Ownership, Occupancy, and Rentals: An Indicative Sample Study of Condominiums in Downtown Vancouver

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Introduction

Over the past twenty years the construction of downtown residential condominium towers has flourished in Vancouver. While much has been studied and celebrated regarding the urban design and the influx of residential density in the downtown core, remarkably little is known about the actual occupancy of this housing. Urban myths abound and there has been much speculation on the patterns of empty condos, ownership and occupancy.[1] With a few exceptions, however, empirical measurements of these occupancy patterns have not been available. As a response, this study explores the extent of the empty condo phenomenon in Downtown Vancouver as well as other patterns of ownership and occupancy in this housing type.

Through an indicative sample of nearly 2,400 condominium units spread throughout 13 buildings, this paper examines five questions about empty condos, ownership, and occupancy in Downtown Vancouver's high density market residential condominium developments. These questions are:

- How many "empty" condos are present?
- How many units are owner-occupied versus non-owner occupied?
- What kinds of ownership patterns are present?
- What kinds of condos are available to a median income family with a child?
- How many of these units are available for rent?

To answer these questions, this paper uses data sources from the British Columbia Assessment Authority, the BC Home Owner Grant Program, BC Hydro, the Canada Mortgage and Housing Corporation, Statistics Canada, and the City of Vancouver. For an explanation of methodologies and key conceptual definitions, please refer to Appendix One. Other non-quantitative sources include informal discussions with property managers, realtors, and building superintendents as well as a review of strata council minutes and regulations for the study buildings. This report ends with a number of policy questions stemming from the patterns and findings of this study.

[1] From Bula, F. (2008, August 11). The Continuing story of the empty suites Message posted to http://www.francesbula.com/?p=50 and Moscato, D. (2008, June 23). Mayoral candidate Gregor Robertson must rethink his housing tax plan. *The Province*. Retrieved from http://www.canada.com

Condominium Living in Downtown Vancouver: An Overview

Condominiums are a relatively new form of housing in the City of Vancouver that begins in the late 1960s. For residential development in Downtown Vancouver, they did not flourish until the late 1980s and 1990s. For the purpose of this study, Downtown Vancouver is defined by its local area community webpage as the area bounded by Main, Burrard, and West Georgia Streets and between False Creek and Coal Harbour.[2] (See Figure One) It is important to note that this definition of Downtown Vancouver excludes the West End.

Figure One – A Map of Downtown Vancouver

Source: City of Vancouver VanMap website

As of March 2009, there were 80,000 condo units (in strata projects with 3 or more units) in City of Vancouver, with approximately one-third (27,000) of these units located in Downtown Vancouver. For these units in Downtown Vancouver, the mass majority (24,270) were built in the 1990s and 2000s – 38 and 52% respectively. To place this growth in context, in less than 20 years, 80% of housing units in today's West End neighbourhood have been built into the Downtown Core.

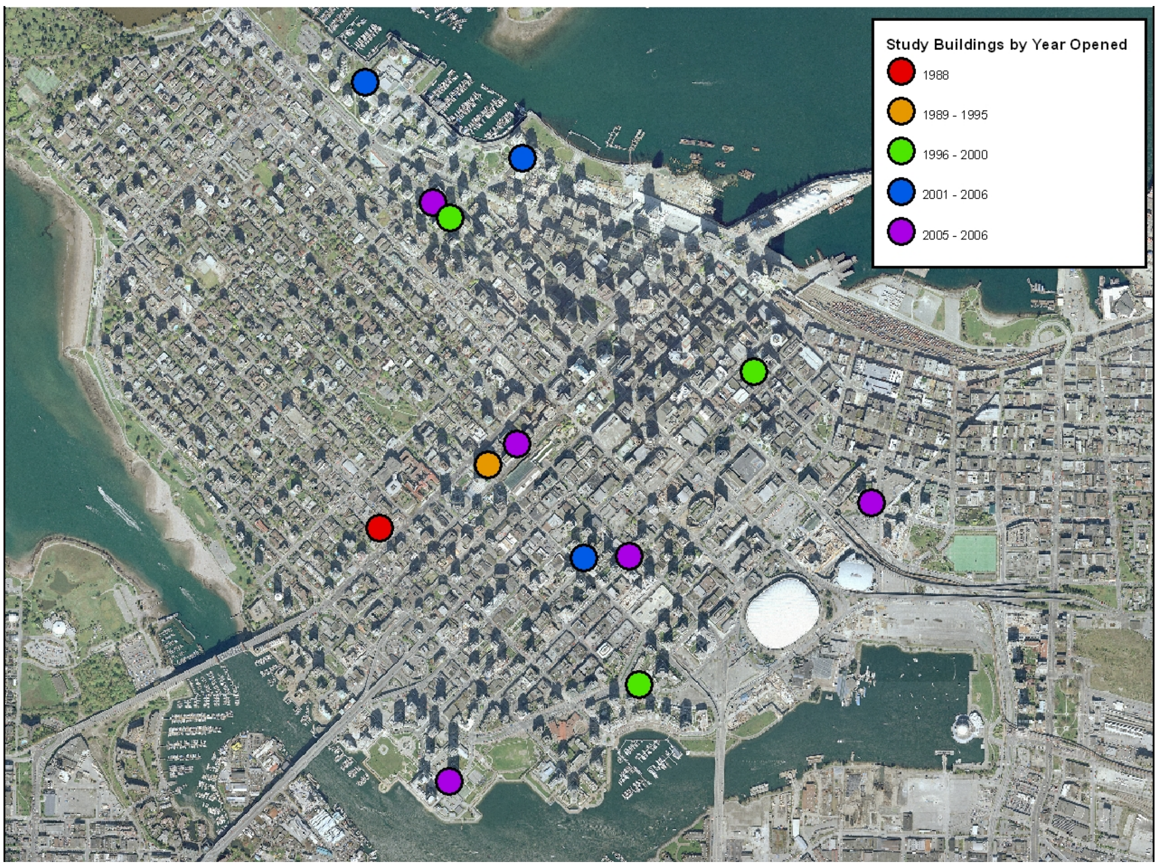
Currently, 3,630 units are under construction and will increase the stock by another 15% in Downtown Vancouver by 2011.

[2] From City of Vancouver. http://vancouver.ca/community_profiles/downtown/index.htm

Study Sample Characteristics

Using an indicative sample, this study looked at 2,387 condominium units spread throughout 13 buildings, representing slightly under 10% of the existing condominium stock in Downtown Vancouver (See Figure Two). The units in this study were exclusively in high density towers and do not include units in low to midrise buildings and townhomes. This sample was chosen to be geographically representative of the development in Downtown Vancouver and was age representative, with the major of units built in the 1990s and the 2000s. Buildings were also selected to represent projects that were both new construction as well as office-to-residential conversions. According to the 2008 BC Assessment values, unit values ranged from $187,000 to $3,982,000.

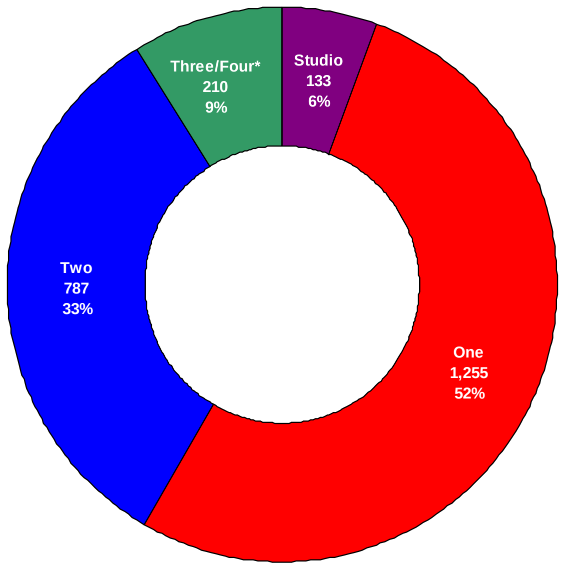
Figure Two – Approximate Locations of Study Buildings by Year Opened



Source: City of Vancouver

The first finding of this study is the dominance of one bedroom units in the sample (See Figure One). Overall, 52% of the condominium units in the study buildings were one bedroom units, followed by two bedrooms (33%), three bedrooms (9%), and studios (6%).

Figure Three – Study Population by Bedroom Unit Type



*Only 2 units in the study population were four bedrooms.

Source: City of Vancouver

By unit type, the values for these study units vary dramatically (See Figure Four). As indicated by the difference between their median and mean assessment units, studio and one bedroom units are a distributed mixture of low and high valued units where two and three bedroom units are heavily weighted towards the high value units.

Figure Four – 2008 Assessment Values by Unit Type (n=2,387)

Bedrooms	Studio	One	Two	Three
Number of Units	133	1,255	787	208
Median 2008 Assessment Value	$270,000	$355,000	$505,000	$584,000
Average 2008 Assessment Value	$267,000	$352,975	$752,196	$1,081,000
2008 Assessment Value per Square Foot	$630	$613	$746	$831

Source: 2008 BC Assessment

How many “empty condos” are present?

Empty condos present a challenge both in quantifying and defining an “empty” condo. Obtaining an exact number of empty condo units is difficult to do with any degree of precision. For the purposes of this study, the definition of an “empty condo” was suggested by BC Hydro where a unit that uses less than 75 kilowatt/hour (Kw/h) of electricity usage per month is classified as empty. This monthly threshold is the minimum amount of energy to operate and maintain the average contemporary refrigerator for one month. An additional threshold at 100 Kw/h a month was also used to correspond to previous estimates conducted by the City of Vancouver.

Based upon a sampling of BC Hydro’s monthly account usage from January 2006 to December 2007 for units in the sample buildings, an average of 5.5% of accounts suggested an empty condo. If the threshold was increased to 100 Kw/h, 8.5% of these units would suggest an empty condo. This latter estimate is similar to a June 2004 estimate and memorandum by the City of Vancouver of the 8 to 9% of downtown condo units which used a 1,100 Kw/h a year threshold -- the low electricity definition used by BC Stats.

This study does not identify the reasons why a condo is empty, which could include factors such as being between owners or rental tenants, being held empty for speculative purposes, or being a seasonal vacation home.

An interesting contextual note is the 2006 Census and its measure of private dwellings not occupied by usual residents. For census tracts in Downtown Vancouver, 14% of private dwelling units were classified as unoccupied compared to 7% for overall City of Vancouver patterns. These types of units are either unoccupied or vacant units or solely occupied by temporary or foreign residents as of May 16, 2006 – the 2006 Census Day.

How many units are owner-occupied versus non-owner occupied?

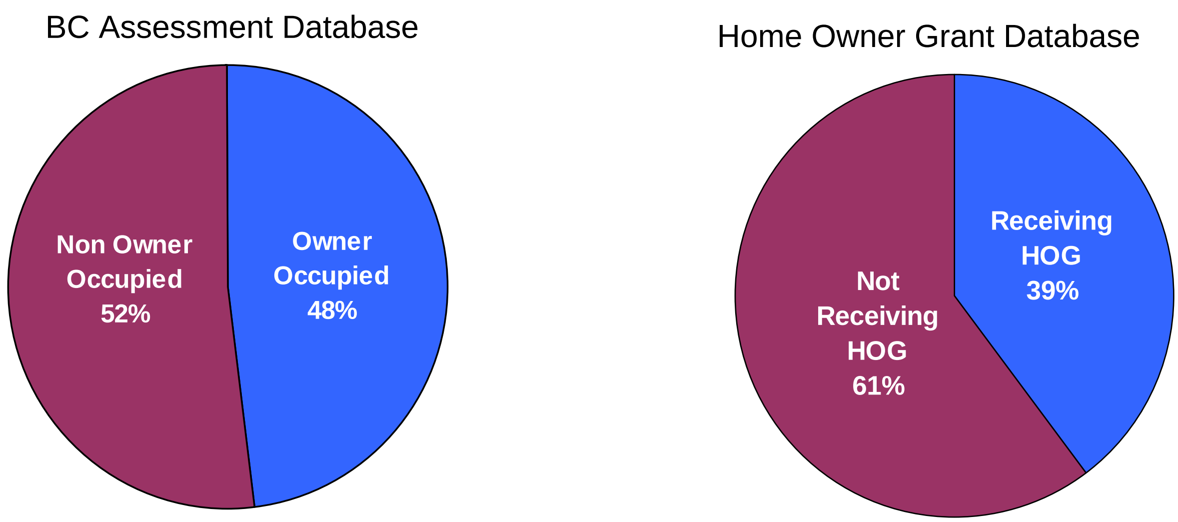
The majority of condominium units in the sample were not owner occupied and this suggests the strong role of real estate investors and secondary/vacation homeowners behind residential demand in Downtown Vancouver.

Based on the 2008 BC Assessment and the 2008 Home Owner Grant (HOG) databases, 52 to 61% of the units in the study were non-owner occupied while 39 to 48% of units were owner occupied.

This range for owner occupied and non-owner occupied units occurs because of the differences in results between BC Assessment and HOG databases (See Figure Five). Because of their high assessment value (greater than $1.3 million), about 10% of the study units did not qualified for a HOG. When these units were excluded from the analysis, it was surprising to discover that there were a number of owner occupied units that did not claim a HOG – about 200 units (10% of HOG qualified units). In short, owner occupancy is not necessarily an indicator of home ownership.

Two possible explanations for this pattern could account for these differences: 1) the extent of foreign ownership in the stock that is not captured by BC Assessment and 2) units being used as rental properties of which still receive their assessment notices at the assessed address.

Figure Five – A Comparison between BC Assessment and Home Owner Grant Databases for HOG Qualified Study Units (n=2,186)



Source: 2008 BC Assessment and Home Owner Grant Program

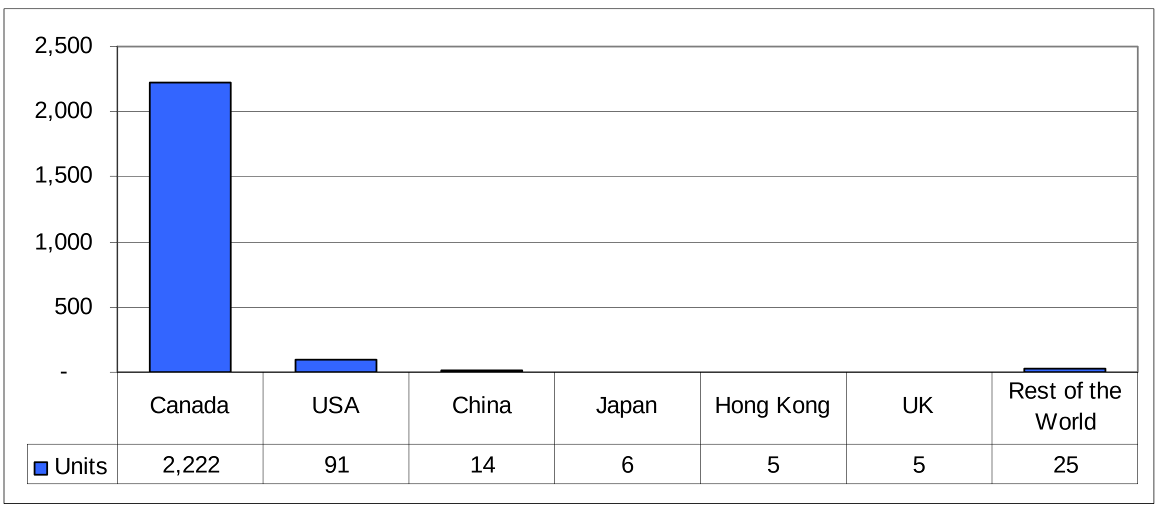
What kinds of ownership patterns are present?

Ownership patterns were both expected and unexpected; foreign ownership was not as prevalent as popular belief has assumed whereas property values varied substainially between owners and investors.

Foreign Ownership

Foreign ownership (if defined as assessments being sent out of Canada) were 6% (146 units) of the total study population (See Figure Six). The largest population of non-Canadian owners came from the United States with the majority from California, Washington, and Arizona. Only 2% (25 units) were from countries in Asia. However, this Assessment database methodology is not necessarily a final measure of foreign ownership as units may be owned by non-Canadian citizens or permanent residents, who still received their assessments at the assessed property.

Figure Six – Assessment Receiving Addresses by Country of All Study Units (n=2,387)



Source: 2008 BC Assessment

Of the non-owner occupied study population, the majority (87% or 1,042) were based in Canada with over half of these owners being based in the Metro Vancouver region.

Ownership Type

In terms of ownership type, virtually all of the owner-occupied units were held by individuals. Non-owner occupied units were also predominantly held by individuals

(85%), with numbered corporations and corporate entities owning 11%, and property management companies owning 4%.

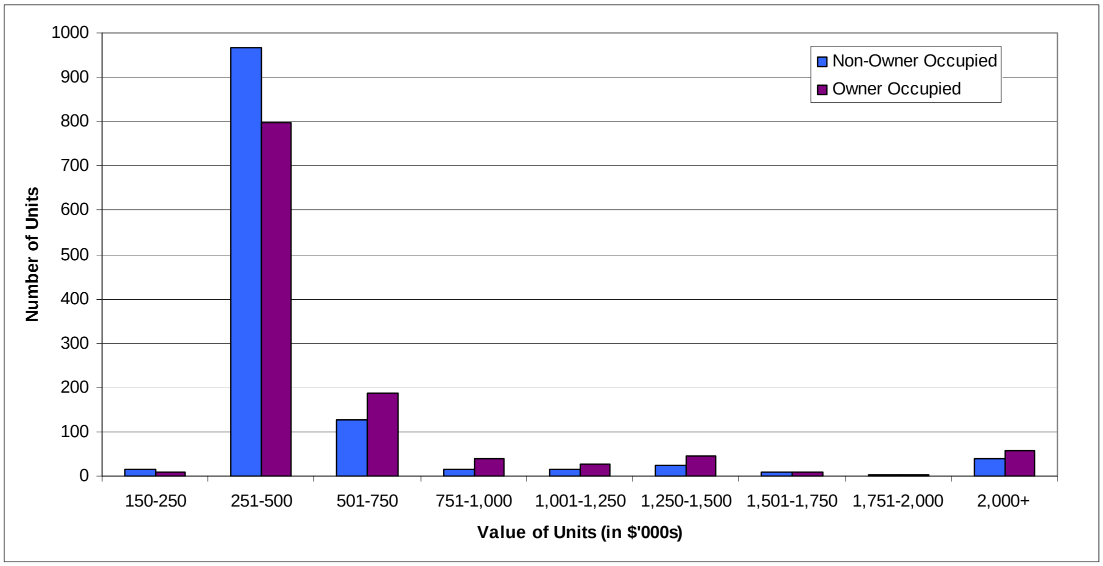
Differences between Owner Occupied and Non-Owner Occupied Units

Owner Occupied and Non-Owner Occupied units had distinct differences in characteristics such as assessed values, and number of bedrooms.

Assessed Value Differences

There were significantly differences between the assessed values of the owner-occupied and non-owner occupied units (See Figure Seven). Median values for owner occupied units were generally valued over $30,000 to $40,000 dollars more than non-owner occupied units. This pattern conforms to the existing American and Canadian academic literature on condominium ownership where owners often state that quality of life is their primary reason for condo ownership whereas investors focused rate of return on investment.[3] Owners were more likely to pay more for their units than investors while investors would wish to minimize the amount of capital they would need to invest for a rental unit.

Figure Seven – 2008 Value Differences between Owner Occupied and Non-Owner Occupied Condos (n=2,387)



Source: 2008 BC Assessment

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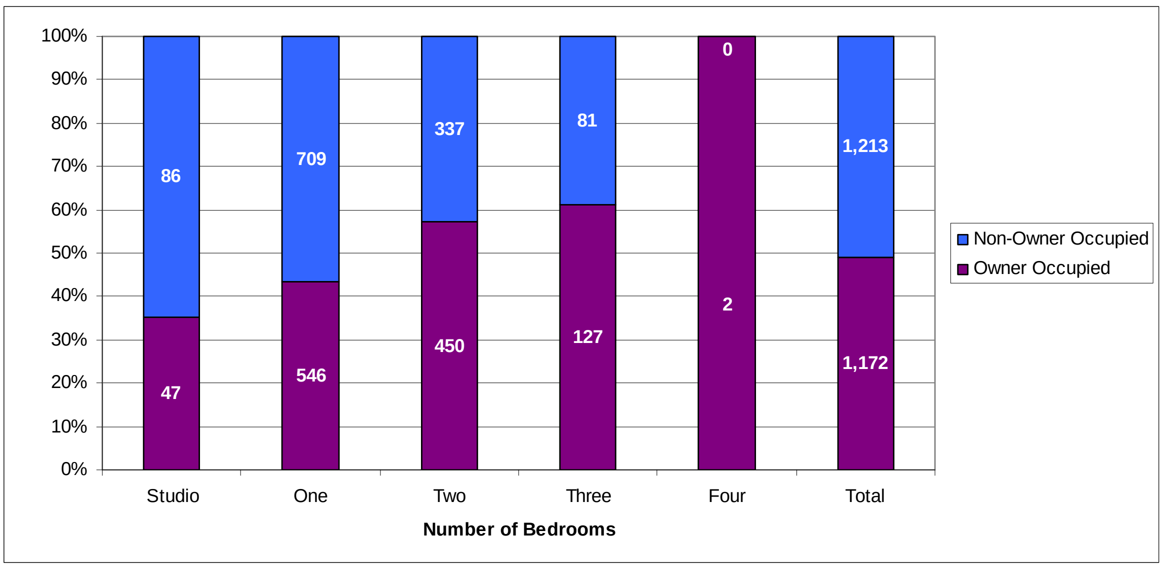
[3] Preston, V., Murdie, R., and Northrup, D. (1993). Condominiums: An Investment Decision or Lifestyle Choice? A comparative study of residential and nonresidential condominium owners of the city of Toronto. *Netherland Journal of Housing and the Built Environment, 3*, 281-300 and Skaburskis, A. (1988). The Nature of Canadian condominium submarkets and their effect on the evolving urban spatial structure. Urban Studies, 109-123.

Number of Bedrooms

Owner occupancy increased as the number of bedrooms increased (See Figure Eight). With studio units, 35% were owner occupied; one bedroom, 44% were owner occupied; two bedroom, 57% were owner occupied; and three bedroom, 61% of units were owner occupied. Interestingly, the majority of unit types that were explicitly foreign owned tended to be one (45% or 65 units) and two bedroom (36% or 53 units).

Figure Eight – Ownership by Unit Type (n=2,387)

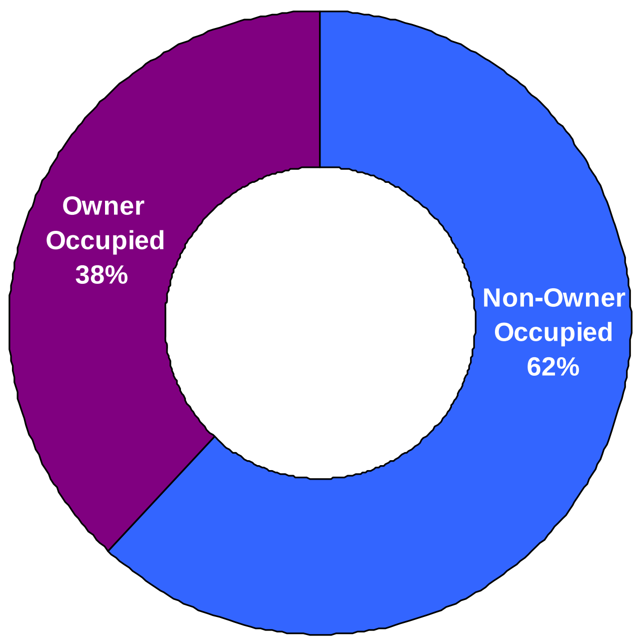


Source: BC Assessment and City of Vancouver

Units Under 450 Square Feet

Smaller units are often cited as a means of getting first time homeowners into the real estate market. Out of this study population, there were 110 units distributed over 4 buildings with a median assessment value of $261,000 and exclusively studios. Of this population, 62% (68) were non owner occupied and 38% (42) were owner occupied (See Figure Nine).

Figure Nine – Ownership Patterns for Units Under 450 Square Feet



Source: 2008 BC Assessment

What kinds of condominium types are available to a median income family with a child?

According to the 2006 Census, the median income for a family with children in the City of Vancouver was about $70,000 ($75,000 in 2008 dollars). Combined with a $50,000 down payment and a 25 year loan at 7% interest rates, this family would qualify for a $275,000 mortgage.[4]

Based on the 2008 Assessment data, 6% or 146 units in the study population would be available to this family. Of these 146 units, 54% (79) are studios and 45% (67) are one bedroom units (See Figure Ten).

With a 25% overall market correction scenario on the 2008 assessment values, 41% or 985 units in the study population would be available to this family. Of these, 14% (133) would be studios, 76% (751) one bedroom units and 10% (101) two bedroom units.

Figure Ten – Amount and Type of Condominium Units Available to a City of Vancouver Median Family with Children Income for the Study Population

	2008 Assessment Price Scenario	% of Stock	25% Price Decline Scenario	% of Stock
Studio	79	54%	133	14%
One	67	46%	751	76%
Two	0	0	101	10%
Total	146		985	

Source: 2008 BC Assessment

An interesting context to consider for assessing housing for this median family is the National Occupancy Standards (NOS) which is based on the following three major elements: adequacy, affordability, and suitability.[5,6] Of note, the standards for suitability are defined as:

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[4] This loan amount was using the VanCity Mortgage Qualifier Calculator https://www.vancity.com/MortgagesRenos/MortgageCalculators/MortgageQualifier/) with the following assumptions: 7 % interest rate, $1,200 annual property taxes, $500 credit card payments, $250 condo fees, $800 other closing costs, $190 monthly heat, and $50,000 cash on hand over a 25 year amortization period

[5] Canada Mortgage and Housing Corporation. Housing in Canada Definition of Variable. http://data.beyond2020.com/cmhc/HiCODefinitions_EN.html#_Housing_Standards

[6] The NOS defines “adequate housing” as not requiring any major repairs, according to residents and “affordable housing” as housing costing less than 30% of before-tax household income. Shelter costs include the following: for renters, rent and any payments for electricity, fuel, water and other municipal services; and for owners, mortgage payments (principal and interest), property taxes, and any condominium fees, along with payments for electricity, fuel, water and other municipal services.

Suitable housing has enough bedrooms for the size and make-up of resident households, according to NOS requirements. Enough bedrooms based on NOS requirements means one bedroom for:

- each cohabiting adult couple;
- unattached household member 18 years of age and over;
- same-sex pair of children under age 18;
- each additional boy or girl in the family, unless there are two opposite sex children under 5 years of age, in which case they are expected to share a bedroom.

A household of one individual can occupy a bachelor unit (i.e. a unit with no bedroom).

How many condos were being rented?

A sizable proportion of the study population is being used as rental housing, which fits into larger known patterns about the role of condominiums as market rental stock across the region and the country (See Figure Eleven). The Canada Mortgage and Housing Corporation (CMHC) provides one of the most comprehensive market surveys on the rental and vacancy rates of private condominiums in the Metro Vancouver region.

According to the CMHC, over one-fifth of the condo stock in Metro Vancouver is rented. Within the City of Vancouver, that number is even higher, with over a quarter of condo stock being rented. For Downtown Vancouver, the CMHC estimates that approximately 35% of private condos are units available for rent.

Based upon this estimate and applied to the overall private condominium stock, it provides over 10,000 units of market rental housing in Downtown Vancouver.[7] At the same time, rents in condo buildings tend to be about 30% higher than rents for the same unit type in purpose built rental buildings, typically due to the newer age of the building, amenities, and higher quality finishing.

Figure Eleven – Rental Condo Stock October 2008 – CMHC Estimate

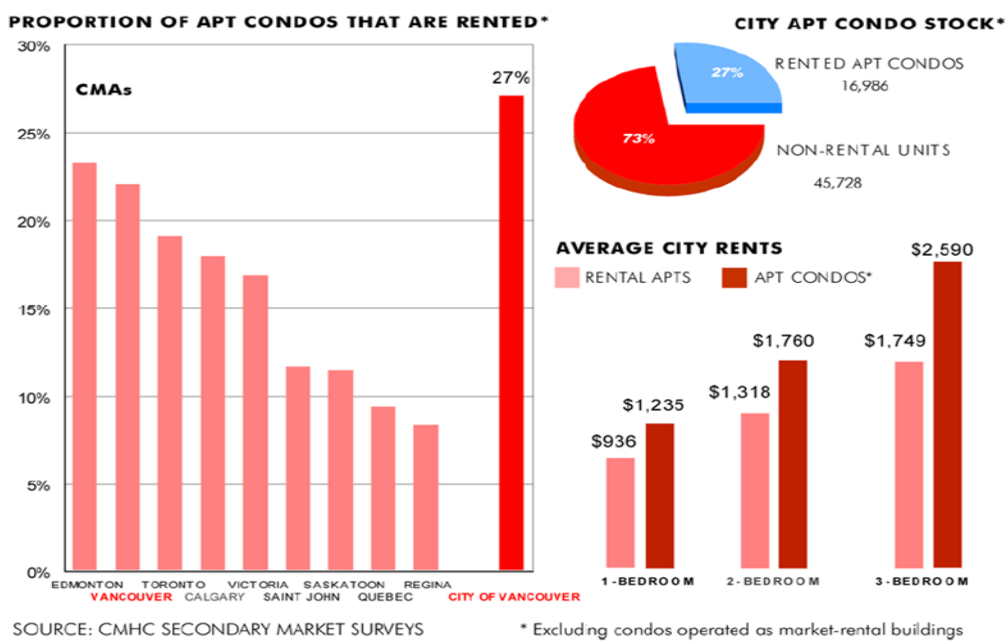

Chart courtesy of the City of Vancouver

[7] From Canada Mortgage and Housing Corporation (Fall 2008). Rental Market Report Vancouver and Abbotsford CMAs Message posted to http://www.cmhc-schl.gc.ca/odpub/esub/64467/64467_2008_A01.pdf

Based upon interviews with building managers, realtors, and strata minute reviews, rental units in the study buildings (excluding the one building in the study with rental restrictions) ranged from 33% to 75%.

A possible indication of the high number of renters in the study population is also suggested by the frequency of name change in BC Hydro accounts. In the fiscal year 2007-8, 32% of the units had a name change on their BC Hydro account, while the rates of the 13 buildings in this study ranged from 15% to 55%. This high turnover indicates the strong presence of rental suites in the Downtown Vancouver condo market as renters have a higher tendency to move than non-renters. To provide a citywide context, according to the 2006 Census, 30% of renters versus 10% of owners moved in the previous year.

Conclusion and Questions

The findings of this paper suggest a number of significant questions and policy challenges:

- Empty condos represent 5.5 to 8.5% of the study population
  - Are empty condos a major housing policy issue?
- The study population is dominated by one-bedroom units
  - Is the stock suitable, affordable, and adequate for future growth and change in the City of Vancouver?
  - Can a family be raised in a one-bedroom condo?
  - What impact does this have on current and future social diversity?
  - Are high density condominiums by itself a sufficient tool to generate affordable and suitable housing for families?
- Non-owner occupancy composes a major element of condo ownership and forms a large proportion of market rate rental housing for condos
  - What are the housing and planning consequences of this pattern?
  - How does this impact affordability for both rental and home ownership?
  - Are private condo rentals a sufficient replacement or supplement for purpose built rental buildings?
- This study is a snapshot of the Downtown Vancouver condominium market
  - Are these ownership patterns similar/dissimilar with other town centres in Metro Vancouver region?

Appendix One - Ownership and Occupancy: Conceptual Definitions and Methodology

The conceptual differences between ownership and occupancy are important elements to understand for this study. While ownership is a relatively straight forward concept to understand and measure, occupancy presents a number of challenges.

Ownership

Ownership statistics of the study units were derived through BC Assessment and Home Owner Grant databases. With the BC Assessment database, the assumption used was that mail is typically delivered to one's primary place of residence. Therefore if an assessment is sent to the same address as the assessed property, the property is considered owner occupied. Conversely, if a property's assessment statement is sent to an address other than the assessed property, the property is considered non-owner occupied.

There may be a number of reasons behind why a non-owner occupied units may not be occupied by its owner. While investors likely form a major segment of the non-owner category, non-owner occupied units could also include foreign owners, secondary homes, or seasonal vacation home owners. The precise composition of each category for non-owner occupancy is beyond the scope of this paper.

The Home Owner Grant provided a secondary method of confirming owner-occupied and non-owner-occupied status for the study units. To qualify for a home ownership grant, a home owner must occupy the property as his/her principal residence with a principal residence defined as "the usual place where an individual makes his/her home" or "the place where an individual lives and conducts his/her daily activities".[8] The grant does not apply to summer cottages, second homes, rental properties or principal residences with an assessed value (as of 2008) above $1,164,000. The Homeowner Grant also provides a possible measure of non-Canadian ownership of property as it is available only to Canadian citizens or landed immigrants who live in British Columbia.

Occupancy

Occupancy is a much more complex concept to measure and define and cannot be determined through the BC Assessment or Home Owner Grant database as a unit may be occupied either full time, seasonally, or not at all of which would not be reflected by either database. Occupancy is the key definition of what

[8] From British Columbia Ministry of Finance, Home Owner Grant
http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Home_Owner_Grant/eligibility_criteria.htm

constitutes an “empty” condo. As outlined in the Empty Condo section, this paper uses an empirical threshold of Hydro usage to provide a measure of the extent of empty condos in Downtown Vancouver which may not correspond to qualitative impressions of the amount of empty condos. One should note that the impressions of the extent of empty condos in a building may be as powerful as their actual quantity in the formation of stable and vibrant high density communities.

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About Andrew Yan

Andrew Yan is a researcher with BTAworks and an urban planner with Bing Thom Architects. He has extensively worked in the non-profit and private sectors with urban planning and redevelopment projects and studies in the Metro Vancouver region, the San Francisco Bay region, New York City, Los Angeles, Calgary, Reno, Fresno, Tulsa, New Orleans and San Diego. He holds a Masters Degree in Urban Planning from the University of California – Los Angeles and Bachelor of Arts degree with First Class Honours distinctions from Simon Fraser University. Andrew is also a registered planner and a member of the City of Vancouver's Development Permit Board.

About BTAworks

The BTAworks is the architectural and urban research and development consulting division for Bing Thom Architects. The mission of BTAworks is to be a catalyst that enables the imagination, design and communication of a vibrant, sustainable urban future that is thoughtful, inspirational, comprehensive, and widely comprehensible. Through research and development, capacity building, and public education, BTAworks is committed to innovative and resilient design, dialogue, and good urban living.