

2011 – Six Month Greater Vancouver Apartment Building Market Review

Greater Vancouver apartment sales activity for the first six months of 2011 has maintained its stellar performance registering a 30% gain over 2010 transactions. This year, 52 apartment buildings have traded hands; 24 in Vancouver and 28 in suburban areas, while 2010 recorded 40 sales; 23 in Vancouver and 17 in suburban areas.

Vancouver's 2011 dollar volume is \$109,091,000, down significantly compared to 2010's \$132,706,000—an 18% decrease. In contrast, suburban areas increased to \$193,208,055 over 2010's \$62,688,900, up a stunning 207%. Total dollar volume combining Vancouver and suburban areas is \$302,299,055 for 2011's first half, a 55% increase over the \$195,394,000 in volume for 2010.

The total number of suites sold in Vancouver for 2011 decreased to 504 suites vs 608 in 2010—down 17%, while suburban areas in 2011 recorded a sizable increase to 1292 suites compared to 2010 where only 465 suites were sold—a 178% increase.

In the first six months of 2011, Vancouver's average price per unit is \$216,450, down less than 1% over 2010's average of \$218,266. Meanwhile, suburban jurisdictions averaging \$149,542 per suite showed an 11% increase over 2010's \$134,815 per suite.

Vancouver's Eastside & West End are displaying renewed strength in building transactions, while Burnaby and New Westminster, perennial favorites, continue to post impressive sales activity. Vancouver's South Granville, Kitsilano and Marpole have demonstrated only modest sales activity, while Kerrisdale and UBC have had no activity, this in spite of overwhelming interest in these prime locals.

Vancouver Eastside sales for the first six months of 2011 average \$161,440 per suite, up 10%, while the West End is essentially even with last year at \$239,884 per suite. Burnaby averages have escalated sharply to an average of \$190,000 per suite, up 17% on the strength of the high rise sale on 6545 Bonsor Street at \$214,912 per suite and in conjunction with strong interest in Metrotown from developers buying rental buildings for future redevelopment. New Westminster has similarly seen strong demand with a 14% increase on average suite prices to \$119,927 compared to \$105,048 for the first six months for 2010. The high rise sale to Toronto-based CAP REIT at 815 St. Andrews, New Westminster at \$141,030 per suite helped push up the averages. Further, 9 buildings have changed hands in New Westminster for the first six months in 2011 vs only 4 last year at this time. It's also noteworthy that the sale at 445 S.W. Marine Drive in Vancouver, a 70 unit townhouse rental complex which sold for \$23,750,000 (\$339,286 per suite) situated on 2.26 acres, was sold to a developer for a future high density condo project.



News and views from David and
Mark Goodman

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The story behind the stats

At this time last year, we stated that the lack of activity in certain Lower Mainland areas is more a function of owners' refusal to sell rather than any lack of motivation on the part of investors to "pull the trigger". The situation remains the same. However, of late, a significant number of owners have contacted us inquiring as to the value of their buildings. Is this a signal that a certain "restlessness" may exist amongst some owners because of fears over the US economy, China's latest rate increase (the 5th since last October) and Europe's sovereign debt woes? Perhaps these owners who are now enjoying elevated valuations are laying the groundwork for exiting their holdings in a timely fashion, taking some significant profits and moving into a cash position. Contrarians you say?

Investors, meanwhile, remain determined to acquire buildings, whether entry level starters, sprawling multi-unit complexes in the suburbs or stately concrete high rises in Vancouver, Burnaby, the North Shore or New Westminster.

Activity in suburban areas have shown robust growth over 2010. We can only surmise that cap rates are growing increasingly important to investors as prices escalate, while conversely, yields continue to decompress. Many areas beyond Vancouver and towards the suburbs offer superior yields, larger site sizes and depending on the building's condition, low vacancy rates.

Strong widespread demand is also being underpinned by the extraordinarily low mortgage CMHC rates with 5 year money available at 3.10% and 10-year money at 3.90%, well documented Asian real estate investments, low vacancy rates, lack of affordable housing and a virtual absence of new purpose-built rentals. Buyers remain poised to acquire further investments, readily accepting low cap rates for well-located and maintained properties.

As a further testament to the depth of the apartment market: 12 of the 52 sales were 50 suites or greater in size, compared to 3 sales over 50 suites in 2010. An explanation of sorts: With Vancouver Lower Mainland developers actively seeking condo sites, their focus is centered on acquiring strategically located rental apartment buildings in the 40 – 50 years old bracket, situated on ½ to 5 acre parcels. Expect to see this trend accelerate as suburban municipalities such as Burnaby and Coquitlam are supporting increased densities.

Recognizing the growing importance of Asia's impact on Vancouver's real estate investment market, Mark spent almost 2 weeks overseas meeting our many clients and renewing long established business ties. The Goodmans possess a vast audience of investors awaiting potential offerings.



Phil Sanderson

Sanderson Consultants Inc.

July 2011

Guide to Obtaining Land Development Approvals at City Hall

Don't Be Adversarial at City Hall. Being difficult and overly aggressive with City Hall staff can have a negative impact on your project when you need assistance and cooperation with the approval process. When people are treated with respect and integrity, you will establish a trusting relationship which will be to your advantage.

Work in Cities That Have Clear and Consistent Land Use Policies. Projects "outside the box" or inconsistent with adopted land use plans are fraught with neighbourhood and political opposition, often doomed to failure or require longer approval time. Minimize your risk and expense by developing projects only in cities that you know will be approved through clear and adopted land use policies.

Understand and Respond to Local Issues and Politics. Gaining this knowledge will help you respond to these issues before they become a stumbling block to your project causing undue delay and risk. Addressing these issues will eliminate or minimize controversy and speed up the approval process.

Don't Waste Time on Questionable Projects. Many projects may be inconsistent with land use policy, have insurmountable issues and neighbourhood opposition. Find out about these matters at the outset or as quickly as possible, weigh the risks and rewards, and if it doesn't look good, cut your losses and move on to the next project.

Hire the Experts. The development business is very complex and requires skills from many different disciplines. Hire the experts who have the knowledge, training and experience to get the job done. Select experts that are reputable, familiar with the City policies and procedures and have good relationships with City Council and City Staff.

If you follow these "work smart" rules you should have greater success and a smoother, quicker ride through the development approval process. Always keep an open mind for new and better ways of doing things and be respectful of others.

Phil Sanderson has 35 years of experience in City Planning and Economic Development in the Lower Mainland and is the President of Sanderson Consultants Inc. Phil is a member of the Planning Institute of B.C., a former Director of Metro Vancouver Commerce and the North Shore Tourism Association and currently serves on the Vancouver City Development Permit Board. Phil can be reached at sanderson.pd@gmail.com or call (604) 266 2084.

Those in the land development industry constantly complain about the red tape at City Hall but don't realize that if it was easy to get past the red tape, anybody could be a developer when competition would be much fiercer and profits, harder to come by. On the other hand, red tape can also be regarded as a means of weeding out the weak and allowing only the fittest to survive. However, developers who persevere and are able to "work smart" will achieve long term success. While the road to success will always have many twists, turns and major obstacles along the way, there are few things you should know about.

Never Be Too Greedy. Look at what happened in 2008 when Wall Street was let loose on the greed treadmill. The world economy almost collapsed because of the pervasive greed that went unabated for years. Establish a reasonable and achievable profit margin for your projects and stick to it.

Develop What You Know and Establish a Good Reputation. Stick to what you know and do it well until you have the experience, confidence and financial capacity to try something new. You will always get a smoother, quicker ride at City Hall when you have a good reputation and respect.

Become Familiar with the City's Land Use Policy. Review the City's Official Community Plan (OCP), Area Guide Plans, the Zoning Bylaw, Study Areas and other policies that outline where land use patterns are changing or will change in the future. This is where you find many development opportunities with the best chance for success.

Find out Who's Who at City Hall. Many City Departments and staff will be involved with your project and have the authority to make key decisions and recommendations. Find out who the key players are and always make appointments to meet with them to obtain the answers, guidance and direction that you need.

Understand the City Approval Processes. Wherever you have a project, review the City's development approval processes, prepare your own flow chart and make sure you understand and get it right. This will save you considerable time and aggravation. You will also improve your communication with staff and establish better timelines.

Activity Highlights | 2011 compared to 2010

First Six Months | January 1st to June 30th, 2011

Building Transactions

Area	2011	2010	Difference
Vancouver	24	23	+ 4%
Suburban	28	17	+ 65%
Total	52	40	+ 30%

Total Units Sold

Area	2011	2010	Difference
Vancouver	504	608	- 17%
Suburban	1,292	465	+ 178%
Total	1,796	1,073	+ 67%

Dollar Volumes

Area	2011	2010	Difference
Vancouver	\$109,091,000	\$132,706,000	- 18%
Suburban	\$193,208,055	\$62,888,900	+ 207%
Total	\$302,299,055	\$195,394,900	+ 55%

Average Price Per Suite

Area	2011	2010	Difference
Vancouver	\$216,450	\$218,266	- 1%
Suburban	\$149,542	\$134,815	+ 11%

Transactions / Average \$ Per Suite (Comparisons)

Vancouver Area	2011 Transactions	2010 Transactions	\$ Per Suite (2011)	\$ Per Suite (2010)	% Change
Eastside	9	3	\$161,440	\$146,633	+ 10%
Kitsilano	2	3	\$294,211	\$247,167	+ 19%
Marpole	3	3	\$151,977	\$165,462	- 8%
South Grandville/Fairview	3	6	\$219,844	\$199,029	+ 10%
West End	6	8	\$239,884	\$238,138	+ 1%
Suburban Areas	2011 Transactions	2010 Transactions	\$ Per Suite (2011)	\$ Per Suite (2010)	% Change
Burnaby	7	7	\$190,000	\$162,894	+ 17%
Coquitlam	3	1	\$127,777	\$107,813	+ 19%
New Westminster	9	4	\$119,927	\$105,048	+ 14%
North Vancouver	5	2	\$162,601	\$131,618	+ 24%

Apartment Building Sales | Vancouver Lower Mainland

January 1st to June 30th, 2011

ADDRESS	SUITES	\$ PRICE	\$ UNIT	ADDRESS	SUITES	\$ PRICE	\$ UNIT
Vancouver (East Side)				Burnaby			
2416 Fraser	11	2,025,000	184,091	6545 Bonsor (HR)	114	24,500,000	214,912
* 234 E 14th Ave	22	5,400,000	245,455	6550 Nelson (DS)	57	10,200,000	178,947
* 275 N. Garden Rd.	12	1,760,000	146,667	4909 Imperial	8	1,230,000	153,750
1383 E Broadway	30	3,800,000	126,667	6587 Burlington	31	4,648,000	149,935
* 644 E 8th Ave	11	1,910,000	173,636	6659 Dow	16	2,870,000	179,375
1240 Salisbury	17	2,345,000	137,941	6730 Dunblane	11	2,038,000	185,273
90 E 11th Ave	36	6,300,000	175,000	4379 Imperial	<u>12</u>	<u>2,038,000</u>	<u>169,833</u>
* 2225 Triumph	42	6,200,000	147,619	Total	249	47,524,000	190,859
1657 E 12th Ave	<u>12</u>	<u>1,418,000</u>	<u>118,167</u>	North Vancouver			
Total	193	31,158,000	161,440	130 W. 5th St	48	7,575,000	157,813
Vancouver (S Granville)				* 531 Lonsdale (TH)	15	2,730,000	182,000
4141 Oak	12	2,160,000	180,000	216 E 12th St	13	2,598,000	199,846
1255 W 12th Ave	9	2,100,000	233,333	260 E 12th St	60	9,000,000	150,000
1175 W 11th Ave	<u>11</u>	<u>2,775,000</u>	<u>252,273</u>	* 372 E 3rd St	<u>16</u>	<u>2,975,000</u>	<u>185,938</u>
Total	32	7,035,000	219,844	Total	152	24,878,000	163,671
Vancouver (Kitsilano)				Richmond			
2011 York	10	3,400,000	340,000	11671-11675 7th Ave	258	44,000,000	170,543
2425 W. Broadway	<u>9</u>	<u>2,190,000</u>	<u>243,333</u>	New Westminster			
Total	19	5,590,000	294,211	315 Agnes	42	4,560,000	108,571
Vancouver (Marpole)				430 11th St	35	3,795,000	108,429
8675 Fremlin	18	2,510,000	139,444	515 Ninth St	47	5,200,000	110,638
8781 Granville	8	1,375,000	171,875	520 Tenth	50	5,500,000	110,000
8580 Oak	<u>17</u>	<u>2,650,000</u>	<u>155,882</u>	427-429 Eighth (2 buildings)	29	3,650,000	125,862
Total	43	6,535,000	151,977	1116 Hamilton (EST)	42	4,875,000	116,071
Vancouver (West End)				810 St. Andrews (HR) (EST)	117	16,500,555	141,030
1310 Burnaby	28	5,150,000	183,929	333 10th Street	<u>41</u>	<u>4,250,000</u>	<u>103,659</u>
935 Jervis	19	5,935,000	312,368	Total	403	48,330,555	119,927
1169 Pacific	23	3,950,000	171,739	White Rock			
2035 Barclay (HR)	28	8,500,000	303,571	1340 Fir Street	10	1,280,000	128,000
1436 Pendrell	13	3,688,000	283,692	Langley			
* 1414 Davie (HR)	<u>36</u>	<u>7,800,000</u>	<u>216,667</u>	20672 Eastleigh	28	2,958,000	105,643
Total	147	35,023,000	238,252	Coquitlam			
Cambie & Marine				1015 Howie	68	5,900,000	86,765
445 SW Marine (DS) (TH)	70	23,750,000	339,286	655 North Road (DS)	52	17,100,000	152,679
				515 Foster (DS)	<u>60</u>		
				Total	180	23,000,000	127,778
				Maple Ridge			
				11872 Laity	12	1,237,500	103,125

* SOLD BY THE GOODMAN TEAM

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 Leaseable Area
- 4) Buildings' Age and Condition
- 5) Location
- 6) Frame or High Rise
- 7) Strata vs. Non-Strata
- 8) Land Value (Development Site)
- 9) Special Financing

- (HR) High-rise
- (MR) Mid-rise
- (TH) Townhouse
- (ST) Strata
- (DS) Development Site
- (EST) Estimated Price
- (SP) Share Purchase
- (NC) New Construction

New Listings and Recent Sales

26-SUITE APARTMENT BUILDING



Tiawanna Apartments 310 East 13th Avenue, Vancouver

- Popular Mount Pleasant neighbourhood
- One block east of Main & 13th Ave.
- Built in 1960 wood frame construction
- Lot size: 99' x 125' (12,375 sq. ft.)
- 26 Suites: 1 Bach; 22-1Br; 3-2 Br
- Hardwood floors; surface parking
- Roof and piping replaced
- Low rents; significant upside on turnover

Income & Expense

Effective Gross	\$228,720
Expenses	(101,651)
NOI	\$126,068

Pricing

Asking Price	\$4,795,000
Price/Unit	\$184,423
Cap Rate	2.6%
GRM	20.8

39-SUITE APARTMENT BUILDING



Reid Manor 1875-1885 West 7th Avenue, Vancouver

- Prime Kitsilano neighbourhood
- 39 suites: 20 Bach; 17-1 Br; 1-2 Br; 1-1 Br Penthouse
- Totally renovated cost approx \$1M
- Built in 1959 wood frame building
- Lot size: 200' x 110' (22,000 sq. ft.)
- 20 surface parking stalls
- Penthouse features amazing views of Northshore
- CMHC 1st mortgage approx \$4,482,000 at 3.51%

2011 Proforma

Effective Gross	\$547,126
Expenses	(144,857)
NOI	\$402,268

Pricing

Asking Price	\$9,795,000
Price/Unit	\$251,154
Cap Rate	4.1%
GRM	17.9

1.03 ACRE HIGH-DENSITY MIXED-USE



Development Site 10240 City Parkway, Surrey

- Exceptional high-density site in Surrey's City Centre
- Across from Skytrain and Central City
- Close to new library and new City Hall (now under construction) located on 104th and University Drive
- C-8 Zoning which will accommodate 7.5 FSR (337,220 sq. ft.)
- Lot size: 160' x 281' (1.03 acres)

Pricing

Asking Price	\$9,950,000
Price/Buildable sq. ft.	\$29.50

16-SUITE APARTMENT BUILDING



Bay Crest Apartments 372 East 3rd Street, North Vancouver

- Prime Lower Lonsdale neighbourhood
- 16 suites: 1 Bach; 7-1 Br; 8-2 Br
- Built in 1960's wood frame building
- Lot size: 100' x 120' (12,000 sq. ft.)
- 15 parking stalls
- CMHC 1st mortgage approx \$941,718 at 4.25%

Income & Expenses

Effective Gross	\$184,619
Expenses	(52,274)
NOI	\$131,345

Pricing

Asking Price	\$3,050,000
Price/Unit	\$190,625
Cap Rate	4.3%
GRM	16.3

48-SUITE APARTMENT BUILDING



Grosvenor House 4225 Grange Street, Burnaby

- Popular Metrotown neighbourhood close to Skytrain and excellent shopping at Metrotown Mall
- Built in 1969; three level wood frame construction
- 48 suites: 2 Bach; 44 -1Br; 2-2 Br
- 48 secure underground parking & elevator
- Suites feature hardwood floors, balconies
- Large lot size: 32,023 sq. ft.
- Superb views of North Shore & City from north side of building
- Well maintained with many upgrades

Income & Expenses

Effective Gross	\$515,175
Expenses	(190,214)
NOI	<u>\$324,961</u>

Pricing

Asking Price	\$8,180,000
Price/Unit	\$170,417
Cap Rate	4%
GRM	15.6

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