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# Avison Young Point of View Multi-Family Investment Report British Columbia

Year-End 2009

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## Market fundamentals remain strong

British Columbia's multi-family investment market has become very active as the new decade begins. The market started 2009 slowly but finished with a flourish as yearly sales volume reached \$667 million. This figure was skewed upward by the sale of the **Wosk** portfolio (**Beach Towers** and **Langara Gardens**). Apartment building sales activity accelerated in the last two months of the year and shows no sign of letting up early in 2010 – contrary to the end of 2008 and beginning of 2009 when the market stumbled because of markedly different buyer and seller price expectations.

Prices have stabilized now that buyers and sellers have adjusted their expectations. During the stabilization process, some Metro Vancouver submarkets experienced noticeable average unit-price declines and increases. As a result of the lower prices in certain submarkets, the bid-ask gap will likely continue to narrow, leading to more sales as effects of the global financial meltdown and U.S. credit crisis soften. Purchasers will continue to push for market fundamentals that emphasize cash flow while also taking advantage of attractive **Canada Mortgage and Housing Corp.** (CMHC) incentives and the consistency of multi-family returns.

## Private investors remain at forefront of both buying and selling sides

**Purchasers:** In the second half of 2009, private investors were again the most active purchasers. Now that the market is more steady, many new buyers are emerging. Most of the newcomers are private individuals and family-owned firms. Continuing trends that began in early-to-mid 2009, private purchasers are seeking larger multi-family assets and REITs are re-entering the market.

**Vendors:** Private investors continue to be the most active sellers as they retire or renew efforts to reposition their finances. Institutional investors are less likely to sell in 2010 after repositioning their equity and dealing with refinancing issues that challenged their bottom line.

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## Market Trends

	Number of Transactions	Total Dollar Volume
2008	80	\$270,836,220
2009	85	\$666,685,309

- 2009 transactions up 6% from 2008 transactions
- 2009 total dollar volume up 146% from 2008 volume

*Sources: Avison Young, RealNet Canada Inc. and other online sources.*

## STIR program adds more construction choices

The **City of Vancouver's** popular Short-Term Incentives for Rental (STIR) program, introduced last summer, has led to the construction of more purpose-built multi-family rental complexes. STIR could add 400 to 1,700 units by the end of 2010 as demand for rental housing remains strong due to the rebounding economy. This added construction has already prompted the sale of one purpose-built building in Vancouver's West End, and construction and sales are likely to continue throughout 2010.

Some of the incentives include:

- Rental property assessment (on rental units only)
- Development Cost Levy waiver (on rental units only)
- Parking requirement reductions
- Discretion on unit size
- Increased density
- Expedited permit processing

For additional information on the STIR program, please visit our website: [www.aycre.com](http://www.aycre.com)



The sale of the four-building, 598-unit **Beach Towers** in Vancouver's West End in December 2009 for \$117 million was BC's second largest multi-family sale in 2009. The largest was **Langara Gardens** (West 57th and Cambie, Vancouver) for \$157 million.

## Rising vacancy rates keep rents down

Rental rates continue to move downward as vacancy pressures ease across the province.

According to CMHC, apartment-building vacancy in BC urban centres rose to 2.8% in October 2009 from 1% in October 2008. However, supply remains relatively tight compared to national and international markets.

Although vacancy levels in Vancouver and Victoria increased slightly, they fell below the provincial average while other Vancouver Island markets endured increases. These increases coincided with shutdowns and curtailments in the BC forest industry and a general downturn in resource sectors.

Meanwhile, supply continued to rise as more investor-owned condos were offered as rental units. Ultimately, the rising vacancy and expanding supply will force owners and investors to be even more diligent about their commercial real estate decision-making. Owners must again be cognizant that increasing rents on turnover could result in vacancy, leaving units idle for several months. ■

### Snapshot of Vacancy Rates

Area	October 09	Oct 08 vs. Oct 09 % Change
Vancouver	2.1%	+1.6%
Abbotsford	6.1%	+3.5%
Chilliwack	7.9%	+4.6%
Victoria	1.4%	+0.9%
Nanaimo	3.4%	+2.2%
Campbell River	8.9%	+3.3%

## Owners can reduce their property tax bill



Ed Furlan

Property Tax Q&A with **Ed Furlan**, senior director of **Altus Group's** Vancouver-based realty consultancy

Since property taxes are based on assessed value, it is important that a property's assessment is fair and accurate.

Altus Group works with clients to reduce their annual property tax levies. Ed Furlan, a senior director in Altus Group's realty tax consultancy in Vancouver, explains how the assessment review process works – and how property owners can reduce their annual property tax bill.

### Q: Why would a property owner appeal a tax assessment?

**A:** Annual taxes are the largest operating cost for a property owner and tenant. Property taxes cannot be appealed; however the assessed value can. We make recommendations whether to file appeals based on issues which, we believe, result in a tax levy that is too high.

### Q: What are some common errors found in property assessments?

**A:** Altus Group conducts reviews for clients to ensure that their assessed values accurately reflect the actual characteristics of the properties, are at or below values indicated by market transactions and are equitable with similar properties. We also ensure that each assessment has the correct property classification – because different classes have different tax rates – and we verify that assessments are calculated using the appropriate methodology and in compliance with assessment law, regulations, and case law.

### Q: How often should owners have their property assessments reviewed?

**A:** Since the market, assessment laws and regulations, and case law are changing all the time, we recommend having your assessment reviewed each year.

### Q: How does the appeal process work?

**A:** First, the process involves pre-roll negotiations with BC Assessment. These discussions occur before assessment notices are mailed. Owners may then appeal to the Property Assessment Review Panel (PARP) before January 31 each year. Discussions and negotiations with BC Assessment to recommend a reduction or class change to the PARP are held between February 1 and March 15. After PARP, owners and their advisors determine whether the appeal should be continued to the Property Assessment Appeal Board (PAAB). The deadline for filing an appeal to PAAB is April 30. At the PAAB level, issues are discussed in a more in-depth and structured manner. At this point, the owner will reach agreement with BC Assessment

to reduce the value, change the class, withdraw the appeal, or have it adjudicated by an independent PAAB member.

**Q: What does an appeal cost?**

**A:** There is no cost to appeal to the first level (PARP) while there is a \$30 filing fee at the second appeal level (PAAB).

**Q: What can owners do beforehand to avoid overpaying property taxes?**

**A:** Owners can discuss their assessments before they are issued during pre-roll when BC Assessment is setting the assessed value each year.

**Q: Are you successful in reducing property taxes for clients?**

**A:** Altus Group has saved its clients millions of dollars annually through the various levels of appeal.

*(Ed Furlan is a certified appraiser and holds a management degree and urban land diploma from the University of British Columbia, along with a diploma in real estate from the British Columbia Institute of Technology (BCIT). Acting as an advocate and expert witness, he has appeared before various appeal board tribunals at the municipal and provincial levels. He is also a member of the Canadian Property Tax Association and the Building Owners and Management Association, serving on its property tax committee, and sits on the board of the Downtown Vancouver Business Improvement Association.)*

## Avison Young hires multi-family broker

**Avison Young** has added a new specialist to its Multi-Family Team.

**Angel Grover** joins the firm's Vancouver office from Colliers International in Edmonton. She started with Avison Young on Feb. 1.

Grover replaces Michael Brodie, who has left Avison Young to pursue a Masters in Business Administration. She will work alongside Avison Young Principal **Rob Greer** and multi-family-property specialist **Matt Saunders**, representing buyers and sellers on apartment-building sales.

Grover, an Edmonton native, has more than three years of experience as a multi-family specialist. She completed



Angel Grover

the requirements for her real estate license through the Alberta Real Estate Association in 2007 after obtaining an undergraduate degree in psychology from the University of Alberta.

With Colliers, she assisted in the sale of approximately 200 multi-family units valued at \$20 million.

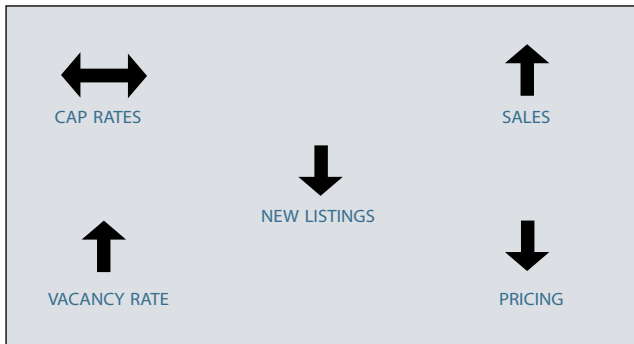
### Multi-Family Investment Sales > \$5 Million July 1 to December 31, 2009

Property	Municipality	Sale Price	Vendor Type	Buyer Type	Date
6550 Nelson Avenue	Burnaby	\$6,335,000	Institutional	Private	July 09
540 Rochester Avenue 542 Rochester Avenue	Coquitlam	\$14,000,000	Institutional	Private	July 09
1916 McCallum Road	Abbotsford	\$6,500,000	Private	Private	July 09
150-160 East 14th Street 1401-1419 St. Georges Avenue	North Vancouver	\$10,850,000	Private	Private	September 09
525 11th Street	New Westminister	\$10,950,000	Institutional	Private	September 09
Langara Gardens West 57th Avenue & Cambie	Vancouver	\$157,000,000	Private	Private	October 09
425 6th Street	West Vancouver	\$5,500,000	Private	Private	October 09
1355 Pendrell Street	Vancouver	\$19,057,480	Private	Private	November 09
1877 Haro Street	Vancouver	\$6,600,000	Private	Private	November 09
14881 104th Avenue 14831 104th Avenue 14840 105th Avenue	Surrey	\$13,817,000	Institutional	Institutional	December 09
1600 Beach Avenue 1651 Harwood Street	Vancouver	\$117,000,000	Private	Private	December 09
855 Jervis Street	Vancouver	\$7,530,800	Private	Private	December 09
<b>Total</b>		<b>\$375,140,280</b>			

Please visit [www.aycre.com](http://www.aycre.com) to view all area sales lists.

## First Half 2010 Market Predictions

- Sales activity will continue to increase
- Market values will continue to stabilize
- More upward pressure on vacancy rates
- More downward pressure on rental rates
- Relatively stable, low cap rates will not deter investment
- More institutional buyers and syndicates will return



## International Real Estate Advisory Services

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