The Goodman Report

FOR APARTMENT OWNERS

www.goodmanreport.com

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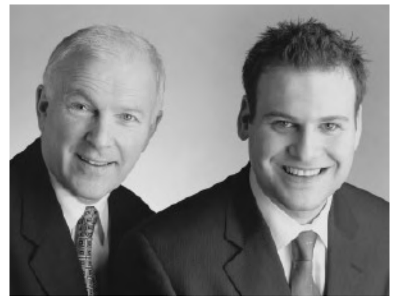
THE MARKET REPOSITIONS

It was in our October 2007 Goodman Report — the headline read *A Contagious Southern Chill* —wherein we first touched on the darkening economic shadows spreading across the US, highlighted by the sub-prime mortgage mess.

Clearly, since our October forecast, much has been written about the economy, both in Canada and the United States. The news media seems to be feeding us incessantly with negative information: inflation, deflation, stagflation, even hyperinflation and oil at $140 per barrel. Highlighting specifically some of the US problems, we are being inundated with stories featuring the sub-prime mortgage fiasco, Federal Reserve Board machinations, layoffs, indictments, bailouts, "troubles" at Freddie Mac, Fannie Mae and the federally seized IndyMac, just to name a few. Banks throughout the western world are writing off billions of dollars in capital—a euphemism for "trouble". In one brief Sunday afternoon, Bear Stearns went from a company worth about $1 Billion to $150 Million. Scary times which seems to be reflected in the gloomy performance of our capital markets. Remember, the market never lies.

There is a great quotation on the economy from a well-known American business writer, Ian McAvity. He spoke about the UBS taking a $14 Billion write-off of a credit derivative change because of a change in rating. Basically, a credit rating agency changed the rating on the derivative: UBS took a worldwide $14 Billion write-off and then, one day later they indicated that $120 Billion of the same type of derivatives was still outstanding although they were sure the Federal Reserve was handling the problem. Mr. McAvity was quoted as follows: "Okay, the Feds are dealing with the problem, so consider it solved." In his newsletter *Deliberation on World Markets, he aptly writes an article called, Killing the First Cockroach Never Solves the Problem."* It is alarming that a major financial institution, with the stroke of a pen, writes off $14 Billion. A good friend of mine reminded me that when he was taking his commerce degree back in the 60s, the word billion was rarely used. We have printed so much money that a billion or even a trillion hardly has little or no meaning anymore. As far as banks writing off huge sums of money, it strikes me as corporate malfeasance. What are these bank executives



News and views from David and Mark Goodman

IN THIS ISSUE

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doing all day? The fees generated by "bright young MBA's" without the bank's normal conservative due diligence have spoilt them. On one hand, the banks are asking you to trust them with your money; and on the other hand, they are taking unprecedented risks and write-offs. The average person cannot begin to comprehend these actions. It's like a football game, where the score is 47 – 3, and someone says, "What a great field goal!"

IS CANADA IMMUNE?

Will that malaise spread north across the 49th parallel? It seems that every day we are getting the same melody with only slightly different lyrics. When the Bear Stearn takeover occurred, the Federal Reserve Board helped "broker the deal" to stop a calamity from occurring in the financial markets. According to Fed Chairman Mr. Bernanke, if Bear Stearns failed to meet their obligations, the United States may have fallen into a very deep recession. Then, over the next few months, both the United States and Canadian central banks—to their credit—flooded the market with liquidity, lowered interest rates and tried to put stability back into our capital markets. To some degree, they have succeeded. From September of 07 through April 08, central banks were aggressively cutting interest rates (seven times in the US) to keep the severe credit crunch along with the housing collapse from pushing the economy into a deep recession. (Note: You will recall our real estate market was very strong during this period). Talk about a paradigm shift!

Considering what was recently said by Bernanke, "the Fed would strongly resist erosion of longer-term inflation goals", it sounds to us that higher rates are coming. *The Globe and Mail*, however, in a recent editorial, stated that "the solution in the US is far from obvious. If central banks cut their rates to stimulate demand, they risk inflation. If they raise rates, they can choke growth." Meanwhile, the European Central Bank is talking about aggressively fighting inflation and recently raised rates by ¼ percent from 4% to 4.25%.

Housing in the United States has the potential to cause a major economic slowdown even more severe than what we have witnessed. The most recent housing statistics are showing some American centres, such as Las Vegas or even the venerable Miami, with 20% to 25% declines in residential housing values. Could that spread north? One wonders. According to Douglas Porter, Deputy Chief Economist at BMO Nesbitt Burns Inc., "when charted out, the data suggests that Canada is tracking the US housing market fairly closely, at a two year lag." Mr. Porter further states, "it is a bit unnerving to see how Canadian performance is beginning to look like that of the US two years down the line."

It is believed that Canada has been affected by the economic chaos in the United States, and compounding their malaise with a high Canadian dollar along with high labour costs has seen Canada's manufacturing sector severely wounded. A recent commentary by Bloomberg suggests that GM needs $10 billion to survive, and as one analyst commented, bankruptcy may be a viable method to restructure. Is it possible that blue chip companies such as GM and Ford could go out of business? Remember, the market never lies, as evidenced by GM's stock currently trading at its lowest point in over 50 years. Our own Bank of Canada followed the Fed's lead and did not continue to cut interest rates. Bond rates have inched higher suggesting interest rate hikes are looming.

LET'S NOT FORGET BC!

Let's talk about BC. Not much has been written about the impact of these "world issues" on our own economy. Let's start with softwood lumber. Our forestry mills have been devastated, especially those on the coast, with the interior mills not far behind. With demand for housing in the United States at its lowest levels in decades, obviously new home construction has also dropped and therefore the demand for our softwood lumber has dropped accordingly. On the other hand, BC mining, energy and construction industries have created many new jobs, which is helping to stem unemployment caused from forestry layoffs and a drop in tourism, manufacturing shipments and retail spending. It may be argued that while migration to our shores remains high, and the local economy remains reasonably vibrant, our housing boom—for all intents and purposes—is over. We cannot, nor should we expect double-digit growth to continue indefinitely in the real estate market without a correction. These factors alone will have an impact on jobs. For a thorough analysis on the BC economy, read the *BC Economic Index July 9, 2008* issue. Go to "publications" at www.bcbc.com.

IMPLICATIONS FOR APARTMENT OWNERS

What is the impact from micro and macro economic issues on you, as an apartment owner? The price of crude oil reaching close to $150 a barrel will cause inflationary pressure throughout the economy. Everything will be affected; not only the cost of filling up your tank, but every single item in our economy is someway impacted by the cost of fuel—deliverymen, commerce, trades people, plastics that we use every day — will all be increasing in price. One could argue that inflationary pressure is good for apartment building owners; one could argue that for apartment owners, inflation has many positives (i.e., increased rent, increased net revenue). One could argue that inflation, especially high inflation, has driven the value of hard assets up. However, with inflation, it's most likely that higher interest rates are sure to follow. Accordingly, now may be the appropriate time to consider longer terms for your mortgage, if you plan to hold for a long time. Remember, long-term asset—long term financing. Furthermore, economics has proven that high interest rates impact cap rates. With one hand it gives, on the other it takes. For those apartment owners, especially those who are nearing retirement and who want to take advantage of our current climate, a strategic period exists within the market cycle to take advantage of a continued strong buying mentality. There is still widespread demand for well-priced properties. If you concur – call us. Together, let's discuss your asset. David or Mark can be reached at 604.736 5611 or david@goodmanreport.com.

HISTORY PROVIDES THE CLUES

Let's be realistic and think outside the box. Vancouver's average suite prices, based on hard statistical evidence, have increased over the last eight years by 85% to 118% (in absolute dollars), whereas suburban prices in Burnaby, New Westminster and North Vancouver have increased 50% to 76%. See graph below.

APARTMENT GROWTH 2000 — 2007

	2000 avg $/suite	2007 avg $/suite	% change	compounded % +
Vancouver Eastside	$58,005	$127,281	118	10.32
Vancouver Kerrisdale	$120,180	$223,504	85	8.06
Vancouver Kitsilano	$126,823	$236,413	87	8.10
Vancouver Marpole	$66,891	$145,917	118	10.24
Vancouver South Granville	$95,320	$197,536	107	9.54
Vancouver West End	$96,170	$209,338	118	10.21
Burnaby	$71,730	$125,592	76	7.25
New Westminster	$69,602	$93,143	50	3.71
North Vancouver	$88,276	$149,570	70	6.81

Source: Goodman Report
+ Compounded growth rates taken into consideration time value of money and allows one to compare against other investment vehicles.

In view of the current economic news, it's unlikely that this rate of change enjoyed since the year 2000 can continue indefinitely. You don't need The Goodman Team to tell you that! However, these statistics do tell an interesting story. Over eight years, Vancouver has well out-performed suburbia.

WHAT'S HOT

Precious commodities / oil & gas

Larger apartment complexes (REITs gobbling them up)

Commercial investments with cap rates in the high 6%s to low 7%s

Cash

Michael Geller running for Vancouver City Council

Trains, buses, bikes, walking, car-pooling, Vespas, centrally-located-living near mass transportation, solar energy, wind power, uranium

How about David Emerson running in Quadra?

Owners should expect fewer turnovers with condo sales slowing

Converting gas hot water heat (owner pays) to electric heat (tenant pays)

WHAT'S NOT

Residential prices levelling off, and in some cases, falling

Having to wait until Spring 2010 for re-zoning applications in Vancouver

Stock markets—talk about being bearish

US dollars – its continuing debasement

Still too soon to buy US multi-family

Unsold condos flooding the market

Gregor Robertson, Vancouver's mayoral candidate, and his desire to tax condo owners who choose to leave their properties empty for extended periods instead of renting them out. This will clearly not encourage investment in rental accommodation!

LANDLORDS UNDER PRESSURE

In a recent excellent article by Peter Mitham, in *Business in Vancouver*, called *Landlords hard pressed to make major improvements to rental properties*, Ron Schuss, the highly respected president of Dorset Realty Group of Canada and long standing director of the BC Apartment Owners Association, is quoted as saying that "annual rent increases typically aren't enough to let landlords make major improvements in building operations so as to reduce costs." He goes on to say that "we are not in the same position as commercial building owners to be able to pass through some or all of our costs."

There is no doubt that growing inflation will increase rents, but escalating expenses such as taxes and utility costs will erode any increases. The squeeze on NOI will be exacerbated by the 3.7% maximum rent ceiling (for 2008) allowed under provincial legislation. Our sense is that fewer tenants will be moving out of their suites. This will prevent owners from achieving significant rent increases usually achieved with turnovers. It's all about affordability.

THE APARTMENT MARKET

When driving around town you must be seeing the same residential "For Sale" signs as we do. Our 35 years of experience in this industry has taught us that when the residential market turns from a sellers to a buyers market, there is a correlation to capital markets. We believe that the Vancouver apartment market is no exception. There is still strength from the buying side in the apartment market (which The Goodman Team can speak on a high level of knowledge, as we've sold about 20% of all apartment properties in Vancouver in the last 12 months). However, buyers today, unlike the past eight years or so, are still keen but extremely cautious. The urgency is gone. Properties that would—say 12 months ago—command multiple offers, are now being listed for longer periods. We believe that the days of a sub-4% cap rate are probably past, unless the building possesses a very prime location and/or is a superbly conditioned highrise.

Buyers still seek and buy what are in their view, under-rented buildings, and pay seemingly low cap rates. They know that with rent increases, either statutory or upon vacancy, the actual cap rate they paid is much higher. Therefore, it stands to reason that those types of buyers who are looking for an immediate lift in value seek out properties that are under-rented. They will pay the low cap rates because they well understand the economics. On the other hand, another class of buyer will only look at upgraded buildings that are at full market rents as they are seeking long-term income stability. Typically cap rates are somewhat higher for these investment opportunities.

AND SPEAKING OF CAP RATES...

As you know, the development potential of the land under many apartments is often worth more than the income of the apartments, on a highest and best use basis. This is a major reason why cap rates have fallen over the past few years for prime frame buildings on larger sites. However, as a result of slowing condominium sales, even condo sites that were considered excellent candidates for development a mere six to eight months ago are not garnering the same levels of interest today. In fact, we know of several projects that have been put on hold due to lack of project financing. Therefore it is reasonable to suggest that the reverse may also hold true. With land values dropping, cap rates could very well increase.

THE MARKET IS ENTERING A REPOSITIONING PHASE

With the greatly expanded level of new listings in the apartment market in both MLS and exclusive, combined with sales volumes off by approximately 40%, accurate pricing along with a strong marketing campaign becomes vitally important. We are aware of offerings still unsold after six to nine months priced 10% to 20% over market. Is there a disconnect to reality here? A conundrum, one would argue. So what to do? If you want to sell your building, you might consider first taking the unusual step of seeking an unbiased opinion of value. An opinion not influenced by a commission. Before calling an agent, we recommend that you obtain one, if not two, formal evaluations from accredited appraisers, specializing in multi-family rentals. Why is The Goodman Team taking this bold, unorthodox step? Because it's clear that appraisers have no ulterior motives or hidden agenda and have been hired to simply provide you with a no-nonsense, detailed market analysis. The cost is nominal, especially when you consider that you are liquidating such a valuable asset. To sum up, it is essential that you be armed with this added perspective before making such a significant business decision. We are so convinced that this step will confirm the accuracy of our analysis and recommendations, that upon The Goodman Team's successful listing and sale of your property, we will reduce your selling fee by the cost of your appraisal(s).

A DIFFERENT LENDING ENVIRONMENT

What a difference a few months makes. As a result of the fallout of the sub-prime mortgage debacle in the U.S., Canadian lenders, although still flush with money, are not falling all over each other to write new business. In fact, they have become far more selective, insisting on higher debt coverage and stronger covenants. Lenders want complete due diligence files. Many will only make an offer to commit subject to credit committee's final okay, and if the deals are large, board approval. Your deadlines have no meaning and, as a vendor, be prepared to extend purchasers financing conditions. Lenders require well thought out appraisals, with the appraiser working off of actual versus pro forma. Gone are high-leveraged deals; gone are rates based on 200 BP over the bank rate — commercial rates are running 300 to 350 BP over. Translated into English, buyers need larger equity (money) components to satisfy lenders' risk criteria.

If you want to sell your building, you might consider first taking the unusual step of seeking an unbiased opinion of value. An opinion not influenced by a commission. Before calling an agent, we recommend that you obtain one, if not two, formal evaluations from accredited appraisers, specializing in multi-family rentals.

Is it not interesting that a Canadian Government Bond purchased in the year 2000 would have well out-performed the increases in New Westminster and slightly under performed North Vancouver, all things being equal?

THE PAYOFF FOR MAINTAINING YOUR ASSET

In our 25 years of providing market intelligence by way of *The Goodman Report*, formerly known as the *Apartment Owners Newsletter*, we have repeatedly touched on the importance of maintaining your asset, coupled with achieving market rents.

Based on repeated feedback from our readership, we are gratified that many of you have heeded our advice. Why is this course of action more relevant now than ever before? With most of the conventional purpose-built rental stock fast approaching an average of 50 years of age, the importance of maintenance becomes two-fold:

1. Better to nip problems in the bud and spend what is required on maintenance in order to prolong, for example, the life of your roof or balconies, rather than prematurely undertake major capital expenditures.

2. A well-maintained asset enables owners to optimize rent levels say at $2.25/sq ft versus a non-renovated or tired suite at $1.35/sq ft.

Remember, it's the tenant, through significantly higher rents who ends up paying for your upgrade. Many discriminating tenants in Vancouver have the means to pay $2.50 to $3.75/sq ft for a condo rental which offers all the bells and whistles. Even so, it is very important to our industry that we treat all tenants as we would want to be treated, as we undertake significant renovations. Remember, we are soon to be entering the "silly season" with municipal elections this fall and a provincial election next spring.

RENTAL INVENTORY

According to *The Vancouver Sun* June 26, 2008, apartment vacancy in Vancouver is less than 1%. As said before in my newsletter, there are two vacancy factors. One is "the conventional factor," while the other is "the non-measured factor." From CMHC, we learned that the traditional purpose-built rental buildings (conventional factor) are providing 104,315 suites while there are an additional 129,334 units broken down as follows: 31,382 condos are being rented; there are 33,724 single detached homes, 30,285 row/duplex units, and another 33,943 accessory suites all of which are classified as the non-measured factor. Even if the new condos cannot be rented for anything less than $2.50-$3.75 per square foot (or $1,375 - $2,060 for a one bedroom 550 sq. ft.), just to cover the strata fees, taxes and a conventional mortgage payment, they are still formidable competition. The good news from all this is that it allows you to push your rents up, especially on turnover. Again, if your building is always full, with seldom a notice to vacate, you are probably under-rented.

2008 6 MONTHS REVIEW

The market's performance during the first 6 months of 2008 demonstrates further signs of a slowdown first referred to in last year's (2007) 6 Month Goodman Report. When 2008's 6 month sales figures are compared to last year's numbers, we see marked declines across the board in dollar volumes and suites sold, while average suite prices have held up well, if not increased. Indicative of the correction, a total of 51 buildings are known to have sold in the first 6 months of 2008 vs. 77 sales last year for a reduction of 34%. Breaking the figure down further, Vancouver and suburban sales are down 19% and 43% respectively. As for total dollar volumes, we are aware of sales amounting to an aggregate of $167,792,500, off 39% from last year's figure of $273,021,300. Specifically, Vancouver is off 36% while reported suburban dollar volumes are off 41% .

Price-wise, we've yet to see any declines in Vancouver, except for one sale in Kerrisdale (of course one sale does not make a market). The five remaining communities of Vancouver (Eastside, Kitsilano, South Granville, Marpole and West End) all registered gains in average price per suite prices of 12-19%.

As for the suburban areas: in Burnaby, Coquitlam, New Westminster, North Vancouver and White Rock, we've seen average price per suite increases of 5% to 15%. As for suburban sales, Coquitlam and White Rock have experienced only one sale in 2008. What is most noteworthy is that Burnaby suffered a precipitous decline in volume to only 5 buildings sold in 2008 versus 23 for the same period in 2007.

Further to pricing, the Vancouver average price per suite is $182,243, an increase of 9% over last year's 6 month figure of $166,703, while the suburban average price per suite figure increased to $129,840, up 8% from last year's figure of $119,843.

Another interesting statistic, in 2007 (first 6 months): 35% of the sales consisted of buildings 15 suites or less versus 2008 whereby 56% of the buildings are 15 suites or less. This clearly indicates that, while larger building activity has slowed, smaller buildings are still very much in vogue.

It's important to note that a lag time should be factored into the sale prices for the first 6 months. A number of the transactions were either executed late in 2007 or early 2008, while closing in the January to April 2008 period, before the full-blown impact of the slowdown became evident. It is likely that average prices in the second half of the year will begin to show some leveling off, if not a downward bias. Please find a statistical breakdown of the apartment market's 2008 sales activity versus 2007 for the first six months on page 8.

All is certainly not doom and gloom. If unemployment does increase, that generally bodes well for apartment owners. You will have a huge competitive edge over newer condos. The real world is fluid, not static. Changes occur day by day, and given some basic economic assumptions, our capitalist system always adjusts and continues to grow — even under the most dreadful news. *Carpe Diem!*

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Activity Highlights: 1st 6 months 2008 compared to 1st 6 months 2007

Greater Vancouver Multi-Family Sales and Statistics

Total buildings sold: 51 — down from 77 in 2007 (-34%)

Vancouver buildings sold: 25 — down from 31 in 2007 (-19%)

Suburban buildings sold: 26 — down from 46 in 2007 (-43%)

Total Dollar Volume: $167,792,500 — down from $273,021,300 in 2007 (-39%)

Vancouver Dollar Volume: $86,383,000 — down from $134,363,000 in 2007 (-36%)

Suburban Dollar Volume: $81,409,500 — down from $138,658,300 in 2007 (-41%)

Total Suites Sold: 1101 — down from 1956 in 2007 (-44%)

Vancouver Suites: Sold 474 — down from 806 in 2007 (-41%)

Suburban Suites Sold: 627 — down from 1150 in 2007 (-45%)

Vancouver average $ per suite is $182,243 – up from $166,703 in 2007 (a 9% increase)
Suburban communities average $ per suite is $129,840 – up from $119,843 in 2007 (an 8% increase)

Vancouver Highlights

Vancouver Eastside	10 sales in 2008 compared to 11 in 2007. Average price up to $139,856/suite – a 14% increase.
Vancouver Kerrisdale (incl. Oakridge and UBC)	1 sale in 2008 compared to 2 in 2007. Average price down to $200,000/suite – an 11% decrease. Note: only 1 sale reported.
Vancouver Kitsilano	3 sales in 2008 compared to 3 in 2007. Average price up to $258,421/suite – a 14% increase.
Vancouver Marpole	2 sales in 2008 compared to 3 in 2007. Average price up to $154,615/suite – a 12% increase.
Vancouver South Granville	3 sales in 2008 compared to 6 in 2007. Average price up to $231,379/suite – a 19% increase.
Vancouver West End	6 sales in 2008 compared to 6 in 2007. Average price up to $187,834/suite – a 15% increase.

Suburban Highlights

Burnaby	6 sales in 2008 compared to 23 in 2007. Average price up to $138,628/suite – a 10% increase.
Coquitlam	1 sale in 2008 compared to 5 in 2007. Average price up to $129,758/suite – a 15% increase. Note: only 1 sale reported
New Westminster	7 sales in 2008 compared to 7 in 2007. Average price up to $105,572/suite – a 13% increase.
North Vancouver	7 sales in 2008 compared to 7 in 2007. Average price up to $156,330/suite – a 5% increase
White Rock	1 sale in 2008 compared to 1 in 2007. Average price up to $121,071 – an 11% increase. Note: only 1 reported sale.

Greater Vancouver Apartment Building Sales Six Month Report
January 1st to June 30th, 2008

ADDRESS	SUITES	$ PRICE	$ PER/UNIT
Vancouver (East Side)			
2066 Triumph	8	1,000,000	125,000
★ 234 E 14th	22	3,215,000	146,136
2144 Dundas	8	960,000	120,000
3437 Kingsway	8	1,030,000	128,750
★ 3122 Quebec St	13	2,305,000	177,308
243 E 13th Ave	11	1,550,000	140,909
★ 2067 Pandora	8	1,525,000	190,625
1660 E Georgia	10	1,368,000	136,800
2144 Dundas	8	960,000	120,000
4910-48 Fraser	57	7,485,000	131,316
Total:	**153**	**21,398,000**	**139,856**
Vancouver (Kerrisdale & UBC)			
★ 5550 Yew St	22	4,400,000	200,000
Vancouver (Kitsilano)			
2285 W 6th Ave	20	3,380,000	169,000
2325 York	11	3,250,000	295,455
1475 Laburnum	26	8,100,000	311,538
Total:	**57**	**14,730,000**	**258,421**
Vancouver (Marpole)			
8619 Hudson	15	2,180,000	145,333
8656 Montcalm	11	1,840,000	167,273
Total:	**26**	**4,020,000**	**154,615**
Vancouver (South Granville)			
1336 W 14th Ave	11	2,250,000	204,545
3075 Willow	8	2,200,000	275,000
3392 Oak	10	2,260,000	226,000
Total:	**29**	**6,710,000**	**231,379**
Vancouver (West End)			
1209 Jervis	45	8,700,000	193,333
850 Bidwell (HR)	43	10,100,000	234,884
1123-31 Burnaby	49	9,000,000	183,673
1169 Pacific	23	3,600,000	156,522
1133 Barclay	27	3,725,000	137,963
Total:	**187**	**35,125,000**	**187,834**
Richmond			
★ 8200 & 8300 Park Rd	174	23,000,000	132,184

ADDRESS	SUITES	$ PRICE	$ PER/UNIT
Burnaby			
★ 1280 Madison	22	2,910,000	132,273
275 Gilmore	35	4,400,000	125,714
4105 Albert	26	3,700,000	142,308
3951 Albert	12	1,850,000	154,167
6730 Dow	10	1,460,000	146,000
6729 Marlborough	8	1,345,000	168,125
Total:	**113**	**15,665,000**	**138,628**
North Vancouver			
375 W 4th St	13	1,700,000	130,769
347 W 4th St	12	1,940,000	161,667
2601 Lonsdale	11	1,750,000	159,091
372 E 3rd St	15	2,270,000	151,333
1629 St Georges	15	2,435,000	162,333
146 E 12th St	17	2,700,000	158,824
220 E 12th St	11	1,900,000	172,727
Total:	**94**	**14,695,000**	**156,330**
Coquitlam			
801 Gatensbury	33	4,282,000	129,758
Port Coquitlam			
2232 Atkins	12	1,420,000	118,333
Langley			
19855 54th Ave (TH)	7	1,500,000	214,286
White Rock			
★ 1497 Martin St	21	2,542,500	121,071
Maple Ridge			
12003 Edge	7	780,000	111,429
New Westminster			
★ 908 Sixth Ave	44	7,525,000	109,058
★ 529 Tenth St	25		
427 Eighth St	15	1,500,000	100,000
727 Fourth Ave	10	1,100,000	110,000
1116 Hamilton	42	4,300,000	102,381
217 Royal	19	1,750,000	92,105
125 Eighth St	11	1,350,000	122,727
Total:	**166**	**17,525,000**	**105,572**

★ SOLD BY THE GOODMAN TEAM

(HR) highrise, (TH) townhouse, (ST) strata, (DS) development site

The sale information provided is a general guide only.
There are numerous variables to be considered such as:

1) Suite Mix; 2) Rents/ft.; 3) Net leasable feet; 4) Buildings' age and condition; 5) Location 6) Frame or High Rise; 7) Strata vs. Non-Strata; 8) Land Value (Dev. Site); 9) Special financing; 10) Asset vs. Share Purchase.

The information contained herein was obtained from sources which we deem reliable, and while thought to be correct, is not guaranteed by Macdonald Commercial Real Estate Services Ltd.

This is not intended to solicit properties already listed for sale with another agent.

THE GOODMAN TEAM — VIVE LA DIFFERENCE!

There is an obvious explanation why The Goodman Team stands tall above the crowd and has become the dominant force in Greater Vancouver multi-family sales. Who else has the confidence in their own ability to analyze your property by offering to pay for your appraisal?

By virtue of our 25 year long standing tradition of newsletters, we have always strived to provide owners with an untarnished and street oriented view of the market. In other words, tell it the way it is. This has included crystal ball-gazing (forecasts), editorials, commentaries, statistical analysis, speaking engagements, addressing Vancouver City Council, and we hope a little humour and plain old-fashioned gossip.

No one comes close to our pioneering format in frequency, content, or forecasting accuracy. We are very proud of this record. Some examples: in Issue 24, July 2001, our newsletter heading shouted *The Lustre Returns*. We called the market dead-on. We proclaimed that after a nine year hiatus during the 1990s, activity and prices were set to soar. In July 2007, our six month report, *A Change Is in the Air* commented on the fact that after a seven-year run, and based on our statistical analysis, a cooling of the market was becoming evident.

More Forecasts for 2008/09

1. Stagflation concerns. Increased prices with a softer economy.
2. Continuing slowdown in sales activity and a levelling off or decline of average suite prices.
3. As a result of historically low rental inventory, many owners expected to implement sizable rent increases of anywhere from 10% to 50% on any suite turnover.
4. The aging rental stock will dictate that owners will be forced to address long-delayed capital expenditures (i.e., windows, roofs, boilers, balconies and piping).
5. Watch the new City of Vancouver Council extend the moratorium on the demolition of rental housing in perpetuity as they did in the West End.
6. As a result of a more conservative financing environment, many owners will need to facilitate the sale of their buildings by providing vendor takebacks (VTB's) on mortgages. Where else are you going to receive a tax deferral and an above-average rate of return with security based on an asset you know and understand?
7. Vancouver developers to take a stab at building condo/rental projects (combined) under the new Eco-Density concepts, once they figure out what it really means. Our take on it is that it is really a euphemism for higher density along major streets and existing apartment areas in exchange for higher cash "contributions" from developers and other extractions from the landowners.

ESTATE PLANNING – DO YOU HAVE THE WILL?

We have conducted a lengthy interview with a renowned financial advisor. "Why is that?" you ask. Because there is a crisis brewing that many are not aware of—called "death". How many of your colleagues and good friends are no longer here? Many of my clients are well into their 70s; some are approaching their 90s. And interesting enough, the latest stats—the actuarial table for British Columbia puts the average life expectancy for a male, aged 65 at 81.98 years, and for a woman, at 85.41 years. Recent changes to life expectancy tables have been very dramatic.

10 years ago a male age 65 would be expected to live until 78, today it is 82 years of age. What it says is, "We are living longer, we are living healthier," but all that does is put off the inevitable of, "What happens to my assets once I've passed on?" Even if you have a standard will, most people flow all their assets to their spouse, then to their children (given that it is their first marriage). If it's not, then a standard will wouldn't work. For those who die without a will (heaven forbid), it is called dying intestate. The province of British Columbia, through legislation, decides how your estate is distributed. Current legislation is as follows for those who die intestate:

- Just a spouse, no descendants—spouse gets all.
- Spouse and one child or grandchild—spouse gets first $65,000, the balance divided one-half spouse, one-half descendants *per stirpes* (to the children equally).
- There is much more, depending on if there is no spouse or children, but nieces and nephews—it becomes a dog's breakfast, and for those of you who don't have a will – *get one now*. The greatest act of love that can be given to one's dependants is to take the time and effort to obtain a lawyer to draft a will, even if it's a simple will.
- Tax issues of dying intestate, especially for large estates, are brutal. Except for your lawyer and accountant, everyone else will be angry (they will be ecstatic).

There are some more complex issues that require complex solutions. In British Columbia, like many other jurisdictions, once a person passes away certain classes of heirs can challenge the will under the Wills Variation Act (WVA). This can be done by a spouse, children, possibly even a former spouse depending on the circumstances.

How does one leave an estate to a blended family? Certain testators may want to leave some more money to one set of children than another set of children, and again, the set of children, or child who feels "cheated" can start an action under WVA. There are ways to plan. Of course, one can roll all their assets into what's called an Inter Vivos Trust. The negative? There is a disposition of the assets upon transferring to the trust, and taxes must be paid. Certainly not a wise choice. Another option, though, is to set up an alter ego or joint partner trust, which provides the individuals the opportunity to create this inter vivos trust (lifetime trust) on a tax free rollover basis. This has a number of advantages: firstly, all the assets are no longer part of your estate; that is, when you die the assets held within that special type of inter vivos trust are not probated, ergo, there are no probate fees paid on the transfer. Secondly, the assets are not made public and are not subject to the Wills Variation Act.

For example, if there is a second marriage involved and you felt that the new spouse is less deserving of some of your assets than your children, this can all be handled through a joint alter ego trust. The main details of an alter ego trust and/or joint partnership trust are as follows:

Alter ego trusts:

a) The trust is created anytime after 1999;
b) The settlor, or the person that is putting in the assets must be 65 years or older at the time the trust is created;
c) Both the trust and the settlor are Canadian residents;
d) The settlor is entitled to receive all of the income of the trust arising before death;
e) No person except the settlor is entitled to receive or otherwise obtain the use of any of the income or capital before the death.

Who should you discuss this with? Ask your real estate lawyer or your accountant for a referral to a specialist who exclusively practices law in the highly specialized area of estate planning, especially if you are in a second (or third, etc.) marriage, with each spouse having their own children.


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