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AVISON YOUNG (CANADA) INC.

## Media Release

**For Immediate Release (4 pages)  
Tuesday, April 21, 2009**

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- **Avison Young British Columbia Q1 2009 Multi-Family Investment Report (full report):**  
[http://www.avisonyoung.com/library/pdf/Van\\_Research/MF\\_Report\\_Q1\\_2009.pdf](http://www.avisonyoung.com/library/pdf/Van_Research/MF_Report_Q1_2009.pdf)
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### **BC's multi-family investment sector shows signs of rising from market bottom**

***Avison Young releases Q1 2009 Multi-Family Investment Report: Dollar volume up over Q4 2008 but well below Q1 2008 levels as bid-ask gap remains a factor***

**Vancouver, BC**— BC's multi-family investment sector is picking up steam after hitting what appears to have been the bottom of the market for this sector in the fourth quarter of 2008. Primary reasons for the increased activity include the attractive performance aspects of this asset class, and historically low financing rates. However, sales activity and pricing remain well below the levels from a year ago due to the bid-ask gap that still exists between vendors' and buyers' expectations.

These are some of the findings in **Avison Young's Q1 2009 BC Multi-Family Investment Report**, released today.

"BC's multi-family properties remain top-performing commercial assets during the economic downturn, with investors continuing to be attracted to the asset's consistent, low-risk returns. This was a key reason for the increase in sales during the first quarter of 2009 versus the fourth quarter of 2008," comments Avison Young principal, **Rob Greer**. "Inexpensive financing rates are currently driving the market. Due in part to the availability of attractive financing through **Canada Mortgage and Housing Corp. (CHMC)**, multi-family assets continued to trade during the first quarter of 2009 with several deals firm and pending

completion.” (CMHC-insured mortgages are currently available in the 3.5% range compared to the high 4% to low 5% range 12 months ago.)

However, while sales volumes exceed fourth quarter 2008 levels, they are still well below the volumes experienced over the past five years, and activity may not rebound to previous levels until 2010, according to Avison Young Multi-Family Investment Advisor, **Michael Brodie**.

“The slower activity can be primarily attributed to the new price expectations of purchasers and the unwillingness of some vendors to meet them,” explains Brodie, who says average prices are down approximately 10% to 20% from the peak in mid-2008. “There continues to be a high number of listings (112 currently) as some vendors are still looking to achieve yesterday’s prices in today’s environment. Most purchasers are now looking for a higher return on potential investments and cap rates have stabilized at 100 to 150 basis points above the market peak. We do not foresee a return to previous cap rate levels in the near future.”

According to Avison Young’s survey, the number of multi-family investment transactions during the first quarter of 2009 totaled 17— down 35% from the 26 deals recorded in the first quarter of 2008 but up 143% from the seven deals closed in the fourth quarter of 2008. The total value of transactions in the first quarter of 2009 amounted to \$59,320,530— down 36% from the \$92,102,720 recorded in the first quarter of 2008 but double the dollar volume registered in the last quarter of 2008.

During the first quarter of 2009, the buyer profile predominantly consisted of local private investors wanting to take advantage of higher cap rates and historically low interest rates. Greer explains: “Recent buyers have primarily been high net worth individual investors wanting to purchase for the first time in three to four years, and who are attracted to the now positive spread between cap rates and the cost of debt.”

Greer says the most significant change over the past half year in the buyer profile is the absence of larger multi-family institutional buyers from the marketplace. “After leading the market in larger asset purchases for three to five years, the institutional buyer group chose to back off. However, moving into the second and third quarters of 2009, we are seeing increased interest from not only the traditional multi-family institutional investors but also from bigger institutions entering the market for the first time in many years, wanting to complement their portfolios and reduce risk. They see the multi-family sector as a safe haven.”

According to the report, renovated buildings have been a prominent product in both current listings and sales completed in the first quarter of 2009. “More high profile, quality buildings have come on to the market recently. Investors who purchased undervalued and underperforming assets increased these assets’ value through significant renovations in

order to sell for a profit. This vendor group is followed closely by individual owners looking to liquidate their equity in their properties,” says Brodie.

He continues: “Vendors seem to be selling today because of uncertainty in the market over the next six to 24 months. They realize they’ve missed the peak; however, they are still locking in substantial gains made over the last two to three years.”

According to CMHC, vacancy rates remain steady for rental apartment buildings in Vancouver at below one per cent with rental rates holding, whereas “other assets are generally seeing increased vacancies and declining rental or lease rates,” notes Greer.

“Although many owners have mentioned it is becoming more difficult to rent out vacant units quickly and at previously achieved rents, we anticipate rents to remain at historic levels and vacancies to stay low in well-located areas in the foreseeable future,” says Greer. “This is mainly due to the lack of purpose-built rental projects being undertaken by developers. Competition from condo rentals entering the market will affect overall vacancy, but rental rates required by condo investors tend to be much higher than rents required in traditional rental buildings.”

The report also highlights **Vancouver City Council’s** recently proposed amendments to the **Residential Tenancy Act**, which includes requiring landlords to allow tenants evicted for the purpose of renovations to reoccupy their units once renovations are completed at the same rent they were paying prior to renovations, with the next annual increase limited to inflation +5% per year.

“We believe the **City of Vancouver** needs to fully understand all implications, from both a tenant’s and landlord’s perspective, before it proceeds with some of the recommended changes to the Residential Tenancy Act,” points out Avison Young sales associate, **Matt Saunders**. “The proposed changes would have a considerable effect on the quality of buildings as landlords would no longer be incented to perform renovations on the already aging supply of rental stock.”

Greer adds: “Owning multi-family assets is paying off for investors and we are seeing a resurgence of investor interest in this asset class. We anticipate sales in 2009 to continue to improve from the cycle’s bottom in the fourth quarter of 2008.”

*Founded in 1978, **Avison Young** is Canada's largest independently-owned commercial real estate services company and the only national, Canadian-owned, principal-managed real estate brokerage firm in the country. Headquartered in Toronto, Ontario and ranked among Canada's leading national commercial real estate organizations, Avison Young is a full-service commercial real estate company comprising more than 500 real estate professionals in 12 offices across Canada and in Chicago, IL. The company provides value-added, client-centric investment sales, leasing, advisory, management and financial services to owners and users of commercial, industrial and multi-residential real estate properties.*

**Editors/Reporters:**

• **Avison Young British Columbia Q1 2009 Multi-Family Investment Report, full report:**

[http://www.avisonyoung.com/library/pdf/Van\\_Research/MF\\_Report\\_Q1\\_2009.pdf](http://www.avisonyoung.com/library/pdf/Van_Research/MF_Report_Q1_2009.pdf)

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