

# The Goodman Report

FOR APARTMENT OWNERS

www.goodmanreport.com

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## A CONTAGIOUS SOUTHERN CHILL

After an incredible 6-year run with Greater Vancouver apartment buildings selling at a 3.25% to 5.5% cap rate, there are telltale signs that this trend cannot be sustained. Although we do not have a subprime mortgage market in Canada per se, the fallout from the subprime mortgage market in the United States has all the earmarks of a major debacle. It has unleashed a chain reaction of layoffs, bankruptcies, bad loans, foreclosures and a softening real estate market, which has thrown the U.S. housing market into a crisis not seen since the "savings & loan" fiasco of the 1980's. Keep in mind, the U.S. housing industry is one of the main catalysts of their economy. Housing stimulates sales in lumber, appliances, carpets and plumbing, to name a few. In mid-August, the Dow Jones, which peaked at over 14,000, had fallen approximately 10% in ten days. Similar fallouts have occurred on Toronto's S&P/TSX composite index. While the stock markets have somewhat recovered, market volatility and uncertainty continues to permeate all sectors of the financial arena. Our strong dollar, although great for weekends in Vegas and buying cars in Seattle, is hurting our industrial base as our exports lose an important competitive edge.

Several discouraging developments in the U.S. should be of concern to us here in Canada. According to *CNN Money*, housing starts and permits both fell to their lowest levels in more than a decade, as the latest readings on the battered housing and homebuilding markets recently came

in below expectations. Housing starts fell 6.1% to an annual rate of 1.38 million in July from a revised 1.47 million rate in June. The latest reading is the lowest level of starts since January 1997 and is down nearly 21 percent from the year before. Starts of single-family homes fell even more dramatically, dropping 7.3% to just over a 1 million annual rate, the lowest since December 1996 and the second lowest level in more than 12 years.

Coupled with the decline in housing demand, the inventory of unsold homes in the United States has risen to levels well above recent historical norms. As a consequence, the pace of housing price appreciation has slowed dramatically. In fact, prices have actually fallen, especially in the historically stable Midwest. Says *The Globe & Mail* in an August 29th article: "The closely watched S&P/Case-Shiller index of U.S. home prices fell 3.2 per cent in the second quarter from a year earlier, the sharpest drop in the index's 20-year history. Prices were down 0.9 per cent from the first quarter. And the declines are no longer confined to certain "bubble" metropolitan real estate markets; 15 of 20 major U.S. cities showed lower house prices than a year earlier."

### THE "R" WORD?

There are growing fears that the deepening U.S. housing slump will trigger a credit crunch, exhausting the liquidity that has until now flowed into real estate, commodities and the global stock and bond markets. This has prompted speculation

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News and views from David and Mark Goodman

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**Goodman**  
R E P O R T

of an impending recession. Writes Eric Beauchesne, business writer with CanWest News Service in a recent *Vancouver Sun* article: "National Bank of Canada, meanwhile warned again that the risks of a U.S. recession have risen to 50 per cent, citing an International Monetary Fund study that found that the bursting of real estate bubbles engenders twice the fall out on the so-called real economy than does the bursting of stock market bubbles."

In addition, as per Ben S. Bernanke, the current Chairman of the Federal Reserve Board in the United States, "The principal source of the slowdown in economic growth that began last spring has been a substantial correction in the housing market. Following an extended boom in housing, the demand for homes began to weaken in mid-2005, and by the middle of 2006, sales of both new and existing homes have fallen 15% below their peak levels."

On a more micro approach, the B.C. economy will likely be impacted by poor lumber sales due to the collapse of new U.S. home starts. Tourism, especially from the U.S., has already shown a modest downturn. As far as apartment owners are concerned, the good news is that the Greater Vancouver economy remains very buoyant, and our population and job opportunities continue to expand well beyond the national average. Not surprisingly, vacancy rates are expected to continue to hover at their all-time lows.

Another factor that cannot be overlooked is volatility in interest rates. Canada's central bank rate recently moved up by 1/4 point and most people expect another 1/4 point increase in the fall. However, due to the collapse of the subprime mortgage market, all bets are off. In fact, many believe our rates will likely be cut, following the lead of the U.S. Federal Reserve. Meanwhile, Central Banks have been pouring liquidity into the banking structure (read: printing money) to try and stabilize the banking community. This drastic action may

negate any upward interest rate moves, at least in the short term.

#### IT'S STILL A SELLER'S MARKET

What does this mean for you, the apartment owner? For those apartment owners who are waiting for the *right time* to list their property, we suggest that this is the best seller's market in 17 years. History shows it will not last forever. The Governor of the Bank of Canada has warned us that the softening of the U.S. economy will have an effect on that of our own. These volatile conditions could in turn impact on your asset values. One must consider the reality. Could deflation become an issue? *Time to sell?*

#### REAL ESTATE 101

How low is low? If you had wagered five years ago that a Westside apartment building would be listed at a 3.5% capitalization rate and selling at 3.75%, we would have taken that bet – with odds. Recently (pre-the subprime crisis), we listed a building in North Vancouver at a 4% cap and sold it at 4.1%. It was an attractive building, but it does beg the question – why would one buy a building at such a low capitalization rate? Obviously the cost of financing would be considerably higher. In fact, with 5 year CMHC rates in the 5.5% range, the days of infinite leverage (cap rates above cost of financing) are over. One would either have to use a significantly higher amount of cash as the down payment just to break even, or use cash reserves to cover negative cash flow. Not a pretty picture, is it? The more realistic answer is that today's investors see an opportunity and have been quick to recognize that rents are significantly undervalued. A testament to this can be found in the many new owners who have embarked on aggressive upgrade programs in a bid to enhance cash flow.

#### RENT VS BUY

As we've said before, renters in the Vancouver area have a bargain. A good friend rents a new 3-bedroom

1200 square foot condo for \$2,500 a month. That condo would easily sell for a minimum of \$720,000. The friend, who holds an MBA, immediately made the decision not to buy. "Why should I buy, I am rent protected. My rental costs are locked into somewhere around inflation." Meanwhile the owner of the condo grosses \$30,000, probably nets \$18,000 - \$20,000 before any debt service, for a net return of less than 3.5%. Looking at that scenario, if an apartment building sells at a 3.5% to a 4% capitalization rate, what does that say for the true value of the current rent? Okay, a condo may be different, as it could appreciate with a strong housing market. But today's renter who pays \$1.50 per square foot (or \$900 per month) for a 600 square foot one bedroom apartment in a typical 40 unit apartment building should be paying \$2.50 - \$3.00 per square foot for that same space. In effect, this means that the real economic capitalization rate is probably closer to 6% even though the building may sell at a 4% cap rate. Given that \$2.50 - \$3.00 rent cannot be achieved immediately, as we have de facto rent control, how else will the new owner achieve a return on his investment? Traditionally, new owners eager to achieve market rents have vacated their buildings and undertaken major upgrades. A problem, however, well covered by the local media, is that in two recent BC Court cases, decisions ruled against landlords who planned to evict tenants. Furthermore, in Vancouver, the District of North Vancouver and Richmond, there are moratoriums in place preventing the demolition of rental buildings unless the rental suites demolished are replaced on a 1 for 1 basis (more on this subject later). A real economic conundrum.

Did you know that approximately 1900 owners control 3015 apartment buildings?

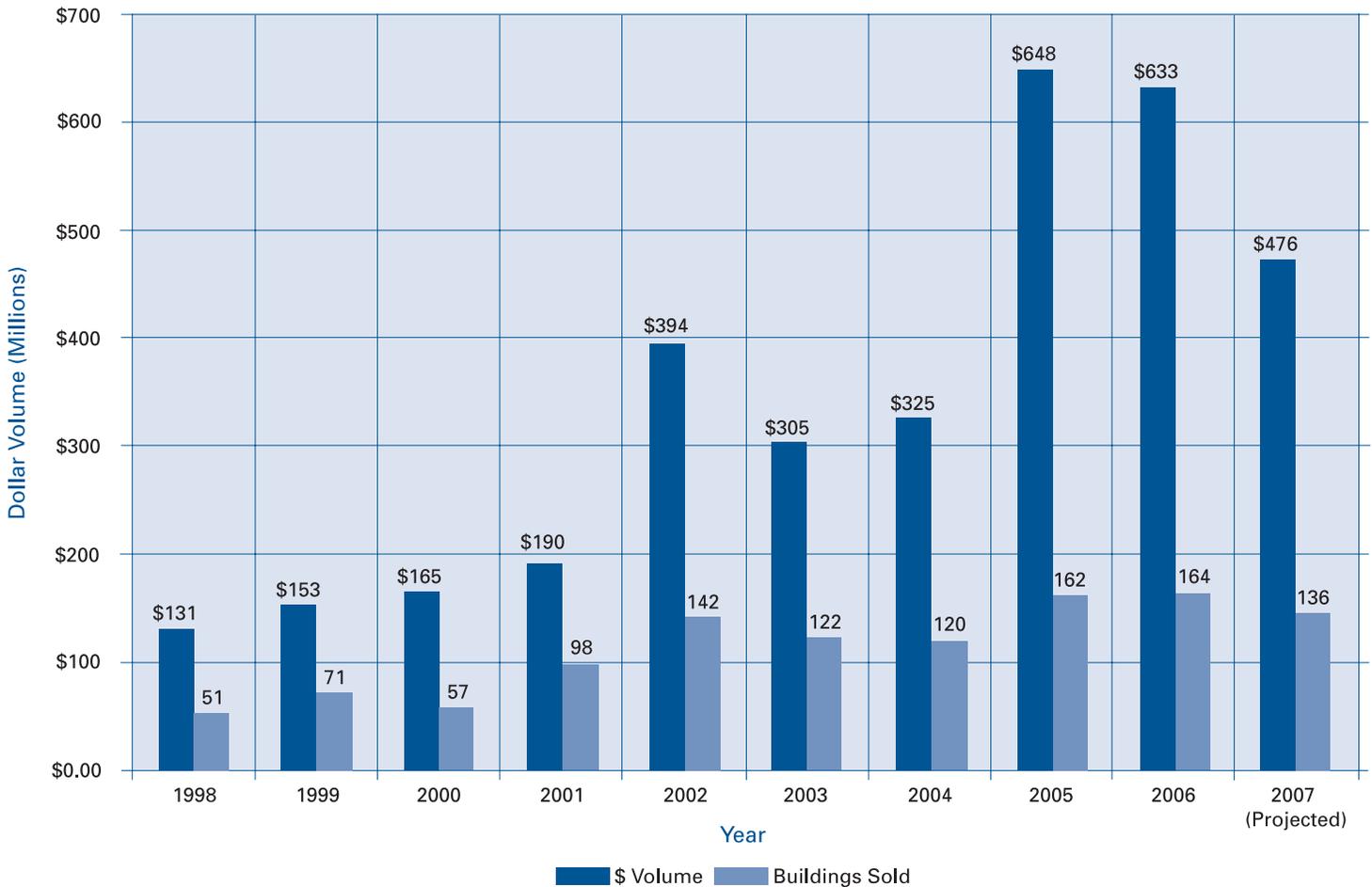
**CASH TO BE KING — AGAIN?**

Why do cap rates continue to fall yet bond rates remain flat or even increase? Interest rates are extraordinarily static with a spread between one-year Government Bonds and 10-year Government Bonds less than 25 basis points. It's almost

axiomatic. Cap rates are going to continue to fall regardless of what's going to happen to mortgage and bond rates, as long as demand for apartment buildings remain strong and outstrip supply. However, the key words are *demand remains strong*. This is a phenomenon that Vancouver, and

more recently Calgary and Edmonton, have experienced. It may continue to happen in the short term, but we doubt it can be sustained long term. The Law of Economics will simply not allow this to continue. Investors will stop buying *futures* when cash is king. In my view, the slow down has commenced. 🏠

**Greater Vancouver 10 Year Multi-Family Performance**



2007's figures are a projection only (based on first 8 months)

Sources: Goodman Report

**WHAT'S HOT**

- Multi-family residential sites (still)
- Office lease rates
- Downtown sites
- Legal fees charged in the Canucks ownership lawsuit
- UBC Golf Course
- Cap rates at 3%
- Gold - proven safe haven
- Congratulations to Mayor Sullivan for standing up to the Unions
- Expect 5-6% rent increases in upcoming CMHC survey for most suburban areas
- The Canadian dollar
- Declining vacancy rates

**WHAT'S NOT**

- BC's rent control
- Vancouver's demolition moratorium
- Extreme difficulty in condo conversion
- No "roll over" legislation
- Pine Beetle devastation
- Stock markets' 10% decline in three weeks
- BC's coast lumber and pulp producers
- Income Trusts
- Forbes magazine rates Vancouver as having the sixth most overpriced real estate market in the world
- U.S. dollars
- Unions and rotting garbage — shameful
- O.J. Simpson

# TODAY'S MARKET

Having 8 months of Greater Vancouver market activity now under our belts, there is solid evidence of a slowdown in total dollar volumes and buildings sold (first commented on in the July issue of *The Goodman Report: A change is in the air*). So far, we attribute this to fewer buildings being offered for sale rather than any lack of demand. The following graph provides a 10 year historical snapshot of our market.

**HIGHLIGHTS (2006 VS 2007)**

Extrapolating from 2007's existing numbers (91 sales in the first 8 months of 2007), we are headed for total sales of approximately 136 buildings, down 18% from the 164 buildings sold in 2006. Most notable areas of decline in activity are Vancouver's Marpole area, with only 3 sales in 2007 (first 8 months) versus 14 sales in 2006 (12 months). Using the same period, Kitsilano reports 3 sales for 2007 versus 8 sales for 2006, while North Vancouver shows 11 sales in 2007 versus 23 sales for 2006.

Of particular interest is the unprecedented activity in Burnaby. An impressive 26 of the 91 sales in the first eight months of 2007 have occurred in Burnaby (representing 28% of all sales). In 2006 (12 months), there were a total of 15 sales in Burnaby.

Looking at the extrapolated statistics (total dollar volumes for the first 8 months of 2007), we are heading toward a figure of

approximately \$476 million, down about 25% from last year's total dollar volume of \$633 million.

Furthermore, for Vancouver-based buildings (first 8 months of 2007), in terms of average price per suite, we are reporting \$167,921 versus \$157,805 for 2006, up 6%. For suburban areas, the average price per suite for 2007 is \$120,802 versus \$107,775 for 2006, an increase of 12% over last year. Meanwhile, average prices per suite in most areas we track continue to move higher, with the only exception being Vancouver's West End which is reporting an 8% drop. New Westminster and North Vancouver are basically flat compared to 2006 (see following matrix).

**A BUSINESS DECISION**

Many of you have owned your building(s) for many years with considerable embedded capital gains. In order to avoid the erosion of your capital gains you may want to consider listing and selling some of your holdings. In these uncertain economic times, cash is king. If values start to fall, supply always outstrips demand as those who have high leverage are forced to sell. The million dollar question: Will nervous money flow into hard or soft assets? If you believe soft (i.e., GICs, stocks and bonds), then you should list without passing Go. If you believe hard, then you should hold onto your real estate. 🏠

|                   | Average Price Per Suite |                 |            |
|-------------------|-------------------------|-----------------|------------|
|                   | 2006                    | 2007 (8 months) | Difference |
| Vancouver         |                         |                 |            |
| • Eastside        | 110,158                 | 122,951         | +12.0%     |
| • Marpole         | 114,903                 | 137,813         | +20.0%     |
| • South Granville | 177,499                 | 197,176         | +11.0%     |
| • West End        | 182,452                 | 168,930         | -7.0%      |
| • Kitsilano       | 167,956                 | 226,692         | +35.0%     |
| Burnaby           | 118,644                 | 124,648         | +5.0%      |
| New Westminster   | 95,967                  | 92,554          | -4.0%      |
| North Vancouver   | 141,663                 | 144,873         | +2.0%      |
| Coquitlam         | 96,635                  | 110,938         | +15.0%     |

# THE GOODMAN TEAM STANDS OUT FROM THE CROWD

David and Mark have been successfully involved in the marketing and sales of Vancouver Lower Mainland Apartment property for some 30 collective years. Our pioneering and often quoted apartment newsletter, *The Goodman Report*, was founded in 1983 and our cutting edge website, [www.goodmanreport.com](http://www.goodmanreport.com), in 2002. It keeps us far ahead and *above the crowd*, despite our competitors' attempts to clone our website and newsletter format. Both have been extensively imitated but never duplicated.

Why does The Goodman Team always stand out from the crowd? Indeed, there are reasons beyond our devilish good looks. First and foremost, we continue to raise the bar. For the past 24 years, we've handled over 320 apartment buildings. In the past 12 months, we have sold 29 buildings; an unbelievable 22% of the apartment market has passed through our hands. That means we capture more than 1 out of 5 sales; we must be doing something right!

We (reluctantly) concede that we will not get every listing. As sales professionals, we understand we're in the business of rejection. If we lose a listing to a competitor, we analyze the reason why we didn't get the business. It usually comes down to an ongoing relationship a client may have with another realtor, which, by the way, we admire and respect. On the other hand, if the reason is about price, typically another company has suggested to the owner that the building will command a higher price than what we've recommended. In virtually all the instances that we've monitored, when that subject building ultimately sells through another agent, the price is at, or lower than our estimate of value.

## OUR REACH

If the reason for listing with one of our competitors is because of a long-term

relationship, we admire your loyalty. We have many long-term clients who list with us regardless of the competition. As far as listing with internationally connected realtors, our study indicates that 97% of buyers are local or Canadian based. The days of offshore buyers in large numbers are, at least for now, long gone. But let's talk about our extraordinary reach through our global affiliations. Macdonald Commercial, alongside King Sturge, is part of Corfac International, an affiliation of realty organizations that together project a worldwide presence.

## CORFAC INTERNATIONAL

In 2000, keeping pace with increasing globalization, Macdonald Commercial became the British Columbia member of Corfac, one of the largest commercial real estate services organizations in the world. Serving 150 markets, Corfac firms in 2006 completed transactions totalling 788 million square feet and valued at \$23.4 billion. The network covers Europe and Asia via our business partners at King Sturge Corfac International. King Sturge, headquartered in London, England, is one of the largest European independent property consultants with over 3,800 staff.

Corfac firms have provided corporate real estate services and represented clients such as IBM Corporation, Kelsey-Hayes Company, Basf Corporation, Boise Cascade Corp, Bristol Myers Squibb Co, Cisco Systems Inc, Coca Cola, Continental Airlines, Eastman Kodak, GE Capital, Port of Seattle, Wal-Mart, and Wells Fargo. These clients value the local real estate knowledge and global connections the real estate professionals our Corfac firms offer.

The Corfac network broadcast system allows us to showcase major listings immediately among each of the member firms, literally exposing a property listing directly to sales associates and their

(continued p. 6)

Serving 150 markets, in 2006 Corfac firms completed transactions totalling 788 million square feet and valued at \$23.4 billion

One also has to consider that Greater Vancouver apartment buildings are selling for 50 — 60% below replacement cost, reflecting for the most part, the aging of our industry. Our rental stock is old and near the end of its economic life.

investor clients worldwide. These realtor, client and property relationships are promoted firsthand at the Corfac and King Sturge conferences held 4 times each year.

Ongoing dialogue with Corfac associates keeps us fully abreast of real estate and investment trends in other markets, many of which have an impact on investment flow into Canada and specifically the local apartment market. For example, Greater Vancouver continues to have one of the lowest vacancy rates for investment properties in North America, while foreshadowing higher rental rates in the near term as we approach the 2010 Olympics. [▲](#)

## TORONTO VERSUS VANCOUVER

We enjoy comparing Toronto with Vancouver — how many of you have friends who come in from Toronto and end up debating the strengths and weaknesses of the two cities? There is indeed a rivalry.

Vancouver is landlocked while Toronto is not; Toronto is a head office city, Vancouver definitely is not. We made the NHL playoffs last year . . . need we say more? But both cities do have one thing in common — its people strive to live downtown. That said, in Toronto, they are building rental accommodation; in Vancouver, they are not. Why?

Vancouver clearly doesn't have an abundance of land. Inhibiting the supply of new market rental construction in Greater Vancouver is our high cost of land which is 3-4 times greater than Toronto's prices, and our construction costs which are approximately 25-30% higher than Toronto's. Furthermore, in Toronto, tenants are paying \$2.50 to \$3.00 a square foot for rent in the downtown

core, which is equivalent to \$36 to \$40 per square foot for commercial accommodation. Vancouver's rental rates, with perhaps a few exceptions, have yet to reach that level, and therefore the economics are not yet conducive to building high-end rental units. We believe, however, that change is inevitable. Our rental stock is old, out of date and for the most part, does not have the panache that the younger, more upbeat crowd demands. That's why they are lined up overnight to buy our condominium with minimum downpayments and paying the high cost of mortgage insurance. Renters-turned-buyers are tired of musty, older apartment buildings even though the older suites may offer larger square footage and an excellent location. Also, when one compares a 50-year old building to a brand new condominium for amenities such as modern kitchens, gyms, high speed elevators, fireplace, secured double-gated parking and pre-wired internet, the choice becomes obvious. [▲](#)

## CANADIAN BUDGETS — WHAT GIVES?

When the budget was brought down in the spring, we were terribly disappointed with the absence of a *roll over* provision for capital gains — a promise not acted upon. Yes, pushing the RRSP collapse age back to 71 is good; yes, BC's lowering of the middle tax rate was good, but once again, landlords were left out in the cold. Did you know that the last federal tax incentive for the rental housing industry was introduced 30 years ago and was phased out some 5 years later? This is a bitter pill to swallow given the multitude of industries that enjoy preferential tax treatment. It almost makes you want to become an

hotelier, or better yet, take up dairy farming (in Quebec). Furthermore, the \$9 billion or so the federal government gave to Quebec at the expense of other provinces, especially British Columbia, was also a big disappointment.

There is one item that has not been well documented. The capital gains inclusion rate has been reduced to 0% for gains on publicly traded securities, bonds, mutual funds and other securities — but, unfortunately, not real estate. However, there is one small catch to this. You must be charitable

Let's assume you normally give \$10,000 a year to charity. A ten thousand dollar contribution would generate a reduction in taxes of about \$4,300. However, given you have the cash and a portfolio with imbedded capital gains, you are better off donating the security(ies). If you donate the stock with a fair market value of \$10,000, you pay no tax on the gain and get the charitable credit to boot. To make this even more rewarding, if the \$10,000 was, say, proceeds from a flow-through with a zero adjusted cost base, you receive all the benefit from the flow-through plus no tax on the gain, *plus* the charitable contribution. Not bad. Talk about double dipping!

If you plan on making a charitable contribution, look at the advantage of giving stock with large capital gains. The FMV provides you with the charitable tax credit and no tax on the gain. Talk to your accountant. [▲](#)

## MARKET DISCIPLINE

Modern portfolio theory suggests that returns in the stock market are 90% attributed to asset class vs. stock selection.

As an investor in real estate, one can learn from stock market experience. Don't let your emotions cloud rational empirical decisions. No one is married

to any particular asset, be it a stock or an apartment building.

One of the most interesting elements of behavioural finance was the discovery and identification of four key cognitive human errors as it relates to investing:

- Loss aversion — tendency to feel pain of losses more than the pleasure of any gain
- Over confidence — the seemingly opposite side of fear of loss
- Hindsight bias — 20/20 hindsight
- Overreaction to chance events

Yes, the comments were directed to the stock market investor but they have much relevance to you, the apartment owner. How often have we heard, “I want to sell but I have to pay too much tax.” As long as you are not taxed at 100% then too much tax is an oxymoron. All you are doing is pushing that off to your children. 🏠

*“Success in investing doesn’t correlate with IQ once you’re above the level of 125. Once you have ordinary intelligence, what you need is the temperament to control the urges that get other people into trouble investing.”*

~ Warren Buffett, 1999

## MORATORIUM

As you may have read, we have been outspoken, unapologetic critics on the moratorium. We appeared on your behalf before the Vancouver City Council. Unfortunately, blatant self-serving politics trumped market economics, and so, Council passed a 2 1/2 year moratorium on demolition.

When governments interfere in economics, nothing good can come from it. Let’s look back at history, starting with rent control. What has rent control done to help ease the burden on people that cannot afford to purchase or rent property? The only result has been a deterioration

of our rental stock in age and quality, which has helped to drive the price of land skyward. Of course, other economic factors have also played a role. As the City of Vancouver has now instituted a moratorium on demolition of apartments, our rental stock will become even older, and many of our reasonably priced rental accommodations may turn into slums. Landlords will think twice before investing in upgrades, while some landlords may not make any repairs at all unless the suites turn over and market rents are achievable. Meanwhile, tenants and tenant action groups will be up in arms over the deterioration of their units. This will induce a constant war of words between governments, tenant groups, the various apartment associations, and you, the apartment owners. Newspapers and television reporters will be having a field day at your expense, especially if you embark on a major renovation and need to evict the tenants. Naturally, it’s the landlord who will be the bad guy, when in fact, it’s politicians who must look in the mirror. Even the *Vancouver Sun*, in an April 27, 2007 editorial, *Bid to freeze rental stock will backfire*, was critical of Vancouver City Council for considering such a draconian move. The editors asserted that the builders need incentives, not ham-fisted regulations. If this moratorium is continued into 2010, your asset may experience a decline in liquidity. Investment dollars will divert to other real estate markets or areas where economics are determined by the free market and the savvy of the entrepreneur (low cap rates in the apartment sector have already morphed into the industrial, and commercial sector).

### FAST FORWARD

Let us look down the road. Imagine if you will a climate where, in the

last ten years, there have been no demolitions of apartment buildings, and no evictions for wholesale repairs and upgrades. Apartment buildings that are 50 years old are now 60 years old, and will have reached the end of their economic life. And surprise surprise, rental rates upon turnover are still relatively high due to strong demand (in part because no new accommodations have been built). Imagine what the rental market would be like. More than likely, the value of your asset would fall. The reasons for the decline are very straight forward. Permitted rent increases, as ordained by the Residential Tenancy Office, barely meet inflation due to the aging rental stock. To add insult to injury, the Provincial Government has stated that the maximum allowable rent increase for 2008 drops to 3.7% (from 4% in 2007). Investors will start to review other options and if they invest, it will be at cap rates that more closely reflect real returns. The market will be omnipotent; buyers will only buy if the yield that makes economic sense. Do the math. Can you say 7 – 8% cap rates?

Politicians who have foresight and truly care about tenants will realize that the long-term solution is not in demolition moratoriums. The answer instead is to encourage the supply side by:

- Increasing density in the RM zoning category, which has not changed in 40 years
- Providing builders with incentives to provide rental accommodation with more height, less expensive parking, etc.
- Understanding that perhaps up to 30% of our rental stock is not accounted for in CMHC statistics because of the growing supply of investor-owned condos
- Allowing capitalism to work 🏠

# HARD DECISIONS ON SOFT WATER

Note: As authors of the Goodman Report, we are not recommending that an owner or property manager simply dispense with the traditional approaches to mitigating piping issues. We are, however, urging a widening of one's horizons and at least consider this and other available options in the marketplace.

Rushing into an expensive pipe replacement program could be a costly and unnecessary step.

For further information on the Hytec Water System, please feel free to call the President, Richard Lobb at 604.628.2421 or email: [hytecwater@shaw.ca](mailto:hytecwater@shaw.ca).

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If you want to investigate the possibility of saving a lot of money and aggravation in your apartment operations then you need to keep reading. A recurring drain on profitability in Greater Vancouver apartment buildings is the scourge of piping problems. Hardly a day goes by in our business without hearing of a building's chronic pinhole problems, a hot water tank being replaced after only 5 years or leaking issues related to the furnace. In fact, as real estate agents, the first question a buyer invariably asks when inspecting one of our listings always pertains to the status of the piping.

Inexplicably, owners, caretakers and property managers have been resigned to dealing with piping problems by embracing the traditional forms of remediation, namely, clamping a leaking pipe, replacing the affected area or undertaking a piping replacement for the whole building. But let's digress for a moment and thoroughly examine this important issue.

## THE PROBLEM

The number one reason for pinhole leaks in copper is due to incorrect chemistry of the water. For the most part, copper pipe is trouble free across the country. The exception to this rule is from surface or rain waters where there is low alkalinity combined with acidic water conditions. The Pacific North West, which includes Vancouver, is noted for this rare condition. Water is the main component inside the copper. Water quality is the essential element in any copper failure. Vancouver's water, which services the apartment buildings, has an acidic PH (less than 7.0) and is a very soft, low TDS water. When the untreated water comes in contact with copper or metal plumbing, it causes the premature failure of the copper pipes. Depending on PH, this deterioration can be 10 to 100 times accelerated. This results in pinhole leaks.

## THE AVAILABLE SOLUTIONS

There are essentially three choices to consider:

- (i) Re-pipe the entire building with new copper
- (ii) Epoxy coat the interior of the existing pipes.
- (iii) Correct the acidic PH and add corrosion protection.

## THE COSTS ASSOCIATED WITH EACH CHOICE

- (i) Re-piping an entire building is extremely expensive and disruptive to your daily lives for a long time. Once re-plumbed, the acidic soft water begins again to corrode and ruin your new investment. Re-piping can cost up to \$4,000 to \$5,000 per suite on most buildings.
- (ii) Epoxy coating of the inside of your current pipes seals the existing copper from the corrosion and wear the plumbing has experienced. Hot water tanks and the hundreds of valves found in a typical building do not get treated and continue to suffer from the effects of the water. This process is also expensive, typically 65% the cost of re-piping.
- (iii) Installing a process such as the Hytec Water Management System is affordable and resolves the problem by correcting the acidic PH of Vancouver water, typically found anywhere from 5.5 to 6.7 (acidic) to 7.5. This PH reduces the water from corroding the copper pipes. Secondly, to counteract against the effect of water that is too soft and therefore also corrosive, Hytec Water adds a corrosion inhibitor to the water that microscopically coats or seals the inside of the plumbing to protect the pipes against the corrosive effects of soft water and electrolysis. Both products are metered into the water based on flow and are used on a continuous basis. Hytec products used are safe and accepted for use in public water supplies under certification NSF 60. 🏠

# The Goodman Report

FOR  
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Apartment Building Sales Vancouver Lower Mainland January 1 to August 31, 2007

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| ADDRESS                                     | SUITES     | \$ PRICE          | \$ PER/UNIT    | ADDRESS                 | SUITES | \$ PRICE  | \$ PER/UNIT |
|---|------------|-------------------|----------------|-------------------------|--------|-----------|-------------|
| <b>Vancouver (East Side)</b>                |            |                   |                | <b>Burnaby</b>          |        |           |             |
| 252 E 12th Ave                              | 35         | 4,200,000         | 120,000        | 275 Gilmore             | 35     | 4,400,000 | 125,714     |
| ★ 150 E 14th Ave                            | 34         | 4,973,000         | 146,265        | 204 Alpha               | 18     | 2,800,000 | 155,556     |
| 223 E 16th Ave                              | 23         | 2,080,000         | 90,435         | 6729 Marlborough        | 8      | 1,175,000 | 146,875     |
| 2067 Pandora                                | 8          | 1,088,000         | 136,000        | 6580 Dunblane           | 9      | 1,064,000 | 118,222     |
| 3115 Quebec                                 | 16         | 2,600,000         | 162,500        | 1220 Madison            | 13     | 2,200,000 | 169,231     |
| ★ 2250 Dundas                               | 18         | 1,700,000         | 94,444         | 6426 Cassie             | 8      | 1,120,000 | 140,000     |
| 2130 Cambridge                              | 23         | 3,075,000         | 133,696        | 6780 Sussex             | 10     | 1,050,000 | 105,000     |
| 1510 E 4th Ave                              | 16         | 1,900,000         | 118,750        | ★ 7428 6th              | 17     | 1,150,000 | 67,647      |
| 3080 E 54th Ave                             | 18         | 2,750,000         | 152,778        | 6663 Sussex             | 10     | 1,325,000 | 132,500     |
| 1771 E Georgia                              | 40         | 3,410,000         | 85,250         | 6730 Dow                | 10     | 1,265,000 | 126,500     |
| 1794 Francis St                             | 8          | 1,455,000         | 181,875        | 6680 Sussex             | 8      | 1,155,000 | 144,375     |
| 2975 Prince Edward                          | 10         | 1,545,000         | 154,500        | 4105 Albert             | 26     | 3,450,000 | 132,692     |
| 7884 Knight                                 | 14         | 1,560,000         | 111,429        | ★ 6814 Arcola           | 11     | 1,270,000 | 115,455     |
| <b>Total:</b>                               | <b>263</b> | <b>32,336,000</b> | <b>122,951</b> | 6920 Gilley             | 47     | 6,025,000 | 128,191     |
| <b>Vancouver (Kerrisdale &amp; UBC)</b>     |            |                   |                | <b>North Vancouver</b>  |        |           |             |
| 5805 Balsam (HR)                            | 47         | 13,650,000        | 290,426        | 7111 Linden             | 60     | 5,900,000 | 98,333      |
| 445 SW Marine Dr TH (DS)                    | 70         | 12,500,000        | 178,571        | 6508 Telford            | 10     | 1,300,000 | 130,000     |
| <b>Total:</b>                               | <b>117</b> | <b>26,150,000</b> | <b>223,504</b> | 6550 Nelson             | 57     | 7,475,000 | 131,140     |
| <b>Vancouver (Kitsilano)</b>                |            |                   |                | <b>Coquitlam</b>        |        |           |             |
| ★ 2280 Cornwall                             | 24         | 6,600,000         | 275,000        | 6570 Burlington         | 48     | 6,150,000 | 128,125     |
| 1985 W 8th Ave                              | 8          | 1,808,000         | 226,000        | 205 Beta                | 20     | 3,100,000 | 155,000     |
| 2267 W 7th Ave                              | 20         | 3,380,000         | 169,000        | 6661 Marlborough        | 10     | 1,161,800 | 116,180     |
| <b>Total:</b>                               | <b>52</b>  | <b>11,788,000</b> | <b>226,692</b> | 6710 Sussex             | 10     | 1,540,000 | 154,000     |
| <b>Vancouver (Marpole)</b>                  |            |                   |                | <b>New Westminister</b> |        |           |             |
| 1157 W 71st                                 | 11         | 1,750,000         | 159,090        | 3865 Sunset             | 10     | 1,150,000 | 115,000     |
| ★ 1323 W 71st                               | 54         | 7,475,000         | 138,426        | ★ 6788 Arcola           | 11     | 1,300,000 | 118,182     |
| ★ 8678 Osler                                | 15         | 1,800,000         | 120,000        | 7050 Balmoral           | 44     | 4,700,000 | 106,818     |
| <b>Total:</b>                               | <b>80</b>  | <b>11,025,000</b> | <b>137,813</b> | ★ 6675 Dow              | 20     | 2,700,000 | 135,000     |
| <b>Vancouver (South Granville/Fairview)</b> |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1015 W 13th Ave                           | 11         | 2,100,000         | 190,909        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| 1745 W 12th Ave                             | 47         | 10,200,000        | 217,021        | <b>Tsawwassen</b>       |        |           |             |
| 3837 Oak St                                 | 13         | 2,600,000         | 200,000        | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| 1626 W 12th Ave                             | 11         | 2,780,000         | 252,727        | <b>White Rock</b>       |        |           |             |
| ★ 1225 W 13th Ave                           | 14         | 2,150,000         | 153,571        | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| 1009 W 10th Ave                             | 41         | 6,800,000         | 165,854        | <b>Maple Ridge</b>      |        |           |             |
| ★ 3010 Ontario (ST)                         | 8          | 1,600,000         | 200,000        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| 1023 Douglas                                | 8          | 1,938,000         | 242,250        | <b>Mission</b>          |        |           |             |
| <b>Total:</b>                               | <b>153</b> | <b>30,168,000</b> | <b>197,176</b> | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>Vancouver (West End)</b>                 |            |                   |                | <b>Surrey</b>           |        |           |             |
| 1039 Burnaby                                | 20         | 3,129,000         | 159,600        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| 819 Nicola St                               | 7          | 2,090,000         | 298,571        | <b>Tsawwassen</b>       |        |           |             |
| 1057 Barclay                                | 29         | 3,530,000         | 121,724        | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| 1549 Barclay                                | 21         | 3,100,000         | 147,619        | <b>White Rock</b>       |        |           |             |
| 1845 Comox (HR)                             | 82         | 13,940,000        | 170,000        | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| ★ 1540 Burnaby                              | 22         | 3,750,000         | 170,455        | <b>Maple Ridge</b>      |        |           |             |
| 935 Jervis                                  | 18         | 4,078,000         | 226,556        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Total:</b>                               | <b>199</b> | <b>33,617,000</b> | <b>168,930</b> | <b>Mission</b>          |        |           |             |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
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| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
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| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
| <b>Maple Ridge</b>                          |            |                   |                | <b>Tsawwassen</b>       |        |           |             |
| 11682 224 St                                | 21         | 1,265,000         | 60,238         | ★ 5558 15B Ave          | 20     | 2,680,000 | 134,000     |
| <b>Mission</b>                              |            |                   |                | <b>White Rock</b>       |        |           |             |
| ★ 32846 14th Ave                            | 30         | 1,800,000         | 60,000         | ★ 1580 Everall St       | 57     | 6,200,000 | 108,772     |
| <b>Surrey</b>                               |            |                   |                | <b>Maple Ridge</b>      |        |           |             |
| 13265 104 Ave (DS)                          | 57         | 6,500,000         | 114,035        | 11682 224 St            | 21     | 1,265,000 | 60,238      |
| <b>Tsawwassen</b>                           |            |                   |                | <b>Mission</b>          |        |           |             |
| ★ 5558 15B Ave                              | 20         | 2,680,000         | 134,000        | ★ 32846 14th Ave        | 30     | 1,800,000 | 60,000      |
| <b>White Rock</b>                           |            |                   |                | <b>Surrey</b>           |        |           |             |
| ★ 1580 Everall St                           | 57         | 6,200,000         | 108,772        | 13265 104 Ave (DS)      | 57     | 6,500,000 | 114,035     |
|   |            |                   |                |                         |        |           |             |

# Goodman

R E P O R T



OCTOBER 2007

RECENT SALES ACTIVITY



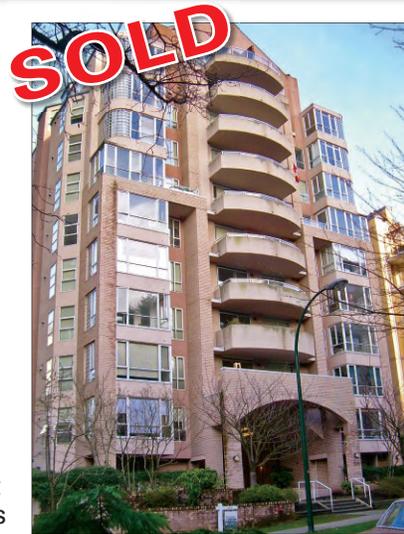
Burnaby  
Metrotown  
6675 Dow Ave.  
20 Units  
Ask \$2,695,000



Burnaby  
Willington Heights  
1350 Madison Ave.  
36 Units  
Ask \$4,595,000



Vancouver  
Mount Pleasant  
3010 Ontario Street  
8 Large Strata Units  
4-2Br; 4-1Br  
Ask \$1,975,000



Vancouver  
West End High Rise  
1265 Barclay Street  
36 Strata Units  
Sold \$9,325,000



New Westminister  
Uptown District  
435 Ash Street  
43 Units  
Ask \$4,995,000



New Westminister  
Uptown District  
908 Sixth Avenue  
/529 Tenth Street  
Total of 69 Units  
Ask \$8,190,000

**FACT:**

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