The Newsletter for Apartment Owners since 1983

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Goodman report:

2012 Greater Vancouver Apartment Building Market Review

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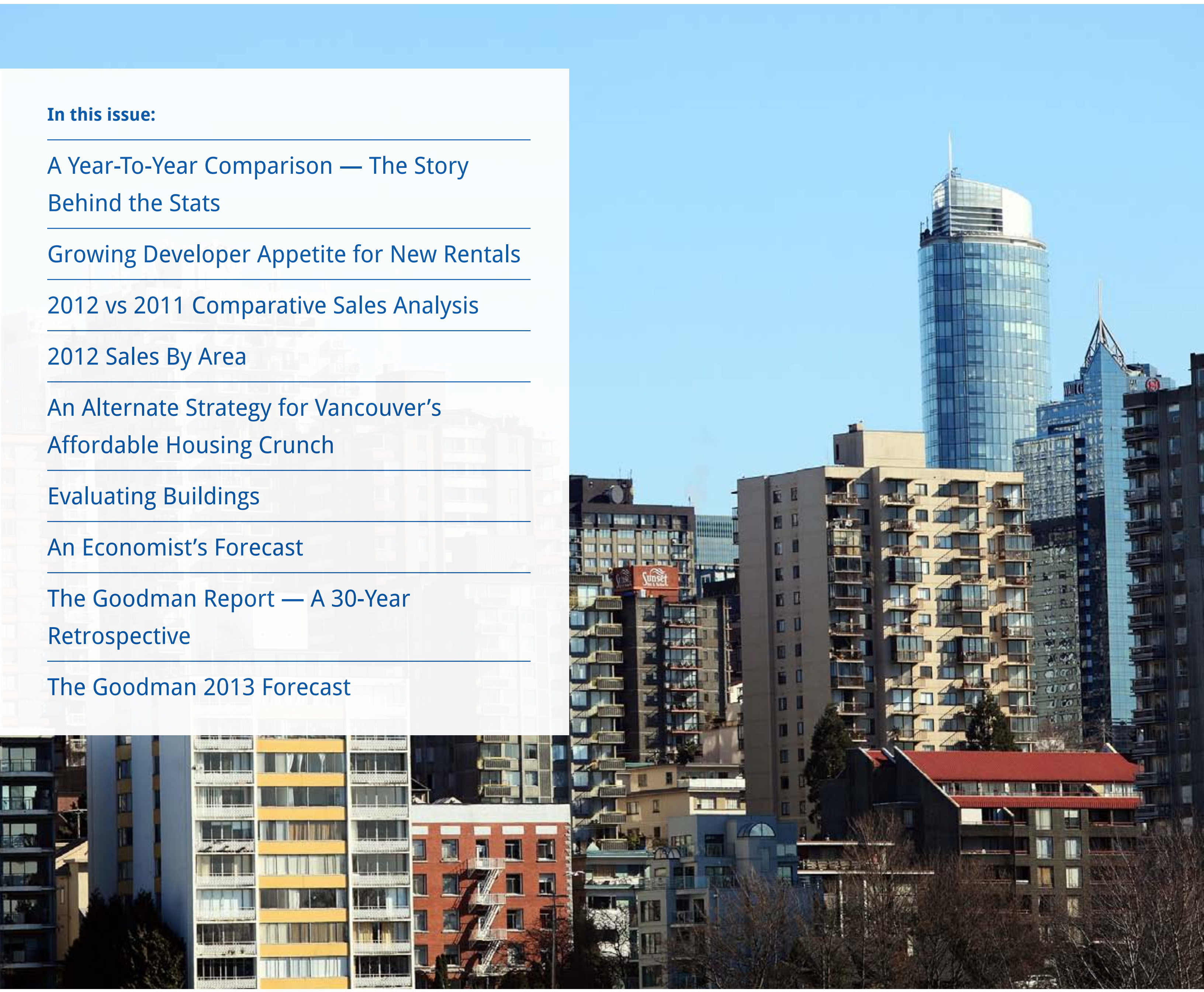

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2012 — Year End Review

With the world navigating troubled financial waters, the Bank of Canada in its December 2012 semi-annual report, *Financial System Review*, cautioned that Canada is "vulnerable to a number of interrelated and mutually reinforcing risks from outside the country." Specifically, the report is referring to worrisome economic sentiment arising from continuing fallout in the United States in the wake of the debates over the "fiscal cliff" machinations, the Eurozone's debt crisis, and the looming Chinese slowdown in manufacturing. An article in the *Globe and Mail*, "Central bank raises alarm on condos," reported that the Bank of Canada had stated that "the most significant risks in Canada" were "excessive household debt and an overheated real estate market" (December 7, 2012).

Against this backdrop, British Columbia's economy has performed reasonably well. The majority of B.C. Economic Forecast Council members predict that the province's real GDP growth will slightly outperform the Canadian average in 2013. The council projects that B.C.'s real GDP will grow 2.2% in 2013, 2.6% in 2014, and an average of 2.6% in 2015–17 yet has lowered its 2013 growth projections for the province in light of ongoing weakness in the global economy.

A not-so-easy calm has settled over B.C.'s business community. With the provincial election slated for this spring, the NDP seems poised to reclaim the reins of government. Regardless, B.C. is expected to benefit from improved economic conditions on the basis of increased demand from key exports. Our province is positioned to become a world leader in liquid natural gas (LNG) as Canada's first large commercial LNG export facility schedules to open near Kitimat by 2015. Also, according to a *Vancouver Sun* article titled "Wood products sector to see profits soar" (December 3, 2012), economic researchers predict that the situation of B.C.'s forest sector will further improve as U.S. housing construction continues its recovery. Meanwhile, China's huge appetite for copper and other key base metals will likely spur an increase in economic growth in mining.

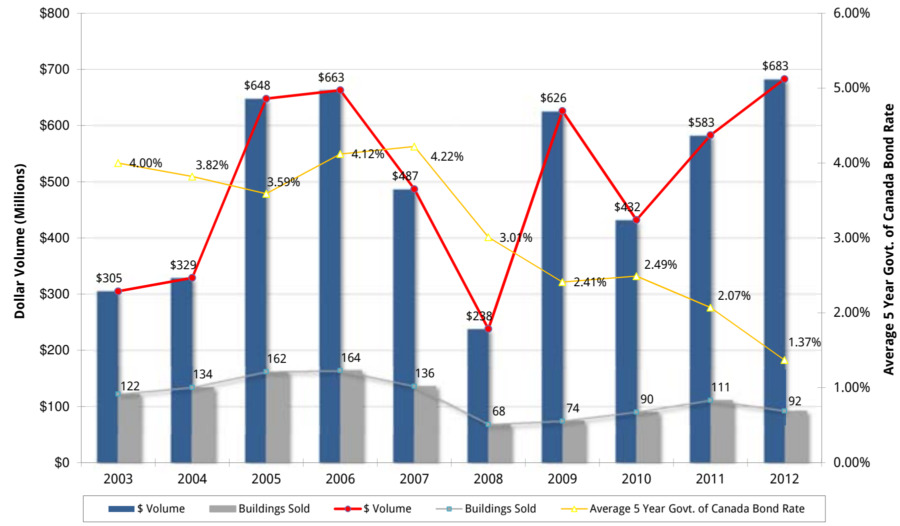
Locally, discussions are under way to build a new 2.8-billion dollar mass-transit extension along Broadway to the University of British Columbia and to further extend Surrey's SkyTrain line. Vancouver Mayor Gregor Robertson recently indicated that "the new year will be about approving and advancing up to 20 project proposals that fit under the Affordable Housing Strategy."

A Year-to-Year Comparison — The Story Behind the Stats

The 2012 numbers are in—overall dollar volume and average price per suite in Greater Vancouver registered record highs. As always, in examining the market dynamics in our reports, we'll make every attempt to keep our readers apprised of the underlying factors affecting the rental industry. Major apartment offerings in Greater Vancouver continue to garner widespread investor interest. Spurring demand have been the endlessly low mortgage and vacancy rates, the solid economy, high housing costs, the scarcity of supply, and Vancouver's world-class image. Although total dollar volumes are increasing, aided in part by three major sales in excess of 55 million dollars each, building sales are actually down as compared to 2011, contrary to expectations.

Moreover, there is growing evidence—from an inconsistent and varied range of 2012 pricing patterns—that the year-to-year average price trends showing constant and predictable increases over the past 10 years may no longer be sustainable in the near future. Buyers in the last few years have relied heavily on lower interest rates to justify capitalization rate compression with yields hovering between 2.75% and 5.5%. Statistically, a single year of activity does not offer conclusive evidence of a long-term trend. Yet in view of an 11-year "bull run" behind us, the likely return of an NDP government in B.C., and the probability that interest rates may increase in the near future, we shouldn't discount the possibility of a pricing plateau.

Greater Vancouver 10 Year Multi-Family Performance



Source: The Goodman Report

In Greater Vancouver, a total of 92 rental apartment buildings changed hands in 2012, down 17% from the 111 buildings sold in 2011. Vancouver itself recorded 46 sales, down 21% from the 58 in 2011, while suburban areas also experienced 46 sales, down 13% as compared to 2011's 53.

Overall total dollar volumes for Greater Vancouver increased by 17% to $682.7 million, as compared to $583.5 million in 2011. Vancouver's 2012 volume increased to $302.3 million, a 16% increase over 2011's figure of $261 million. Suburban dollar volumes registered an 18% increase to $380.3 million from 2011's $322.5 million.

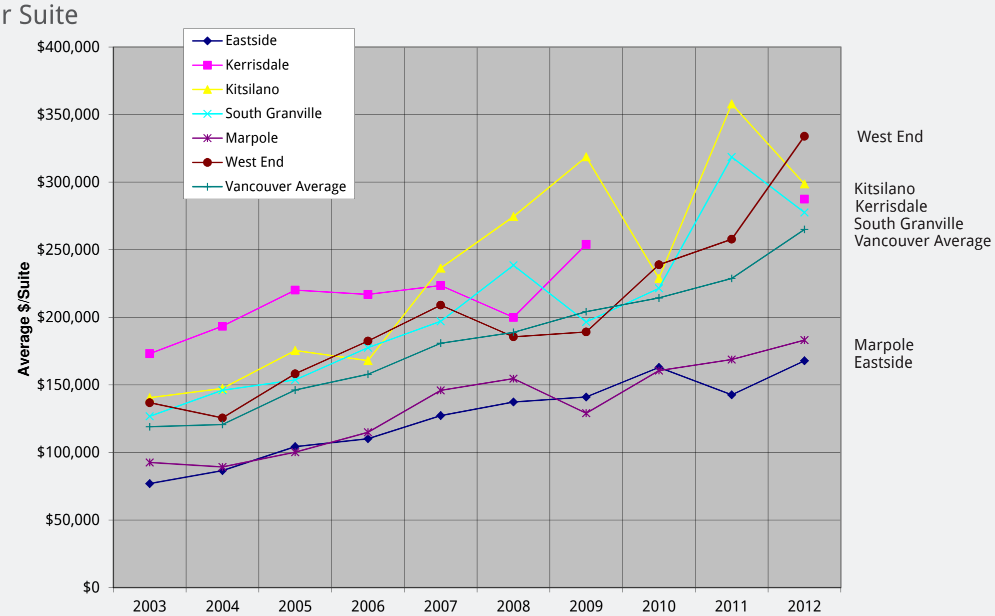
The average price per suite in Vancouver increased to $264,980, up 16% over 2011's figure of $228,741, whereas the suburban average rose 14% to $170,186 as compared to $149,583 in 2011. The average price aggregate for all 2012 buildings sold was up 14% to $202,224 per suite as compared to $176,977 for 2011.

Vancouver Eastside held firm at 17 sales in 2012 versus 20 in 2011; Marpole at 8 sales was slightly higher than 6 recorded a year earlier. Kitsilano dropped off sharply to 5 transactions versus 14 in 2011, as did South Granville to 4 sales compared to 7 in 2011. Kerrisdale had only one reported sale in 2012 and none in 2011. The West End recorded 11 sales, the same as in 2011.

The Eastside average of $167,838—up from $142,619 in 2011—was skewered somewhat by the sale of a mixed-use 23 unit complex at 3219 Kingsway for $296,739 per unit. For the remaining Vancouver areas, as shown on the matrix on page 6, the averages ranged from a 17% drop in Kitsilano to a 30% increase in the West End. Values in Kitsilano rebounded to a "normal" state in 2012 at $298,696 per suite as the previous year at $357,855 included pricey strata rentals. The average in the West End at $333,983 per unit (which includes Downtown Vancouver) was significantly inflated by two transactions: a 214-unit strata rental highrise (HR) building at 1323 Homer Street that sold for $78,620,000 ($367,383 per unit) and an extensively renovated 31-suite highrise at 2001 Beach Avenue that sold for $18,900,000 ($609,677 per unit).

Vancouver Neighbourhood 2003 - 2012

Average Price Per Suite

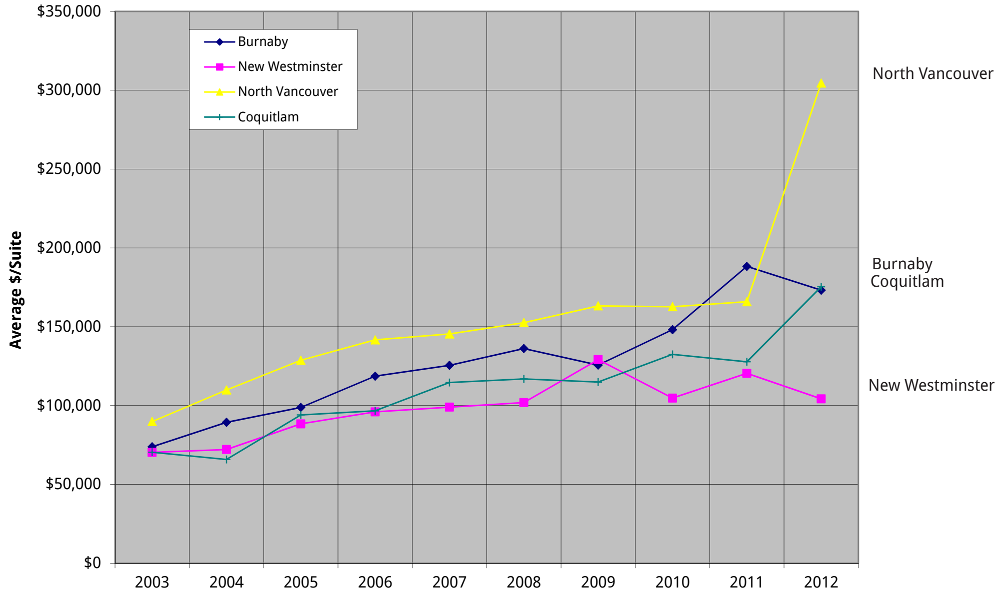


Source: The Goodman Report
No reported sales in Kerrisdale for 2010/2011

Burnaby sales, while similar to 2011's, showed an 8% decline in average price per suite to $173,148 as fewer former apartment buildings sold to developers for land value. Langley experienced 3 sales with a 28% decline to $131,496 per suite; New Westminster showed a 13% drop in average to $104,267 per suite caused by an absence of any highrise activity. North Vancouver, a perennial favourite despite limited activity of only two sales in 2012, reported a huge increase of 84% to $304,493 per unit: an inflated average as a result of the 57 townhouses that sold at 3710 Princess Street for $17,110,000. White Rock recorded three sales averaging $156,164 per suite, up 21% from 2011. Details on 2012 sales over $10,000,000 are included below.

Suburban Areas 2003 - 2012

Average Price Per Suite



Source: The Goodman Report

2012 Sale Highlights

Location	Address	Suites	Price	Buyer
Burnaby	Lougheed Village (HR)	528 units + commercial	$90,000,000	*confidential*
Downtown Vancouver	1323 Homer (HR)	214 strata units	$78,620,000	Bosa Development Corp.
Coquitlam	550 Cottonwood	311 units	$57,500,000	Concert Properties Ltd.
Port Coquitlam	1260-68 Riverside	79 units apt / townhouses	$26,800,000	Ledingham McAllister Properties Ltd.
West End Vancouver	2001 Beach (HR)	31 units	$18,900,000	Amrit Palva
Kitsilano Vancouver	2476 York (HR)	61 units	$18,300,000	Siddoo Kashmir Holdings Ltd.
District of North Vancouver	3701 Princess	57 townhouses	$17,110,000	Polygon Homes Ltd.
West Vancouver	1740 Esquimalt (HR)	43 units	$15,657,000	Fred Vertone
West End Vancouver	1999 Nelson	48 units	$14,925,000	Belmont Properties
Downtown Vancouver	1249 Granville (midrise)	47 units	$13,900,000	Vanac Development Corp.
Kitsilano Vancouver	2121 Alma (HR)	43 units	$12,800,000	West Banff Holdings Ltd.
Langley	5411 208th 5332 207th	92 units apt / townhouses	$11,300,000	Western Income Properties
Port Moody	160 Shoreline Circle	42 units apt / townhouses	$11,288,000	Prospero Group
Burnaby	6255 Cassie	36 units	$10,850,000	Boffo Developments Ltd.
Burnaby	6695 McKay	62 units	$10,500,000	Prospero Group & Steven Yan
West End Vancouver	1040 Barclay (HR)	40 units	$10,398,000	Chan Gunn

Fields Afar Looking Attractive

Local players are resurfacing in the rest of Canada, primarily in Alberta and Ontario, as sizeable acquisition opportunities in Greater Vancouver have become increasingly rare. With such tight competition for product, growing numbers of major apartment owners are willing to look at higher cap rates elsewhere in Canada as well as in the U.S., drawn to appreciably superior return on investment and growth.

GROWING DEVELOPER APPETITE FOR NEW RENTALS

Our local municipalities rely on and expect developers to satisfy their housing needs. For the most part, projects built since the mid-1970s have consisted of market units (condominiums). To their credit, Vancouver and surrounding communities areas are finally awakening to the benefits of rentals and are striving to create a climate more conducive to development. Municipalities are also increasingly aware of the negative social consequences associated with the aging, non-renewal, and long-standing shortages of rental stock; and the growing issue of functional obsolescence. A common belief holds that the high cost of land and construction along with rent control and an almost total absence of federal or municipal incentives have precipitated the current mess known as the "affordable housing crisis."

Until recently, various elements required to kickstart rental development have been lacking. Municipalities are finally overcoming their resistance to granting density, height bonuses, and suite size concessions. They are likewise beginning to ease local requirements such as fixed parking ratios and the typical development cost charges (DCCs) and community amenity contributions (CACs). Furthermore, both lenders and those in the construction industry are recognizing that with elevated rental income levels, it's time to dust off the previous year's proforma and revisit the notion of building rentals. With growing evidence of a softening condo market in Greater Vancouver, those who finance and build multi-family housing are agreeing that an opportunity exists in the rental sector to tackle the shortfall.

A Carrot-and-Stick Approach

Normally, the viability of a stand-alone purpose-built rental is marginal at best, if not downright dreadful. In *Business in Vancouver*, Hani Lammam of Cressey Development Group is quoted as saying, "There's definitely demand for rental housing, but the economics have not been there" (December 4, 2012). Under increasing pressure, local governments are finally acknowledging this dilemma by introducing policies to encourage new rentals. Their answer: carrot and stick. With density inducements, they are requiring developers to designate approximately 20% of the units in their condo projects as rentals or are granting significant density bonuses for new rental buildings.

Examples of purpose-built Vancouver developments being contemplated are the projects at 275 Kingsway by Edgar Development Corp., which will consist of well over 100 units, Orr Development Corp.'s five-storey building of 83 suites plus commercial space at 3002–3036 West Broadway and Yenik Realty's 41 suites at 4320 Slocan. Some condo projects moving forward with the prerequisite rentals include developments on East Hastings (Millennium Development Corp.), the Cambie Corridor (Mosaic Homes, Dava Developments Ltd., Intergulf Development Group), Commercial Drive (Cressey), Marine Drive and Cambie (PCI Group, Intracorp, Wesgroup Properties), the Shannon Mews project on Granville (Wall Financial Corp.), Richards Street (Onni Group), Bidwell Street (Millennium Development Corp. & Concord Pacific Developments) and West 41st Avenue (Iconstrux Inc.). None of the condo/rental projects above are located on multi-family–zoned land which are still excluded from development; rather, they're on commercial or residential-zoned lands that will necessarily have to be rezoned.

Numerous tenants today are able and willing to take on better digs. Our research shows that rent starting at $1,500 a month (500 square feet @ $3.00 per square foot) is no longer an isolated phenomenon, especially with many condos found throughout Vancouver less than 10 years old. Developers are realizing that with concessions from municipal planners, council members, and city managers, new rental buildings in some instances might just work after all. Timing-wise, the environment has never been better. Cap rates are low (a decided advantage when buildings are being sold), financing is plentiful, and rents for newer buildings are approximately 50% higher than those in older, standard apartments. Investors and tenants are drawn to new rental projects, albeit for different reasons.

The Goodman Team is working in a consultation and marketing role with a number of developers building rentals in Greater Vancouver. With our extensive experience handling old and new rental buildings, our knowledge of design, land use and novel construction methods, we are assisting a variety of groups examining the feasibility of various projects.

Activity Highlights

2012 Compared to 2011

Building Transactions

Area	2012 Buildings Sold	2011 Buildings Sold	% Change	2012 Suites Sold	2011 Suites Sold	% Change
Vancouver	46	58	- 21%	1,141	1,141	–
Suburban	46	53	- 13%	2,235	2,156	+ 4%
Totals	**92**	**111**	**- 17%**	**3,376**	**3,297**	**+ 2%**

Dollar Volumes

Area	2012	2011	% Change
Vancouver	$302,342,000	$260,994,200	+ 16%
Suburban	$380,366,285	$322,500,343	+ 18%
Totals	**$682,708,285**	**$583,494,543**	**+ 17%**

Average Price Per Suite

Area	2012	2011	% Change
Vancouver	$264,980	$228,741	+ 16%
Suburban	$170,186	$149,583	+ 14%
Totals	**$202,224**	**$176,977**	**+ 14%**

Transactions / Average Price Per Suite

Vancouver Area	2012 Transactions	2011 Transactions	$ Per Suite (2012)	$ Per Suite (2011)	% Change
Eastside	17	20	$167,838	$142,619	+ 18%
Kerrisdale	1	0	$287,500	N/A	–
Kitsilano	5	14	$298,696	$357,855	- 17%
Marpole	8	6	$183,102	$168,732	+ 9%
South Granville	4	7	$277,574	$318,603	- 13%
West End	11	11	$333,983	$257,783	+ 30%
Suburban Areas	2012 Transactions	2011 Transactions	$ Per Suite (2012)	$ Per Suite (2011)	% Change
Burnaby	13	15	$173,148	$188,257	- 8%
Coquitlam	3	3	$175,324	$127,778	+ 37%
Langley	3	3	$131,496	$181,883	- 28%
Maple Ridge	3	2	$83,540	$80,833	+ 3%
New Westminster	10	14	$104,267	$120,453	- 13%
North Vancouver	2	8	$304,493	$165,851	+ 84%

Building Size, Mid/High-Rise, Sales Over $10 Million

Type	2012	2011
Size (over 50 units)	10 of 92 sales (11%)	17 of 111 sales (15%)
Mid/High-Rise	8 of 92 sales (9%)	8 of 111 sales (7%)
Over $10 Million	16 of 92 sales (17%)	13 of 111 sales (12%)

Apartment Building Sales | Greater Vancouver

January 1st to December 31st, 2012

	ADDRESS	SUITES	PRICE ($)	$/UNIT
	Vancouver (Eastside)			
*	2250 Dundas	18	2,745,000	152,500
	1617 Gravely	31	4,600,000	148,387
	2154 Dundas St	18	2,103,000	116,833
	111 E. 27th Ave (EST)	12	2,300,000	191,667
	1817 Victoria	11	1,300,000	118,182
	3429 Porter (MU)	11	1,915,000	174,091
	243 E. 13th Ave	11	1,800,000	163,636
	2164 Wall St	8	1,450,000	181,250
	2345 Dundas	47	5,750,000	122,340
	3080 E. 54th Ave	18	3,500,000	194,444
	275 E. 14th Ave	18	3,350,000	186,111
*	1150 Cotton Drive	16	3,300,000	206,250
	339 E. 7th Ave	17	3,510,000	206,471
*	626 E. 44th Ave	18	3,220,000	178,889
	3219 Kingsway (MU)	23	6,825,000	296,739
	1906 Grant	8	930,000	116,250
	679 East Cordova	12	1,250,000	104,167
	Total	**297**	**49,848,000**	**167,838**
	Vancouver (Kerrisdale)			
*	2095 W. 44th Ave	12	3,450,000	287,500
	Vancouver (Marpole)			
*	8735 Selkirk St	22	3,850,000	175,000
	8771 Granville	12	2,180,000	181,667
	8644 Cartier	11	2,050,000	186,364
	8635 Shaughnessy	35	6,532,000	186,629
	910 W. 71st	6	1,125,000	187,500
	8590 Osler	11	1,750,000	159,091
	8780 Fremlin	8	1,800,000	225,000
	8620 Laurel St	23	4,150,000	180,435
	Total	**128**	**23,437,000**	**183,102**
	Vancouver (Kitsilano)			
	2086 W. 2nd Ave	29	9,200,000	317,241
	2476 York (HR)	61	18,300,000	300,000
*	2250 York	14	4,800,000	342,857
	2045 Maple St	14	2,990,000	213,571
	2121 Alma (HR)	43	12,800,000	297,674
	Total	**161**	**48,090,000**	**298,696**
	Vancouver (S Granville)			
*	1030 W. 14th Ave	32	8,500,000	265,625
	1135 W. 11th Ave	11	2,625,000	238,636
	1364 W. 10th Ave	11	3,150,000	286,364
	2975 Oak (DS)	14	4,600,000	328,571
	Total	**68**	**18,875,000**	**277,574**
	Vancouver (West End)			
	2001 Beach Ave (HR)	31	18,900,000	609,677
	1540 Haro St (EST)	28	5,000,000	178,571
	1040 Barclay (HR)	40	10,398,000	259,950
	852 Nicola	16	3,645,000	227,813
	1365 Burnaby	9	2,440,000	271,111
	1323 Homer (ST) (HR)	214	78,620,000	367,383
	1249 Granville (SP) (ST) (MR) (MU)	47	13,900,000	295,745
	1999 Nelson	48	14,925,000	310,938
	1610 Haro	18	4,350,000	241,667
	1620 Haro	18	4,350,000	241,667
	968 Nicola	6	2,114,000	352,333
	Total	**475**	**158,642,000**	**333,983**

	ADDRESS	SUITES	PRICE ($)	$/UNIT
	Burnaby			
*	6557 Burlington	31	5,000,000	161,290
	6692 Sussex	11	2,000,000	181,818
	6695 McKay (DS)	62	10,150,000	163,710
	5170 Hastings	12	1,840,000	153,333
	4916 Imperial (MU)	20	3,380,000	169,000
*	6780 Sussex	12	2,500,000	208,333
	7425 18th Ave	47	6,100,000	129,787
	5285 Hastings	22	3,753,450	170,611
	6353 Royal Oak	29	4,930,000	170,000
*	9500 Erickson (4 HR)	528	90,000,000	170,455
	6255 Cassie (DS)	36	10,850,000	301,389
	6719 Silver	42	6,900,000	164,286
*	6769 Dow	10	1,850,000	185,000
	Total	**862**	**149,253,450**	**173,148**
	Coquitlam			
	201 Laval St	25	2,950,000	118,000
	550 Cottonwood (DS)	311	57,500,000	184,887
	751 Clarke (EST) (SP)	34	4,420,000	130,000
	Total	**370**	**64,870,000**	**175,324**
	Ladner			
	4625 Evergreen Lane	25	3,750,000	150,000
	Langley			
*	20011 56th Avenue (ST)	35	5,400,000	154,286
	5411 208th	53	11,300,000	122,826
	5332 207th (TH)	39		
	Total	**127**	**16,700,000**	**131,496**
	Maple Ridge			
*	22235 119th	23	1,720,000	74,783
	11867 222nd St	21	1,960,000	93,333
	11698 224th St	22	1,735,000	78,864
	Total	**66**	**5,415,000**	**82,045**
	Mission			
	33333 12th Ave	59	4,928,835	83,540
	New Westminster			
	335 Fifth St	26	3,350,000	128,846
	44 Leopold Place	11	1,250,000	113,636
	309 Agnes	22	2,620,000	119,091
	331 Agnes	16	1,735,000	108,438
	405 Tenth (SP)	28	3,004,000	107,286
	1210 Cameron St	41	3,699,500	90,232
	1211 Cameron St	41	3,850,500	93,915
	605 3rd Ave	19	1,700,000	89,474
	1303 8th Ave (EST) (SP)	41	4,305,000	105,000
	435 Ash (EST) (SP)	43	4,515,000	105,000
	Total	**288**	**30,029,000**	**104,267**
	North Vancouver			
	161 E. Keith Rd. (DS)	12	3,900,000	325,000
	3701 Princess (TH)	57	17,110,000	300,175
	Total	**69**	**21,010,000**	**304,493**
	Port Coquitlam			
	1260/1268 Riverside Drive (TH) (ST)	79	26,800,000	339,241
	Port Moody			
	160 Shoreline Circle (ST)	42	11,288,000	268,762
	125 William St	32	6,600,000	206,250
*	3008 Henry St	23	3,920,000	170,435
	2010 St. Johns (EST) (SP)	41	5,535,000	135,000
	Total	**138**	**27,343,000**	**198,138**
	Surrey			
	17788 57th Ave	36	3,210,000	89,167
	West Vancouver			
	1740 Esquimalt (HR)	43	15,657,000	364,116
	White Rock			
*	15088 Thrift (ST)	9	2,100,000	233,333
	1371 Fir	7	1,050,000	150,000
	1580 Everall	57	8,250,000	144,737
	Total	**73**	**11,400,000**	**156,164**

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

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

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

* Sold by The Goodman Team

AN ALTERNATE STRATEGY FOR VANCOUVER'S AFFORDABLE HOUSING CRUNCH— MAYOR ROBERTSON, ARE YOU LISTENING?

The affordable housing initiative recently proposed for Vancouver by Mayor Robertson has triggered heated debate amongst citizens, especially those residing in single-family neighbourhoods. While most support the search for practical solutions to our well-publicized housing shortages and costs that rank amongst North America's highest, some are determined not to accept change, particularly if it affects them directly. The city's new direction, as signalled by the creation of the new Mayor's Task Force on Housing Affordability, is to foster the construction of rental supply and affordable housing adjacent to traditionally single-family communities and along arterial routes such as Dunbar Street. The city intends to solicit proposals for increased densities and height to allow for new six-storey rentals, stacked townhouses and row housing.

We are disappointed that the mayor and Vancouver City Council have solely targeted single-family districts and commercial-zoned sites for their densification strategy instead of focusing on the already dedicated multi-family neighbourhoods (RM District Schedules) and Comprehensive Development (CD) Districts, which have existed for decades.

Since the mid-1970s, Greater Vancouver's municipalities have had minimal success encouraging developers to generate purpose-built rental stock. Instead, they have come to rely primarily on condo rentals to fill the gap. Upon acquiring and demolishing functionally obsolete structures 50 to 70 years old, developers, recognizing the vastly superior profitability of condos as compared to purpose-built rentals, have opted to produce market housing, of which approximately 40% would go back into the rental pool. Vancouver's Council, unable to stem the slow but steady loss of rental buildings, and under some public duress, arbitrarily shifted the onus of preserving rentals onto the backs of building owners. Troubled by the erosion of its aging rental stock, Vancouver instituted its now well-known and infamous moratorium on demolitions.

A History of the "Moratorium"

It was in 1989 that Vancouver first implemented a temporary moratorium on the demolition of rental apartments in the West End to prevent the "erosion of rental stock." This "temporary" moratorium is still in place. In 2007, the city followed up with further restrictions by expanding the program and imposing "rate-of-change" regulations in multi-family enclaves found throughout the rest of Vancouver—namely, Kitsilano, South Granville, Kerrisdale, Eastside, and Marpole—for all buildings of six suites or more. We were in attendance in 2007 at City Hall when staff members clearly told Council that the proposal to establish the permitted rate of change at zero was only to be for a period of two and a half years until they completed a rental housing strategy. Incredibly we have now entered the sixth year, apparently with no end in sight.

It is the city's stated policy that existing rental buildings are to be protected at all costs. Unfortunately, these "costs" are being borne by apartment owners. Through the implementation of the moratorium, the city in one fell swoop deprived owners from realizing the market-driven "highest and best use" opportunities readily accessible to other asset classes. This action has prevented those with aging buildings from unlocking the property's optimum value, at times in excess of the value normally obtained through the income or comparable approach. As it now stands, owners are deprived of this lucrative option to sell their properties often at the higher land value to developers. Many of these buildings are at or near the end of their economic lives. Meanwhile, principals are increasingly forced to absorb significant capital expenses for roofs, piping, windows, heating systems, and balcony and suite upgrades, with little chance over the short term for compensation from higher rents. According to the Canadian Federation of Apartment Associations, the long-standing moratorium on the demolition of rental housing is unique to Vancouver, not copied by any another municipality in Canada.

Vancouver has approximately 1,780 apartment properties (six suites or more), of which 280 are midrises or highrises. From our calculations and on the basis of data and statistical research developed over 30 years of apartment sales and publishing *The Goodman Report*, we estimate that there are probably 4,300 acres of RM zoned land devoted to the remaining 1,500 or so rental buildings. These consist of two-to-four–storey low-density wood-frame buildings averaging well over 50 years of age. Because of the city's restrictive policies, driven in part by the political expediency of chasing the tenant vote, owners in the multi-family zones are no longer permitted to redevelop their properties even under the old "one-for-one replacement" or "rate-of-change" policies. Lamentably, Council refuses to rezone these existing areas outright, even though rezoning would provide for an increase in the allowable height and densities required to possibly make the development of replacement rentals financially viable.

The city has repeatedly rejected proposals from owners and developers in these higher-density–zoned areas for creative solutions that would allow for viable mixtures of rental and market housing (now known as "inclusionary housing"). Perhaps Vancouver's long-standing policies of "one-for-one replacement" and "rate of change" might be tempered somewhat. Why not allow a mix of redevelopment including rental/market housing in RM and CD-zoned multi-family areas, while simultaneously devising methods of protecting the well-being of vulnerable tenants on fixed incomes who pay modest rents? For example, a plan could provide temporary accommodation by relocation until the tenants' building is redeveloped into rental/market units, albeit at much higher density. Indeed, a well-formulated concept might even provide for the tenants' moving to new suites at or near their original rents for lengthy periods of time.

Council should explain to the public why it rejects outright the idea of replacing an outdated and aging 65-unit rental building in an RM zone with a new 160-unit rental one. Recently we were informed by a Vancouver City planner that this concept was a "show stopper" as they would not provide incentives which would allow for the destruction of rental buildings, even if the outcome saw the creation of 160 new rentals in its place. Why not accept the benefits of the trickle-up effect? With the delivery of new, pricier rentals occupied by tenants able to afford them, more affordable suites become freed up. In addition, CMHC confirms that over 35% of all new strata units are rented by investors. It is our view that the underused resource of some 4,300 acres found in the existing multi-family zones should be the main focus of the city's desire to create supply and affordability, not our single-family neighbourhoods.

During a recent inspection of a client's property, we encountered a graphic example of why Vancouver's policy on preventing densification in RM and CD-zoned areas must be revisited. The city had denied the owner's permission to replace the existing rentals one-for-one on the property and to add some market housing. Consequently, the owners asked us to conduct a cost-benefit analysis of carrying out an extensive retrofit. We determined that the magnitude of the upgrades and related higher income stream projected wouldn't generate sufficient ROI. Instead, the owners decided that they would forgo a major retrofit and maintain the property as best they could.

As Nathan Edelson and Mark Guslits, members of the Mayor's Task Force on Housing Affordability, wrote in their Letter to the Editor in *The Vancouver Sun* on October 12, 2012, "An honorable dialogue relies on factual information." We agree! Yet we also note, with some irony, that only one of the 18 members of the task force was an active developer. Why was the development community so poorly represented? Who will finance and build all these housing projects while expecting some reasonable ROI? Unfortunately for taxpayers, Council's response could well be "We don't know, so let's create a new city-paid bureaucracy with no experience to take on the financial and development risk, just as we managed the Olympic Village."

Evaluating Buildings

Over the past six years or so, mortgage and cap rates have plummeted in unison to unprecedented lows. It's become commonplace for 10-year CMHC-insured mortgages to be written under 3%, with some transactions in key rental locations selling under cap rates of 3%. Investors' fixation on cap rates, one also shared by lenders and appraisers, remains a major barometer in determining prices. Lately, however, when setting listing prices for clients and analyzing recent sales, we've seen numerous instances indicating that the criteria used in evaluating buildings is evolving.

The market typically relies on the income or comparable (or "comparison") approach. Within this framework, investors are employing far less obvious, even obscure ways of arriving at appropriate valuations. Stephen Read, an appraiser with Burgess Cawley Sullivan & Associates Ltd., Vancouver, has graciously contributed his professional thoughts on this important subject:

The direct comparison approach reflects the condition and location of a property as well as the income levels and composition. This is less sensitive to the level of rent being charged for the units and the expenses that individual owners deem necessary to manage a building than with the income approach.

There are three different bases for the direct comparison approach: the price per suite, the price per square feet of net rentable area, and the price per room.

Most purchasers of lowrise apartment or townhouse buildings use the price per suite as a guide to value. This method is useful when the unit sizes are unknown and/or where the subject property and the comparable properties have similar unit compositions (i.e., predominantly one-bedroom units).

Purchasers of midrise or highrise apartment buildings often use the price per square foot of net rentable area as a guide to value, as the net rentable area is more often known and there is greater standardization in unit sizes.

The price per room is used in those instances where there is a substantial difference in the unit sizes and composition, such that the price per suite or the price per square feet of net rentable area varies considerably, so that the value of the subject property becomes substantially overstated or understated.

In the price-per-room method, a bachelor unit is two rooms, a one-bedroom unit is three rooms, a two-bedroom unit is four rooms, and a three-bedroom unit is five rooms.

The following additional factors may be considered:

Location

Values range widely with the area; a cap-rate variation of 2% is not unusual even amongst properties only four to five kilometres apart. Properties proximal to major shopping, parks, universities, SkyTrain, or future transit lines or with ocean or mountain views are tenant/investor-advantaged.

Net Leasable Square Feet

Shrewd investors seek out the total net leasable area. Knowing a building's real dimensions helps one justify or reaffirm financial projections both from an income approach and from a cost approach.

Zoning

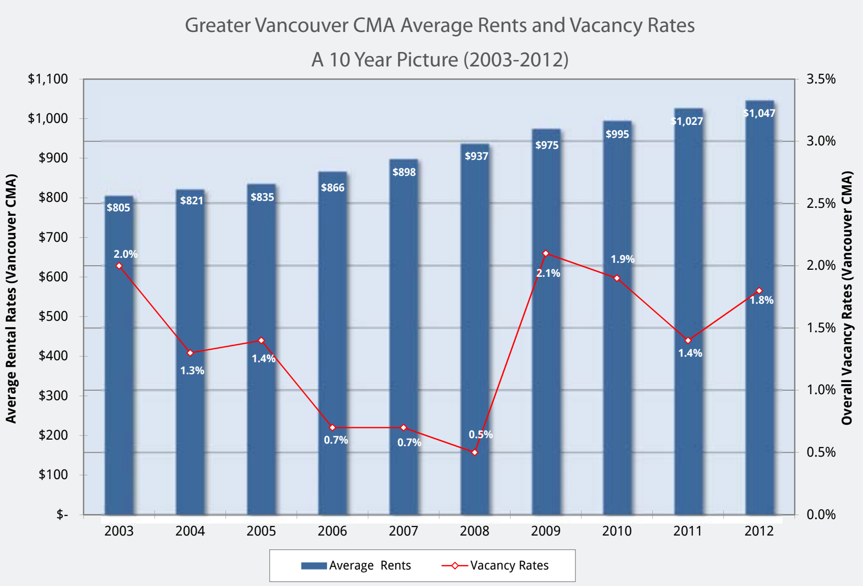
Commercial zoning such as C-2 offers additional versatility to an owner or developer. Some jurisdictions allow condo development without replacement of rentals, but the list is growing smaller. The cap rate in this case is far less relevant if the land value is potentially higher than that realized through the income approach.

Condition

When a building has not been well maintained and related income levels suffer, expect the lower yield or cap-rate figure on acquisition to be only temporary. After a retrofit, an owner realizes a dramatically higher ROI and cap rate.

CMHC Rental Market Report

- The rental apartment vacancy rate for Vancouver CMA increased to 1.8% in October 2012, from 1.4% a year earlier.
- The relative cost of renting in purpose-built rental housing compared to the cost of home ownership will continue to support rental demand and keep vacancy rates in this market segment low.
- The rental condominium vacancy rate remains very low at 1.0% in October 2012 from 0.9% in 2011.
- Average condo rents (built after 2000) in Vancouver are 43% higher than the average purpose-built apartment rentals built between 1960 - 1999.
- In the downtown core, condo rents were approximately 50% higher than their purpose-built counterparts.
- The average rate of rent increase between October 2011 and October 2012 was 1.95%, similar to the rate of inflation.
- Vancouver vacancies increased to 1.4% in 2012 from 0.7% in 2011.



Source: CMHC & The Goodman Report

To the left is a 10 year summary of vacancies in purpose-built rentals in Vancouver CMA (Census Metropolitan Area).

After plummeting sharply in 2011 to 1.4%, vacancies are once again on the rise (1.8% as of Fall 2012). Of the 108,146 suites available, only 1,946 were vacant as of the 2012 survey versus 1,509 in 2011.

For purpose-built buildings, CHMC reports that in the Vancouver CMA, the average rent in 2011 was $1,027, while in 2012 it was $1,047, a 1.9% increase.

In the last 10 years, average Vancouver CMA rates have increased from $805 to $1,047, a 30% increase.

AN ECONOMIST'S FORECAST

Recently we came across a worthy article, "Hope, change, decline, status quo or ... : The U.S. economy and Canada's rental housing market," in *Rental Housing Business* (November 2012), which included in the same issue an interview with Benjamin Tal, deputy chief economist of CIBC. Because of its relevance, we reprint a portion of the interview.

RHB: How will the U.S. economy affect Canada's rental housing market?

BT: Improvements in the U.S. housing market will not directly affect the Canadian rental market. However, those improvements will have an indirect impact. Since interest rates will remain low in the U.S., interest rates will remain low in Canada as well. I think that we will not see any interest rate increases until possibly early 2014, as the Bank of Canada will not want to move differently than the U.S. Federal Reserve.

While I see improvement in the U.S. housing market, I believe that Canada's housing market will soften rather than collapse. The most significant factors include recent changes to mortgage insurance regulations, which have served to price out first-time homebuyers. However, this is positive for the rental market, as these prospective buyers are now moving into rental properties. As interest rates increase, more prospective homebuyers will turn toward renting homes, so I project a stronger Canadian rental market going forward.

Any changes in the U.S. economy will affect the Canadian economy to some degree, and the rental housing market is no different. What has perhaps had a greater impact is Canada's overall fiscal responsibility, which prevented a housing collapse as seen in the U.S. Even though the Canadian economy and the housing market will soften, there will be interesting pockets of growth in different areas of the economy, which includes the rental housing market in various Canadian markets. Variations in demand and supply will affect vacancy rates, but on a country-wide basis the market should experience relative equilibrium.

THE GOODMAN REPORT—A 30-YEAR RETROSPECTIVE

As 2012 drew to a close, aware of the Mayan prediction of the world's approaching end on December 21, we at *The Goodman Report* decided to indulge ourselves with a journey down memory lane. Why not relive 30 years of apartment highlights and hope the Mayans would blow it (which thank goodness they have)?

We first published our pioneering newsletter in 1983. In those days, apartment owners suffered from what can best be described as an information gap. No Internet, apartment newsletters, or expansive articles in the press covered the status of the rental market. Listing details were not always well circulated in those days: realtors often "sleeved" listings, to the detriment of owners and investors alike, and information was for the most part zealously guarded by agents.

Our earliest newsletters were admittedly primitive yet well-intentioned efforts. We reported on 15% mortgage rates, unemployment numbers at the same frightening levels, and West End cap rates at 10–12%. The average suite in a West End highrise was trading at $35,000, with lowrises averaging about $30,000 per door. During those teething years, we repeatedly stressed the cruciality of upgrading, maximizing rental income while paring expenses, caretaking, and management. We described emerging areas worthy of investment, such as South Granville, the North Shore, and Burnaby's Metrotown. *The Goodman Report* was the first to inform owners on Greater Vancouver sales statistics and market trends. With backing from various experts in their respective fields, we communicated tax tips, thoughts on globalization, and the necessity of adequate earthquake insurance and energy audits. We also elaborated on the massive impact of post-Expo Asian investment on Vancouver in the late 1980s.

In the early 1990s, we covered methods of pest control, took unwanted heat from an apartment association after levelling criticism at some of its policies, discussed the availability of federal subsidies for rentals, and shared incidents of NIMBYism resulting from development plans. We recounted the introduction and impact of GST, aired an appraiser's opinion on the escalation of cap rates as the Bank of Canada combated inflation with high mortgage rates, extolled the virtues of Vancouver's Mount Pleasant neighbourhood, and discussed valuations against the backdrop of a looming recession.

Even at the start of the 90s, we were opinionated, commenting on Vancouver's attempts to force local developers to build affordable housing: some things never change! The term "greening" of real estate emerged, and we continued to cover the merits of dealing with deferred maintenance and how best to address it. We commented on the political uncertainty surrounding Social Credit's Premier Rita Johnson and predicted an NDP government soon to set up shop in Victoria (which they did). Knowing that separatism in Quebec might have dire consequences on the Canadian economy and local real-estate recovery, we joined the debate outspokenly, bemoaned the high mortgage rates of 11% while corresponding cap rates were 6–7%, and detailed the burgeoning growth of new rentals by the Vancouver Land Corp. (today's Concert Properties Ltd.).

In the mid-1990s, we debated low inflation and its effect on values, and appraiser Sandra Cawley of Burgess Cawley Sullivan & Associates sized up the market. We expounded upon the need to deal decisively with building leaks and outlined Vancouver City Council's intention to move ahead with plans for the Oakridge/Langara Corridor. As biking was becoming very popular, we recommended that landlords install bike racks. We called out the NDP for its irresponsible spending and highlighted the need to reduce excessive debt in Canada. Given the sluggishness of the local market, we discussed the attractions of U.S. real estate, urged careful review of insurance needs, and offered criticism of B.C.'s Rent Review Guidelines.

Our readers gave supportive feedback, relying on our continued analysis of sales by area. We commented on the latest trend whereby enterprising owners were converting individual suites in buildings to "undivided fee simple title," having discovered how legally to circumvent the restrictions against strata titling. We continued to follow and applaud Burnaby's ambitious plans for growth under the Greater Vancouver Regional District's long-range plans and criticized Bill 50, the Residential Tenancy Act, a draconian piece of legislation dreamt up by the NDP and still in force today.

Throughout the balance of the 1990s, *The Goodman Report* covered topics as diverse as new techniques in marketing apartment buildings, the welcome focus from the Feds on reining in government debt, the continuing separatist aspirations in Quebec, the 74.5-cent dollar, the influence of world events on our local real estate, and tax havens. A tax expert expressed the opinion in our pages that offshore trusts may not be so trustworthy after all. In many articles, we belaboured the need to upgrade buildings and carefully maintain market rents, particularly in view of the anti-business mood emanating out of Victoria.

With the arrival of the new century, we looked at the major impact of the dot-coms on business—including real estate—and the wild speculation on tech stocks. Although the apartment market was stagnant at the time, we expanded in a column called “Add value and maximize return,” whose goal was to promote the benefits realized by investing in one’s own building and, in turn, increasing rents up to 40%. We delighted in gently teasing owners who imagined that green appliances and pink toilets were still in vogue, suggesting that worn carpets, chipped Arborite and dimly lit, shabby lobbies with poor landscaping weren’t up to the standards of typical apartment buildings. We floated the idea that owners discuss the merits of estate freezes with their advisors, outlined the benefits of a “vendor take-back” of a first mortgage at 7.5%, and summarized the business advantage of having a highly professional property management group. We reported on two of the speeches we presented at the Urban Development Institute and the Canadian Property Tax Association, British Columbia Chapter.

In 2001, our lead headline read “The lustre returns.” The article revealed that after a 10-year hiatus, the market was finally showing a resurgence in demand, sales and strong increases in rental rates. The provincial economy was again beginning to stir, migration out had considerably slowed, the BC Liberals had come to power, and the tax on capital gains had been lowered, compliments of the Feds.

It was August 2002. The prime rate was 4.25%; tenants were stampeding to condos, with the result that vacancies moved up sharply. We recommended that readers investigate alter ego trusts through professional advisors and explained the benefits of real estate investment trusts (REITs). Tracking all sales allowed us to report a huge spike in activity and average prices per suite, up greatly over 2001. As activity had languished throughout the 1990s, we characterized 2002 with its stellar performance as a breakout year. Since the marginal tax rate had dropped from 54% to 43%, we outlined the superior net proceeds buyers would now realize on a typical sale.

In 2002, Mark Goodman, a couple years after graduating from university, joined up. David Goodman being a proud father like any other, announced it in our newsletter.

Having always believed in the supportive role of mortgage brokers, we invited Tony Kalla of Westbridge Capital Ltd. to provide an overview of the useful services brokers offer. Throughout the tremendous rise in sales and dollar volumes in 2002 versus 2001, investors had rediscovered apartment buildings with a vengeance, resulting in increases of 100% in dollar volume and 50% in building sales.

In 2003, *The Goodman Report* declared that multi-family investments had recaptured their former glory. With rapidly increasing sales and a surge in average-suite prices, five-year CMHC financing was at 4.5%, and the condo market was on a tear. Even with added cost of taxes and maintenance, acquiring a new condo with 15% down in Yaletown was less expensive than renting. We stressed the need for an owner to have a prudent business plan for upgrades, including the addition of dishwashers, to compete with the sales and rentals of newer condos. We weighed in on the stronger Canadian dollar, described the robust acquisitions by developers of condo sites, and covered the critical need for security in buildings.

By the mid-2000s, condo fever was well upon us. Vacancies had surged, with the West End at 5% and Surrey and Delta at 6%. We urged owners to take more aggressive steps in order to retain tenants and keep them satisfied with timely repairs and even high-speed Internet. We reminded readers that markets can shift dramatically, citing 1989–90 when building transactions for Greater Vancouver dropped from 350 to 200 in only one year: a 43% decline! Further, we reminded our readers that only 50 to 70 buildings had sold yearly from 1994 to 2000. As areas evolved with new transit routes, densification, and urbanization, we forecast significant changes for areas including Southeast False Creek, Surrey’s Central City, and Burnaby’s Middlegate area. In 2004, *The Economist* recognized Vancouver as one of the world’s most liveable cities. Meanwhile, we exhorted readers to join the British Columbia Apartment Owners & Managers Association (BCAOMA) to provide a stronger voice in Victoria.

Reviewing the year 2004, we noted that a total of 133 buildings had sold in Greater Vancouver and that prices were climbing relentlessly. We suggested that Premier Gordon Campbell’s tenure was having a beneficial effect on the province as a whole, as was net migration on rental and vacancy rates. We investigated whether one should be buying or selling apartment buildings and the advantages of both.

2005 was the first year *The Goodman Report* questioned Vancouver's land-use policies. We discussed the fact that multi-family RM zoning hadn't been altered in almost 40 years and suggested that liberalization of density and building forms was long overdue. That same year, we devoted an article to the magnitude of the Internet's influence, especially in transferring useful market intelligence to our readers and to investors world-wide. Our website, directed by Mark Goodman's creative savvy, was redefining the realtor's role as it related to real-estate marketing. In an on-demand world where technology required that information be made available instantaneously, waiting for snail mail was no longer the preferred option. Our ability to communicate with a vast audience exploded as our newsletter subscription rate increased into the tens of thousands world-wide. We described the beneficial impact immigration was having on vacancies. We examined lagging rents from an economic perspective, arguing that they were well under market. In returning to our soapbox, we urged owners to renovate, modernize and move rents up by approximately 40% on turnover wherever possible. Total Greater Vancouver sales hit 162 transactions, and dollar volume soared to 93% over 2004.

In fall 2006, we shared our views in a major newsletter called Musings from Toronto: *How the Big Are Getting Bigger—Much Bigger*. We had gleaned the background for this far-reaching synopsis from having participated as delegates at the Canadian Apartment Investment Conference in Toronto in September that year. At the conference, we had attended diverse panel discussions, speeches, and seminars made up of Canada's leading property managers, economists, developers, portfolio owners, and institutions. We described 2006's performance as a continuation of the bullish trend first evidenced in 2001, suggesting that perhaps the long-awaited rollover legislation that suffering apartment owners had been asking for might be introduced in the 2006 budget. (We were again disappointed.) We closed the year with a $30-million apartment-tower sale in Downtown Vancouver to Wall Financial: the largest apartment transaction that year in Greater Vancouver.

In fall 2007, we commented in our special edition *A Contagious Southern Chill* on the dire economic situation in the U.S. triggered by the collapse of the subprime mortgage market and ancillary financial events. We devoted a column to the benefits of renting versus buying a suite, concluding that renting held the upper hand. Market activity for the first nine months of 2007 indicated that sales would register a decline for the year as compared to 2006.

In November 2007, we published *It's Not Just About Cap Rates*, a distillation of our experiences in the market covering the diverse ingredients used in determining value. The *2007 Year End Review* noted that Greater Vancouver sales had declined to 136 buildings versus 162 the year prior; however, investors were still maintaining a healthy appetite for rental buildings. Mortgage rates were continuing downward, and fear that the recession would head north from the U.S. was causing local concern; vacancies were at a staggeringly low 0.7% in Greater Vancouver. We highlighted how various municipalities were attempting to save their rental stock by jumping on the Vancouver bandwagon of the one-for-one replacement policy and creating their own ill-conceived copycat version of a moratorium on rental demolitions.

In fall 2008, our headline blared, "The market repositions." Problems south of the border were escalating. The severe U.S. recession brought layoffs, bailouts, indictments, and added woes at Freddie Mac and Fannie Mae along with the collapse of Bear Stearns and the bankruptcy of Lehman Brothers. American housing prices were collapsing, as was General Motors stock. During this gut-wrenching period, oil was trading around $140 a barrel.

In Greater Vancouver, condo sales and developers' appetite for sites had declined perceptibly. Similarly, transactions in the apartment market had nosedived, off approximately 40% from the year earlier. According to CMHC's *Rental Market Report*, vacancies were under 1% as candidates for condo purchases concerned about the economy were delaying buying and staying put in their rentals. We published a lengthy column called "Estate planning: Do you have the will?"

In the *2008 Year End Review*, against the backdrop of U.S. economy, we highlighted the severe drop in apartment activity versus 2006–07. A vivid graph for Greater Vancouver rentals helped to illustrate a significant difference existing in rent levels of 40–50% between older purpose-built properties and newer condos. We suggested that an owner could narrow this wide disparity by initiating a comprehensive program of upgrades.

In 2008, the Goodman Team again handled Greater Vancouver's largest single apartment transaction in selling Dolphin Square in Richmond, a 174-unit complex, to Toronto-based CAPREIT for $23 million. We spoke at the Vancouver Real Estate Forum and the BCAOMA, were quoted in 11 articles in local and national newspapers, and spoke out before Vancouver Mayor Robertson, city planners and Council members on a proposed motion calling on the province to amend the Residential Tenancy Act to require landlords to allow tenants evicted for the purpose of renovations to reoccupy their units upon completion at the same rents as they paid prior to the renovations.

Our forecast for 2009 predicted that developers would attempt to build a combination of condos and rentals under the EcoDensity program, assuming of course they could figure out the complicated ground rules. We affirmed that apartment sales would soon recover, that mortgage rates would remain very attractive, that vacancy rates would rise beyond CMHC's optimistic predictions, and that developers would explore new purpose-built rental opportunities.

By mid-year, however, despite our upbeat forecast, Greater Vancouver sales had mysteriously declined with only 35 transactions versus 51 for the same period in 2008. Prices were holding firm, vacancies were at a paltry 0.3%, and offerings were still attracting wide investor interest. When the Short Term Incentives for Rental Housing (STIR) program was introduced, the Goodman Team supported its intentions—to address the issue of rentals and affordable housing in Vancouver—yet remained leery of its success. We expressed hope that the Feds might reduce the GST on housing, provide rollover legislation, perhaps reinstate some of the favourable write-offs abandoned some 35 years before, and finally allow rental housing to qualify for small-business treatment. Alas, on all accounts, there was nothing positive subsequently to report.

In the editorial in our *2009 Year End Review*, we observed that equity and real estate were recovering nicely. Sales and average prices were surging; however, vacancies had increased to 2.1%, up from 1% a year earlier. We outlined how the Canadian REIT's very successful modus operandi lay in adding value and reviewed the difficulty faced by developers in launching new purpose-built rentals in the wake of the STIR program's failure. While the Cambie Line was being completed, we explained that community amenity contributions (CACs) would be Vancouver's way of capturing the majority of the monetary "lift" derived from improved density levels granted by the city. Historically, additional density bonuses and related increases in monetary value would normally have accrued to homeowners. Instead, because developers are required to pay these CACs to the city, a homeowner cannot realize the full value as the city takes away most of the profit. In view of Marpole's proximity to Vancouver International Airport and location on the Cambie Line, we recommended that the city recognize the neighbourhood's untapped potential and allow for its long overdue densification.

2010's forecast predicted that prime offerings would trade under a 4% cap rate, that vacancies would drop, that mortgage rates would remain exceedingly attractive, and that Surrey's ambitious plans to remake Central City would be wildly successful. We indicated that owners intending to sell were increasing their demands on realtors to demonstrate their sales experience and marketing savvy.

Statistics tracked by the *2010 Mid-Year Report* revealed the anomaly that building sales and average prices were pointing up while dollar volumes were stalling. Major buyers remained the REITs, offshore investors, institutions, local families aggressively expanding their portfolios, and modern-day entrepreneurs wanting to try their hands in rentals. We declared that a timely expenditure of approximately $7,500 in a tired vacant suite in select areas might allow for an increase in monthly rents to the tune of $300–400, providing a rewarding two-and-a-half year payback.

In the *2010 Year End Review*, we confirmed that average prices and total building sales had increased, while total dollar volume had decreased significantly. We opined that lower interest rates were seen to be driving the market. *The Goodman Report* also explored how a new breed of investors implementing timely upgrades were aggressively exploiting the rent spread existing between older and newer units. To our chagrin, Vancouver City Council extended the moratorium on demolitions beyond the promised two and a half years. In an article called "Land use: A pitched battle," we spoke of the great divide that existed between the city and the general public on the one hand and developers, landowners, and architects on the other. Both factions readily acknowledged that more housing was required but differed on how best to achieve the goal.

Covering a hypothetical development proposal along the emerging Cambie Corridor, we summarized a typical sequence of events, which included the imposition of significant fees and levies to be borne by the development community, although effectively absorbed by the landowner. We suggested that the City's hard-nosed posturing orchestrated in part by City Manager Penny Ballem, would do little to facilitate prospects for timely development. Reflecting the sentiments of a number of our readers, we urged the city to up-zone or densify further the RM and CD areas and relax the moratorium. In exchange, builders might provide 20% of all saleable area as rentals. In the same issue, Larry Jacobson of Macdonald, Shymko & Co. Ltd., a venerable financial-planning portfolio-management firm, reminded U.S. citizens, especially those owning local properties, to be mindful of the tax implications of earning money from a Passive Foreign Investment Company (PFIC).

In mid-2011, we reported that total sales and dollar volumes were up considerably from the same period in 2010. Demand for assets remained high, mortgage rates were tantalizingly low, and vacancies were around 1%.

In a separate issue published in November 2011, we summarized our latest visit to the Canadian Apartment Investment Conference in Toronto. Benjamin Tal, deputy chief economist of CIBC, predicted growing instability in the U.S. and a possible default by Greece on its debt. He voiced concerns about the levels of debt in B.C. and potential stagnation or even the decline of 5–10% in Canada's housing markets over the few years following. Various high-profile investment groups took the stage. Mark Kenney of CAPREIT described an intensive and very successful retrofit carried out on a major acquisition in Toronto. Further examples of repositioning were given by other speakers; a major Toronto-based investor indicated ironically that the market was so competitive that he "must pay for the privilege of taking on a seller's poor management, lighting and heating deficiencies, and underperforming rent levels" in order to expand his own portfolio. Participants expressed universal willingness to add rental assets and agreed about the increasing demand for quality properties.

The *2011 Year End Review* highlighted investors' love affair with Greater Vancouver assets, and the Goodman Team described the climate as a "perfect storm." The market was signalling a period of strong investor interest within the context of low interest rates, low vacancies, and strengthening employment. The City of Vancouver's inability to encourage ample new rental construction was causing the mayor great consternation. We pointed out the fact that multi-family assets have the rare distinction of being the only real-estate asset that trade well below replacement cost and often at a 50% discount.

In closing, 2012 was one of our best years yet which included the blockbuster sale of Lougheed Village, a 4-tower complex in Burnaby for $90,000,000! In total, the Goodman Team successfully handled 20 transactions on behalf of our clients: 15 apartment buildings in Greater Vancouver, 2 on Vancouver Island as well as 3 local development sites totalling $166M. For 2013, we have already booked $67M in sales volume which includes 3 sales over $15,000,000 each. We are also flattered that *The Goodman Report* was quoted and referenced on 16 occasions in various newspaper and media publications locally and nationally. All our past press coverage, newsletters, market statistics, listings and sales can be found online at www.goodmanreport.com.

"The important thing is not to stop questioning."
— Albert Einstein

GOODMAN'S 2013 FORECAST

- Unless the BC Liberals can engineer a minor miracle over the next few months expect an NDP Government in Victoria.
- In Vancouver we anticipate a surge in development applications for new purpose-built rentals on commercial zoned sites and residential arterial routes.
- We expect a growing percentage of sales over 10 million dollars as apartment buildings are sold for development sites and developers sell their new purpose-built rentals.
- We are looking forward to the introduction of a new BC designed and built housing system that could revolutionize the construction industry.
- The City of Vancouver to ease its policy on rate-of-change and allow for redevelopment in RM- zoned areas.
- Probably another 18 month window remaining before interest rates start moving up.
- Provincial Government will probably not consider funding transit to UBC unless City of Vancouver meets vastly higher density targets along the Broadway Corridor.

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View details of all listings and sales at
GoodmanReport.com

David Goodman
604 714 4778
david@goodmanreport.com

Mark Goodman
604 714 4790
mark@goodmanreport.com

HQ Real Estate Services