

The Goodman Report

FOR APARTMENT OWNERS

www.goodmanreport.com

Issue 35 February 2008

THE GREATER VANCOUVER APARTMENT MARKET 2007 – THE YEAR IN REVIEW

Against a backdrop of a low yield environment, investors are maintaining a healthy appetite for Greater Vancouver rental buildings, motivated by low mortgage rates and expectations of sharply increased rent levels.

While capitalization rates may have bottomed, they do not yet appear to be in any great rush to advance higher, as evidenced by well located properties with income upside selling in the 4% cap range. As a result of the subprime mortgage fallout, growing recession fears in the U.S. and potential spillover in Canada, our investment market is starting to feel the effects. Rates are still trending downwards but lenders are tightening their requirements with respect to loan to value, spreads and amortization periods. It's also anticipated from a lender's perspective that "A" located buildings will hold a decided advantage over lesser "B" & "C" locations. Applying for a mortgage? If so, we are likely returning to an era where cash flow, fundamentals and strengths of covenants are *de rigueur*.

STATISTICAL FINDINGS

The latest CMHC Rental Market Report released in December 2007 readily confirms what prospective tenants and building owners have known for some time: "finding rental accommodation in conventional older apartments remains a tough task in Greater Vancouver due to low vacancy rates."

While the number of rental buildings including purpose-built and strata rental complexes is estimated to be approximately 3,040, the total supply of suites in the Vancouver CMA, according to CMHC, was 104,315 suites. The Vancouver

CMA vacancy rate remained at 0.7%, the same as 2006. The average rent in the Vancouver CMA in 2007 was \$898 or 3.6% over 2006's \$866 figure.

Over the past twelve months many thousands of suites comprised of newly built investor-owned condos have been added to the available rental pool, helping to absorb the yearly addition of approximately 30,000 new arrivals. It is estimated by CMHC that "investors rent out over one-fifth of all apartment condominiums in the Vancouver CMA and increases to 39% in Vancouver's Downtown core." What does that mean? If *Craigslist* is any indication, anecdotally speaking, there are over 800 rental listings for these new condominiums. When one pays at least \$600 per sq. ft. for a condo, investors must receive top dollar to service debt, with \$2,000 per month plus being the norm, not the exception. In light of their availability, we are not convinced that overall vacancy rates are as low as CMHC is reporting.

A YEAR TO YEAR COMPARISON

In terms of 2007 overall sales performance and dollar volumes compared to 2006, telling signs may be foreshadowing a significant divergence in the market. According to our research, for the first time since 2004, sales have actually declined to 136 buildings sold, a 17% decrease from last year's peak of 164 buildings sold. Similarly, total reported volume for 2007 is \$487 million, down 23% from 2006's \$633 million. The decline in dollar volumes and sales appear across the board. Vancouver dollar volume compared to 2006 is down 25% to \$239 million, while suburban dollar activity

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is down 21% to \$248 million. As for buildings sold, there were 57 transactions in Vancouver, down 30%, while suburban sales are down 5% over 2006.

Bucking the trend, Vancouver has demonstrated surprising resilience with average prices per suite up 15% over 2006 to \$180,821 while suburban communities have seen a 10% increase to \$118,337 per suite. How will this translate in 2008? Stay tuned! See page 3 for details.

Please note: As we are concerned about inadvertently skewing the statistical findings, we do not report non-arms length transactions, sales of revenue properties (i.e., 5-plexes in Kitsilano, mixed use buildings that include a large percentage of commercial units, senior carehomes, rooming houses or apartment buildings that are 6 suites or less).

CHANGING OF THE GUARD = UPGRADES = RENT INCREASES

Since 2000, there have been approximately 1,000 buildings sold in Greater Vancouver including the Fraser Valley. Many have been acquired by REITs, family owned operations expanding their portfolios and a new breed of entrepreneurs stepping into this asset class. The owners of the remaining 67% or 2,040 buildings, while finding it increasingly necessary to upgrade their aging buildings (averaging about 50 years old), are reaping the benefits of a very tight rental market. As reported previously, many owners recognize that existing average rent levels are significantly below market and are performing long overdue upgrades, thus enabling them to ask and achieve a 5% to 50% rent increase on suites turning over.

NEEDED: A MORATORIUM ON MORATORIUMS

We have repeatedly stated in our Goodman Report that the very notion of additional supply being generated from new purpose-built rental buildings is a non-starter both from an economic and political perspective. Soaring land values

and construction costs coupled with municipalities' entrenched bias against innovative approaches requiring density and height relaxation continue to impede any new rental initiatives. Traditionally, the flow of investor condos has helped to bridge the gap by providing supplemental higher end accommodation not being adequately supplied by the older purpose-built rentals. This is particularly apparent in the municipalities that have implemented a moratorium on the demolition of rental housing such as Richmond, Vancouver, and the District of North Vancouver. In these communities, tenants, the very segment of the population the planners and politicians so loudly profess to help by relying on their "one for one" replacement policy, will ironically suffer the opposite. While the politicians may congratulate themselves for saving a few buildings from the wrecking ball, they won't be easing the plight of the tenants who will have to endure reduced supply and still higher rents.

EXPEDIENT AND PUNITIVE LEGISLATION DIRECTED AT OWNERS

Most 30 – 60 year old buildings are growing increasingly inefficient nearing the end of their economic life and are in need of major capital expenditures or demolition. Participating municipalities who have enacted the moratorium have singled out and severely penalized these owners stripping them of the properties' development potential and land value unless they meet almost impossible economic conditions. Not surprisingly, landowners and the development industry have been muted in publicly criticizing the moratorium's impact. "The politicians just don't get it." Should the moratorium carry on for an extended period, the "law of economics" suggests that owners will simply allow their buildings to fall into disrepair as they lose opportunity cost. Been to New York City lately?

PITTED AGAINST THE APARTMENT INDUSTRY

While owners in Greater Vancouver continue to enjoy an era of rising prices and a tight rental market, the industry and their respective apartment associations must take all possible steps to mitigate or

offset the effects of municipal, provincial and federally imposed legislation and impediments to an efficient market. Examples:

1. Rent control (limited to 3.7% increase).
2. No "roll over" provision.
3. A moratorium on demolition of rental housing in Richmond, Vancouver and District of North Vancouver and related "one for one" replacement policy.
4. Owners desirous of carrying out major upgrades and capital expenditures are encountering growing difficulty in removing tenants.
5. Lack of tax and density incentives at the municipal, provincial and federal levels to develop much needed purpose built rentals.

OUR FORECAST

Vancouver is to remain amongst the most liquid and stable real estate markets in Canada if not North America. As a jurisdiction, we will be the least affected by any economic downturn. Immigration, strong commodity prices and the Olympics, are but a few factors that should help sustain Vancouver and British Columbia's well being. That being said, our short-term economic outlook may be influenced by the turmoil now unfolding in global financial markets.

Finally, on April 29th, 2008, at the Vancouver Hyatt Regency, over 800 senior real estate executives with an interest in the Greater Vancouver real estate market and surrounding area are expected to attend this year's Vancouver Real Estate Forum.

We are pleased to announce that we have been asked to participate as a panelist in the 1:40 pm session entitled, "What are the key factors behind the growing investor interest in the apartment market?"

For further information on the Vancouver Real Estate Forum please visit the conference website at www.realestateforums.com.

If you have any questions or comments regarding the above, please feel free to drop us a line. We enjoy hearing from you on these matters. 🏠

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Greater Vancouver Multi-Family Sales and Statistics

ACTIVITY HIGHLIGHTS: 2007 COMPARED TO 2006

Total buildings sold: 136 in 2007 vs. 164 in 2006 — down 17% over 2006

Vancouver: 57 buildings sold — down 30% from 81 in 2006

Suburbs: 79 buildings sold — down 5% from 83 in 2006

Total Dollar Volume: \$486,606,300 in 2007 vs. \$633,423,328 in 2006 — down 23% over 2006

Vancouver Dollar Volume: \$239,046,000 in 2007 — down 25% vs. \$320,661,000 in 2006

Suburban Dollar Volume: \$247,560,300 in 2007 — down 21% vs. \$312,762,552 in 2006

Average 2007 \$ per suite in Vancouver \$180,821 — up 15% from \$157,805 in 2006

Average 2007 \$ per suite in Suburban Communities \$118,337 — up 10% from \$107,775 in 2006

Vancouver

Vancouver Eastside	20 sales in 2007 vs. 21 in 2006 — average price up 16% to \$127,281 per suite
Vancouver Kerrisdale (incl. Oakridge and UBC)	2 sales in 2007 vs. 6 in 2006 — average price up 3% to \$223,504 per suite
Vancouver Kitsilano	5 sales in 2007 vs. 8 in 2006 — average price up 41% to \$236,413 per suite
Vancouver Marpole	6 sales in 2007 vs. 14 in 2006 — average price up 27% to \$145,917 per suite
Vancouver South Granville / Fairview	11 sales in 2007 vs. 18 in 2006 — average price up 11% to \$197,536 per suite
Vancouver West End	13 sales in 2007 vs. 14 in 2006 — average price up 15% to \$209,338 per suite (4 of 13 sales were high-rise)

Suburbs

Burnaby	35 sales in 2007 vs. 15 in 2006 — average price up 6% to \$125,496 per suite
Coquitlam	8 sales in 2007 vs. 5 in 2006 — average price up 19% to \$114,602 per suite
New Westminster	15 sales in 2007 vs. 16 in 2006 — average price up 3% to \$98,984 per suite
North Vancouver	12 sales in 2007 vs. 23 in 2006 — average price up 3% to \$145,384 per suite



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Greater Vancouver Apartment Building Sales January 1 to December 31, 2007

ADDRESS	SUITES	\$ PRICE	\$ PER/UNIT	ADDRESS	SUITES	\$ PRICE	\$ PER/UNIT
Vancouver (East Side)				1626 W 12th Ave	11	2,780,000	252,727
252 E 12th Ave	35	4,200,000	120,000	★ 1225 W 13th Ave	14	2,150,000	153,571
★ 150 E 14th Ave	34	4,973,000	146,265	1009 W 10th Ave	41	6,800,000	165,854
223 E 16th Ave	23	2,080,000	90,435	★ 3010 Ontario (ST)	8	1,600,000	200,000
2067 Pandora	8	1,088,000	136,000	1023 Douglas	8	1,938,000	242,250
3115 Quebec	16	2,600,000	162,500	1309 W 14th Ave	22	4,700,000	213,636
★ 2250 Dundas	18	1,700,000	94,444	1046 W 12th Ave	10	2,062,000	206,200
2130 Cambridge	23	3,075,000	133,696	955 W 14th Ave (ST)	22	3,960,000	180,000
1510 E 4th Ave	16	1,900,000	118,750	Total:	207	40,890,000	197,536
3080 E 54th Ave	18	2,750,000	152,778	Vancouver (West End)			
1771 E Georgia	40	3,410,000	85,250	1039 Burnaby	20	3,129,000	159,600
1794 Francis St	8	1,455,000	181,875	819 Nicola St	7	2,090,000	298,571
2975 Prince Edward	10	1,545,000	154,500	1057 Barclay	29	3,530,000	121,724
7884 Knight	14	1,560,000	111,429	1549 Barclay	21	3,100,000	147,619
2231 Eton	16	2,050,000	128,125	1845 Comox (HR)	82	13,940,000	170,000
1535 E 1st Ave	13	1,340,000	103,077	★ 1540 Burnaby	22	3,750,000	170,455
1457 E 8th Ave	22	2,980,000	135,455	935 Jervis	19	4,078,000	214,632
1660 E Georgia	10	1,400,000	140,000	2045 Nelson (HR)	84	21,500,000	255,952
765 Victoria	13	1,380,000	106,154	1531 Barclay	23	3,563,000	154,913
30 E 15th Ave	29	4,520,000	155,862	2001 Beach Ave (HR)	31	12,500,000	403,226
5520 Joyce (ST)	26	3,888,000	149,538	1623 Haro	23	3,660,000	159,130
Total:	392	49,894,000	127,281	★ 1265 Barclay (HR) (ST)	36	9,325,000	259,028
Vancouver (Kerrisdale & UBC)				1039 Burnaby	20	3,129,000	156,450
5805 Balsam (HR)	47	13,650,000	290,426	Total:	417	87,294,000	209,338
445 SW Marine Dr (TH) (DS)	70	12,500,000	178,571	Burnaby			
Total	117	26,150,000	223,504	275 Gilmore	35	4,400,000	125,714
Vancouver (Kitsilano)				204 Alpha	18	2,800,000	155,556
★ 2280 Cornwall	24	6,600,000	275,000	6729 Marlborough	8	1,175,000	146,875
1985 W 8th Ave	8	1,808,000	226,000	6580 Dunblane	9	1,064,000	118,222
2267 W 7th Ave	20	3,380,000	169,000	1220 Madison	13	2,200,000	169,231
2145 W 2nd Ave	17	4,800,000	282,353	6426 Cassie	8	1,120,000	140,000
3447 W Broadway	11	2,325,000	211,364	6780 Sussex	10	1,050,000	105,000
Total	80	18,913,000	236,413	★ 7428 6th Ave	17	1,150,000	67,647
Vancouver (Marpole)				6663 Sussex	10	1,325,000	132,500
1157 W 71st Ave	11	1,750,000	159,090	6730 Dow	10	1,265,000	126,500
★ 1323 W 71st Ave	54	7,475,000	138,426	6680 Sussex	8	1,155,000	144,375
★ 8678 Osler	15	1,800,000	120,000	4105 Albert	26	3,450,000	132,692
1436 W 71st Ave	11	1,930,000	175,455	★ 6814 Arcola	11	1,270,000	115,455
8780 Fremlin	8	1,300,000	162,500	6920 Gilley	47	6,025,000	128,191
1250 W 71st Ave	10	1,650,000	165,000	7111 Linden	60	5,900,000	98,333
Total:	109	15,905,000	145,917	6508 Telford	10	1,300,000	130,000
Vancouver (South Granville / Fairview)				6550 Nelson	57	7,475,000	131,140
★ 1015 W 13th Ave	11	2,100,000	190,909	6570 Burlington	48	6,150,000	128,125
1745 W 12th Ave	47	10,200,000	217,021	205 Beta	20	3,100,000	155,000
3837 Oak St	13	2,600,000	200,000	6661 Marlborough	10	1,161,800	116,180

ADDRESS	SUITES	\$ PRICE	\$ PER/UNIT	ADDRESS	SUITES	\$ PRICE	\$ PER/UNIT
6710 Sussex	10	1,540,000	154,000	308 Forbes Ave	47	4,700,000	100,000
3865 Sunset	10	1,150,000	115,000	1630 Chesterfield	11	1,825,000	165,909
★ 6788 Arcola	11	1,300,000	118,182	1536 Eastern	11	2,000,000	181,818
7050 Balmoral	44	4,700,000	106,818	341 West 4th St	11	1,760,000	160,000
★ 6675 Dow	20	2,700,000	135,000	Total:	327	47,540,500	145,384
★ 1350 Madison	36	4,625,000	128,472	Coquitlam			
6712 McKay	28	3,920,000	140,000	668 Whiting Way	17	2,300,000	135,294
6730 Dunblane	11	1,250,000	113,636	1114-30 Howie	54	4,600,000	85,185
6950 Linden	26	2,690,000	103,462	1114-1130 Howie (Resold)	54	6,370,000	117,963
6677 Sussex	19	2,275,000	119,737	1117 Ridgeway	41	3,700,000	90,244
6730 Sussex	10	1,420,000	142,000	515-525 Foster	60	8,250,000	137,500
4465 Imperial	21	2,275,000	108,333	655 North Road	52	6,000,000	115,385
4232 Maywood	10	1,425,000	142,500	544 Sydney (HR)	74	8,750,000	118,243
6719 Silver	42	5,788,000	137,810	612 Clarke	50	6,100,000	122,000
4214 Maywood	11	1,775,000	161,364	Total	402	46,070,000	114,602
Total:	744	93,368,800	125,496	Mission			
New Westminster				★ 32846 14th Ave	30	1,800,000	60,000
503 Agnes	16	1,100,000	68,750	33333 Twelfth Ave	59	4,000,000	67,797
503 Agnes (Re-sold)	16	1,525,000	95,313	Total:	89	5,800,000	65,169
634 Twelfth	14	1,457,000	104,071	Surrey			
522 Ash	16	1,680,000	105,000	13265 104 Ave (DS)	57	6,500,000	114,035
52 Royal	22	2,200,000	100,000	White Rock			
201-205 Carnarvon	35	3,210,000	91,714	★ 1580 Everall St	57	6,200,000	108,772
201-205 Carnarvon (Re-sold)	35	3,900,000	111,429	Maple Ridge			
44 Leopold	11	860,000	78,182	11682 224th Street	21	1,265,000	60,238
1314 5th Ave	16	1,291,000	80,688	Langley			
338 Agnes	11	1,329,000	120,818	20699 Eastleigh Cres	14	1,899,000	135,643
329 Sherbrooke	60	6,300,000	105,000	Port Moody			
429 Eighth St	13	1,235,000	95,000	2010 St. John's St	41	4,500,000	109,756
★ 435 Ash	43	4,400,000	102,326	Tsawwassen			
Total:	308	30,487,000	98,984	★ 5558 15B Ave	20	2,680,000	134,000
North Vancouver				Port Coquitlam			
161 W 4th St	47	6,750,000	143,617	2066 Coquitlam Ave	12	1,250,000	104,167
312 E 1st St	33	4,290,000	130,000				
121 W 20th St	23	3,550,000	154,348	Note:			
1415 Chesterfield	15	2,480,000	165,333	The following Strata Building sales because of high \$ per			
260 E 16th St	48	6,800,000	141,667	suite have not been included in any statistical reports:			
210 W 13th St	24	4,250,000	177,083	1136 Pacific St (HR)	19	8,150,000	428,947
★ 254 W 3rd St	30	4,785,500	159,517	1529 W 6th Ave (HR)	89	29,500,000	331,460
461 W 16th St	27	4,350,000	161,111				

★ SOLD BY THE GOODMAN TEAM

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

The sale information provided is a general guide only.

There are numerous variables to be considered such as:

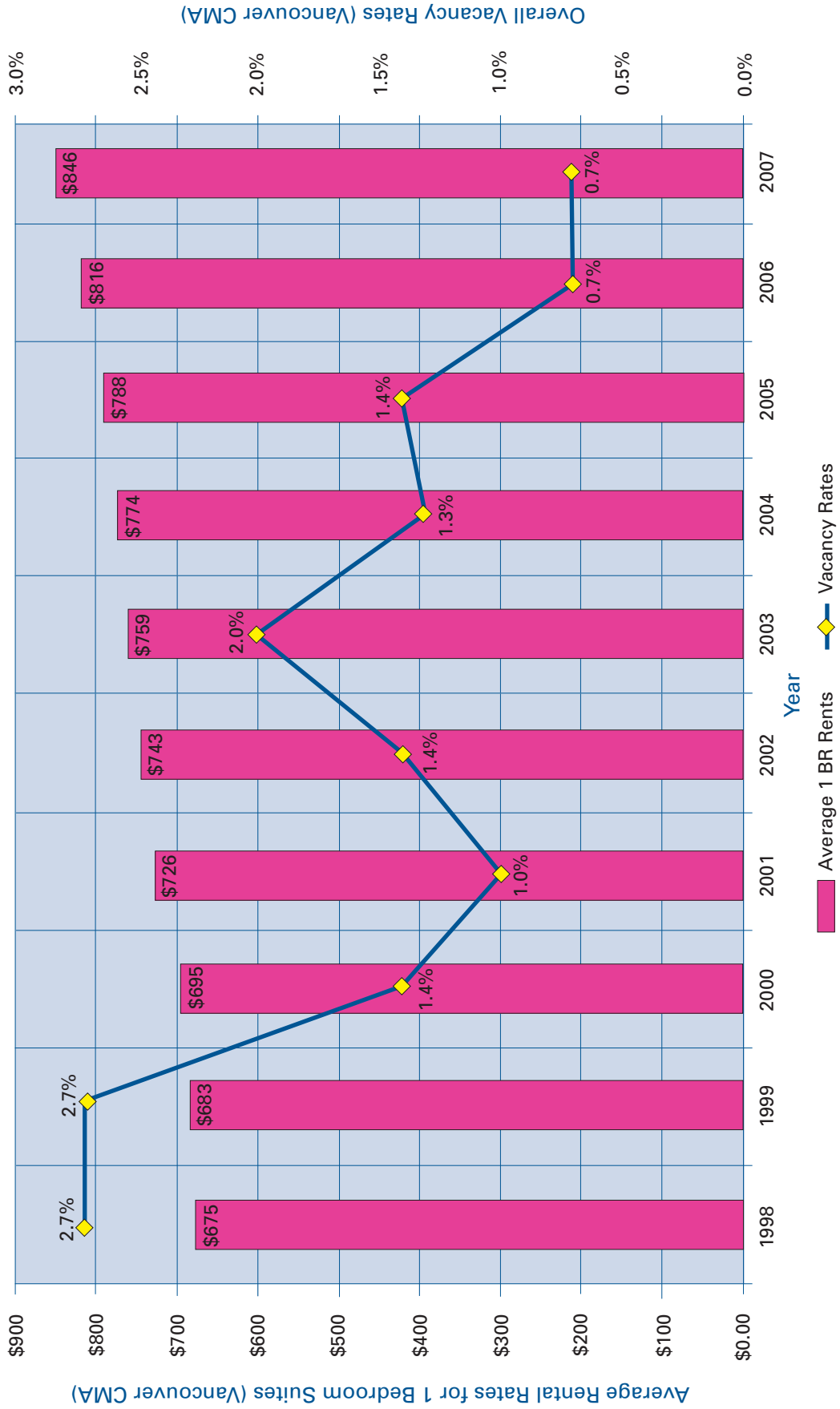
1) Suite Mix; 2) Rents/ft.; 3) Net leasable feet; 4) Buildings' age and condition;
 5) Location; 6) Frame or High Rise; 7) Strata vs. Non-Strata; 8) Land Value (Dev. Site);
 9) Special financing; 10) Asset vs. Share Purchase.

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

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

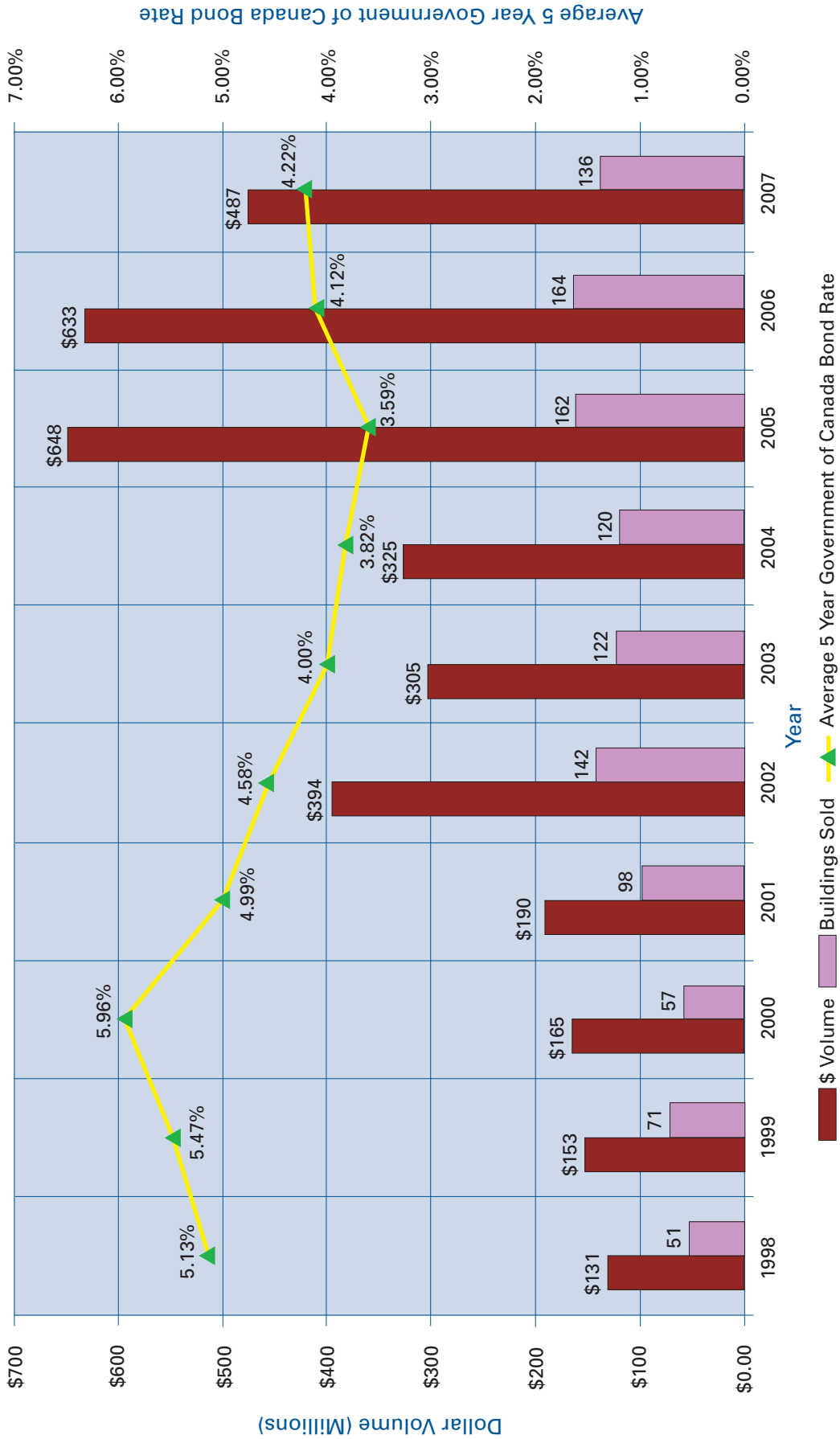
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A 10 Year Picture of Greater Vancouver CMA Average 1 Bedroom Rents and Vacancy Rates



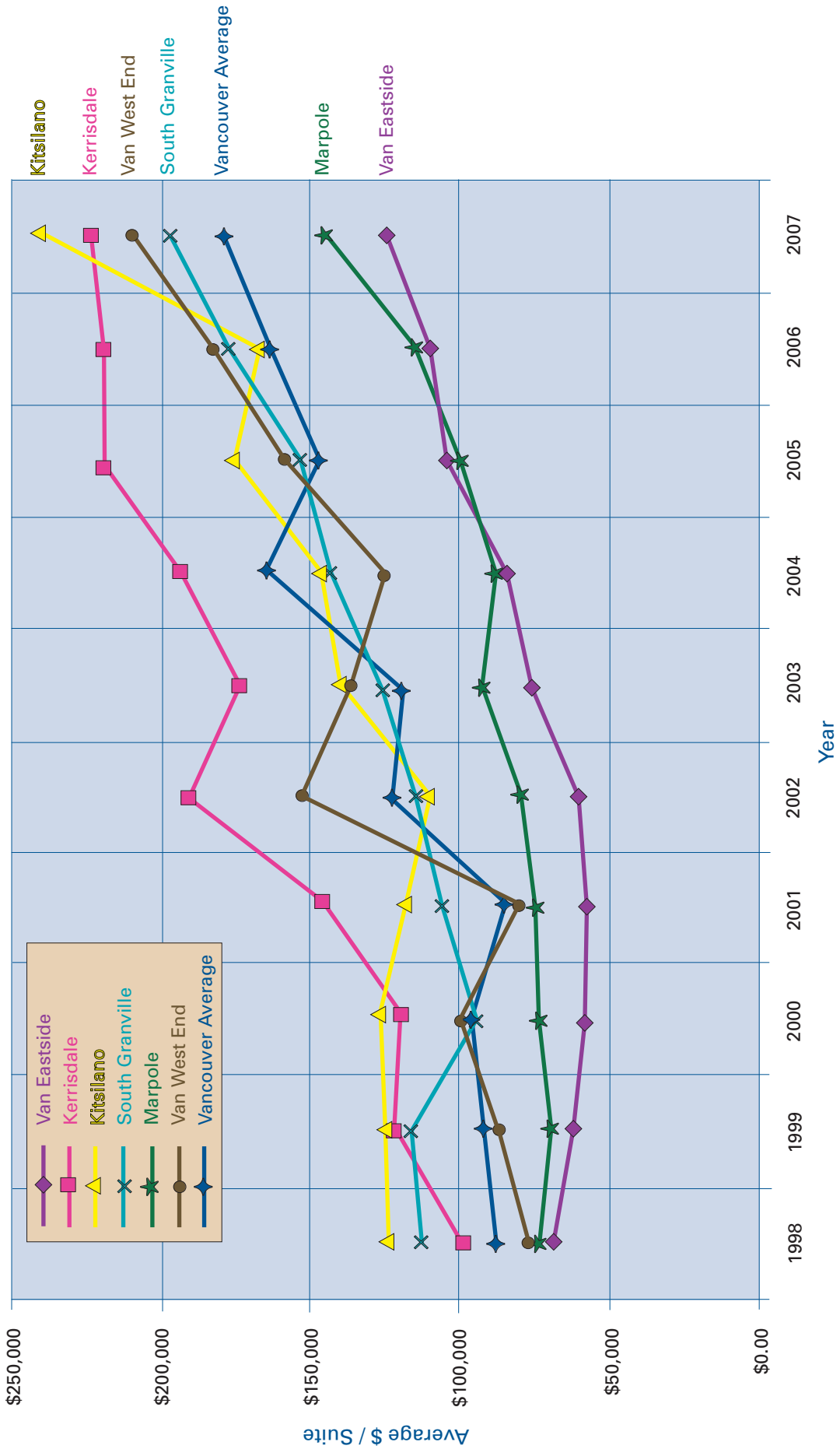
Source: CMHC

Greater Vancouver 10 Year Multi-Family Performance



Sources: Bond Rate — Bank of Canada / Tony Kalla, Westbridge Capital
 Dollar Volume and Buildings Sold — Goodman Report

Vancouver Neighbourhood Breakdown 1998 – 2007 Average Price Per Suite



Source: Goodman Report