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## Apartment investors suffering with credit squeeze

Derrick Penner, Vancouver Sun

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Sales of rental apartment buildings in the Lower Mainland collapsed earlier this year in the credit squeeze and they haven't recovered as 2008 winds down, according to research from a major commercial realtor.

Avison Young Commercial Real Estate tracked 76 building sales worth \$270 million up to November, down 50 per cent from 153 sales worth \$519 million made in all of 2007.

There is "a disconnect between vendors and purchasers," Avison Young principal Rob Greer said in an interview.

"Vendors, when they're giving us a call wanting to list their properties, they're still looking at that price we told them it was worth last year," Greer said.

In reality, lenders are demanding buyers put down more equity now, and as a result prices are "significantly off last year's pricing."

Avison Young noted there were only seven building sales in downtown Vancouver in the first 11 months of this year, with prices averaging \$183,534 per unit compared with 13 in all of 2007, when prices averaged \$239,002 per unit.

Vancouver's west side has seen 10 sales for the year to date with prices averaging \$200,010 per unit, compared with 27 sales and per-unit prices of \$206,322 a year ago.

However, Greer said areas farther from Metro Vancouver's core have seen prices hold up better because properties there have better returns on capital.

If difficult credit conditions persist in 2009 though, Greer said re-pricing could mean a drop of as much as 20 per cent in some Metro Vancouver areas to realign capital returns with the needs of investors under their new conditions for obtaining credit.

The evaporation of debt markets in the wake of the U.S. sub-prime mortgage crisis is a key culprit in the situation, said Michael Brodie, Avison Young's multi-family real estate advisor.

The buyers of apartment blocks could once obtain financing for 75 per cent of a building's value. Today, however, they need bigger down payments and can leverage only 60 to 65 per cent.

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