2010 – Six Month Greater Vancouver Apartment Building Market Review

Greater Vancouver apartment sales activity for the first six months of 2010 is showing renewed strength in overall sales, dollar volumes and average price per suite, when measured against the first six months of 2009.

For 2010, there has been a 14% increase in total buildings sold over 2009 with 40 transactions; 23 in Vancouver vs. 17 in suburban areas, while 2009 recorded 35 sales in total; 18 in Vancouver and 17 in the suburbs.

Total 2010 dollar volume in Vancouver is up significantly to $132,706,000 compared to $88,525,000 last year—a 50% increase, while suburban areas showed a dramatic decline in 2010 to $62,688,900 compared to $99,377,000 for 2009—a 37% decrease. Total dollar volumes combining Vancouver and suburban areas increased by 4% to $195,394,900 from $187,902,000 in 2009.

Total suites sold in Vancouver for 2010 increased to 608 vs. 470 in 2009—a 29% increase, while suburban areas in 2010 registered a sizeable decrease to 465 suites sold compared to 774 units in 2009—a 40% decline.

Continuing to defy gravity is the Vancouver six month average price per suite for 2010 at $218,266, an increase of 16% over 2009’s $188,351, with suburban jurisdictions at $134,815 per suite, a 5% increase over 2009’s $128,394 per suite. Some additional highlights: for the first six month of 2010, only 3 of the 40 sales were more than 50 units compared to 8 buildings in the first 6 months 2009. Sales activity in 2010 remains soft in Vancouver’s Eastside, while South Granville, Burnaby, New Westminster showed new vigor. The West End has easily outperformed all of the other areas with $89,540,000 in sales representing 46% of the total dollar volume and 8 sales, while in the suburbs Coquitlam, North Vancouver, White Rock and Surrey continue to languish compared to 2009 activity.

It is our view that the lack of activity in certain areas is more a function of owners’ refusal to sell rather than a lack of motivation on the part of investors to “pull the trigger.” Perhaps it is also an indication with owners of larger buildings, ever so reluctant to “let go” of their assets are instead becoming the primary buyers. Average prices in Vancouver’s Eastside, Kitsilano, and North Vancouver are experiencing large percentage decreases, while Marpole, the West End, Burnaby and New Westminster have shown marked increases. Caution, however, should be exercised before drawing too many conclusions on a micro basis. Few transactions in a specific area or one-of-a-kind sales tend to distort the statistics. For example, the Goodman Team’s sale last year of a 32-suite newly constructed rental building in North Vancouver priced at $9,000,000 ($281,250/unit) built by Polygon Homes, or the 2010 sale of 6545 Bonsor Avenue, a 114-suite Burnaby high-rise priced at $22,050,000 ($193,421/unit).

There have been six major transactions over $6.5 million recorded during the first six months of 2010. To help shed some light on the profile of these buyers, we can disclose that two of the investors originated from offshore, one is a Toronto-based REIT, two were local players expanding their portfolios, while the last is a Vancouver based syndicator.

Barring any unforeseen global events, we expect that 2010’s final sale figures, which includes average suite prices and sales activity, will continue to trend upwards led by increasing activity in Vancouver’s West End.
Cap Rates

Vancouver has again been rated by the Economist Intelligence Unit as the best place to live in the world. Perhaps this is just a further reason Vancouver has been singled out with the reputation of having such preposterously and historically low cap rates of 3 – 5.75% year in and year out. While this portrayal is well deserved, it is also an accurate reflection of market forces. Over the past 10 years, about 1,150 apartment buildings have sold in Greater Vancouver. Investors worldwide, many with a strong Asian background, Canadian REITs specializing in multi-family and locally based groups, have eagerly gravitated to this asset class, undeterred by low cap rates. Needless to say, for the balance of 2010 and leading into next year, we forecast that cap rates will be closely linked to the fate of the debt markets and interest rates.

Vacancies

Furthermore, it is expected that vacancies will remain around 2% or less for many jurisdictions within Greater Vancouver and steady population growth in 2010 will continue to sustain demand for rental property. The 40,000 people predicted to move to Greater Vancouver area in the next 12 months will form an estimated 16,000 households. Approximately 1/3 of these will be new rental households in need of accommodation.

The Lure of Vancouver

To further highlight this phenomenon, in a Globe and Mail June 9, 2010 article, *Apartment Buildings Slow, Steady and Sizzling Hot!*, the writer reveals that investors of rental apartments in Canada are rewarded with lower risk, increased stability and excellent financing availability compared to other asset classes. This is especially so in Greater Vancouver. If you have ever had the delightful opportunity of walking the Stanley Park Sea Wall, or gazing down at this jewel of a city from Grouse or Seymour Mountains, one factor becomes immediately apparent, beside the fact that we live in Shangri-La – that is, we have physical constraints on growth that other large urban centres in Canada do not have. Simply put, we have a finite supply of land. Whereas other cities can normally expand north, south, east or west, Greater Vancouver is hemmed in by mountains, ocean, rivers, parks, ALR, the US border and our local politicians’ entrenched resistance to urban sprawl and undue densification.

HST – A Positive Spin or Necessity is the Mother of Invention

The introduction of the Harmonized Sales Tax (HST) on July 1, 2010 effectively increases operating and repair costs, thereby reducing net operating income of apartment buildings by approximately 1.5 to 3.0%. The British Columbia Apartment Owners and Managers Association (BCAOMA) state that “property owners will be in the difficult position of facing higher costs, with no revenue capacity to recover the costs directly related to the operation and maintenance of rental housing units.”

Quite true, but there is a surefire management approach which the Goodmans have been stressing for years and has now become all the more relevant, especially with the introduction of HST. All right, so let’s accept the notion that little can be done to mitigate the added HST expense. However, it is our strongly held belief that owners are anything but powerless when it comes to enhancing the income side of the ledger.

How you may ask? OK, we must first accept that vacancies happen. However, in this present day environment of low vacancies, at least in most areas, one could regard a “notice to vacate” as a bonus, rather than a liability. Secondly, admit that the soon to be vacated suite 305 in your South Granville building which has been saddled with a glaringly low 2001 rent level of only $810 is very tired (the tenant was also a smoker) and in desperate need of serious love and attention. Get your usual trusty crew, or if need be, son or ex brother-in-law into the suite the same day the tenant (thank goodness) has left after 15 years.

Now – Man your stations! You must get rid of the hideous, original forest-green toilet and trusty stove (yes even if it continues to faithfully heat the tenant’s soup). Next—the antique overhead fan (rust included), the forty-six year old pockmarked lino in the kitchen and bathroom, the kitchen countertop (definitely not of Persian origin) and refinish the beautiful, but long hidden hardwood floors. Further, do not overlook replacing the kitchen cabinet doors that have received no less than 17 coats of both acrylic and enameled paint, and finally, install new floor-to-ceiling tile in the bath area so that the tenant directly below in suite 205 no longer calls you at 7 am complaining about a leaking ceiling after tenant 305 takes a shower.

Now that you have spent or budgeted approximately $4,200 on improvements, congratulations are definitely in order. You now have the ability to rent this revitalized suite, for $1,150 a month or another $4,080 a year which in turn goes right to your bottom line. This represents almost a one-year payback with a sweet added bonus. Imagine, you will not even have to endure any unwanted glaring publicity on BCTV’s 6 O’clock News or the Vancouver Sun’s probing and embarrassing “take no prisoners” expose. And better yet, by improving your building and NOI, you won’t feel the effects of the HST.
### Activity Highlights: 2010 compared to 2009

**First Six Months | January – June 2010**

#### Building Transactions

<table>
<thead>
<tr>
<th>Area</th>
<th>2010</th>
<th>2009</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>23</td>
<td>18</td>
<td>+ 28%</td>
</tr>
<tr>
<td>Suburban</td>
<td>17</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40</td>
<td>35</td>
<td>+ 14%</td>
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</table>

#### Total Units Sold

<table>
<thead>
<tr>
<th>Area</th>
<th>2010</th>
<th>2009</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>608</td>
<td>470</td>
<td>+ 29%</td>
</tr>
<tr>
<td>Suburban</td>
<td>465</td>
<td>774</td>
<td>- 40%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,073</td>
<td>1,244</td>
<td>- 14%</td>
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#### Dollar Volumes

<table>
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<tr>
<th>Area</th>
<th>2010</th>
<th>2009</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>$132,706,000</td>
<td>$88,525,000</td>
<td>+ 50%</td>
</tr>
<tr>
<td>Suburban</td>
<td>$62,688,900</td>
<td>$99,377,000</td>
<td>- 37%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$195,394,900</td>
<td>$187,902,000</td>
<td>+ 4%</td>
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#### Average Price Per Suite

<table>
<thead>
<tr>
<th>Area</th>
<th>2010</th>
<th>2009</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vancouver</td>
<td>$218,266</td>
<td>$188,351</td>
<td>+ 16%</td>
</tr>
<tr>
<td>Suburban</td>
<td>$134,815</td>
<td>$128,394</td>
<td>+ 5%</td>
</tr>
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</table>

#### Transactions / Average $ Per Suite (Comparisons)

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Eastside</td>
<td>3</td>
<td>1</td>
<td>$146,633</td>
<td>$162,500</td>
<td>- 10%</td>
</tr>
<tr>
<td>Kitsilano</td>
<td>3</td>
<td>3</td>
<td>$247,167</td>
<td>$318,729</td>
<td>- 22%</td>
</tr>
<tr>
<td>Marpole</td>
<td>3</td>
<td>4</td>
<td>$165,462</td>
<td>$131,017</td>
<td>+ 26%</td>
</tr>
<tr>
<td>South Grandville/Fairview</td>
<td>6</td>
<td>5</td>
<td>$199,029</td>
<td>$201,862</td>
<td>- 1%</td>
</tr>
<tr>
<td>West End</td>
<td>8</td>
<td>3</td>
<td>$238,138</td>
<td>$175,106</td>
<td>+ 36%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Burnaby</td>
<td>7</td>
<td>5</td>
<td>$162,894</td>
<td>$124,272</td>
<td>+ 31%</td>
</tr>
<tr>
<td>Coquitlam</td>
<td>1</td>
<td>5</td>
<td>$107,813</td>
<td>$114,893</td>
<td>- 6%</td>
</tr>
<tr>
<td>New Westminster</td>
<td>4</td>
<td>1</td>
<td>$105,048</td>
<td>$93,929</td>
<td>+ 12%</td>
</tr>
<tr>
<td>North Vancouver</td>
<td>2</td>
<td>5</td>
<td>$131,618</td>
<td>$175,716</td>
<td>- 25%</td>
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</tbody>
</table>
# Apartment Building Sales | Vancouver Lower Mainland
## January 1 to June 30, 2010

<table>
<thead>
<tr>
<th>ADDRESS</th>
<th>SUITES</th>
<th>$ PRICE</th>
<th>$ PER/UNIT</th>
<th>ADDRESS</th>
<th>SUITES</th>
<th>$ PRICE</th>
<th>$ PER/UNIT</th>
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<tbody>
<tr>
<td>Vancouver (East Side)</td>
<td></td>
<td></td>
<td></td>
<td>Burnaby</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7950 Knight</td>
<td>12</td>
<td>1,400,000</td>
<td>116,667</td>
<td>6545 Bonsor (HR)</td>
<td>114</td>
<td>22,050,000</td>
<td>193,421</td>
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<tr>
<td>677 E 7th Ave</td>
<td>42</td>
<td>6,400,000</td>
<td>152,381</td>
<td>275 Gilmore</td>
<td>35</td>
<td>4,400,000</td>
<td>125,714</td>
</tr>
<tr>
<td><em>1510 E Pender</em></td>
<td>6</td>
<td>998,000</td>
<td>166,333</td>
<td>3839 Linwood</td>
<td>14</td>
<td>1,670,000</td>
<td>119,286</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>8,798,000</td>
<td>146,633</td>
<td>4250 Maywood</td>
<td>18</td>
<td>2,663,000</td>
<td>147,944</td>
</tr>
<tr>
<td>Vancouver (S Granville)</td>
<td></td>
<td></td>
<td></td>
<td>6535 Burlington</td>
<td>10</td>
<td>1,402,800</td>
<td>140,280</td>
</tr>
<tr>
<td>1160 W 13th Ave</td>
<td>24</td>
<td>5,200,000</td>
<td>216,667</td>
<td>6735 Arcola</td>
<td>8</td>
<td>780,000</td>
<td>97,500</td>
</tr>
<tr>
<td>1066 W 11th Ave</td>
<td>14</td>
<td>2,825,000</td>
<td>201,786</td>
<td>6707 Dow</td>
<td>19</td>
<td>2,545,000</td>
<td>133,947</td>
</tr>
<tr>
<td>Total</td>
<td>218</td>
<td>35,510,800</td>
<td>162,894</td>
<td>Maple Ridge</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vancouver (S Granville)</td>
<td></td>
<td></td>
<td></td>
<td>22256 119th</td>
<td>36</td>
<td>3,300,000</td>
<td>91,667</td>
</tr>
<tr>
<td>989 W 20th Ave</td>
<td>13</td>
<td>2,650,000</td>
<td>203,846</td>
<td>12003 Edge</td>
<td>7</td>
<td>943,000</td>
<td>134,714</td>
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<tr>
<td>3730 Cambie</td>
<td>21</td>
<td>3,525,000</td>
<td>167,857</td>
<td>Total</td>
<td>43</td>
<td>4,243,000</td>
<td>98,674</td>
</tr>
<tr>
<td>Total</td>
<td>103</td>
<td>20,500,000</td>
<td>199,029</td>
<td>Kitsilano &amp; Point Grey</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1985 W 8th Ave</td>
<td>8</td>
<td>2,565,000</td>
<td>320,625</td>
<td>Coquitlam</td>
<td>48</td>
<td>5,175,000</td>
<td>107,813</td>
</tr>
<tr>
<td>2425 W Broadway</td>
<td>9</td>
<td>1,800,000</td>
<td>200,000</td>
<td>544 Austin</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4336 W 10th Ave</td>
<td>13</td>
<td>3,050,000</td>
<td>234,615</td>
<td>Total</td>
<td>34</td>
<td>4,475,000</td>
<td>131,618</td>
</tr>
<tr>
<td>Total</td>
<td>30</td>
<td>7,415,000</td>
<td>247,167</td>
<td>Langley</td>
<td>16</td>
<td>2,150,000</td>
<td>134,375</td>
</tr>
<tr>
<td>Vancouver (Marpole)</td>
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<td></td>
<td></td>
<td>New Westminster</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>8770 Montcalm</em></td>
<td>21</td>
<td>3,125,000</td>
<td>148,810</td>
<td>335 5th St</td>
<td>26</td>
<td>2,800,000</td>
<td>107,692</td>
</tr>
<tr>
<td>8780 Fremlin</td>
<td>8</td>
<td>1,528,000</td>
<td>191,000</td>
<td>420 7th St</td>
<td>37</td>
<td>3,800,000</td>
<td>102,703</td>
</tr>
<tr>
<td>8726 Hudson</td>
<td>10</td>
<td>1,800,000</td>
<td>180,000</td>
<td>405 10th St</td>
<td>28</td>
<td>2,900,000</td>
<td>103,571</td>
</tr>
<tr>
<td>Total</td>
<td>39</td>
<td>6,453,000</td>
<td>165,462</td>
<td>1012 4th Ave</td>
<td>15</td>
<td>1,635,100</td>
<td>109,007</td>
</tr>
<tr>
<td>Vancouver (West End)</td>
<td></td>
<td></td>
<td></td>
<td>Total</td>
<td>106</td>
<td>11,135,100</td>
<td>105,048</td>
</tr>
<tr>
<td><em>1416 Harwood (HR)</em></td>
<td>42</td>
<td>8,000,000</td>
<td>190,476</td>
<td>North Vancouver</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1160 Nicola</td>
<td>14</td>
<td>3,770,000</td>
<td>269,286</td>
<td>255 E 2nd St.</td>
<td>24</td>
<td>2,900,000</td>
<td>120,833</td>
</tr>
<tr>
<td>1450 W Georgia (HR)</td>
<td>162</td>
<td>37,500,000</td>
<td>231,481</td>
<td>3371 Chesterfield Ave</td>
<td>10</td>
<td>1,575,000</td>
<td>157,500</td>
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<tr>
<td><em>1601 Comox (MR)</em></td>
<td>26</td>
<td>6,770,000</td>
<td>260,385</td>
<td>Total</td>
<td>34</td>
<td>4,475,000</td>
<td>131,618</td>
</tr>
<tr>
<td><em>814 Nicola (ST)</em></td>
<td>6</td>
<td>2,000,000</td>
<td>333,333</td>
<td>(HR) High-rise</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1250 Nicola (MR)</td>
<td>27</td>
<td>5,400,000</td>
<td>200,000</td>
<td>(TH) Townhouse</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>998 Thurlow (MR)</td>
<td>44</td>
<td>12,100,000</td>
<td>275,000</td>
<td>(ST) Strata</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>990 Lagoon (MR)</td>
<td>55</td>
<td>14,000,000</td>
<td>254,545</td>
<td>(DS) Development Site</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>376</td>
<td>89,540,000</td>
<td>238,138</td>
<td>(EST) Estimated Price</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

1) Suite Mix  
2) Rents/sq. ft.  
3) Net Leasable Area  
4) Buildings’ Age and Condition  
5) Location  
6) Frame or High Rise  
7) Strata vs. Non-Strata  
8) Land Value (Development Site)  
9) Special Financing  

* SOLD BY THE GOODMAN TEAM

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.

Current Listings and 2010 Sales Activity
First Six Months

**NEW LISTING**

16-Suite Apartment/Townhouse Complex
4311 Kendell Place, Port Alberni, BC
Asking $1,987,000 ($124,187/Unit); 6.0% Cap Rate

**NEW LISTING**

Waterfront Multi-Family Development Site
470-498 Esplanade Ave, Harrison Hot Springs
1 Acre, Asking $4,600,000

**NEW LISTING**

30-Suite Apartment Building
22182 Dewdney Trunk Road, Maple Ridge
Asking $2,895,000 ($96,500/Unit); 5.1% Cap Rate

**NEW LISTING**

44-Suite Apartment Building
430 Ash Street, New Westminster
Asking $4,795,000 ($108,977/Unit)

**AVAILABLE**

High Density, Mixed-Use Site
10240 City Parkway, Surrey
Extremely Prime (7.5 FSR) 1.03 Acres, Asking $10,000,000

**PRICE REDUCTION**

12-Suite Apartment Building
777 West 70th Avenue, Vancouver
Vendor may carry first mortgage
Now Asking $1,750,000 ($145,833/Unit)
8-Suite Apartment Building  
2854 West 4th Avenue, Vancouver  
Zoned C-2, Now Asking $2,495,000

57-Suite Apartment Building  
1580 Everall Street, White Rock  
Now Asking $7,399,000 ($129,807/Unit)  
5.1% Cap Rate

SOLD

112-Suite 12 Storey Concrete  
High-Rise  
706 Queens Avenue  
New Westminster  
Now Asking $15,700,000  
($140,179/Unit)  
4.7% Cap Rate

12 Storey 42-Suite Concrete  
High-Rise  
1416 Harwood Street  
Vancouver  
Asking $8,095,000  
(192,738/Unit)  
3.4% Cap Rate

UNDER CONTRACT

West End Multi-Family Development Site  
1131-1143-1151 Haro Street, Vancouver  
One block to Robson Street  
Asking $8,295,000

45-Suite Apartment Building  
910 St. Andrews Street, New Westminster  
Asking $5,295,000 ($117,666/Unit)  
4.8% Cap Rate

UNDER CONTRACT

RM-5 Zoned Multi-Family Development Site  
2459-65 Atkins Avenue, Port Coquitlam  
Asking $1,650,000 ($43.22 sq. ft. buildable)

21-Suite Marpole Apartment Building  
8770 Montcalm Street, Vancouver  
Asking $3,200,000 ($152,381/Unit)  
5.0% Cap Rate

SOLD

PRICE REDUCTION

PRICE REDUCTION

PRICE REDUCTION

PRICE REDUCTION
6-Suite Apartment Building  
**1510 East Pender Street, Vancouver**  
Asking $1,000,000 ($166,667/Unit)  
2.7% Cap Rate

Industrial Site with Holding Income  
**1355 & 1375 Vernon Drive, Vancouver**  
Asking $10,000,000; 1.6 acres

9-Suite Revenue Property  
**1111 W. 16th Avenue, Vancouver**  
Asking $2,275,000  
3.8% Cap Rate

6-Suite Strata Apartment Building  
**814 Nicola Street, Vancouver**  
Asking $2,295,000 ($382,500/Unit)  
3.6% Cap

18-Suite Apartment Building  
**220 Manitoba Street, New Westminster**  
Asking $2,200,000 ($122,222/Unit)  
4.1% Cap Rate

1.36 Acres Dev. Site with Holding Income  
**1938 152nd Street, South Surrey**  
Asking $7,900,000  
4.74% Cap Rate

Historic 26-Suite Mid-Rise Apartment Building  
**1601 Comox Street, Vancouver**  
Asking $7,700,000  
($296,154/Unit)  
4.3% Cap Rate

15-Suite Apartment Building  
**127 Eighth Street, New Westminster**  
Asking $1,749,000  
($116,600/Unit)  
4.9% Cap Rate

1-Suite Apartment Building  
**127 Eighth Street, New Westminster**  
Asking $1,749,000  
($116,600/Unit)  
4.9% Cap Rate

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