings into low-rise and high-rise structures. For the purposes of this analysis, it is assumed that buildings less than five storeys are low-rise structures and those that are five storeys or greater are high-rises.

Figure 3.10 shows a greater degree of rental restrictions in the low-rise structures. The sample of strata corporations that did not allow rentals were found to be comprised entirely of buildings of low-rise buildings. Those strata corporations that had partial restrictions were split across the two building types with approximately three quarters of the strata corporations (72%) in low-rise structures and 28% in high-rise buildings. The reverse pattern is noted among the buildings that permitted rentals with two thirds of the strata corporations in high-rises compared to one third in low-rise buildings.

At what stage in a strata corporations life do rental restrictions bylaws get adopted? To consider the relationship between the age of the strata corporation and rental restrictions, the timing of rental restriction bylaws is considered.

- Approximately one third of all restrictions (both partial and complete prohibition of rentals) were introduced by strata corporations within the first two years of occupancy (32%). Another 27% were introduced between three and ten years of occupancy, with the remaining 40% of buildings introducing their rental restrictions after ten years of occupancy. On average, restrictions were introduced by strata corporations nine years after the initial registration of the strata corporation.
Renters versus Owners

To gain a better understanding of the condominium rental market dynamics and the nature of strata council rental restrictions, a series of telephone interviews was held with representatives of property management firms, rental management companies and strata councils. General findings included:

- **Misconceptions about renters.** Several of the rental management firms noted there was a misconception that tenants were “worse” occupants than owner occupants and that this perception often leads to the introduction of rental restrictions. It was reported that problems were more likely to arise when renters were not adequately screened by investor owners. Otherwise, few problems were noted that were directly attributable to renters with complaints directed towards owner occupants as frequently as renters. Tensions related to noise, pets and littering were cited, but there was no differentiation between those who rented their units and those who owned.

- **Importance of screening.** Several key informants from rental and property management firms reported that investors who choose to self-manage their property are less likely to have an extensive screening process. In other words, they may not include the same screening elements that are commonly applied by a rental management firm, i.e. income verification, references check plus an interview. The importance of screening was emphasized as a valuable way to mitigate future tensions between resident owners and renters.

- **Rules and responsibilities.** Strata council representatives reported that owner investors do not consistently provide copies of the latest bylaws and procedures to tenants. Tenants are then more likely to break the strata corporation bylaws if they are unfamiliar with them.

- **Involvement in Strata Council.** Strata council representatives reported that the presence of too many non resident owners is challenging for the strata corporation in that there are fewer property owners who are available and interested to sit on the strata council. The absentee owners are reported to be less willing to spend on additional or unforeseen maintenance or upgrading as they are not immediately affected.

- **Neighbourliness.** Another area of tension reported by strata council representatives reflects the disinterest on the part of renters to get to know their neighbours and become a part of the community in the building. This characteristic of being less engaged in the building was found by some interviewees to differentiate renters from owner residents resulting in some general tensions or separation between the two groups.
### Data Tables - MLS Sales Data

#### Table 3.1: Rental Prohibitions by Buildings (Sample Based on MLS Sales Data)

<table>
<thead>
<tr>
<th>Buildings</th>
<th>#</th>
<th>%</th>
<th>#</th>
<th>%</th>
<th>#</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Rentals Allowed</td>
<td>Rentals Not Allowed</td>
<td>Total</td>
<td>Rentals Allowed</td>
<td>Rentals Not Allowed</td>
<td>Total</td>
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<td>70</td>
<td>592</td>
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<td>Downtown</td>
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<td>167</td>
<td>100%</td>
<td>0%</td>
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<tr>
<td>East Side</td>
<td>82</td>
<td>1</td>
<td>83</td>
<td>99%</td>
<td>1%</td>
<td>100%</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>77</td>
<td>17</td>
<td>94</td>
<td>82%</td>
<td>18%</td>
<td>100%</td>
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<tr>
<td>Mt Pleasant/ NE</td>
<td>62</td>
<td>11</td>
<td>73</td>
<td>85%</td>
<td>15%</td>
<td>100%</td>
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<tr>
<td>West End</td>
<td>109</td>
<td>24</td>
<td>133</td>
<td>82%</td>
<td>18%</td>
<td>100%</td>
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<tr>
<td>West Side</td>
<td>25</td>
<td>17</td>
<td>42</td>
<td>60%</td>
<td>40%</td>
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#### Table 3.2: Rental Prohibitions by Units (Sample Based on MLS Sales Data)

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<tr>
<th>Units</th>
<th>#</th>
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<th>%</th>
<th>#</th>
<th>%</th>
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</thead>
<tbody>
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<td>Rentals Not Allowed</td>
<td>Total</td>
<td>Rentals Allowed</td>
<td>Rentals Not Allowed</td>
<td>Total</td>
</tr>
<tr>
<td>Vancouver</td>
<td>36,238</td>
<td>2,585</td>
<td>38,823</td>
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<td>7%</td>
<td>100%</td>
</tr>
<tr>
<td>Downtown</td>
<td>19,420</td>
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<td>19,420</td>
<td>100%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>East Side</td>
<td>4,974</td>
<td>16</td>
<td>4,990</td>
<td>100%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>3,279</td>
<td>737</td>
<td>4,016</td>
<td>82%</td>
<td>18%</td>
<td>100%</td>
</tr>
<tr>
<td>Mt Pleasant/ NE</td>
<td>2,020</td>
<td>350</td>
<td>2,370</td>
<td>85%</td>
<td>15%</td>
<td>100%</td>
</tr>
<tr>
<td>West End</td>
<td>5,613</td>
<td>907</td>
<td>6,520</td>
<td>86%</td>
<td>14%</td>
<td>100%</td>
</tr>
<tr>
<td>West Side</td>
<td>932</td>
<td>575</td>
<td>1,507</td>
<td>62%</td>
<td>38%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Data Tables - Sample of Strata Bylaws

Table 3.3: Number of Buildings by Rental Restrictions
(Sample Based on Strata Bylaw Review)

<table>
<thead>
<tr>
<th>Units</th>
<th>Rentals Allowed</th>
<th>Allowed With Restrictions</th>
<th>Rentals Not Allowed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>39</td>
<td>47</td>
<td>8</td>
<td>94</td>
</tr>
<tr>
<td>Downtown</td>
<td>11</td>
<td>5</td>
<td>0</td>
<td>16</td>
</tr>
<tr>
<td>East Side</td>
<td>2</td>
<td>7</td>
<td>1</td>
<td>10</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>9</td>
<td>18</td>
<td>4</td>
<td>31</td>
</tr>
<tr>
<td>Mt Pleasant/ NE</td>
<td>7</td>
<td>6</td>
<td>2</td>
<td>15</td>
</tr>
<tr>
<td>West End</td>
<td>8</td>
<td>6</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>West Side</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>8</td>
</tr>
</tbody>
</table>

Table 3.4: Percentage of Buildings by Rental Restrictions
(Sample Based on Strata Bylaw Review)

<table>
<thead>
<tr>
<th>Units</th>
<th>Rentals Allowed</th>
<th>Allowed With Restrictions</th>
<th>Rentals Not Allowed</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>41%</td>
<td>50%</td>
<td>9%</td>
<td>100%</td>
</tr>
<tr>
<td>Downtown</td>
<td>69%</td>
<td>31%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>East Side</td>
<td>20%</td>
<td>70%</td>
<td>10%</td>
<td>100%</td>
</tr>
<tr>
<td>Fairview/Kitsilano</td>
<td>29%</td>
<td>58%</td>
<td>13%</td>
<td>100%</td>
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<tr>
<td>Mt Pleasant/ NE</td>
<td>47%</td>
<td>40%</td>
<td>13%</td>
<td>100%</td>
</tr>
<tr>
<td>West End</td>
<td>57%</td>
<td>43%</td>
<td>0%</td>
<td>100%</td>
</tr>
<tr>
<td>West Side</td>
<td>25%</td>
<td>63%</td>
<td>13%</td>
<td>100%</td>
</tr>
</tbody>
</table>
SECTION 4: SURVEY OF MEMBERS OF THE CONDO HOME OWNERS’ ASSOCIATION (CHOA)

As part of the Vancouver Apartment Condominium Research Report, CitySpaces Consulting partnered with the Condo Home Owners’ Association of British Columbia (CHOA) to conduct a survey of the CHOA membership base. Members of CHOA represent strata corporations from around BC. Only those strata corporation members from Vancouver were surveyed.

The survey was conducted in October and November 2009 and respondents had the option to complete a hard copy survey, which was sent in the mail, or to complete the same survey online. The survey questions are attached in the Appendices.

- A total of 53 surveys were completed by members of CHOA. This included a number of surveys that were partially completed. The respondents were primarily residents and members of the strata councils representing strata corporations.

- Unlike the analysis in the previous research reports, the survey of CHOA members did not exclude townhouse developments. Therefore, the sample is expected to include a number of townhouse condominiums, as well as strata plans that include both apartments and townhouses. For this reason, the sample is not directly comparable to the other data sets that examine rental restrictions presented in Section 3 (Multiple Listing Service sales data and the sample of strata bylaws).

Section 4: Research Highlights

Compared to the apartment condominium stock overall, the survey sample over-represented smaller buildings and older buildings. There was also very limited representation of Downtown buildings.

- Based on the survey results, 15% of the sample of strata corporations prohibit rentals completely, 53% allow rentals with restrictions and 32% allow rentals without restrictions.

- The larger-sized condominium buildings in the sample were found to have the lowest proportion of bylaws prohibiting rentals. The age comparison also showed that the older buildings in the sample had a greater likelihood of having rental restrictions.

- On average, the strata corporations in the sample reported that they adopted their rental restriction bylaw at 14 years after occupancy.

- Another point of comparison is the management approaches. It was found that the buildings in the sample that were self-managed had fewer rental restrictions overall compared to those managed by a property management firm.

- Problem incidents such as bylaw violations or formal complaints were reported by 52% of the respondents. For every two buildings that reported incidents directed towards renters, there were three buildings that attributed the incidents to owner-occupiers. On a per building basis, there were more incidents directed at renter-occupied units on average (4 incidents/building) compared to owner-occupied units (2 incidents/building).
Section 4: Research Findings

Survey Findings - Closed Questions

Based on responses to the survey question, “Are rentals allowed in your strata condominium building?”, it was reported that one third of strata corporations in the survey sample allowed rentals, just over half had partial restrictions and 15% did not allow any rentals.

- In addition to the 53% of strata corporations with bylaws that limited the number of rentals, there were several other types of restrictions reported. This included two cases where a strata required that the owners must be residents of the condominium for a period of time (e.g. one year) prior to applying to rent their unit. Another three cases had a bylaw that required a minimum rental period in order to discourage short term rentals. Several members reported that members could be permitted to rent only when in a hardship situation.

If a strata reported having rental restrictions where a maximum number of units was permitted, the survey asked the question: “Is there a waitlist for owners who want to rent their units?”.

- There were five strata corporations with rental restrictions that reported having a waitlist in place for owners interested in renting their unit (19%). The majority did not have a waitlist for prospective rentals (78%). Four of the strata corporations had a waitlist with less than five units and one had between five and ten units on the wait list.
The survey also inquired about “problem” incidents at the strata condominium building: “During the past year, were there any incidents (i.e. bylaw violations or formal complaints) in your strata condominium building?”

More than half the respondents reported there were incidents at their strata condominium building during the past year. Incidents would have included bylaw violations or formal complaints directed at either rental or owner-occupied units in their building. Noise and litter were the main issues noted by respondents.

Eight strata corporations reported incidents that were directed specifically at renter-occupied units and eleven strata corporations had incidents attributed to owner-occupied units. On a per building basis, there was an average of 3.8 incidents per building directed to renter-occupied units and 2.3 incidents directed to owner-occupied units.

As one of the potential variables influencing the adoption of rental restrictions, the size of the strata corporation was considered. The total number of units is based on responses to the question, “How many total units are there in your strata condominium building?”

Overall, the strata corporations in the sample represented a mix of building sizes. One third of the units had less than ten units in their condominium building, almost half of the sample had between 10 and 60 units and the remaining 18% had 60 units or more. Only five strata
corporations in the survey sample (10%) represented strata corporations with over 100 condominium units.

- Compared to the stock of condominium buildings in Vancouver, however, the survey sample over-represents smaller strata corporations. While the average number of units per building in Vancouver was 104 units (based on BC Assessment data analysis in Section 1), the strata condominium buildings in the survey sample had a total average of 44 units per building.

- The strata corporations in the survey sample had bylaws that restricted rentals across all size categories of condominiums. The larger sized condominiums (between 25 and 60 units and 60+ units) had the lowest proportion of bylaws that prohibited rentals.

Another variable to consider is the age of the condominium building. Survey respondents were asked to identify, “What year was your strata condominium building first occupied?”. As a couple of the respondents indicated that there buildings were converted to strata condominiums from rental buildings, it is important to note that the year of occupancy or strata registration was the date used in this analysis and not the physical age of the building.
• Compared to the total stock in Vancouver (based on BC Assessment data analysis in Section 1) where the average building age was 20 years old, the average age of the strata condominium buildings in the survey sample was 26 years old.

• Of the buildings in the sample, 14% were under 15 years, 45% were between 15 and 30 years and 41% were over 30 years (primarily buildings occupied in the 1970s).

![Fig 4.7: Rental Restrictions by Age of Strata Condominium Building [N=49]](image)

- Having noted that the sample size is older than the stock as a whole, the pattern of rental restrictions shows that as buildings get older, there is an increased likelihood of rental restrictions. The younger buildings under 15 years did not have any buildings that prohibited rentals and the smallest share of those with partial restrictions (43%). The oldest buildings (over 30 years) had the greatest share of buildings that prohibited rentals (25%) and the smallest share of buildings that allowed rentals without any restrictions (25%).

The strata corporations that had adopted rental restriction bylaws (either partial or complete) were asked to respond to the following questions: “What year did your strata corporation adopt a rental restriction bylaw” or “What year did your strata corporation adopt a bylaw not to allow rentals?”.

- On average, the strata corporations in the sample reported that they adopted their rental restriction bylaws at 14 years after occupancy. One-quarter of these buildings adopted their restrictive bylaws (partial or complete) at the same year that the strata condominium building was registered. The remaining 75% of the strata corporations adopted their rental restriction bylaws 17 years after the strata corporation was registered.

To identify the location of the strata condominium buildings, the respondents were asked to provide the street address of their condominium building and the addresses were categorised into the six sub-areas of the city used in earlier sections of this study: Downtown, West End, Fairview/Kitsilano, West Side, Mount Pleasant/North East and East Side. Due to the small numbers in the survey sample at a sub-area level, the six areas were aggregated into three areas in this section: Downtown/West End, West Side (which includes Fairview/Kitsilano) and East Side (which includes Mount Pleasant/North East).

- While the greatest share of condominium units is located Downtown, the sample survey only had a limited response (2% of the sample) from Downtown strata condominium buildings. Conversely, the other sub-areas were generally over-represented in the survey sample.
Acknowledging the under-representation of Downtown and over-representation of the other sub-areas in the sample, the relationship to rental restrictions remains informative. The Downtown/West End area buildings in the sample did not prohibit rentals. However, they had the greatest proportion of buildings with partial rental restrictions. The West Side areas of the city had the greatest proportion of buildings that allowed rentals without restrictions, but also the greatest share of those that completely prohibit rentals.

Survey respondents were also asked to identify how the strata corporation was managed: “Are you self-managed or managed through a strata agent?”

In terms of management approaches, two thirds of the respondents were managed by a strata agent and one third were self managed. There were 16 different property management firms listed to be managing the strata condominium buildings on behalf of the strata corporations.
The self-managed buildings had a greater share that allowed rentals without restrictions (53%) compared to those managed by an agent (16%). While the self-managed buildings had a greater share of buildings that prohibited rentals (24% versus 13%), overall, the self-managed buildings had fewer rental restrictions (48%) compared to agent-managed buildings (84%).

**Survey Findings - Open-Ended Questions**

*Respondents’ observations or comments [selected responses]*

The following comments about rental units strata condominium buildings were provided by survey respondents. The selected responses were included because they represented sentiments or perceptions that were repeatedly cited by survey respondents or because they were considered to be particularly poignant.

“We have fewer issues after modifying our bylaw requiring a two-year owner residency clause before being eligible to rent. Basically all of our long-term owners who rented their units have sold.”

“... We avoid too many rental restrictions as they reduce appeal for owners. But the problem residents are, almost without exception, renters.”

“Rental units seem to be rented by younger people, parties and noise are issues.”

“Renters are not the problem - people are. There always will be excellent tenants and lousy owners - or vice versa.”
“Owners are not notifying their tenants of decisions or requirements recorded in the minutes, such as junk mail not to be left on entrance table. Also it seems renters are not as respectful of the building, grounds, and noise levels.”

“Non-resident owners do not take part in either Council or other strata tasks in our experience.”

“A small building with too many rental suites makes finding a council and people willing to help out much more difficult than one with a majority of owner/occupiers.”

“Allowing rentals, without a doubt, adds work to Strata Councils, all volunteers. My experience has shown that renters care less, generally, about the building and courtesy. But owners do want the right to rent out. Education of owners and renters about rules and bylaws is important.”

“Rentals receive considerably more time from a property management perspective. Move ins/outs require a lot of administration and coordination. Rental turnover is a lot higher than owners. The wear and tear on the building due to the damage caused in move ins/outs is unfair to the other residents.”

“In my estimation, the majority of landlords have to be chased after for Form Ks. The only way the property management company has to assess the move in fees.”

“Owners who reside in the building are much more involved and take more responsibility in the care of the strata units. Rental owners (50%) seldom take part in meetings and seem only interested as investors of their property. This means that strata council has to spend extra time to deal with rental suites.”

“[N]on resident owners do not vote in favour of spending money in the same way as residents who do want to maintain the building they live in.”

“…. [A] number of owners in the rental pool are doing so as a precaution. What if I get a transfer? What if financially something happens? Although we have reduced our rental pool from 8 to 6, Council has tried a number of times to limit yet again. Owners feel having rentals might ease the sale of units.”

To summarize, the top issues raised by survey respondents in relation to rental units in strata condominium buildings were:

- Rental units demand more time and resources on the part of strata councils and property management firms.
- The high turnover associated with rentals results in additional wear and tear on the building.
- Tenants tend to be younger in age and are not usually informed of building regulations and bylaws.
- Non-resident owners are less inclined to participate in strata councils or make additional expenditures to upgrade the building as resident owners.
- There are difficulties associated with tracking the number of rentals in a building.
- Some resident owners prefer to increase rental restrictions, while other resident owners prefer to maintain the option of renting and are concerned about the ease of selling their units if rental restrictions are adopted.
SECTION 5: SNAPSHOT OF RENTAL LISTINGS

As part of the Vancouver Condominium Research Report, CitySpaces Consulting conducted a survey of homeowners and agents with apartments units listed for rent. The interviews were completed over a three week period in June and included all listings found on one of three web-based listing services and the classified section of the Vancouver Sun/The Province.

- The opinion survey was designed to identify investors’ plans and motivations as well as to present a snapshot of the condominium stock available for rent in Vancouver at that point in time.
- Interviewing was conducted mostly on weekday evenings with a limited number of weekday daytime calls made to target property management firms who maintain regular business hours. All listings were contacted (households/agents) at least once, although multiple attempts were generally made to contact individuals in order to increase the response rate.
- In total, 36 surveys were completed, 26 by owners and 10 by agents who were acting on behalf of the owners.
- From the 135 calls and emails made to individuals with rental listings, there were 43 responses including seven from units in purpose-built rental apartments (representing a 32% response rate).

Section 5: Research Highlights

The telephone survey of individuals with apartment units listed for rent in June 2009 produced a small sample of 36 completed surveys. The survey focused on investors’ motivations and intentions. Highlights of the survey include:

- In terms of investors’ motivations and intentions to rent their listed condominium unit, the majority of respondents indicated that their intention was to rent their apartment condominium unit at the time of purchase and the ability to rent their unit would have been a primary consideration in their decision to buy the unit. The respondents also noted other factors that influenced their decision to purchase the suite including the potential for future personal use, the opportunity for rental income and potential appreciation in value.
- The largest proportion of respondents (41%) reported that they anticipated they would rent their suite for four years or more. The majority (84%) also reported that they own only one suite and do not have multiple units that they manage.
- An interesting observation was that 85% of the respondents noted that their building had rental restriction bylaws in place.
- In terms of the investors’ home community, more than half were from the city of Vancouver (52%), 40% were from the Metro Vancouver region, and 8% were from elsewhere.
- Median rents ranged from $1,200 for a studio unit to $2,250 for a two-bedroom unit.
Section 5: Research Findings

To identify if the rental listing was for a strata condominium unit and, therefore, eligible to included in the survey, the respondents were asked: “Is the advertised suite located in a strata condominium or purpose-built rental unit?” (Figure 5.1). If the listing was identified to be in a strata condominium building, then the respondent was asked to identify if they were the owner of the listed suite or if they were acting on behalf of the owner (Figure 5.2).

In terms of the investors’ motivations and intentions to rent the unit, respondents who owned the suite and were renting it directly were asked: “Did you purchase the suite with the intention of renting it?” (Figure 5.3) and “Was the ability to rent the suite a key factor in your decision to purchase the suite?” (Figure 5.4).

- In both cases, the majority of respondents indicated that, upon purchase, their intention was to rent their apartment condominium and that their ability to rent their unit would have been a primary factor in that decision.
The owner respondents were also asked to identify the factors that motivated their decision to purchase a condominium unit as an investment property: “Which of the following specific factors affected your decision to purchase the suite?” (Figure 5.5). In some cases, more than one response was given by an owner.

**Fig 5.5: Factors Affecting Decision to Purchase Suite [N=20]**

- Rental income: 35%
- Potential capital gain: 35%
- Tax reasons: 12%
- Potential future personal use: 50%

Overall, the potential for future use was most frequently cited, as was the opportunity for rental income and potential appreciation in value.

Owners and agents were asked to identify the length of time that the unit had been listed: “How long has the listed unit been rented?” (Figure 5.6).

**Fig 5.6: Duration of Rental [N=36]**

- <1 year: 50%
- 1-2 years: 19%
- 2 years or more: 11%
- First time listed: 14%
- Don’t know: 6%

The majority of the units (75%) were newly-listed or had been in the rental market for less than two years. A small percentage of the sample of listings was for units that had been rented over two years (11%).
Owners and agents were asked to identify how long it was estimated that the listed suite would remain in the rental market: “Approximately how long do you plan to continue to rent this suite?” (Figure 5.7).

- Roughly one quarter of respondents reported their intention to rent their suite for less than two years, but the largest proportion of responses was from owners and agents who expected the suites to be rented for more than four years (41%).

The survey respondents were asked if they were aware of rental restriction bylaws that apply to their strata condominium building: “Do the strata bylaws have any type of restriction on rental suites in this building?” (Figure 5.8).

- The majority of respondents (85%) reported having rental restrictions in their building.
The survey respondents were asked if they were aware of rental restriction bylaws that apply to their strata condominium building: “Is this the only suite that you own in the city of Vancouver?” (Figure 5.9).

- Four respondents reported they had multiple rental units, of which three reported they owned a total of two rental units in Vancouver. The fourth respondent reported owning six units in Vancouver.

To identify where investors’ home community is relative to their investment rented property, owner respondents were asked where they live. (Figure 5.10).

- The majority of the investors in the sample were local residents, either from Vancouver (52%) or from elsewhere in the region (40%). Of the remaining eight percent of respondents, half were from elsewhere in BC and half were from outside of BC.

The respondents were provided an opportunity to provide general comments: “From the perspective of an owner of a rental suite in a strata condominium building, do you have any comments that you would like to pass along to the City of Vancouver?” Selected comments of the survey respondents’ open-ended responses are presented here:

- “…Everyone keeps saying that there are a lack of rental suites in Vancouver, but people seem to only be talking about Downtown Vancouver. There are a lot of great, affordable rentals in East Vancouver, but people seem to not be interested in this area of the City.” [Paraphrased]
• “...There are a lot of rental suites everywhere in Vancouver, including Downtown because of the global economic recession. So now, it is extremely difficult renting out any suites because there are so many available. I’ve had a difficult time renting out my suite and had to lower the price. If the suite is rented out for this price, I will actually be losing money because the building is getting a new roof." [Paraphrased]

• “It's good that the strata allows rentals. It lets the owners have flexibility.”

• “More rental suites are needed in the city.”

• “[There should be] incentives for people who purchase strata condominium buildings with the intention of renting them out. This way more people will be purchasing and there will be more rentals in the city.”

• “The Rental Tenancy Act is favoured more towards tenants.”

• “Lower the taxes.”

Unit Characteristics

The unit characteristics of the listed rental suites in the sample are presented in Figures 5.11 to 5.14.
* Note: There were no listings in the West End.

Figures 5.15 to 5.17 represent the rent information for the listings in the sample by categories of rents, the type of unit and location. The sample does not include any units from the West End.

- Overall, the lowest rent in the sample was reported to be $750 per month and the highest rent was $2,600 per month. None of the listings were furnished.
The sources for the rental listings were three online rental listing sites, rentbc.com and apartmentguide.ca and Craigslist Vancouver, and two newspaper-based classified listings, Vancouver Sun and The Province. Most of the respondents were contacted by phone, although a small number were contacted by email.
APPENDICES

A - References and Sources

Canada Mortgage and Housing Corporation. 2008. Secondary Rental Market Survey for Vancouver CMA, Vancouver City and Sub-Areas.


Statistics Canada. 2006 Census custom tabulation of user-defined retrieval areas for condominium units. Data specifications and request made by the City of Vancouver.

Question 3
In Question 2, if you answered, “There is an upper number specifically set out in our Strata bylaws”, what is the number? ________________________

Question 4
In Question 2, if you answered, “There is an upper percentage specifically set out in our Strata bylaws”, what is the percentage? ________________________

Question 5
In Question 2, if you answered, “Units can only be rented for a limited period of time”, what is the limited period of time ________________________

Question 6
What year did your strata corporation adopt a rental restriction bylaw? ________________

Question 7 – Choice – One Answer
Is there a "waitlist" for owners who want to rent their unit?
☐ Yes
☐ No
☐ Do not know

Question 8 – Choice – One Answer
If there is a "waitlist" for owners in your strata condominium building who want to rent their unit, how many owners are currently on this list?
☐ Less than five
☐ Between five and nine
☐ Between 10 and 20
☐ More than 20
☐ Do not know

Question 9 – Choice – One Answer
During the past year, were there any incidents (i.e. bylaw violations or formal complaints) that took place in your building?
☐ Yes
☐ No
☐ Don’t Know / Not Sure
Dear Members:

Up to 23,000 apartment condominiums in Vancouver are estimated to be rented out by their owners. The strata corporation rental market is an important part of housing in Vancouver, and the Condominium Homeowners Association and CitySpaces Consulting have partnered on a research study to better understand the current condo rental market and its impact on housing in Vancouver, and on strata corporations.

All responses are strictly confidential and are only submitted to CitySpaces. Any reports will be presented in an aggregate format, and no specific information about your building or firm will be identified in any reporting information or documentation. Upon completion of the survey the private information collected will be destroyed.

If you would like to complete the survey online, please use this link: http://www.zoomerang.com/Survey/?p=WEB229NPHT5A2H
If not, please mail or fax your completed survey to:

CitySpaces Consulting Ltd.
1111 West Hastings Street, Suite 585
Vancouver BC Canada V6E 2K3
604.687.2241 facsimile

Question 1 – Choice – One Answer [Required]

Are rentals allowed in your strata condominium building?

☐ Yes, rentals are allowed, without restrictions. [Skip to Question 14] *
☐ Yes, rentals are allowed, but with restrictions. [Proceed to Question 2] *
☐ No, rentals are not allowed. [Skip to Question 13] *

Question 2 – Choice – Multiple Answers

In Question 1, if you answered “Yes, rentals are allowed, but with restrictions, identify the types of rental restrictions that are in effect under your bylaws in your strata condominium building. Please check all that apply.

☐ There is an upper number specifically set out in our Strata bylaws.
☐ There is an upper percentage specifically set out in our Strata bylaws.
☐ Units can only be rented for a limited period of time.
☐ Other types of rental restrictions, please specify:

____________________________________________________________________________
Question 10
In Question 9, if you answered “Yes”, how many incidents were directed at a renter-occupied unit? _______________________________

Question 11
In Question 9, if you answered “Yes”, how many incidents were directed at an owner-occupied unit? _______________________________

Question 12 – Comments Box
Please use the space provided to make any observations or comments about rental units in your strata condominium building. Specifically, has there been an increase of problems associated with tenants or owner-occupants?

Question 13 – Choice – One Answer
In Question 1, if you answered, “No, rentals are not allowed.”, What year did your strata corporation adopt a bylaw not to allow rentals? ____________________

Note: The following questions help us to better understand the characteristics of the condominium market. Please remain confident that your responses will not be attributed to your particular building/ firm, or shared publicly.

Question 14
How many total units are in your strata condominium building? ____________________

Question 15
What is the name of your strata condominium building? (Optional)

Question 16
What is the address of your strata condominium building?
Question 17 – Choice – One Answer
Are you self managed or managed through a strata agent?
☐ Self-managed
☐ Managed by a strata agent

Question 18
If managed by an agent, please name the property management firm that provides services to your strata condominium building. (Optional) _____________________________

Question 19
What year was your strata condominium building first occupied? If you do not know the specific year, please indicate the approximate age of the building (e.g., 20+ years) __________________

Question 20 – Choice – One Answer
Which of the following choices best describes you?
☐ I am a resident owner, and I am a member of the Strata Council
☐ I am a non-resident owner, and I am a member of the Strata Council
☐ I am the building's on-site manager
☐ I am a property management firm representative
☐ Other, please specify ________________________________

Question 21 – Comments Box
Lastly, do you have any general comments to make about rental accommodation in strata condominium buildings in Vancouver?

On behalf of CHOA and CitySpaces Consulting, thank you very much for completing this survey.
Survey of Rental Listings in Vancouver

Questions

Page 1
Question 1 - Choice - One Answer (Bullets) [Mandatory]
Is the advertised suite located in:

☐ A strata condominium building?
☐ A purpose-built rental building? [Skip to End]

Page 2
Question 2 - Choice - One Answer (Bullets) [Mandatory]
Do you own this suite, or are you acting on behalf of the owner?

☐ I own this suite
☐ I am acting on behalf of the owner [Skip to 9]
☐ Other, please specify

Page 3
Question 3 - Choice - One Answer (Bullets)
Did you purchase this suite with the intention of renting it?

☐ Yes
☐ No
☐ Not sure at the time of purchase
☐ Other, please specify

Page 3
Question 4 - Yes or No [Mandatory]
Was the ability to rent the suite a key factor in your decision to purchase the suite?

☐ Yes
☐ No [Skip to 4]

Page 3
Question 5 - Choice - Multiple Answers (Bullets)
What of the following specific factors affected your decision to purchase this suite?

☐ Income from rental
☐ Potential capital gain
☐ Potential future personal use
☐ Tax reasons
☐ Other, please specify
Question 6 - Choice - One Answer (Bullets)

How long have you rented this suite?

- Less than one year
- Between one and two years
- Between two and four years
- More than four years
- None of the above, as this is the first listing of this suite

Question 7 - Choice - One Answer (Bullets)

Approximately, how long do you plan to continue to rent this suite?

- Less than one year
- Between one and two years
- Between two and four years
- More than four years
- Don't know / not sure

Question 8 - Choice - One Answer (Bullets)

Do the strata bylaws have any type of restriction on rental suites in this building?

- No
- Yes
- Don't know / Not sure

Question 9 - Yes or No [Mandatory]

Is this the only suite that you own in the City of Vancouver that is rented?

- Yes [Skip to 7]
- No

Question 10 - Open Ended - One Line

How many rental suites do you own in the City of Vancouver?

-----------------------------------------------

Question 11 - Choice - One Answer (Bullets)

Where do you live?

- In the City of Vancouver
- In Metro Vancouver, but not in the City of Vancouver
- In BC, but not in Metro Vancouver
- Outside BC, in Canada
- Outside BC, not in Canada
This is my last question. From the perspective of an owner of a rental suite in a strata condo building, do you have any comments that you would like to pass along to the City of Vancouver?

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Page 9 - Question 13 - Choice - One Answer (Bullets)

How long has this suite been rented?

- Less than one year
- Between one and two years
- Between two and four years
- More than four years
- Don't know / Not sure

Page 9 - Question 14 - Choice - One Answer (Bullets)

[ Mandatory ]

How long do you think the owner plans to continue to rent this suite?

- Less than one year
- Between one and two years
- Between two and four years
- More than four years
- Don't know / Not sure

Page 10 - Question 15 - Choice - One Answer (Bullets)

Structure of building

- Apartment (suite opens to a corridor shared by other suites)
- Townhouse (unit opens to the outdoors)
- Other, please specify

Page 10 - Question 16 - Choice - One Answer (Bullets)

Number of Bedrooms

- Studio / bachelor
- One bedroom
- Two bedroom
- Three or more bedrooms
The monthly rental rate is:

Pets
- No
- Yes
- Yes with restrictions
- Not known

On-site Parking Included
- Yes
- No
- Not known

Utilities Included
- Yes
- No
- Not known

Location of Unit
- Downtown
- West End
- Kitsilano/Fairview
- West Side
- Mount Pleasant / Downtown East
- East Side / Marpole

Source of Listing
- rentbc.com
- apartmentguide.ca
- craigslistvancouver
- vancouver sun / province

Telephone Number:
Thank you very much for responding to this survey. Good luck with your listing.