

# INSIDER bcapartment\*

Q4 2010 Issue 2

\*BC MULTI-FAMILY & LAND SPECIALIST

## TOP 10 REASONS TO JOIN BCAOMA

BC Apartment Owners & Managers Association

## How Do I Keep My Building Rented At No Cost?

Rentbc.com's Richard Brown  
Tells Us How

## Apartment Conference By The Sea 2010

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## How Do I Minimize Capital Gains Tax and Recaptured Tax?

by Richard Laurencelle



eCo Realty<sup>®</sup>  
COMMERCIAL DIVISION

Dear Rental Property Owner,

The best thing about working at Eco Realty Inc. is that new ideas are welcome. The concept of [ecorealty.ca](http://ecorealty.ca) with 22,000 available listings accessible on our website is in itself a new idea in real estate marketing.

Our company's culture fosters the conception and timely implementation of new and innovative ideas in real estate marketing.

For Example, [www.bcapartmentinsider.com](http://www.bcapartmentinsider.com) is the first multi-family real estate website in North America that allows you to access not only Eco Realty Inc. multi-family listings, but also all MLS multi-family listings currently available through the GVRD's MLS system.

Furthermore, [www.bcapartmentinsider.com](http://www.bcapartmentinsider.com) will also be the first multi-family real estate website in Canada that connects landlords to tenants and vice versa. We would like to thank Richard Brown of Rentbc.com for integrating a 'vacancy' feature on our site that allows landlords to rent suites by posting vacancies on our site and it allows tenants to rent suites by checking vacancy listings on the site (at a 25% discount from regular rentbc.com pricing).

Another feature of [www.bcapartmentinsider.com](http://www.bcapartmentinsider.com) that you will find very useful is our INDUSTRY LINKS page, an apartment owner's contact directory that connects landlords to everything from cleaners, roofers, plumbers and all the trades and contacts that are necessary in the day-to-day 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

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Preferred Client is looking for the following:

- Residential Strata Units Anywhere in British Columbia
- Residential Preferred, Office and Industrial Considered
- Strata Units Can Make Up Building in Part or in Whole
  - Minimum 10 Units

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## WHAT IS HAPPENING IN 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 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.

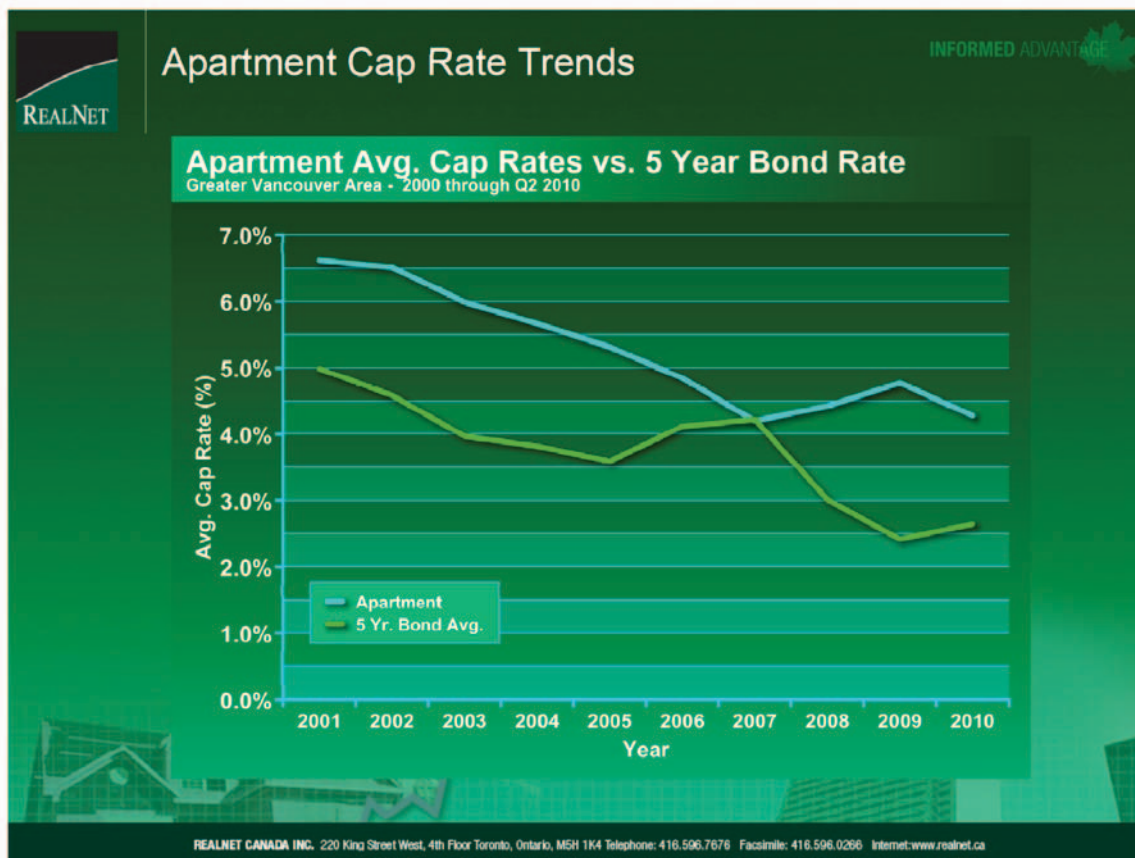
## B.C. Rental Vacancy and Rents

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 mark with the province's cap on annual rent increases. (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>B.C. Avg.</b> | <b>3.2%</b>  | <b>\$983</b> |

(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 of the world, 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.*

## 2011 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             |
| <b>Total</b>      | <b>132</b>          |                      |

| 2010              |                     |                      |
|-------------------|---------------------|----------------------|
| Area              | # of Buildings Sold | Avg. price per suite |
| Abbotsford        | 5                   | \$82,011             |
| Burnaby           | 16                  | \$140,099            |
| Chilliwack        | 5                   | \$98,272             |
| Coquitlam         | 2                   | \$130,085            |
| Delta             | 1                   | \$113,235            |
| Langley           | 6                   | \$144,286            |
| Maple Ridge       | 5                   | \$99,385             |
| Mission           | 1                   | \$350,000            |
| New Westminster   | 12                  | \$108,739            |
| North Vancouver   | 5                   | \$143,095            |
| Port Coquitlam    | -                   | -                    |
| Port Moody        | 1                   | \$123,500            |
| Richmond          | -                   | -                    |
| Surrey            | 2                   | \$483,289            |
| Downtown          | 2                   | \$45,405             |
| Downtown Eastside | -                   | -                    |
| Eastside          | 21                  | \$142,544            |
| Cambie            | 2                   | \$204,097            |
| Fairview          | 7                   | \$218,758            |
| Kitsilano         | 8                   | \$247,064            |
| Kerrisdale        | -                   | -                    |
| Marpole           | 5                   | \$163,794            |
| Mount Pleasant    | 1                   | \$257,000            |
| Oakridge          | -                   | -                    |
| UBC Point Grey    | 1                   | \$203,333            |
| Shaughnessy       | 2                   | \$227,273            |
| West End          | 11                  | \$239,666            |
| West Vancouver    | 1                   | \$289,683            |
| White Rock        | 2                   | \$289,683            |
| BC Interior       | 5                   | \$126,410            |
| <b>Total</b>      | <b>129</b>          |                      |

(Data Courtesy of RealNet, Commercial Listings Service and Commercial Edge)

## TOP 10 REASONS TO JOIN **BCAOMA** BC Apartment Owners & Managers Association

### 1. Member Assistance

BCAOMA is a non-profit association that provides information, education and assistance to rental property owners and their managers to assist them in efficiently operating their rental property units. Whether it is simply an exchange of information, an explanation of rights and responsibilities under the Act or help with procedures, friendly BCAOMA Staff is available to answer tenancy questions 8:30 am to 4:00 pm, Monday to Friday: 604.733.9440

### 2. Strong Representation for Government Lobbying:

BCAOMA unites 1200 Landlords and 140 Associate and Affiliate Members, representing over 100,000 rental units throughout the province. The Association is recognized as a strong voice in the rental housing sector at the municipal, provincial and federal government level.

### 3. Education

BCAOMA hosts industry related meetings and seminars on a regular basis with the focus being on important topics such as maintaining your property, attracting and keeping good tenants, and understanding the provincial and municipal laws around apartment ownership.

### 4. The Apartment Investor Magazine

BCAOMA publishes this qualitative and informative, quarterly publication that is packed with everything Members need to stay up-to-date with current apartment news and events.

### 5. Apartment Conference in the Sun

The best multi-family networking event under the sun and in the sun!

### 6. Networking Opportunities

BCAOMA hosts 5 major events each year where you can connect with landlords and suppliers including the well-attended Semi Annual General Meeting

### 7. Special Discounts with Suppliers

150 approved trades and suppliers support BCAOMA members with significant discounts and added benefits. Membership has its privileges including BCAOMA's Trades and Suppliers Handbook!

### 8. Tenancy Forms and Supplies

BCAOMA Members have exclusive use of professionally drafted tenancy applications, agreements, condition inspection reports, vacancy signs, receipt books and copies of the Residential Tenancy Act, Regulations and Policy Guidelines.

### 9. Group Gas Purchase Plan

BCAOMA's program offers guaranteed fixed prices for its members as an alternative to the variable rate paid on a conventional Terasen Gas bill, allowing for more accurate budget keeping.

### 10. Garbage Pool Program

BCAOMA recently introduced a garbage collection pool that is substantially cheaper and has enhanced features over conventional garbage contracts.



Call **604-733-9440** or Toll Free BC **1.877.700.9400** to Join BCAOMA Today!



## WHAT'S HAPPENING AT BCAOMA?

### AGM – Annual General Meeting March 9th, 2011, Westin Bayshore

Financial Reports are presented, Board of Directors are presented, Trade Show with 35 Associate Members, minimum of 2 seminars, providing a great opportunity to network with other members. Register early as this event is always sold out!

### Dinner Cruise July 6th, 2011, Indian Arm Paddle Wheeler

The 2010 Cruise was fabulous as everyone enjoyed cruising Indian Arm on the Constitution Paddle Wheeler on a beautiful summer evening. For the 2011 cruise we will again be boarding the Constitution. Space is limited to 135 and this will sell out fast as most who were on last year's cruise are ready to sign up for 2011!

## BCAOMA SEMINAR SERIES

### 2011 Schedule, January to March:

#### January

|                       |                         |                     |                   |
|-----------------------|-------------------------|---------------------|-------------------|
| BCAOMA                | Best Practices 101      | Tuesday, January 11 | 12pm -2:30pm \$45 |
| Bill Goold            | Property Tax Assessment | Tuesday, January 18 | 10am – 12pm \$35  |
| Canadian Pest Control | Bed Bugs                | Tuesday, January 25 | 10am – 12pm \$35  |

#### February

|                       |                       |                      |                    |
|-----------------------|-----------------------|----------------------|--------------------|
| BCAOMA                | Best Practices 102    | Tuesday, February 8  | 12pm – 2:30pm \$45 |
| Lynda Pasacreta       | Customer Service      | Tuesday, February 15 | 10am – 12pm \$35   |
| Brad Hoss – Solutions | Internet Crash Course | Tuesday, February 22 | 10am – 12pm \$35   |

#### March

|         |                      |                   |                    |
|---------|----------------------|-------------------|--------------------|
| BCAOMA  | Best Practices 101   | Tuesday, March 15 | 12pm – 2:30pm \$45 |
| Bur-Han | Property Maintenance | Tuesday, March 22 | 10am – 12pm \$35   |

**Location:** All Seminars are held at BCAOMA Office #203 – 1847 West Broadway

### UBC Golf Tournament August 25th, 2011, UBC Golf Course

Maximum 144 Golfers. Put your name in to be 'ADOPTED' and have your round of golf and dinner at N/C. There is room for those who do not golf and would like to attend the Dinner & Silent Auction.

### SAGM – Semi Annual General Meeting October 12th, 2011, Westin Bayshore

Trade Show with 35 Associate Members. Minimum of 2 Seminars. Provides another great opportunity to network with other members. This event is very well attended.

### Associate Forum and Social TBA, TBA

Meet and greet your fellow members and the associates.

## APARTMENT CONFERENCE IN THE SUN 2010



Organized by the **BC Apartment Owners and Managers Association (BCAOMA)**, the **Institute of Real Estate Management (IREM)**, and the **Professional Association of Managing Agents (PAMA)**, The theme this year's conference was "Sustainability" as it applies to the operation of apartment buildings. The Apartment Conference in the Sun 2010 took place at the Dreams Resort in Tulum, Mexico from November 6th, 2010 to November 13th, 2010. It was very well attended as in previous years. The purpose of this trip is to share knowledge between building owners, tradespeople, property managers and Realtors®.

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

While the first three apartment conferences took place on a large luxurious cruise ships, this year's Apartment Conference, for the first time, took place at an all-inclusive resort. Although many of the three host association's members were avid cruisers, one of the main advantages of being in an all-inclusive resort is the ability find fellow conference attendees very quickly - on a large luxurious cruise liner with its many levels and decks this can sometimes prove to be very difficult.

Overall, the 2010 Apartment Conference was another ideal multi-family networking success for all attendees and what we lost in terms of docking in multiple tropical locations, we more than made up for in a well-attended, efficiently run conference that left you not only educated but also relaxed, much like on a vacation.

## *Why Can't Work Always Be Like This?*





# APARTMENT CONFERENCE IN THE SUN

**COMING SOON TO A TROPICAL LOCATION TO NEAR YOU.  
FEBRUARY 2012**





## HOW DO I KEEP MY BUILDING RENTED AT NO COST?

**Rentbc.com's RICHARD BROWN Tells Us How.**

BC Apartment Insider recently had the pleasure of meeting Richard Brown, Canadian entrepreneur, at the Apartment Conference in the Sun in Tulum, Mexico. Founder of ECOM Media Group Inc. in 1998, Richard Brown can be of great service to your multi-family business, whether you are active on the property management side or on the sales side. For example, after a thorough review of [www.bcapartmentinsider.com](http://www.bcapartmentinsider.com) Richard's company not only made major visual improvements to our multi-family real estate website, but a feature was added to the site that allows landlords to connect to renters and vice versa. Landlords can actually list their vacant suites for rent and tenants can find a new place to live at [www.bcapartmentinsider.com](http://www.bcapartmentinsider.com)!!!

We would like to take this opportunity to thank ECOM Media Group Inc. for helping BC Apartment Insider be the first multi-family real estate website that features not only our listings, all of the REBGV's multi-family listings but also a gateway that connects landlords to tenants and vice versa. We conducted a short interview with Richard Brown in order find out more about his company and how its services can be of benefit to our clients:

**Dan Schulz:** Richard, thanks for taking the time to talk to us, but also for making such useful and major improvements to [www.bcapartmentinsider.com](http://www.bcapartmentinsider.com). Give us a bit about your background and an overview of ECOM Media Group Inc.

**Richard Brown:** I grew up in Vancouver where I sold real estate for many years. I left for the United States to pursue business in Seattle, which I sold several years later. When my first daughter was born, we moved back to Canada, but chose Kelowna instead of moving back to the coast. In Kelowna I had a nice cushy job as an MDU representative for Shaw Cablesystems, but soon left to form my own business ECOM Media Group Inc. There had to be a better way to post and find a rental property than the newspaper. So, in 1998, ECOM developed the technology that powered its inaugural service, [RentBC.com](http://RentBC.com) and then Rent Ontario in 1999. Today, ECOM powers over 90 rental listing websites in both Canada & the US through college & universities, associations such as BCAOMA & ROMS BC, regional listings services and strategic partners. Our effective tools and creative solutions make us a leader in the online rental advertising market.

**Dan Schulz:** Let's talk about Rent BC. What makes Rent BC such as success?

**Richard Brown:** We were first to market, long before many of the other online services that exist today. Of course that is never enough. Being first just gives you a head-start, but also means you learn through the school of hard knocks. Many new-comers simply copy your best ideas and perhaps add a few new ones of their own. I typically refer the software side as 'building the better mouse-trap'; you have to keep on innovating or be left behind. You have to keep on developing your software (in-house if you can so you can retain control and own the Intellectual Property) and keep on forming new relationships and retaining your current ones.

In Canada, we quickly formed strategic partnerships with universities and colleges by signing exclusive contracts with SFU, BCIT & Royal Roads (we have most BC schools now). This enabled us to access the smaller landlords with a room to rent, basement suite, townhouse etc., a means to post a low-cost ad that not only reached local students but international students as well. At many colleges, 75% to 80% of the student population lives off campus, thus putting pressure on schools to address this housing issue.



With our rental housing marketing platform universities are able to provide a free solution that is painless to implement and does not task their resources.

**Dan Schulz:** What about Rent BC's long history with BC associations?

**Richard Brown:** This is where our long history of working with BC Associations such as **BCAOMA & ROMS BC**. We have been a sponsor at their events and provide discounts for their members to further enhance the value of association membership. The associations have been a very complimentary relationship over the years. In BC now, we have upwards of 50,000 landlord members. We try to promote the many benefits of their local association directly and indirectly to our landlords so that they fully realize these benefits before something unforeseen happens. In addition, it is important for landlords to realize, like with any industry association, that they are made up of their peers to represent them on their behalf. So even when the landlord does not have an immediate need for the association (their unit/building is currently tenanted), they know that the association is always representing them on their behalf ultimately attempting and succeeding in saving the owner time and money.

**Dan Schulz:** Who benefits from this?

**Richard Brown:** Well, I believe all parties do. Let's say a new landlord has a vacancy. They join their not-for-profit provincial property managers association (where the Residential Tenancy Act (RTA) is procured from) and immediately have access to the proper forms, advice on any situation that you could think of practically (as they have heard these matters before time-and-time again in most cases), and their membership dues get well spent on lobbying to the local and provincial governments to deal with matters in relation to the RTA. The landlord now needs to market their vacancy to high-quality tenants and they list on the BCOAMA or ROMS BC website which is partnered with Rent BC.com. They immediately save 25% on their ad cost (after their first free listing ad) and Rent BC splits the online revenue with that association to help the landlords cause. Rent BC sponsors the association's annual tradeshow and a charity golf tournament which raises money for Covenant House and awareness for their new member landlords. **Rent BC now helps them acquire a great tenant.**

**Dan Schulz:** What about competition like Craig's List? Why is Rent BC the better solution for a landlord?

**Richard Brown:** Craigslist, although free (for now), has its drawbacks. With limited sorting capability, the tenant is forced to search by a date (new ads force your ad down to the bottom of the list) so the most recently posted ads are seen the most for a relatively short period of time as new ads pile up on top of your ad. To circumvent this, many landlords spend valuable time re-submitting their ad in an effort to keep it near the top; but will it be there? Chances are your ad will not even be displayed, as Craigslist only permits you to submit each vacancy advertisement once.

I was recently in the Toronto area visiting an industry colleague when I learned about 'ghosting' on Craigslist. Ghosting is a term used for posts that have been flagged as spam by the Craigslist's anti-spam system. The system monitors all accounts and IP addresses and tries to determine if the quantity, frequency or content of the ads suggest that they are spam. If it feels that the posts are spam, it will "ghost" them. When the system "ghosts" your posts, you as a user will not know it's happening because you still receive an email with a confirmation link. The only thing is, if you log out of your account and search for your ad, it will not appear in the listings. Very frustrating!

Rent BC's vacancy advertisements stay up for at least one month and show up chronologically by area, price and providing much more information so that the tenant can be pre-qualified better, thus saving you time. Again, Rent BC supports landlords by supporting the associations through sponsorship, association dues and discounts.

***In short, your Craigslist ad is only effective for about 24 hours whereas a Rent BC Ad is effective for a minimum of one month.***

**Dan Schulz:** What are the latest things you are working on now for landlords?

**Richard Brown:** Free landlord website and ad integration. We have recently redeveloped the way our system works and displays ads. This new software allows us to integrate our customer's ads directly into their existing website at no extra cost, potentially saving them thousands on a content management system. If they don't have a website, we will build them one for free if they advertise with us. We are pretty excited about this feature because the landlord only has to update their ad once and it is immediately updated on their website and across our 200 Network sites.

**Dan Schulz:** How can this be of benefit to my clients that are primarily apartment building owners?

**Richard Brown:** By providing this solution to them no cost and managing all customer service and support issues through email and/or a direct toll free **Rent BC** Customer Support Line: 1.800.862.9874

**Dan Schulz:** Is there anything else we should know?

**Richard Brown:** If your goal is to connect to the rental market more effectively then you have found a proven, quality-managed listing solution at NO COST.

## Why use Rent BC?



**Because it really works.**

Landmark Technology Center, Suite 106, 1726 Dolphin Ave., Kelowna, BC Canada V1Y 9R9

Toll Free Tel: **1-800-862-9874** Toll Free Fax: **1-800-997-3299**



## WEALTH MANAGEMENT:

### What are the most cost effective methods in paying capital gains tax and recaptured tax? *by Richard Laurencelle*

#### Do I use my money or do I use the insurance company's money?

The challenge many property owners have when making long term estate/succession planning decisions is how to pay their deferred capital gains tax and recaptured Capital Cost Allowance. The taxes and recaptured CCA is payable when the last spouse dies. It typically comes down to whether you are going to use your money or an insurance company's money to pay the tax.

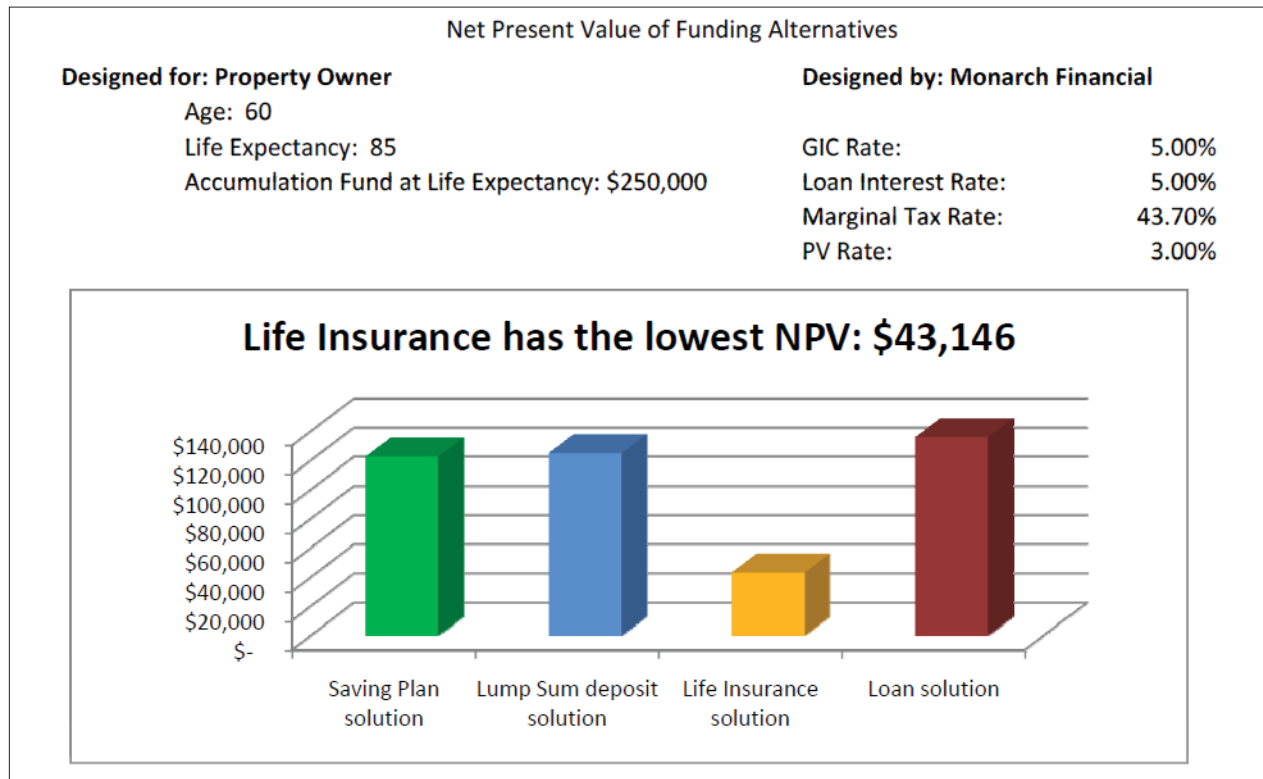
People avoid the idea of buying life insurance like they steer clear of exposure to H1N1. The thing is property owners are successful because they can make difficult business decisions. Life insurance should be one of the considerations when planning to pay capital gains taxes. The bottom line however is that the life insurance solution should only be considered when it is the most economical option when compared to all the alternatives. It's just another business decision.

What are the alternatives? You can save the money to pay the tax called a sinking fund, you can set aside a lump sum of money now to pay the tax, you can borrow the money to pay the tax or you can buy life insurance to pay the tax.

In order for a property owner to make an educated decision they would have to quantify the cost of the various alternatives available to them. Because each solution has dissimilar cash flows required at different times the best method to make the comparison is to calculate the present value cost of each solution.

For those not familiar with the concept of present value, it is the value on a given date of a future payment or series of future payments, discounted to reflect the time value of money. Present value calculations are widely used in business and economics to provide a means to compare cash flows at different times on a meaningful "like to like" basis.

In my example I have assumed that a 60-year-old couple own a property that has an adjusted cost base of 1,000,000 and is projected to be worth 2,000,000 at their life expectancy which is age 85. We estimate the tax to be \$250,000 at that time.



### Savings Plan solution:

The savings plan (sinking fund) requires you to save \$7,391 per year for 25 years at a growth rate of 4% after tax and a marginal tax rate of 43.7%. The savings plan has a present value cost of \$132,555 at a discount rate of 3%.

### The Lump Sum deposit solution:

The lump sum deposit requires an investment of \$143,267 today, which will grow to \$250,000 in 25 years at a growth rate of 4% after tax and a marginal tax rate of 43.7%.

### Life Insurance solution:

The life insurance solution requires annual deposits of \$2,493. This is based on a joint second to die policy on the lives of two sixty year olds that are insurable at standard rates. The present value of those deposits at a discount rate of 3% is \$44,713.

### The Loan solution:

The loan solution requires borrowing \$250,000 at age 85 to pay the tax. A loan at 5% interest would require ten payments of \$32,376 to pay down the loan. The present value of those payments at a discount rate of 3% is \$135,859.



As you can determine in our example the insurance solution is a very viable option. Its cost under our assumptions is approximately 66% less than the next best alternative solution.

The message is don't rule out life insurance as a feasible alternative to fund the cost of taxes because of a personal bias towards the notion of buying life insurance. Compare it to all of the solutions available to you and choose the most favorable. After all it's just another business decision.

Yours Truly,

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## **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

# CLIENT MESSAGE BOARD

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It has never been inexpensive to get into the multi-family market, but your rents will grow as Vancouver continues to be the world's "sweetheart" destination, and more importantly the value of your real estate will hold enough to offset a potential depreciation in the residential sector.

For more information on the BC Apartment Market call Daniel M. Schulz at 778.999.5758

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\*MULTI-FAMILY APARTMENT BUILDING BUY & SELL GUIDE

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