

# *THE GOODMAN REPORT*

**Commercial Real Estate: Is it  
Still a Golden Time to Invest?**

Urban Development  
Institute of British  
Columbia  
Pan Pacific Hotel

September 24, 2002



# *THE APARTMENT MARKET*

## The Lustre Returns

Understanding why apartment buildings are one of the hottest investments in Real Estate today

A report by David Goodman



## ***MARKET SENTIMENT: 1999***

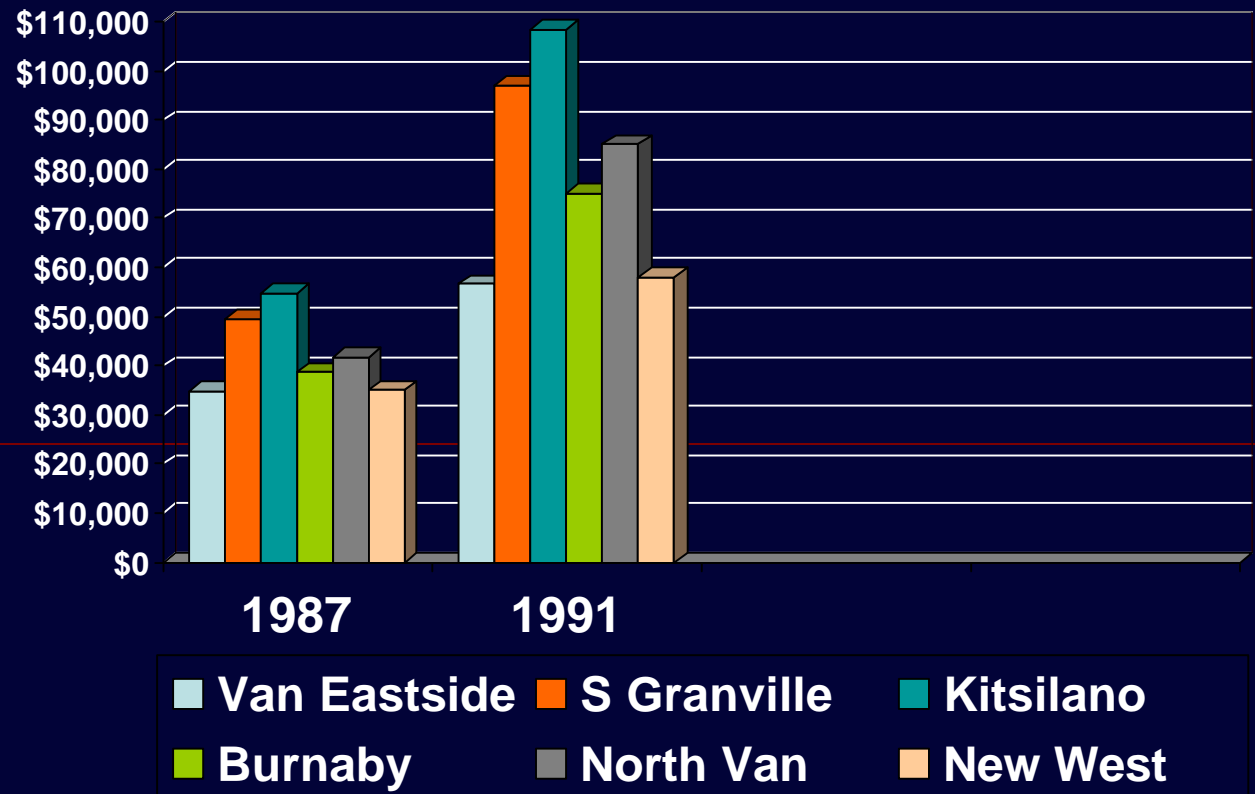
### **Negative Factors Working Against the Industry Under the Previous Government**

- Poor global view of BC
- High taxes
- Intrusive government policies
- Leaky condo scare
- Migration of population



# FIFTEEN YEARS AGO

A Period of Wild Exuberance: Between 1987 – 1991 Average \$ / Suite Rose 62% - 103% Depending on the Area.



# *INVESTMENT RATIONALE*

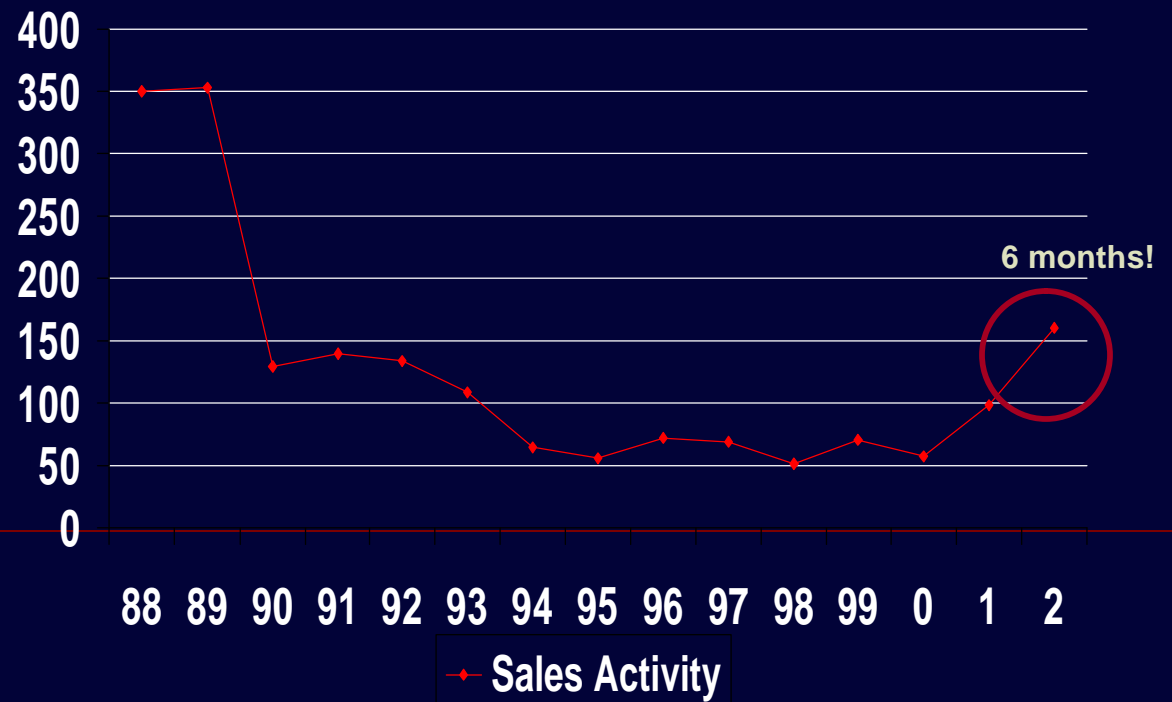
## Boom of the Late 1980s

- Period of high inflation
- Post Expo wave
- Capital appreciation vs NCF



# MARKET VOLATILITY

Sold Buildings 1988-2002:



# MARKET INERTIA

## 1991 vs 2001

Average \$ / Suite:

	1991	2001	Variance
<i>Van East</i>	56,689	58,007	2.3%
<i>Kits</i>	108,523	117,137	8.0%
<i>S Granville</i>	97,130	105,825	9.0%
<i>Burnaby</i>	75,166	74,371	-1.0%
<i>New West</i>	58,080	47,519	-18.0%
<i>North Van</i>	85,141	78,070	-8.0%



# *POSITIVE FACTORS 2002*

## **A Convergence**

- New Liberal government
- Lower provincial taxes
- Capital gains reduction
- New rental construction
- Lower vacancy rates
- Low mortgage rates
- Institutional investors
- Proposed new Residential Tenancy Act
- Stock market woes



# ***THE MONTEREY***

**633 West 8<sup>th</sup> Avenue**

Low rise apartment:

<b>Mix</b>	<b>Sq. Ft.</b>	<b>\$ / Sq. Ft.</b>
<i>Studio</i>	<b>391</b>	<b>2.14</b>
<i>1 Bedroom</i>	<b>566</b>	<b>1.74</b>
<i>1 Bedroom &amp; Den</i>	<b>602</b>	<b>2.07</b>
<i>2 Bedroom &amp; Den</i>	<b>724</b>	<b>1.83</b>



# ***THE MONTEREY***

**603 West 8<sup>th</sup> Avenue**

Mid rise apartment:

<b>Mix</b>	<b>Sq. Ft.</b>	<b>\$ / Sq. Ft.</b>
<i>Studio</i>	<b>460</b>	<b>2.14</b>
<i>1 Bedroom</i>	<b>500</b>	<b>2.09</b>
<i>1 Bedroom &amp; Den</i>	<b>628</b>	<b>1.90</b>
<i>2 Bedroom &amp; Den</i>	<b>687</b>	<b>2.32</b>



# YEAR TO YEAR COMPARISON

## Summary of Recent Activity:

2001 vs 2002 (6 months)

2001	12 months		2002	6 months	
<i>Buildings sold</i>	<i>suites</i>	<i>\$ volume</i>	<i>Buildings sold</i>	<i>suites</i>	<i>\$ volume</i>
99	2,399	186,850,450	86	2,195	197,838,450



# *YEAR TO YEAR COMPARISON*

## Summary of Recent Activity:

### First 6 Months – 2002 Highlights

	2001		2002	
Area	Sold	Avg/suite	Sold	Avg/suite
East Van	14	57,979	15	58,007
Kits	12	115,396	12	119,019
South Granville	8	105,515	10	105,828
Burnaby	13	68,562	12	74,371



# MARKET FUNDAMENTALS

## Then and Now

Why is today's market so totally different from the late 1980s?



Late 1980s	2002
<ul style="list-style-type: none"><li>• Inflation</li><li>• Speculation</li></ul>	<ul style="list-style-type: none"><li>• No inflation</li><li>• Buying on fundamentals</li></ul>
<ul style="list-style-type: none"><li>• 10% mortgages</li><li>• 5.5% - 7.5% cap</li><li>• NCF</li></ul>	<ul style="list-style-type: none"><li>• 5.0% - 6.0%</li><li>• 5.5% - 8.5% cap</li><li>• PCF</li></ul>

# LESS TAXING TIMES

## Owners Finally Getting a Break

Sale Price	\$3,000,000
Capital Gain	\$1,500,000
<hr/>	
Recapture	\$500,000

	1997 (\$)	2002 (\$)
Taxes on capital gains	607,500	322,500
Taxes on Recapture	270,000	215,000
Total tax	877,000	537,500
Net proceeds after tax	2,123,000	2,462,500

**TAX SAVINGS \$339,000!**



# *WHO ARE TODAY'S BUYERS?*

## **A Profile**

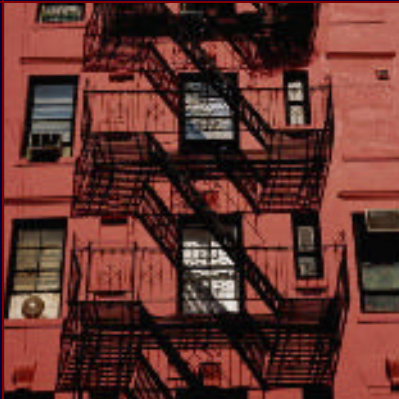
- Owners of mid-sized portfolios (100-300 suites)
- Institutions
- Older, established families
- First time buyers
- Offshore buyers



# *WHERE IS IT HOT?*

## Areas

- Vancouver's Eastside
- Kits
- Burnaby
- North Vancouver
- New Westminster
- White Rock
- South Granville



# *WHAT'S HOT?*

## Some Trends

- Concrete high rises
- Added value
- Strata



## MAJOR APARTMENT SALES 2002

Address	Suites	Price	CAP	Seller	Buyer
<b>4750 Arbutus, Vancouver</b>	101	<b>22.5 M</b>	7.3	Polygon	GWL
<b>2425 West 4<sup>th</sup>, Vancouver</b>	66	<b>7.74 M</b>	6.75	Canada Lands	Bastion
<b>3525 W. Broadway, Vancouver</b>	62	<b>7.36M</b>	6.75	Canada Lands	Bastion
<b>1450 W. Georgia St., Vancouver</b>	163	<b>21 M</b>	—	PCI	—
<b>14989 Roper 1371 Blackwood, White Rock</b>	93	<b>8.95 M</b>	—	Vanac	GWL
<b>2170 West 44<sup>th</sup>, Vancouver</b>	51	<b>7.24 M</b>	—	Vertone	—
<b>621 8<sup>th</sup> New Westminster</b>	—	<b>6.5 M</b>	7.5	Lim	Eugene Mah
<b>6545 Bosnor Ave, Burnaby</b>	93 + comm	<b>11 M</b>	7.0	Bernhardt	Wardman Grosvenor



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