

Goodman report:

2012 Six Month Greater Vancouver Apartment Building Market Review

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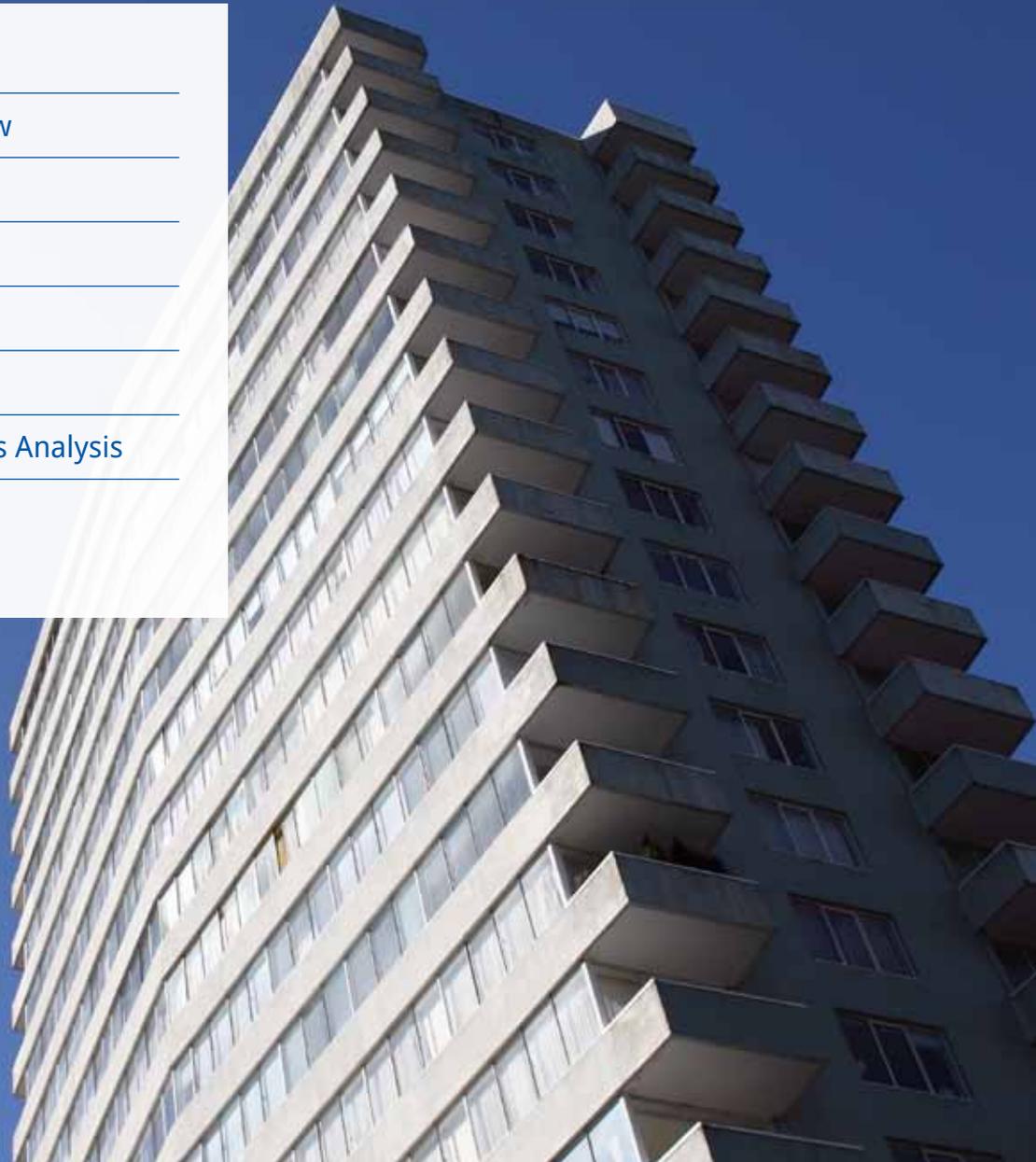
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Multi-Family Statistical Overview

Greater Vancouver apartment sales activity for the first six months of 2012 closely mirrored 2011's performance for the same time period. So far this year, 53 buildings have traded hands vs. 52 last year; 28 in Vancouver and 25 in suburban areas, while 2011 recorded 24 sales in Vancouver and 28 in suburbia.

Vancouver's 2012 dollar volume was \$215,611,000, up dramatically from 2011's \$109,091,000--a 98% increase. In contrast, suburban areas registered approximately \$201,898,000 in sales, close to 2011's figure of \$193,208,055. Total dollar volume combining Vancouver and suburban areas increased to \$417,509,000 for 2012, up 38% from 2011's \$302,299,000.

The total number of suites sold in Vancouver for 2012 was 778--a 54% increase over the 504 units in 2011, while the suburban areas showed a slight decline to 1,210 units, down 6% from 2011's 1,292 units.

In the first six months of 2012, Vancouver's average price per unit was \$277,135, a sizable 28% increase from 2011's figure of \$216,450. Meanwhile, suburban jurisdictions weighed in at \$166,858, registering a 12% increase over 2011's \$149,542 average price per unit.

As in previous years, the traditional stalwarts, Vancouver's West End and Eastside along with New Westminster and Burnaby continue to attract strong investor interest. Vancouver's upscale neighbourhoods of Kitsilano and South Granville experienced only modest activity, with average price increases of 7% and 26% respectively. Vancouver's Eastside, while registering 10 sales, experienced an 8% reduction in per suite averages, whereas the West End recorded a 47% increase.

Burnaby saw 11 transactions for the first six months of this year vs. 7 last year; however, average prices were off 14% to \$163,457 due to a marked decline in developers acquiring existing rental buildings as condo development sites in Metrotown. New Westminster averages remain very similar to 2011 at \$116,016 a suite, with sale transactions somewhat reduced. West Vancouver and Kerrisdale each recorded a rare sale, under a 3% cap rate. Conspicuous, was normally active North Vancouver where only one sale occurred during the first six months of 2012. Demand remains extremely high for this area.

Supply & Demand



It's generally agreed that the extraordinarily depressed interest rate environment is one of the prime catalysts driving Greater Vancouver's local market, yet one could also argue that the perennial fixture of low vacancies and lack of product is also a contributing factor. Our experience suggests that over 50% of today's buyers, particularly with rental buildings averaging over 55 years of age, do not accept the status quo when it comes to a building's state of repair. The commonly heard mantra to rehab, renovate, retrofit or refurbish in order to realize a building's potential has become a key issue for today's investors. Not to be overlooked as the Lower Mainland struggles with growing pressures of supply and affordability is the underlying lands' growing value for redevelopment. This trend is further evidenced by the City of Vancouver's recent announcement on the interim report titled, "Bold Ideas Towards an Affordable City: The Mayor's Task Force on Housing Affordability". Part of the debate is expected to centre on creative housing initiatives calling for the redevelopment of aging, inefficient rental buildings with corresponding densification increases.

On the supply side, aside from those owners wishing to crystallize significant profits for estate planning, retirement, health or reallocation purposes, they've demonstrated little desire to respond to overtures from eager investors, or realtors for that matter, be it for 6 suites or 90 unit concrete high-rises.

Their rationale for "holding on":

1. Low vacancy rates and no new rental construction to compete
2. No "roll over" legislation on disposition
3. Capital gains/recapture tax
4. Difficulty in finding a safe alternative investment vehicle
5. The ability to refinance at record low rates
6. A growing awareness that the land component has become an increasingly precious commodity

To sum up, the market's general tone remains balanced, steady, yet relatively subdued.

Purpose-Built Rentals

It has been almost 40 years since the Canadian Government terminated a program designed to encourage the investment and construction of rental housing. Since the mid-70's, many thousands of investor-owned condos diverted to rental housing use have only partially satisfied tenants' needs, as indicated by extremely low vacancy rates in Greater Vancouver.

During the same period, developers have remained eager to finance and build purpose-built rental projects even without the tax benefits, however, they've been thwarted, unable to achieve the prerequisite ROI, if any return at all.

We expect the climate may be shifting, albeit slowly, and for the better. Municipalities are neither motivated nor able to delve into the housing sector. They recognize that by employing a balanced "carrot and stick" approach and allowing developers to earn sufficient returns, the rental housing shortfall can be decreased. Local planning departments in Greater Vancouver have been offering some modest density and height bonusing combined with relaxed parking, suite size and CACs (Community Amenity Charges) and DCCs (Development Cost Charges) in order to make the projects viable. A testament, however, to the difficult task of launching stand-alone rental projects is the small number of new developments currently in the ground or contemplated in spite of insatiable investor demand. The key obstacle to development of new rentals remains the lack of appropriate concessions from municipal officials. The bottom line: If our elected officials are genuinely intent on creating more rental housing, they must "step it up" and instruct their staff to further sweeten the pot. Aggressively paring the extraneous municipal "add ons" would be an appropriate step.



In a recent illuminating article in the Vancouver Sun, July 6th, 2012, "Mortgage rules won't lower prices", Wendell Cox, co-author of the Demographia International Housing Affordability Survey, states "It should not be surprising that the rationing of land raises house prices" and the high cost of housing is the result of provincially municipal land-use restrictions in urban areas. He goes on to say that other than Hong Kong, Vancouver is the most unaffordable of 325 metropolitan areas they track.

On a personal note, we have fielded numerous developer inquiries from Vancouver Island to the Fraser Valley. They believe their respective condo markets are adequately serviced and are now exploring various avenues which would enable them to profitably develop purpose-built rentals.

Goodman's Forecast



We do not anticipate an easing of Vancouver and surrounding area vacancy rates for CMHC's forthcoming Rental Market Report Fall 2012 Survey. With the Government of Canada's recent tightening of mortgages to 25 year amortization from 40 years, fewer buyers are able to qualify for home purchases. Expect landlords to become the prime beneficiaries as tenants stay put for longer periods. Finally, there is growing sentiment that an NDP Government will oversee BC's Residential Tenancy Office a year from now and that recent strength in immigration and job growth has peaked.

In terms of overall multi-family investment activity, we expect sales to probably equal or slightly surpass last year's number of 111 transactions, while dollar volume already at \$417,509,000 will greatly exceed last year's 12 month total of \$584,000,000.

Statistical Quirks

Twice yearly, The Goodman Report publishes all known apartment sales by area including the average price per suite. The information gleaned from these transactions is merely an informative general guide. Significant price gyrations, especially on a year-to-year basis when transactions are sparse, are not to be construed as the norm. However, one can often discern the telltale signs of intriguing new trends. Presently, we are experiencing an upsurge across all geographic boundaries of resales of extensively renovated buildings well in excess of previous sales averages.

For example, a totally updated 31-suite building in the West End at 2001 Beach Avenue, sold for a staggering \$609,000 per suite from a Mainland Chinese investor. It had previously sold for \$12.5 million or \$403,000 per suite in 2007. Additionally, a 214-suite strata located at 1323 Homer has sold for \$78,620,000 or \$367,383 a suite. Port Moody also recorded 2 sales which can best be described as anomalies—a strata rental at 160 Shoreline at \$268,767 a suite and an extensively modernized rental complex at 125 William Street which sold for \$206,250 per door. Finally, a 12 suite building in North Vancouver located at 161 E. Keith sold for \$3,900,000 or \$325,000 per suite. This 12,500 sq. ft. site will likely be redeveloped.

We are pleased to report that for the first six months of 2012, the Goodman Team successfully handled a total of 15 transactions on behalf of our clients; 10 apartment transactions in Greater Vancouver, 2 on Vancouver Island as well as 3 local development sites totalling approximately \$151,000,000.

Thank you!

Activity Highlights | 2012 Compared 2011

First Six Months | January 1st to June 30th, 2012

Building Transactions

Area	2012	2011	Difference
Vancouver	28	25	+ 12%
Suburban	25	28	- 11%
Total	53	52	+ 2%

Total Units Sold

Area	2012	2011	Difference
Vancouver	778	504	+ 54%
Suburban	1,210	1,292	- 6%
Total	1,988	1,796	+ 11%

Dollar Volumes

Area	2012	2011	Difference
Vancouver	\$215,611,000	\$109,091,000	+ 98%
Suburban	\$201,898,000	\$193,208,055	+ 5%
Total	\$417,509,000	\$302,299,055	+ 38%

Average Price Per Suite

Area	2012	2011	Difference
Vancouver	\$277,135	\$216,450	+28%
Suburban	\$166,858	\$149,542	+ 12%

Transactions / Average \$ Per Suite (Comparisons)

Vancouver Area	2012 Transactions	2011 Transactions	\$ Per Suite (2012)	\$ Per Suite (2011)	% Change
Eastside	10	9	\$148,624	\$161,440	- 8%
Kitsilano	4	2	\$315,759	\$294,211	+ 7%
Marpole	3	3	\$177,777	\$151,977	+ 17%
South Granville/Fairview	4	3	\$277,574	\$219,844	+ 26%
West End	6	6	\$352,080	\$239,884	+ 47%
Suburban Areas	2012 Transactions	2011 Transactions	\$ Per Suite (2012)	\$ Per Suite (2011)	% Change
Burnaby	11	7	\$163,457	\$190,000	- 14%
New Westminster	6	9	\$116,016	\$119,927	- 3%

Apartment Building Sales | Vancouver Lower Mainland

January 1st to June 30th, 2012

ADDRESS	SUITES	PRICE (\$)	\$/UNIT	ADDRESS	SUITES	PRICE (\$)	\$/UNIT
Vancouver (East Side)				Burnaby			
* 2250 Dundas	18	2,745,000	152,500	4225 Grange	48	7,500,000	156,250
1617 Gravely	31	4,600,000	148,387	* 6557 Burlington	31	5,000,000	161,290
360 E. 13th Ave	20	3,170,000	158,500	6692 Sussex	11	2,000,000	181,818
2154 Dundas St	18	2,103,000	116,833	6695 McKay (DS)	62	10,150,000	163,710
111 E. 27th Ave (EST)	12	2,300,000	191,667	5170 Hastings	12	1,840,000	153,333
1817 Victoria	11	1,300,000	118,182	7465 13th Ave	26	2,080,000	80,000
3429 Porter (MU)	11	1,915,000	174,091	4241 Maywood	19	3,080,000	162,105
2164 Wall St	8	1,450,000	181,250	4916 Imperial (MU)	20	3,380,000	169,000
2345 Dundas	47	5,750,000	122,340	3836 Carrigan	65	8,793,000	135,277
3080 E 54th Ave	18	3,500,000	194,444	* 6780 Sussex	12	2,500,000	208,333
Total	194	28,833,000	148,624	Total	306	46,323,000	151,382
Vancouver (Kerrisdale)				* 9500 Erickson (4 HR complex) 528 price suppressed			
* 2095 W. 44th Ave	12	3,450,000	287,500	Coquitlam			
Vancouver (Marpole)				201 Laval St 25 2,950,000 118,000			
* 8735 Selkirk St	22	3,850,000	175,000	Maple Ridge			
8771 Granville (EST)	12	2,100,000	175,000	* 22235 119th 23 1,720,000 74,783			
8644 Cartier	11	2,050,000	186,364	New Westminster			
Total	45	8,000,000	177,778	335 Fifth St 26 3,350,000 128,846			
Vancouver (Kitsilano)				441 Ninth 12 1,710,000 142,500			
1615 Vine St	17	5,150,000	302,941	44 Leopold Place 11 1,250,000 113,636			
2086 W. 2nd Ave	29	9,200,000	317,241	333 Tenth St 41 4,185,000 102,073			
2486 York (HR)	61	18,300,000	300,000	309 Agnes 22 2,620,000 119,091			
* 2250 York	14	4,800,000	342,857	331 Agnes 16 1,735,000 108,438			
Total	121	37,450,000	315,759	Total 128 14,850,000 116,016			
Vancouver (S Granville)				Langley			
* 1030 W. 14th Ave	32	8,500,000	265,625	* 20011 56th Avenue (ST) 35 5,400,000 154,286			
1135 W. 11th Ave	11	2,625,000	238,636	Port Moody			
1364 W. 10th Ave	11	3,150,000	286,364	160 Shoreline Circle (ST) 42 11,288,000 268,762			
2975 Oak (DS)	14	4,600,000	328,571	125 William St 32 6,600,000 206,250			
Total	68	18,875,000	277,574	Total 74 17,888,000 241,730			
Vancouver (West End)				Surrey			
2001 Beach Ave (HR)	31	18,900,000	609,677	17788 57th Ave 36 3,210,000 89,167			
1540 Haro St (EST)	28	5,000,000	178,571	West Vancouver			
1040 Barclay (HR)	40	10,398,000	259,950	1740 Esquimalt (HR) 43 15,657,000 364,116			
852 Nicola	16	3,645,000	227,813	North Vancouver			
1365 Burnaby	9	2,440,000	271,111	161 E. Keith Rd. 12 3,900,000 325,000			
1323 Homer (ST)	214	78,620,000	367,383				
Total	338	119,003,000	352,080				

* SOLD BY THE GOODMAN TEAM

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

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

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



New Listing

626 East 44th Avenue, Vancouver

18-Suite Apartment Building \$3,295,000
Clean & well maintained. Main/Fraser neighbourhood.



New Listing

1929 West 3rd Avenue, Vancouver

53-Suite Apartment Building. Well maintained. Site size 225' x 120'. \$16,900,000
Prime Kitsilano neighbourhood. Views from third floor.



New Listing

1715 West 11th Avenue, Vancouver

65-Suite Apartment Building. Site size 250' x 125'. \$18,500,000 (offers)
Prime South Granville neighbourhood.



New Listing

531 Lonsdale Avenue, North Vancouver

15-Suite Apartment Building in prime Lower Lonsdale. 4.9% cap rate. \$6,520,000
Totally rebuilt to a high-end condo quality. All 2 Br's (11 split-level suites).



New Listing

Cambie Corridor, Vancouver

82-Suite New Rental Construction \$29,950,000
Build-to-suite. 4.3% cap rate.



Under Contract

Mixed-Use Complex, New Westminster

135-Suite Residential Concrete Tower \$26,075,000
& 1.1 Acre High-Density Development Site



Under Contract

15088 Thrift Avenue, White Rock

9-Suite Strata-Titled Apartment \$2,295,000
Central White Rock location



Sold

2250 York Avenue, Vancouver

14-Suite View Apartment \$5,600,000
Prime Kitsilano location with two P/H suites

**Greater Vancouver's #1 Multi-Family
Investment Resource**

View details of all listings and sales at
GoodmanReport.com

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