

INSIDER **bc**apartment*

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*MULTI-FAMILY REAL ESTATE INVESTMENT MARKET REPORT

Open For Business!



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eCo Realty[®]
COMMERCIAL DIVISION

Dear Client,

After 15 years as a multi-family specialist and a year abroad developing relationships with my European clients, I am excited to announce that I have joined eCo Realty Commercial Inc. as Vice President.

To launch this new endeavour, I am extremely pleased to present you with **BC Apartment Insider**, comprised of a sophisticated, but easy-to-navigate internet portal www.BCApartmentInsider.com, and a quarterly multi-family real estate investment market report that will give valuable insight and analysis of the Greater Vancouver apartment market.

BC Apartment Insider is written for the local experienced Apartment Investor, but also for newcomers to the marketplace, especially European investors with their sights set on Vancouver.

We promise to deliver a clear, accurate and unbiased view of the British Columbia multi-family investment market, helping you and/or your company make the most informed decisions not only in the purchase and sale of multi-family assets, but also during the years of management that can be so crucial in your building's ability to generate revenues and enhancing value in the long term.

At www.BCApartmentInsider.com you have the ability to view not only our multi-family investment opportunities online but also all investment opportunities currently available through the Greater Vancouver Real Estate Board's MLS System.

Also very useful for all market participants is the 'Industry Links' feature, that connects clients to roofers, plumbers and all the trades that are necessary in the operation of your apartment building.

I look forward to building our relationship in the decades to come. It is my continuing goal to be among the most active in the multi-family investment sector by completing transactions with integrity, providing outstanding service and, most importantly, helping my clients execute their real estate strategy, maximizing the value of their investment.

Yours Truly,



Daniel M. Schulz
Vice President, Eco Realty Inc.
BC Apartment Insider

THE B.C. APARTMENT MARKET

B.C. Apartment Market Density

British Columbia's apartment market is led by Vancouver with over 100,000 apartments, trailed by Victoria with 23,335 apartments. The remaining cities in British Columbia (not including suburbs of Vancouver) have very small apartment markets at best. Ratios of apartments to population also show considerable variation from city to city; Vancouver is in the middle of the province with 4.9 apartments per 100 people, while New Westminster and North Vancouver have 13.9 and 13.0 apartments per 100 people respectively. The lowest is in Richmond and Surrey, areas south of Vancouver, with only 1.3 apartments per 100 people.

2010 Highlights

The multi-family market sales volume in Metro Vancouver is up from 2009 with approximately 40 multi-family properties

with an aggregate value of approximately \$130 Million having traded in the first half of 2010 as compared to only 35 buildings trading in the first half of 2009 and a total sales of \$89 Million.

2010 Market Trends

Rarely seen in recent years, due to Vancouver's high priced real estate (as compared to the rest of the world), more and more developers are building new multi-family rental buildings. There are still not many such ventures but their frequency is on the rise.

In terms of population growth, Metro Vancouver expects to absorb 40,000 new immigrants and migrants from other provinces in 2010, which should represent some 16,000 to 18,000 new households in need of some form of accommodation. (Source: Derek Penner, Vancouver Sun, July 2010)



Vancouver's average commercial capitalization rates – in the 6 per cent range – are among the lowest in the world and the city has 'prices that defy gravity'. A Price Waterhouse Cooper study however, suggests: "Don't bet against Vancouver; it does well in any circumstance, but outsiders will have difficulty finding many investment opportunities." (Source: Frank O'Brien, *Western Investor*, January 2010)

Owners of extensive building portfolios are as in the past reluctant to sell but have recently been spurred to expand their holdings due to the low cost of borrowing. Their extensive holdings allow them to prevail over smaller investors in Vancouver's low capitalization rate environment and the mortgage financing rules.

B.C. Rental Vacancy and Rents

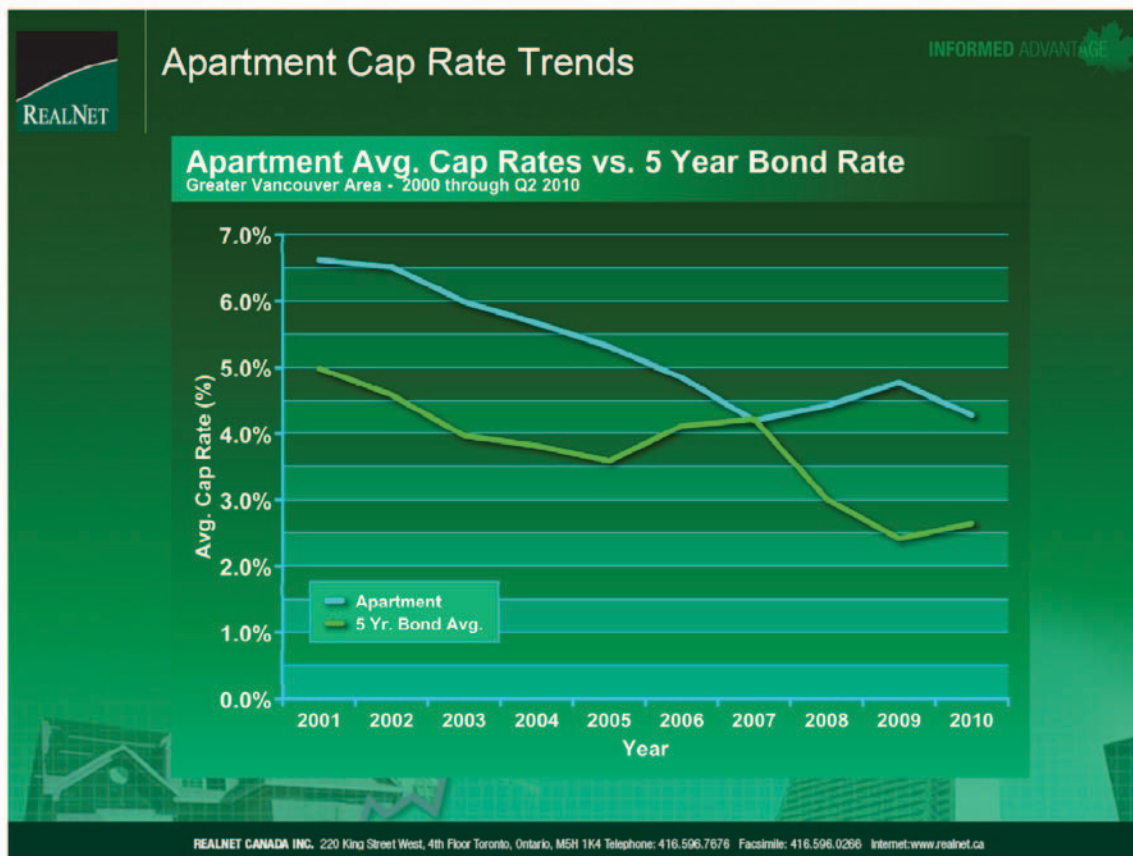
The apartment market vacancy rate in the GVRD (Greater Vancouver Regional District) is 2.2% in 2010 slightly up from 1.9% in the spring of 2009 and 2.1% in the fall of 2009. The increase represented opposing forces of higher levels of

first-time home ownership and job cuts during the recession resulting in young tenants doubling up or moving back home. Both trends helped take renters out of the market, according to, Robyn Adamache, CMHC's market analyst for Metro Vancouver.

Adamache added that an increase in the supply of rental housing in 2009 saw 915 new rental units added to the overall stock also helped raise the vacancy rate. For Metro Vancouver, the rate is a far cry from recent years when apartment vacancy slipped below one per cent.

For some apartment owners, the shift in vacancies has meant more aggressive advertising and creativity in attracting tenants.

Adamache also added that the rise in vacancies has helped keep rent increases in check, with payments in Metro Vancouver edging up 2.3% over a year ago, which is the limit on annual rent increases in British Columbia. (Source: D. Penner, *Vancouver Sun*)



All surveyed centres in British Columbia and the Prairies saw vacancy rates rise with Abbotsford and Prince George being among the highest vacancy rates in the country both being at 6.6%, with Windsor, Ontario being the highest in the country at 12.4%.

City	Vacancy Rate	2-Bdrm Avg.
Vancouver	2.2%	\$1,150
Victoria	2.5%	\$999
Nanaimo	4.3%	\$773
Prince George	6.6%	\$697
Kamloops	2.3%	\$830
Kelowna	3.7%	\$896
B.C. Avg.	3.2%	\$983

(Source: CMHC Rental Market Report, Spring 2010)

Average Monthly Rents

The highest average monthly rents for two-bedroom apartments in new and existing structures in Canada's centres were in Vancouver at \$1,150 per month. The only other major centres in Canada that displayed monthly rents at or above \$1,000 per month were Toronto (\$1,134), Calgary (\$1,082) and Ottawa (\$1,061). Victoria and Edmonton were very close at \$999 and \$994 per month respectively. For comparisons sake, the lowest average monthly rents for two-bedroom apartments were in Saguenay (\$522), Trois-Rivières (\$531) and Sherbrooke (\$556). All in all, Vancouver apartments are still a bargain when you think about markets like New York, Toronto and Montreal. As a world city in the spotlight, Vancouver has room to grow.

New Rules and Regulations

The (HST) Harmonized Sales Tax, is a consumer tax resulting from the combination of the Canadian Goods and Services Tax (GST - 5%) and Provincial Sales Tax (PST-7%). The HST which totals 12% on a purchase is collected by the Canada Revenue Agency (CRA) which then remits the appropriate amounts to the participating provinces. Prior to the implementation of this tax only the GST of 5% was applied to the purchase. Ontario and B.C. implemented Harmonized Sales Tax (HST) July 1, 2010, joining Nova Scotia, New Brunswick, and Newfoundland and Labrador where HST has already been in effect since 1997. Landlords carry the brunt of the increased cost as they face higher costs to manage their real estate with no opportunity to recover these losses from tenants.

New Financing Rules – applying to CMHC (Canada Mortgage and Housing Corp.) insured mortgage financing, mean that buyers must qualify at the five-year mortgage rate, even if they take a lower-rate mortgage, and buyers of investment homes must put down 20 per cent minimum, compared with 5 per cent in the past. The new rules have minor impact on buyers of apartment buildings. (Source: Frank O'Brien of Western Investor and Peter Kinch of Dominion Lending Centres)

Five Year Bond Rate **3.30%**

Bank Prime Rate **3.00%**

Rent Increase Limit 2011 **2.30%***

**as determined annually under B.C. Rent Control Legislation. Please note that upon turnover of tenancies, B.C. landlords may set the rent at market rates regardless of the previous rent level. B.C. Rent Control only affects long term tenancies.*

MARKET OUTLOOK

- Stable Prices for Multi-family Assets
- Continued Low Vacancy Rates
- Increased Buyer Competition with Local Players continuing to dominate, but more national institutions making aggressive pushes to be in the market
- Increased Interest from National and Foreign Investors
- Increased Developer interest for rental housing

Average Prices Per Suite in the GVRD

2009		
Area	# of Buildings Sold	Avg. price per suite
Abbotsford	3	\$199,494
Burnaby	15	\$123,729
Chilliwack	7	\$82,162
Coquitlam	6	\$109,500
Delta	-	-
Langley	3	\$35,965
Maple Ridge	6	\$117,621
Mission	1	\$45,247
New Westminster	8	\$108,639
North Vancouver	9	\$196,682
Port Coquitlam	-	-
Port Moody	1	\$219,700
Richmond	-	-
Surrey	6	\$124,508
Downtown	4	\$94,407
Downtown Eastside	6	\$84,068
Eastside	17	\$146,455
Cambie	1	\$163,462
Fairview	6	\$215,366
Kitsilano	3	\$309,298
Kerrisdale	1	\$253,000
Marpole	9	\$130,900
Mount Pleasant	1	\$285,000
Oakridge	1	\$252,818
UBC Point Grey	1	\$318,182
Shaughnessy	1	\$166,250
West End	7	\$200,046
West Vancouver	1	\$343,750
White Rock	1	\$166,346
BC Interior	7	\$70,832
Total	132	

2010		
Area	# of Buildings Sold	Avg. price per suite
Abbotsford	5	\$82,011
Burnaby	9	\$132,097
Chilliwack	5	\$98,272
Coquitlam	1	\$107,813
Delta	1	\$113,235
Langley	6	\$144,286
Maple Ridge	5	\$99,385
Mission	-	-
New Westminster	10	\$110,325
North Vancouver	5	\$143,095
Port Coquitlam	-	-
Port Moody	1	\$123,500
Richmond	-	-
Surrey	1	\$893,333
Downtown	2	\$45,405
Downtown Eastside	-	-
Eastside	17	\$139,979
Cambie	2	\$204,097
Fairview	6	\$230,496
Kitsilano	6	\$249,537
Kerrisdale	-	-
Marpole	3	\$173,863
Mount Pleasant	1	\$257,000
Oakridge	-	-
UBC Point Grey	1	\$203,333
Shaughnessy	1	\$274,545
West End	9	\$243,271
West Vancouver	1	\$289,683
White Rock	-	-
BC Interior	5	\$126,410
Total	103	

(Data Courtesy of RealNet and Commercial Listings Service)



DANIEL M. SCHULZ

Vice President, Eco Realty Inc.

Daniel M. Schulz is an apartment building specialist with 15 years of experience in facilitating major multi-family investment transactions. He has developed a targeted approach to multi-family investment marketing and sales through employing the best use of e-brochures and electronic media and the quarterly publication of BC Apartment Insider.

Daniel has cultivated an extensive network of relationships with local, national and global investors who turn to him for superior insight into Greater Vancouver's commercial investment climate and accurate assessment of an asset's cash flow potential. He is proud to have had the opportunity to provide service for such valued clients such as Mainstreet Equity Corp, Empire Group, Abacus Capital, TransGlobe Property Management Services, Western Income Properties, Aquilini Group, Hollyburn Group, PCI Group, BC Housing. Daniel is also well versed in British Columbia's Mobile Home Park Market and has access to a complete database of all owners in British Columbia.

Originally from Düsseldorf, Daniel is proficient in the German language, and will serve you well if that is the language of your preference. For the past 10 years, Daniel was the Coordinator for European Investments at a leading international real estate brokerage where he forged relationships with key players of the German open-ended and closed-ended investment funds, as well as private individuals representing large pools of capital.

In 2010, Daniel joined eCo Realty Commercial as Vice President.

Professional Accomplishments

- Rookie of the Year 2001, Colliers International
- Consistently among the Top Sales People in the Multi-Family Investment Industry
- Speaks German fluently
- Over \$60 Million in Sales in 2007
- Marketed and sold over \$350 Million in real estate in 20 cities and towns located throughout Western Canada, since 1998

Education

- BAH, Queen's University, Bachelor of Arts, Honours Economics, Class of 1996
- Graduate Program, Urban Planning Issues & Concepts, University of British Columbia
- Canadian Securities Course 1997

Affiliations

- Associate Member BC Apartment Owners and Managers Association (BCAOMA)
- Real Estate Board of Greater Vancouver

APARTMENT CONFERENCE BY THE SEA 2010



Every two years the BC Apartment Owners and Managers Association (**BCAOMA**), Institute of Real Estate Managers (**IREM**), and the Professional Association of Managing Agents

(**PAMA**) organize and promote this ideal networking event for the purpose of sharing knowledge between building owners, tradespeople, property managers and Realtors®.

Industry participants are easily approached and benefit from the networking opportunities provided in a tropical environment such as educational seminars, 'think tank' breakfast meetings exclusive social events, a mini trade show, and exclusive cocktail socials. It is a perfect environment for making new contacts and friends in the industry as well as getting your own name out there!

In 2004 the destination for the first Apartment Conference at Sea was Alaska, in 2006 the cruise conference explored the Mayan Riviera, docking in Acapulco, Puerto Vallarta, Mazatlan and Cabos San Lucas. In 2008 the Apartment Conference at Sea took us to Puerto Rico, the island of St. Thomas and the island of St. Martin.

This November 6th - 13th, 2010, the Conference will take place in the sun and by the sea in Tulum, Mexico and is sure to be another multi-family networking success.

TIPS FOR FOREIGN INVESTORS

The demand for multi-family investments in Greater Vancouver has been larger than the supply going back several decades and the ownership in our market is for the most part private as opposed to institutional as is the case in markets such as Calgary or Toronto. As a result, new investments that come up for sale in our marketplace are highly sought after and it is the investor that not only offers the best price and terms, but also has the ability to move the most quickly that will prevail.

In order for a new investor to enter the marketplace to be competitive with the local and well-seasoned investor, here are some important tips:

- Secure a salesperson that specializes in your desired asset class

- Spend some time getting to know the market by touring various properties with your salesperson in order to gain familiarity with Canadian building and architectural standards
- Secure a good lawyer in advance
- Secure a good accountant in advance
- Secure a good building inspector in advance
- If your funding source is overseas ensure that the funds are readily available
- Incorporate in advance
- Familiarize yourself with the Offer to Purchase in advance

In short, in order to be competitive with active local investors it is necessary for the new investor to have the ability to move quickly when the right investment comes along.

CANADIAN APARTMENT INVESTMENT CONFERENCE 2010



Toronto, Ontario, Sept. 15, 2010.

The Canadian Apartment Investment Conference brings together owners, managers, developers, investors and lenders to provide valuable insights into the multi-unit residential market; how to increase net asset values; and how this sector is performing. Last year's conference attracted over 450 Attendees from across the country. In 2010, this highly-focused, one-day conference examined major Canadian residential real estate trends, opportunities and strategies in Canada's multi-family investment market. More than 500 participants attended this year's conference.

This year's conference once again proved to be an opportunity to meet new interesting people, CEOs, presidents of major property management companies from all across Canada as well as many respected figures in the multi-family investment industry.

Canada Mortgage & Housing Corporation (CMHC) gave a very useful presentation on vacancies, rental rates and multi-family investment trends. The panel members discussed the outlook for 2010 as well as strategies for reducing your apartment building operating costs.

Interestingly, it was demonstrated that when comparing multi-family investments to other vehicles, long term, over a number of years, multi-family real estate produces the highest return. The reason for this is quite simple; regardless of the state of the global economy, people always need a place to

live. In a robust economy, the tendency is for people to live in larger dwellings, and in recessionary periods people move to smaller dwelling units. An investor of multi-family real estate will have tenants in any economy.

Between 2005 and 2007 there was significant increase in Canadian home ownership causing upward pressure on vacancy rates in apartment buildings. For apartment building owners, this was a great opportunity to improve their buildings through retrofits, major capital expenditures as well as cosmetic work. Such undertakings made a building's suites more marketable, thus allowing owners to offset the cost of the improvements to their properties. Similarly, when the global recession took hold in 2008, there was a decrease in the demand for ownership and, consequently, downward pressure on vacancy rates coupled with upward pressure on rental rates, especially for suites that were most recently renovated.

Expense reduction strategies are a popular topic of discussion at every year's conference, with more and more focus on government grants rewarded to owners that have implemented energy saving technology. Increased energy efficiency helps increase the Net Operating Income and the valuation of your apartment building!

Concern over the introduction of the HST in July 2010 was also a major topic of discussion, the long term effects of which have yet to be realized. Furthermore, the negative effects of a predicted increase in inflation and interest rates were also discussed.

The good news is that despite some the issues, the time to buy an apartment building is ideal because of the low cost of borrowing and the availability of financing for multi-family investments.

Looking back over the last ten years, one of the biggest mistakes I have seen investors make is simply not getting into the market.

HOW TO SELL APARTMENT BUILDINGS

A sales process that uses modern, focused communications and marketing techniques separates buyers with track records from those who kick tires

By Derek Lobo

Selling an apartment building can be just as challenging as buying an apartment building. But selling an apartment building is not simply an issue of good due diligence - property condition, revenue flows, turnover, and property management - it's also an issue of identifying and reaching the best buyers. We believe that if you want to sell your apartment building at the highest price possible then you have to expose it widely to a qualified pool of buyers across the country.

This can only be achieved with a sales process that uses modern, focused communications and marketing techniques to separate buyers with track records from those who kick tires. Reaching out to the right buyers is the only way to get the right price as a seller.

The Sales Process

There are three important tools which we use to help you sell your apartment building.

- ✓ First, you must have a database of every apartment building and owner in the province. This detailed database allows us to directly market to potential buyers sorted by geographic location, buying capacity, and track record. (BC Apartment Insider's database contains every apartment owner in British Columbia as well as qualified and active buyers in the marketplace)
- ✓ Second, we have 30 ranked web pages that rank high in Google internet searches to help expose your buildings on the internet to other apartment buyers and real estate agents across the country. Maximum exposure will ensure the highest price for your building. (After 12 years in the multi-family market and nearly half a billion in sales, BC Apartment Insider's Dan Schulz has built the local, the national and the international – especially the European capital markets – network necessary to ensure the highest possible price for your apartment building)

- ✓ Third, the listing agents company must have strong office support in order to prepare all your brochures, market research, and marketing tools and materials in a professional and timely manner. (please visit www.BCApartmentInsider.com in order to see examples of our marketing platform)
- ✓ Within a few days of signing a listing agreement your building has to be in front all qualified buyers who own buildings in the province of British Columbia. Also, in addition to marketing to known buyers in the company database, the information is posted on multiple web pages in order to engage the power of the internet in finding new qualified buyers for your building. Once potential purchasers receive email flyers they can link directly to the website where the particulars of sale and the detailed financial data can be downloaded. (www.BCApartmentInsider.com shows you all of our listings as well as all apartment buildings that are currently available in the marketplace and allows you to download detailed information directly from the site)
- ✓ Now a potential purchaser has all the information they need to make an informed decision to proceed further. Before an offer is written the purchaser is able to download detailed documentation on rent rolls, utilities, financing, market surveys, building condition reports, etc. (www.BCApartmentInsider.com utilizes this technology in order to conduct a smooth due diligence process and in order to ensure a timely and successful transaction)

(Source: Derek Lobo is the CEO and Sales Representative for Rock Advisors Inc., a boutique apartment brokerage in Ontario.)

VALUATION FORM

Address (Optional) _____

Name of Apartment (Optional) _____

Number of Units

Bachelor _____

One-Bedroom _____

Two-Bedroom _____

Other _____

TOTAL _____

Parking Spaces _____

Balconies _____

Elevators _____

Gross Rental Income \$ _____

Laundry Income \$ _____

Additional Income \$ _____

OPERATING EXPENSES

Taxes \$ _____

Insurance \$ _____

Gas \$ _____

Hydro \$ _____

Water \$ _____

Wages \$ _____

Repairs & Maintenance \$ _____

Other \$ _____

TOTAL \$ _____

Ms. Glinda Sutherland Testimonial:

"This Letter is to tell you how very pleased I was with the services of Dan Schulz, during the recent sale of my apartment building in Kitsilano, The Sutherland.

I interviewed six realtors before choosing Mr. Schulz, to represent me. His very special attention to every aspect of the selling process was especially impressive. His intelligent perceptions and kindnesses will be remembered always.

I shall certainly be recommending Mr. Schulz to any other apartment owners."

Ms. Glinda Sutherland

Daniel M. Schulz

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