The Newsletter for Apartment Owners since 1983

The Goodman Report
FOR APARTMENT OWNERS

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2009 — SIX MONTH GREATER VANCOUVER APARTMENT BUILDING MARKET REVIEW

Greater Vancouver sales activity for the first six months of 2009 indicates that the overall trend line continues to drop. When 2009's figures are compared to last year's performance, we note only 35 buildings were sold in the first six months this year compared to 51 building transactions for the same period a year earlier. Of the 35 transactions so far this year, Vancouver reported 18 sales and the suburbs 17.

Of interest are the conflicting signs being conveyed when comparing sales performance and dollar volume for the first six months of 2009 with the same period in 2008. Total building transactions are down 31%, total dollar volume is up 12% to $187,902,000, total number of suites sold is up 8% to 1244, while Vancouver's average prices are up 3% and suburban areas are off 1%. In the first six months of 2009, 8 of the 35 sales are more than 50 suites in size whereas last year there were only 2 sales in the first six months over 50 suites.

Further compelling evidence of a market without a clear direction is seen in sales comparables and the respective average price by area. If we refer to page 3, you will note that inconsistency is the "order of the day" with some areas showing sharp declines in transactions while other areas we track are indicating both significant increases and decreases in average prices per suite.

Traditionally higher cap rate districts, which normally show strong sales volume, such as Vancouver's Eastside and New Westminster, have suffered substantial declines in activity for 2009. Are investors perhaps signaling a growing tendency to sacrifice higher yield for superior locations? We shall wait the next six months with interest and report back to you.

Some noteworthy sales in 2009: a very strong performance in Coquitlam with 5 sales, 4 of which are over 60 units highlighted by Polygon's new purpose-built rental at 3091 Lincoln Avenue, as well as their second 32-suite new purpose-built rental sold in The District of North Vancouver at 1169 East 27th Street. Both buildings experienced a rapid lease up at historically high rents which confirm our long held theory that tenants are prepared to pay a hefty premium for superior accommodation.

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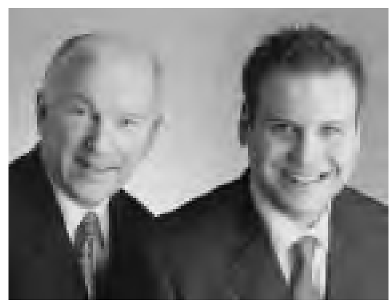

News and views from David and Mark Goodman

BUYER AND VENDOR PROFILES — WHO'S BUYING AND SELLING?

Let's talk about buyers first. Many have assumed a contrarian stance and have jumped into the market, especially as there is a greater selection of listings available and the advantage of attractive historically low CMHC rates. Imagine a 4% mortgage rate on a 5.5% cap! Whether they are experienced practitioners or first time investors, buyers share one thing in common; they have done their homework, diligently pouring over recent sales, tracking all competitive listings and monitoring mortgage rates daily. Buyers are well aware that there are more listings available sitting unsold for longer periods of time, and that the buildings which do sell, provide yields that are one half to a point higher than a year ago.

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Similarly, they are noticing that tenancies are increasing somewhat and that it is tougher to rent out vacant suites without performing the minimum upgrades.

This has resulted in buyers abandoning glowing sales figures and low cap rates from a few years back. Today's buyers are demanding factual information, gleaned from brokers' information packages. We find that the surest way of "turning off" a prospective buyer is to underestimate caretaking expenses or insert bogus repair and maintenance numbers. Oh yeah, and then there is the contentious "projected income" proforma from realtor brochures that somehow justify 3% cap rates based on some unattainable future rent increase. Perhaps a 40% lift in rents is achievable on an estimated 20% turnover per year over 5 years, or alternatively, by evicting the entire building (and seeing your picture on the front page of The Province or The Georgia Straight Newspaper) and/or spending approximately $20,000 per unit to turn over the suites to achieve the "projected income". Either way, this way of representing a building's financial performance is a real stretch of the imagination, especially when landlords are limited to a 3.7% rent increase per year.

While sellers are aware of the economic changes (sharp decrease in sales activity and higher cap rates) and unless they are subjected to financial duress, they are content to wait until they've tested the market's reaction to their offering before signing on the bottom line. In other words, the agent has to demonstrate to the client that they have widely exposed their offering to the largest possible audience. Just throwing it on MLS and waiting for a buyer simply doesn't cut it anymore. Today's sellers are a mixture of long established family holdings liquidating their portfolios such as the Wosk properties at Langara and Beach Towers; owners who purchased a few years back completing an intensive renovation program significantly increasing the rents; eastern-based operators realigning their portfolios and now taking profits, as well many of our clients who recognize that the staggering 100% increases in value from 2000 to 2007 have run their course and that future escalation in value must be generated by increases in rental income rather than in the land. This is especially true of owners who have managed their buildings for 30 years. With growing frequency, they are not particularly anxious to undertake the extensive upgrades required or having their MBA graduate children totally disinterested in the apartment business. This combination often results in a business decision to simply move on, take a handsome profit and liquidate the asset. Instead, wouldn't it be better to spend your time improving your lousy golf game?

WHERE IS THE MARKET HEADING?

We see our market continue to drift aimlessly for the balance of 2009, showing no real direction with the overall level of transactions not likely to exceed 2008's figure of 68 sales. Growing opportunities will emerge, allowing buyers to achieve significant cash flow margins. We will continue to see high demand for West End properties in Vancouver. Prices should continue their plateau effect, if not potentially declining in select areas, albeit modestly.

Only when it becomes clear whether this recession worsens or improves, will we see a further downtrend or uptick. Buyers today are far more inclined to seek higher yields as there is a growing perception that the price increases experienced from 2001 to 2007 are over for the foreseeable future. In fact, buildings being offered at 2007 or early 2008 pricing will languish on the sidelines, attracting little if any buyer interest.

Developers will increasingly explore opportunities to construct purpose-built rentals in light of land and construction costs showing signs of softening coupled with historically low vacancy rates. It's expected that costs will decline dramatically in the summer/fall season of 2009 as virtually all current residential projects will have been completed. As well, the industry will experience very few construction starts as lenders have ceased financing to 2nd tier or below builders. Expect a renewed sense of cooperation from Greater Vancouver's municipal governments to help foster the development of rental projects.

Vacancy rates to rise well beyond CMHC's 2009 forecast; tenants doubling up, moving back home, or moving into their new condos.

Widespread recognition within real estate investment circles that rental apartment buildings continue to provide the least risk for investors and lenders alike.

NEW RENTAL MARKET HOUSING: MIRAGE OR REALITY

The City of Vancouver through a series of round table discussions, strategy reports and public forums over the past few years, has finally acknowledged what industry experts, tenant groups, investors and apartment owners alike have known all along:

Vancouver and the surrounding municipalities' aging rental stock, increasing rent levels combined with historically low vacancy rates have finally forced local governments led by Vancouver to actively explore and "develop policies and tools to encourage the preservation and expansion of the rental housing stock."

We're unable to recall in recent memory this level of interest and debate revolving around a development matter, other than perhaps SE False Creek, new developments related to Bob Rennie's art

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ACTIVITY HIGHLIGHTS: 2009 COMPARED TO 2008 FIRST SIX MONTHS

Building Transactions

Area	2009	2008	Difference
Vancouver	18	25	- 28%
Suburban	17	26	- 35%
Total	**35**	**51**	**- 31%**

Total Units Sold

Area	2009	2008	Difference
Vancouver	470	474	—
Suburban	774	627	+ 23%
Total	**1,244**	**1,101**	**+ 13%**

Dollar Volumes

Area	2009	2008	Difference
Vancouver	$88,525,000	$86,383,000	+ 3%
Suburban	$99,377,000	$81,409,500	+ 22%
Total	**$187,902,000**	**$167,792,500**	**+ 12%**

Average Price Per Suite

Area	2009	2008	Difference
Vancouver	$188,351	$182,243	+ 3%
Suburban	$128,394	$129,840	- 1%

Transactions / Average $ Per Suite (Comparisons)

Vancouver Area	2009 Transactions	2008 Transactions	$ Per Suite (2009)	$ Per Suite (2008)	% Change
Eastside	1	10	$162,500	$139,856	+ 16%
Kerrisdale (incl Oakridge and UBC)	2	1	$287,143	$200,000	+ 44%
Kitsilano	3	3	$318,729	$258,421	+ 23%
Marpole	4	2	$131,017	$154,615	- 15%
South Grandview/Fairview	5	3	$201,862	$231,379	- 13%
West End	3	6	$175,106	$187,834	- 7%
Suburban Areas	**2009 Transactions**	**2008 Transactions**	**$ Per Suite (2009)**	**$ Per Suite (2008)**	**% Change**
Burnaby	5	6	$124,272	$138,628	- 10%
Coquitlam	5	1	$114,893	$129,758	- 12%
New Westminster	1	7	$ 93,929	$105,572	- 11%
North Vancouver	5	7	$175,716	$156,330	+12%
White Rock	1	1	$128,070	$121,071	+ 6%

APARTMENT BUILDING SALES VANCOUVER LOWER MAINLAND JANUARY 1 TO JUNE 30, 2009

ADDRESS	SUITES	$ PRICE	$ PER/UNIT
Vancouver (East Side)			
★ 1510 E 4th Ave	16	2,600,000	162,500
Vancouver (South Granville))			
1745 W 12th Ave (SP)	47	9,275,000	197,340
1578 W 11th Ave	16	2,885,000	180,313
★ 1015 W 13th Ave	11	2,860,000	260,000
1766 W 11th Ave	7	1,830,000	261,429
989 W 20th Ave	13	2,125,000	163,462
Total	**94**	**18,975,000**	**201,862**
Vancouver (Marpole)			
8655 Laurel	18	2,385,000	132,500
825 SW Marine Dr	17	2,288,000	134,588
8655 Selkirk	32	3,700,000	115,625
1323 W 71st Ave (SP)	54	7,480,000	138,519
Total	**121**	**15,853,000**	**131,017**
Vancouver (Kitsilano)			
2355 W 1st Ave	17	4,000,000	235,294
2460 Trafalgar (ST)	23	9,179,000	399,087
★ 1622 Vine St	8	2,120,000	265,000
Total	**48**	**15,299,000**	**318,729**
Vancouver (UBC)			
5516 Dalhousie	11	3,500,000	318,182
Vancouver (Kerrisdale)			
2275 W 39th Ave	10	2,530,000	253,000
Vancouver (West End)			
2054 Comox	23	3,700,000	160,870
1111 Barclay St (HR)	111	14,700,000	132,432
2033 Beach (HR)	36	11,368,000	315,778
Total	**170**	**29,768,000**	**175,106**

ADDRESS	SUITES	$ PRICE	$ PER/UNIT
Burnaby			
★ 7426 6th St	20	2,775,000	138,750
6822 Arcola	10	1,180,000	118,000
6433 McKay	36	4,700,000	130,556
6712 McKay	28	4,275,000	152,679
★ 6550 Nelson	57	5,835,000	102,368
Total	**151**	**18,765,000**	**124,272**
North Vancouver			
1630 Chesterfield	11	1,925,000	175,000
★ 1169 E 27th St (NC)	32	9,000,000	281,250
★ 210 W 16th St	28	4,113,000	146,893
225 E 13th St (SP)	47	6,400,000	136,170
135 E 19th St	23	3,338,000	145,130
Total	**141**	**24,776,000**	**175,716**
New Westminster			
436 Ash St	14	1,315,000	93,929
Coquitlam			
1200 Howie	66	6,950,000	105,303
1110 Howie	36	3,351,000	93,083
535-555 Shaw Ave	111	11,970,000	107,838
★ 540-542 Rochester	132	14,500,000	109,848
3091 Lincoln Ave (NC)	66	10,450,000	158,333
Total	**411**	**47,221,000**	**114,893**
White Rock			
★ 1580 Everall	57	7,300,000	128,070

★ SOLD BY THE GOODMAN TEAM

(HR) highrise, (TH) townhouse, (ST) strata, (DS) development site, (EST) Estimated Price. The sale information provided is a general guide only. There are numerous variables to be considered such as: 1) Suite Mix; 2) Rents/sq.ft.; 3) Net leasable area; 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) Share Purchase (SP); 11) New Construction (NC).

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.

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collection, or a designated bike lane on the Burrard Bridge. While Vancouver's "Rate of Change" policy and moratorium on the demolition of existing rental housing is still in effect in RM, FM and CD-1 zoned areas, the short term incentives to increase rental stock known as *Short Term Incentives For Rental Program* (STIR Program), a program that Council has recently endorsed, is designed as an attempt to address the issue of rental and affordable housing in Vancouver. The City has agreed to parking relaxation, the elimination of DCC's for new purpose-built rentals and density increases consistent with planning policy.

STIR is an important program that is designed to:

- Increase the supply of rental housing and more housing choices for citizens;
- Stimulate employment with the potential to create 1,600 construction related jobs for every 1,000 units of rental housing
- Support the City's sustainability priority by encouraging rental housing along commercial arterials, neighbourhood "high" streets, and transit centres; and
- Contribute to and inform the City on the long term Rental Housing Strategy.

It's gratifying that all the players have the same objectives. Developers are anxious to commit to viable rental projects, governments are equally interested to add to and renew our aging rental stock in addition to creating jobs, while tenants, frustrated with vacancies hovering at 0.3%, would surely enjoy the prospect of more choice and supply. Achieving positive results in a timely manner, however, remains the big challenge.

Meanwhile, consultants of all stripes are rushing to provide data to Vancouver's City Council on further long term housing solutions intended to enhance new rental housing opportunities. While we applaud Mayor Robertson's zeal in this area, we remain leery over the development community's enthusiasm on the merit of building market rentals once they "run the numbers". We continue to maintain that the solutions to the rental crisis rest in Ottawa with the federal government. In other words, our local and provincial governments alone do not control the outcome. Unless the Feds eliminate or substantially reduce the GST on new construction, provide "roll over" legislation and reinstitute some of the favourable write-offs abandoned some 35 years ago and allowing rental housing to qualify for small business tax treatment, the STIR Program and other attempts to kick start rental housing will not achieve its ambitious goals. We assume the consultants in their reports to Vancouver council will arrive at a similar conclusion.

CURRENT LISTINGS AND 2009 SALES ACTIVITY FIRST 6 MONTHS

23 Suites, Marpole
8669 Heather, Vancouver
Near SkyTrain, balconies, some views
Call for price

23 Suites, Marpole
8666 Heather, Vancouver
Near SkyTrain, balconies, some views
Call for price

Both properties above, which are situated directly across the street from each other, can be purchased as a package.

19 Suites, West End
1775 Pendrell Street, Vancouver
English Bay location, penthouse suite, good suite mix
Asking $4,449,000

The Kaleden, South Granville
1015 West 13th Avenue, 11 Suites
Totally renovated, excellent suite mix
5.0% Cap Rate, Asking $3,195,000

7 unit strata building, Steveston
12040 2nd Avenue, Richmond
6 townhouse & 1 retail unit, built 1996
Private entrances & garages for suites, Asking $2,095,000

19 Suites, West End
935 Jervis Street, Vancouver (block from Robson St)
Over $1M in renovations, beautifully restored classic building
5.0% Cap Rate, Asking $5,495,000

57 Suites, Metrotown
6550 Nelson Avenue, Burnaby
Steps to shopping, secure parking, elevator
Asking $6,500,000

Development Site, North Vancouver
1285 East 27th Street, Triplex
Asking $1,095,000

132 Suites, Coquitlam
540-542 Rochester Avenue (2 complexes)
Walk to SkyTrain, secure parking, 2.19 acre site
Asking $15,500,000

The Marilyn, Kitsilano
1622 Vine Street, 8 Suites
Prime location, city & mountain views
Asking $2,795,000

Haighton Manor, White Rock
1580 Everall, 57 Suites
Pristine condition, centrally located
4.9% Cap Rate, Asking $7,350,000

28 Suites, Central Lonsdale
210 West 16th Street, North Vancouver
Lot 120′ x 140′, excellent suite mix, well maintained
3.9% Cap Rate, Asking $4,695,000

4 retail strata lots, Mount Pleasant
785 West 16th Avenue, Vancouver
Part of mix-use residential development
2012 sq. ft., Asking $850,000

The Kaleden, South Granville
1015 West 13th Avenue, 11 Suites
Totally renovated, excellent suite mix
5.2% Cap Rate, Asking $3,075,000

Goodman's Performance Stands Out.

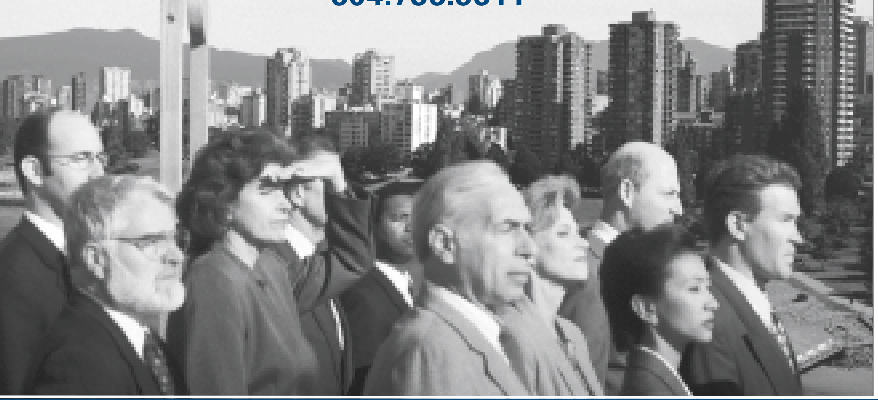
Among Greater Vancouver apartment building/multifamily site specialists, **The Goodman Team** stands out. Their year-over-year performance has gained them the trust of more property owners and brought them more sales than anyone else in the industry. Their results speak for themselves: in the past 6 months alone, the Goodman team has generated $55 million in sales.

Seeking standout market intelligence? Read *The Goodman Report*, David and Mark Goodman's free online newsletter, in which the father-son team share their latest insights and current listings on the apartment building and development site industry. Subscribe to **www.goodmanreport.com**

The Goodman Team

Greater Vancouver's premiere rental apartment building and multifamily site specialists.

Call David or Mark at 604.736.5611



Quadra Court, East Vancouver
1510 East 4th Avenue, 16 Suites
Totally renovated, water views
5.4% Cap Rate, Asking $2,695,000

Park Heights, Burnaby
7428 6th Street, 20 Suites
Totally Renovated, Great Rents
6.2% Cap Rate, Asking $2,795,000

14 Suites, New Westminster
634 Twelfth Street, Uptown District (block from Moody Park)
Superb renovations, 2 penthouse suites, covered parking
5.1% Cap Rate, Asking $1,849,000, Views

32 Suites, Lynn Valley
1169 East 27th Street, North Vancouver
Newly constructed rental building by Polygon Homes Ltd.
5.3% Cap Rate, Asking $9,500,000