

SRO buildings continue to sell as Vancouver aims to discourage speculation

Single room occupancy hotel buildings have long been "cash-cow" investments, providing a steady return of income for owners, but with land elsewhere in Vancouver more scarce and expensive, some are eyeing to develop these buildings, but also ask for more lucrative rents.

JOANNE LEE-YOUNG ([HTTPS://VANCOUVERSUN.COM/AUTHOR/JOANNELEEYOUNGSUN](https://vancouver.sun.com/author/joanneleeyoungsun))

dated: Januar 31 2020

The assessed value of all single-room occupancy hotel buildings in Vancouver increased by a striking 84 per cent during the last five years. And even though values dipped slightly last year, there has been a string of sales in recent months, with some trading hands at yet higher prices.

Real estate prices in Vancouver drew worldwide attention and sparked a slew of tempering measures by governments at all levels when the assessed value of all properties in the city went up by 56 per cent between 2015 and 2020, according to numbers crunched by Andy Yan, director of The City Program at Simon Fraser University. The assessed value of single-family homes rose by just 32 per cent.

Yan said the sharp increase for SRO buildings is why community advocates are concerned. Speculation brings high risk for already vulnerable, low-income tenants who depend on these units for shelter.

"It's been an issue for some time, but it's becoming worse. It's the moving of tenants, which allows for increasing rents that reset new (property) values," said Yan.

"And this is feeding into the (growing) homeless population."

In early December, Vancouver city council asked the province to tie rent increases to the rooms and not the tenant, "in an effort to discourage speculative investment, slow rent increases, and discourage displacement of very low-income tenants into homelessness."

"Landlords would lose the economic incentive to evict tenants," said Wendy Pedersen, an organizer with the SRO

Collaborative Society. She said some are aggressively using "tons of inspections, holding (tenants) to every little rule, documenting everything to give them cause (to evict), and offering payments to grease the wheel. There are so few rooms, so (evicted tenants) live on someone's couch and then, that's it. There's no place for them."

Pedersen said that even with the proposed vacancy controls, landlords could still increase rents by the allowed fixed amount of 2.5 per cent annually. There is an existing bylaw that protects SRO units, but it dates back to 2003.

The city said on Thursday that Mayor Kennedy Stewart has reached out to the provincial government and "discussions are ongoing on how to improve protection for low-income renters in SROs." Staff are expected to report back to council on discussions in the spring.

Meanwhile, this week, realtors announced the sale of another SRO building. The three-storey, 26-room Shamrock Hotel on 635 Hastings Street sold for \$3.51 million, a price over its 2020 assessed value of \$3.023 million. It last sold in 2012 for \$1.65 million.

Two months ago, a three-storey building with SRO units at 1168 East Hastings, known as the Vernon Apartments, sold for \$3.54 million, also above its 2020 assessed value of \$3.267 million.

Around the same time, the Arno Hotel, a four-storey building in Chinatown at 291 East Georgia, sold for \$3.8 million, which was less than its 2020 assessed value of \$4.23 million, but much more than the \$966,166 it last sold for in 2014. In 2015, the Arno was assessed at \$2.103 million, said Yan, meaning the assessed value in 2020 was 101 per cent higher.

These old buildings have long been known as "cash-cow" investments, providing a steady return of income.

But as land elsewhere in Vancouver becomes scarce and expensive, investors are turning to these relatively cheaper properties that are mostly in the Downtown Eastside and Chinatown, not far from the site of the new St. Paul's Hospital. There is at least an eye to developing units with higher rents as well as new, ground-floor businesses, and marketing materials suggest future micro-lofts and gourmet, organic food stores.

Recent analysis by Vancouver-based senior specialist Eric Bond at the Canada Mortgage and Housing Corp. warned of pressure of rising rents even though it focused on market-rate, purpose-built rental units and not SROs. For all of Vancouver, the current market rents posted for vacant units are about 20.8 per cent higher than those paid for occupied units. This is the increase in rent a tenant faces if he or she has to move.

In the East Hastings area, which includes many SROs, Bond found the rent posted for a vacant, bachelor unit is \$1,558, compared to \$1,292 for an occupied unit, or a 20.6 per cent increase. The difference for a two-bedroom unit is 28 per cent.

"The assessed values have increased a lot," said realtor Robert Tham of Corbel Commercial Inc., who has brokered many SRO building sales over the years. "It's one of those things. There is impact on an area when there is a lack of a supply of land."

"There is a disconnect because these SROs are falling apart. It takes a lot to run a good building. ... With the last few I have sold, the landlords aren't kicking out tenants. They are just making improvements as the rooms come available."

"How are owners of any building, whether a market rental building or a SRO, expected to reinvest in these buildings without being able to recapture those costs in revenue?... How can we advocate for freezing rents while not even discussing costs?" said Beau Jarvis, the chair of the Urban Development Institute, which represents developers.



Single-room occupancy hotels, such as this one on East Hastings, have long been "cash-cow" investments, providing a steady return of income for owners. But with land elsewhere in Vancouver scarce and expensive, some are eyeing to develop these buildings, but then ask for more lucrative rents. *MIKE BELL / PNG*



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ACTIVE

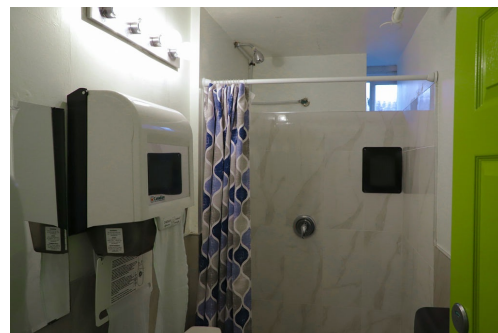
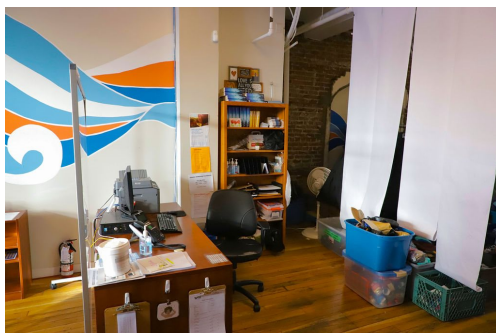
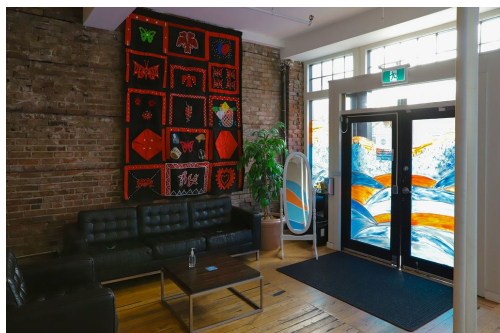
Multi-Family Commercial
Commercial

635-637 E HASTINGS STREET

Vancouver East
Strathcona

\$3,800,000 (LP)

(SP)
(L\$/SF
(S\$/SF



Transaction Type For Sale
Lease Type
Minor Business Type
Zoning/Land Use DETD
Subject Space SqFt
Subject Space Depth

Zone British Columbia
Default Zone
Lease Term (in Months)
Sale Type Asset
Office Area Sq Ft
Mezzanine Area Sq Ft
Retail Area Sq Ft
Other Area Sq Ft
Total space avail for Lse

Zoning/Land Use Code
Sellers Interest Registered Owner
Interest In Land Freehold

CBRE is pleased to present a well appointed 26 unit SRA building with 2,822 SF of retail space. This building would be fantastic for an investor looking to get consistent cash flow or an owner occupier who could utilize the existing retail space. The property is located on the 600 block of East Hastings in trendy Strathcona which is an area that will continue to improve over the next several years. Please feel free to reach out if you would like to receive more information on this excellent investment opportunity.

CBRE Limited

02/27/2021 05:08 PM

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EXPIRED

Multi-Family Commercial
Commercial

635 E HASTINGS STREET

Vancouver East

Strathcona

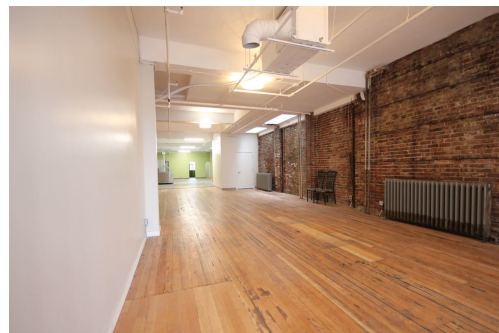
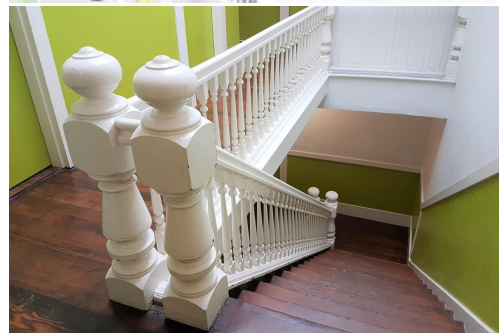
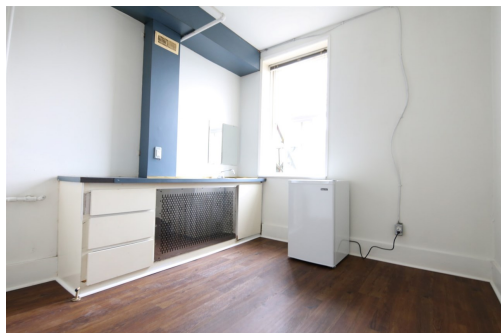
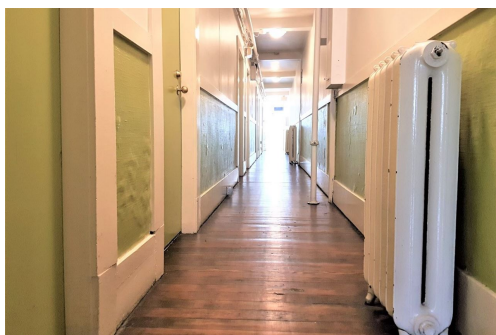
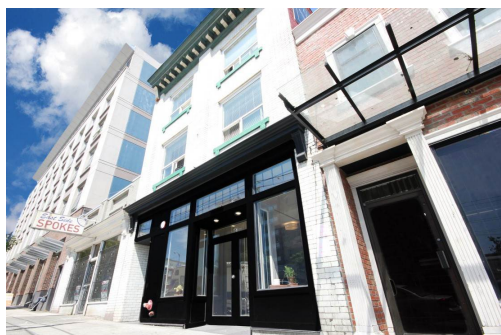
THE SHAMROCK HOTEL

\$3,498,000 (LP)

(SP)

(L\$/SF

(S\$/SF



Transaction Type For Sale
Lease Type
Minor Business Type
Zoning/Land Use DEOD
Subject Space SqFt
Subject Space Depth

Zone British Columbia
Default Zone
Lease Term (in Months)
Sale Type Asset
Office Area Sq Ft
Mezzanine Area Sq Ft
Retail Area Sq Ft
Other Area Sq Ft
Total space avail for Lse

Zoning/Land Use Code
Sellers Interest Registered Owner
Interest In Land Freehold
Restrictions See Remarks

The historic Shamrock Hotel is a 3 storey plus basement building, which sits prominently on a 3,050 sf (approx.) lot in the trendy neighborhood of Strathcona. The main floor features a 2,639 sf (approx.) commercial unit which is currently approved for Retail Limited Food Service and is beautifully improved with large character retail windows, restored hardwood flooring, and stunning exposed brick feature walls. The second and third floors of the building feature 26 charming residential rooming units (SRA). The residential units (SRA) are finished with a mixture of hardwood and laminate flooring, a personal sink, and a mini fridge. Residents have access to common washrooms and coin laundry on each floor. The building is secured via intercom and fob access, and equipped with a security camera system.

Corbel Commercial Inc.

02/06/2020 02:43 PM

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Comm - Detailed Tax Report

Property Information			
Prop Address	635 E HASTINGS ST	Jurisdiction	CITY OF VANCOUVER
Municipality	CITY OF VANCOUVER	Neighborhood	013-MOUNT PLEASANT
Area	VANCOUVER EAST	SubAreaCode	VVEST
PropertyID	007-955-014	BoardCode	V
PostalCode	V6A 1R2		

Property Tax Information			
TaxRoll Number	013590198350000	Gross Taxes	\$13,354.90
Tax Year	2020	Tax Amount Updated	06/16/2020
More PIDS			
007-955-014			
More PIDS2			

Owner Name & Mailing Address			
Owner1 1		Owner2 1	
Owner1 2		Owner2 2	
Mail Addr1		Mail Addr3	
Mail Addr2		Mail Addr4	
MailPostalCode			

Legal Information								
PlanNum	Lot	Block	LotDist	LandDist	Section	Twndship	Range	Meridian
VAP196	26	59	196	36				

Legal FullDescription								
LOT 26, BLOCK 59, PLAN VAP196, DISTRICT LOT 196, NEW WESTMINSTER LAND DISTRICT								

Land & Building Information			
Width	25	Depth	122
Lot Size	WIDTH * DEPTH	Land Use	
Actual Use	MULTI-FAMILY (RESIDENTIAL HOTEL)		
BCA Description	ROOMING HOUSE/HOTEL	Zoning	DEOD COMPREHENSIVE DEVELOPMENT
WaterConn			
BCADData Update	01/06/2021		

Actual Totals		
Land	Improvement	Actual Total
\$1,219,000.00	\$2,201,000.00	\$3,420,000.00

Municipal Taxable Totals				
Gross Land	Gross Improve	Exempt Land	Exempt Improve	Municipal Total
\$1,219,000.00	\$2,201,000.00	\$0.00	\$10,000.00	\$3,410,000.00

School Taxable Totals				
Gross LandSch	Gross ImproveSch	Exempt LandSch	Exempt ImproveSch	School Total
\$1,219,000.00	\$2,201,000.00	\$0.00	\$10,000.00	\$3,410,000.00

Sales History Information			
Sale Date	Sale Price	Document Num	SaleTransaction Type
9/28/2012	\$1,650,000.00	CA2795461	IMPROVED SINGLE PROPERTY TRANSACTION
1/24/1989	\$975,000.00	GC8140	IMPROVED SINGLE PROPERTY TRANSACTION
4/2/1987	\$0.00	R28996	REJECT - NOT SUITABLE FOR SALES ANALYSIS