

REAL ESTATE ROUNDUP

PETER MITHAM

*Metro Vancouver apartment market heats up heading into 2012; the region's housing starts are also higher than CMHC forecasts*



Apartment sales rise

The numbers are in: sales of apartment blocks in the Lower Mainland totalled 110 last year, up from 90 in 2010 and the greatest number of sales since 2007. While the total volume of sales – \$577.1 million – didn't match the tally of \$648.5 million achieved in 2005 (when 162 properties changed hands), the per-suite price continued its "relentless climb" to \$175,741.

All this is according to apartment brokers David and Mark Goodman at HQ Commercial Real Estate Services Inc. HQ principal David Goodman attributed the activity to low inter-

"It's one of the few asset

classes where you can

almost get an immediate

increase in value"

- David Goodman, principal, HQ Commercial Real Estate Services

est rates and investors seeking good returns.

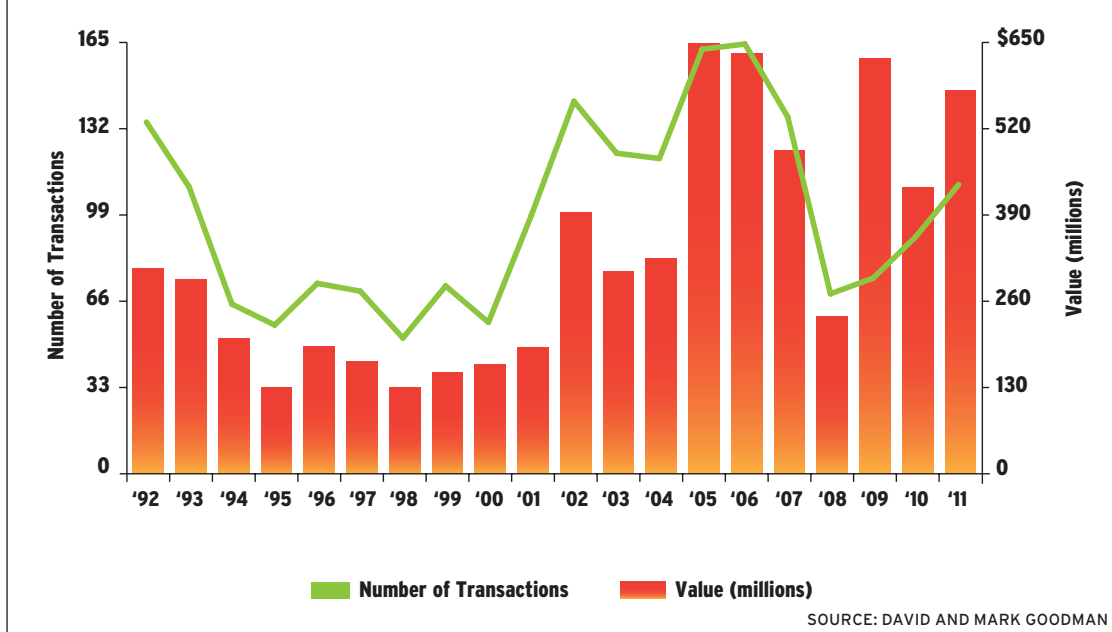
"It's one of the few asset classes where you can almost get an immediate increase in value if you're a smart guy," said Goodman, who expects increased transaction activity in 2012.

Buildings are trading at half their replacement cost, allowing savvy buyers to snap them up and make changes that can materially affect the market cap – a key measure of the return investors anticipate.

Apartment buildings, which average close to 60 years old in Vancouver and typically have regular turnover, allow

Lower Mainland multi-family building sales: 1992-2011

Apartment sales strengthen with investor demand



SOURCE: DAVID AND MARK GOODMAN

improvements to be made relatively quickly.

"Of the numerous buildings we've sold in the past few years, many of them have been targeted with the expressed intention of optimizing [their] value quickly, in a year or less. Something that's very difficult to do with other asset classes," Goodman said. "You can't just move it from a 4 [%] cap to a 5 [%] cap in one year in most other investments. ... The big boys can do it with shopping centres, but it's a five-year plan."

Some perspective

What makes Vancouver attractive to investors, however, isn't what makes for good returns. The value in the city's notoriously tight rental market comes from the fundamental value properties have in any constrained market, not necessarily cash flow.

Indeed, crunch the numbers from Canada Mortgage and Housing Corp.'s latest rental

market survey and Vancouver leads in neither increase in rents (thanks to provincial controls on annual increases within tenancies) nor low vacancies. Vancouver may boast high rents, but CMHC research indicates that increases in those rents averaged just 2.3%, with the biggest gains seen in studio and two-bedroom rents. The overall average rent in the Vancouver region is \$1,027.

Similarly, while segments of the local rental market may experience vacancies of less than 1%, vacancies in the market as a whole average 1.4% – on par with Toronto, but still well above such locales as Estevan, Gander or Thompson, Manitoba (vacancies: zero).

Housing starts healthy

The latest CMHC figures also show that a conservative estimate has given way to better-than-expected starts in the Vancouver housing market.

A year ago, the CMHC was

reticent to offer any firm estimate on where housing starts were heading in 2011.

"With housing demand softening and increased supply on the resale market, housing starts are expected to remain flat in

2011," the CMHC remarked in its *Housing Market Outlook report for Fall 2010*.

According to a statement that November from senior market analyst Robyn Adamache, "Homebuilding will increase modestly next year as developers seek to add to the stock of housing to accommodate approximately 16,000 to 18,000 new households each year."

The housing outlook conference last November was a bit more upbeat. It forecast 17,000 starts for 2011, and 18,000 for next year.

The actual 2011 tally was 17,867, which was driven largely by multi-family projects that yield value for consumers and better margins for developers.

This pegs the five-year average at 81,750 units – well below the 90,000-plus seen in the late 1980s and early 1990s, but still well above the dark days a decade ago, when the five-year average was a 1960s throwback at 55,570 units. ■

pmitham@telus.net

**FOR LEASE**

**SPECTACULAR WATERFRONT LODGE**  
BOWEN ISLAND, BRITISH COLUMBIA

- 2.6 acre, 400' oceanfront site
- Dining facilities, meeting rooms, kitchen
- 11,000 SF, 23 room lodge
- Substantial 200' pier and dock

**FOR MORE INFORMATION, PLEASE CONTACT:**  
Marshall MacLeod | 604 662 5139  
marshall.macleod@cbre.com

**CBRE**

CBRE Limited, Realtor

Real Estate Excellence Awards

Get the recognition your project deserves through the NAIOP Vancouver and Business in Vancouver's Real Estate Excellence Awards!

The NAIOP Vancouver and Business in Vancouver Real Estate Excellence Awards recognize quality and performance, innovation and creativity, teamwork and collaboration, as well as community and environmental awareness. This is a great opportunity to promote your work to Vancouver's business community and the commercial real estate industry.

PRESENTED BY:



**Deadline:** Extended to February 29, 2012  
**Submission:** Only basic information required initially  
**Eligibility:** Calendar years 2010-2011. Project team must include at least one NAIOP Vancouver member

**Submission information and nomination forms:** go to [naiopvcr.com](http://naiopvcr.com) or [biv.com/realestateawards](http://biv.com/realestateawards)

>Special finalist coverage in BIV May 15  
>The Awards Gala May 30, 2012 at the Four Seasons Hotel, Vancouver.  
**Tickets:** available now online at [www.biv.com/events](http://www.biv.com/events)

Sponsorship opportunities available.  
Contact **Chris Wilson** at 604-608-5150 / [cwilson@biv.com](mailto:cwilson@biv.com)