

VANCOUVER REAL ESTATE

Rental-apartment real estate sales rise

Interest rates, price reductions credited

BY DERRICK PENNER
VANCOUVER SUN

A combination of low interest rates and easing of prices has breathed some life into Metro Vancouver's rental-apartment real estate market, according to the latest report from a major commercial realtor.

Avison Young counted 17 sales of

rental apartment buildings totalling just over \$59 million in the first quarter of 2009, compared with 26 sales worth just over \$92 million in the first quarter of 2008.

However, Avison Young principal Rob Greer noted the 17 sales in 2009's first quarter was a substantially higher number than the seven sales worth almost \$30 million recorded in the fourth quarter of 2008.

In an interview, Greer said "nothing happened" in the market between November of last year and the middle of January. "But we are seeing things start to pick up," Greer said. "What's fuelling things is very, very low interest rates, and [capitalization] rates that are now between one and 1½-percentage-points up from where they used to be."

Capitalization rates are reaching the 4.75-per-cent to 5.5-per-cent range, Greer said. A year ago, he added, buyers were accepting capitalization rates, a measure of their return on investment, as low as the low four-per-cent range.

Greer said buyers do have to put more of their own equity into purchases after

last fall's tightening of credit markets, but the combination of prices that are 10 to 20 per cent off their peaks, with low interest rates, have begun to draw buyers into the market.

"There definitely was a larger equity requirement for sure," Greer said. "That hasn't changed. But we're lucky with [Canada Mortgage and Housing Corp.'s] great lending program."

The CMHC-backed insurance apartment buyers get on their mortgages gives them the security to secure the low interest rates that make the investments attractive. Many buyers, Greer said, are private investors who "haven't bought [any apartment buildings] in

the past three or four years now getting back into the marketplace because they now have a decent spread between borrowing rates and cap rates, which we haven't seen in a long time."

Greer said historically low apartment vacancy rates make apartment buildings more attractive as commercial real-estate investments than office or retail buildings during the current recession.

However, Avison Young's report noted there are still a large number of building listings in the unsold inventory with sellers "still looking to achieve yesterday's prices in today's environment."

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MORTGAGES

Borrowers enticed to break old loan contracts

BY DERRICK PENNER
VANCOUVER SUN

Real estate sales may be below last year's levels, but rock-bottom mortgage rates have kept mortgage brokers just as busy as they were in 2008, with clients racing to refinance their home loans.

chase the lower rates.

Santos said that at his own firm, about 70 per cent of business is in refinancing or renewing existing mortgages and about 30 per cent is devoted to securing new mortgages for buyers to purchase homes.

"By the end of April, we'll be at the same or slightly higher mortgage volume than we did last year," he said.

For some borrowers, Santos said the

0.25 per cent, a record and the lowest rate the bank can set.

That spurred Canada's major banks to drop their prime lending rates, to which variable-rate mortgages are tied, also by a quarter point.

The Canadian Association of Accredited Mortgage Professionals reported results Wednesday from its semi-annual mortgage-market survey, which showed that: