



The Apartment Team

Multi-Family Market Report



APARTMENTBLOCKS.ca

Year-End Report

ApartmentBlocks.ca

We are pleased to bring you the latest market report outlining what has happened over another outstanding year and what we predict to come around the corner.

Many official community plans in last year's report made significant progress or were approved by Council. Millennials' continued struggle with an expensive market and vocalization of the need for affordable housing collides with baby boomers' resistance to new development within their communities. We saw the implementation of the Foreign Buyers' Tax in an attempt to cool an erupting housing market and we are starting to see the ramifications of those measures. Rents continue to increase so rapidly that many landlords are unaware of how much they can charge for their units. Then we have land prices soaring as 90% of pre-sales for upcoming Greater Vancouver developments in the next five years have been sold.

What Led Us Here?

Similar to last year, we continue to see unprecedented pricing due to the lack of supply of available product. Property owners continue to claim lack of alternative investments strategies as the main factor for hanging onto any rental stock that they own. Many apartment owners have been refinancing their properties with lower interest rates, increasing their available capital to purchase more property, driving demand. Renovators have taken a stronger position as renters expectations for their homes become more luxurious and they are willing to pay the premium rents.

Where Is All This Leading?

Looking forward one year we can expect to see current trends continue driven by lack of supply and increased demand. We are finding that new investors are starting to get priced out of the market as they are unable to accommodate the low financing amounts and need to act quickly with clean offers. Going forward many prospective buyers will likely be current property owners, creating increased competition in the market. The U.S. economy is under instability, which may put upward pressure on our bonds. Interest rates may start to climb slightly as lenders are wary of the downward pressure on capitalization rates.

Our Report

Enclosed in this report are all of the multi-family and land development sales of 2016. Please note we do not include strata, co-operative, or mixed-use properties in this data. We have included the regional highlights, general market issues, development news, and our "Best Bets for 2017". Also featured is a current listings page with details on all investment properties listed for sale with our team. We are pleased to announce the latest upgrades to apartmentblocks.ca.

Apartmentblocks.ca Featured Updates

We are now tracking all the multi-family sales of the Greater Vancouver Area. What sets this new and exciting addition apart is the dynamic search function. This feature allows searching for any property details you want quick and simple. Start typing what you're looking for into the box and it will find what you are searching for as you type it!

- ▶ Fast & easy search
- ▶ Previous sales & upcoming listings
- ▶ Clean & simple design
- ▶ 24/7 updates

2016 Apartment Building Sales Report

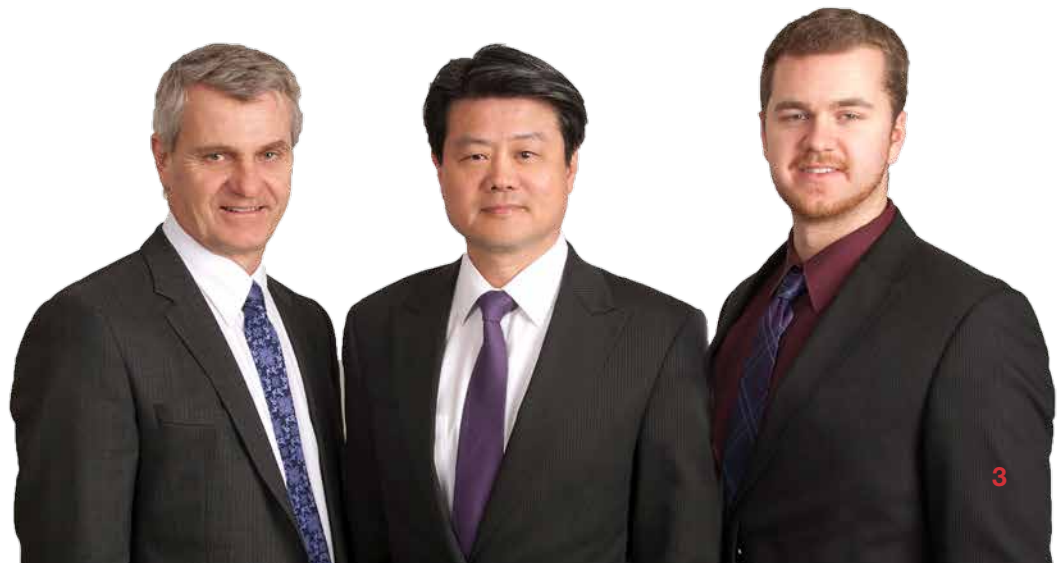
2016 Apartment Building Sales | Greater Vancouver

Search:

Address	Price	Number of Units	Price per Unit
VANCOUVER			
1090 Jervis St.	6,500,000	19	342,105
530 Drake St.	5,500,000	14	392,857
1742 Pendrell St.	7,680,000	23	333,913
688 Alexander St.	1,208,000	9	134,222

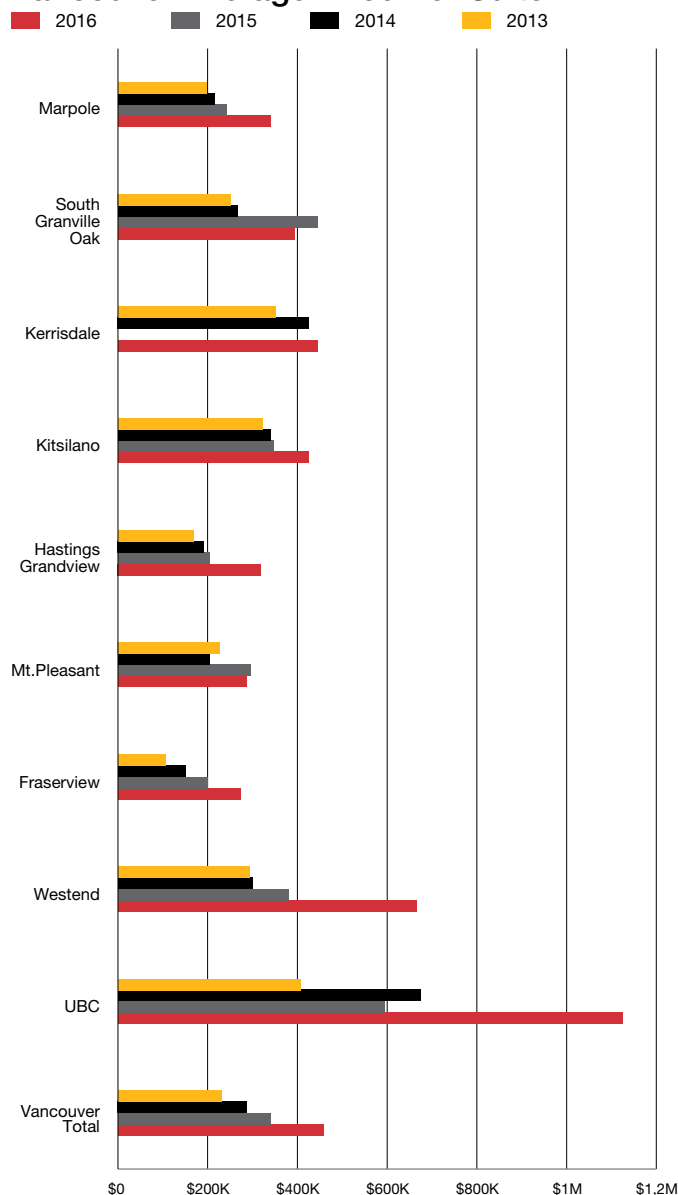
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Tax increases have not slowed down the multi-family market.

Vancouver Average Price Per Suite



Will this trend continue?

REGIONAL HIGHLIGHTS

We have seen another year come and go. Still the major topic dominating most headlines and coffee room gossip is the continued increase of real estate prices. This year BC's government made the decision to increase the Property Transfer Tax for amounts over two million dollars to 3%. Even with this change, the market did not slow down. The second attempt at slowing this rapid increase was a 15% tax for foreign purchasers, though only applied to properties in the Lower Mainland. The tax has received negative reaction across the board, forcing the government to review the policy but the outcome is yet unknown. These taxes are intended to cool a heated market, and we've seen the effects in the residential sector.

The purchase of multi-family buildings also falls under both policy changes but the commercial market has seen the effects to a lesser extent. Unlike residential home buyers, most parties interested in investment properties have a local connection. Usually represented by a family member designated to purchase and operate the building, they manage to avoid the tax.

A regional record of one billion dollars' worth of wood-frame apartment buildings sold this year, surpassing last year's record-breaking \$900 million. Will this trend continue? With certain portfolios expected to sell in excess of \$300 million coming to the market even now, it seems likely 2017 will be another year of new records.

GENERAL MARKET ISSUES

At the time we were writing last year's report, we saw five-year CMHC mortgages at 2.05% to 2.10%. The same rates apply exactly a year later. There have been some ups and downs since then, but mostly ups. This is worth keeping in mind as mortgage money is usually cheapest near the beginning of the year. Banks and lending institutions run short of allocations as the year progresses and the amount charged by lenders for bonds or CMBs usually increases toward year end.

Rental rates have been escalating dramatically throughout the year, with the most pronounced increases in the West End. This trend will likely continue but the spike seems to be normalizing as wages struggle to keep up with rents.

Vancouver Wood-Frame Apartment Transactions 2016

Address	Month Sold	Selling Price	Price/Suite	# of Units
Marpole				
8635 Hudson St.	Feb.	\$5,600,000	\$243,478	23
8615 Laurel St.	March	\$6,250,000	\$240,385	26
8709 Cartier St.	March	\$2,020,000	\$336,667	6
1339 W. 71 st St.	April	\$3,300,000	\$412,500	8
8619 Cartier St.	April	\$3,900,000	\$487,500	8
8676 Oak St.	April	\$3,950,000	\$493,750	8
8636 Oak St.	May	\$3,550,000	\$443,750	8
8650 Osler St.	Aug.	\$7,700,000	\$296,154	26
8685 Osler St.	Oct.	\$4,400,000	\$338,462	13
1440 W. 71 st St.	Oct.	\$3,808,000	\$380,800	10
8619 Cartier St.	Nov.	\$4,600,000	\$575,000	8
Total & Average		\$49,078,000	\$340,819	144
South Granville / Oak				
1009 W. 10 th Ave.	Jan.	\$12,850,000	\$313,415	41
1750 W. 13 th Ave.	Jan.	\$18,100,000	\$385,106	47
1190 W. 10 th Ave.	Feb.	\$12,000,000	\$342,857	35
1386 & 1396 W. 11 th Ave.	April	\$10,600,000	\$365,517	29
1309 W. 14 th Ave.	May	\$9,668,000	\$420,348	23
2910 Alder St.	May	\$12,400,000	\$354,286	35
1666 W. 12th Ave.	June	\$4,450,000	\$404,545	11
1225 W. 13 th Ave.	June	\$6,500,000	\$464,286	14
1557 W. 12 th Ave.	June	\$7,000,000	\$700,000	10
1530 W. 13 th Ave.	July	\$10,850,000	\$678,125	16
919 W. 13 th Ave.	Aug.	\$15,500,000	\$407,895	38
1455 W. 8 th Ave.	Sept.	\$7,100,000	\$284,000	25
2424 W. Broadway	Oct.	\$4,300,000	\$430,000	10
Total & Average		\$131,318,000	\$393,168	334
Kerrisdale				
2116 & 2150 W. 39 th Ave.	March	\$17,500,000	\$416,667	42
5343 Yew St.	July	\$13,180,000	\$488,148	27
Total & Average		\$30,680,000	\$444,638	69
Kitsilano				
1888 Maple St.	Feb.	\$8,150,000	\$339,583	24
2415 W. 4 th Ave.	March	\$4,600,000	\$511,111	9
1875 W. 7 th Ave.	May	\$13,500,000	\$346,154	39
1929 W. 3rd Ave.	May	\$19,800,000	\$373,585	53
2293 W. 6th Ave.	June	\$4,500,000	\$750,000	6
2565 Cornwall St.	June	\$5,765,000	\$720,625	8
2200 W. 5 th Ave.	June	\$2,400,000	\$342,857	7
2425 Alma St.	June	\$3,650,000	\$456,250	8
5343 Yew St.	July	\$13,180,000	\$488,148	27
2475 W. 1 st Ave.	Aug.	\$6,050,000	\$504,167	12
2272 W. 7 th Ave.	Aug.	\$9,000,000	\$450,000	20
Total & Average		\$90,595,000	\$425,329	213
Hastings / Grandview				
2381 Trinity St.	Feb.	\$2,750,000	\$275,000	10
234 N. Templeton Dr.	Feb.	\$2,050,000	\$341,667	6
1727 William St.	March	\$2,475,000	\$247,500	10
1910 E. 12 th Ave.	April	\$2,230,000	\$557,500	4
5336 Hastings St.	Aug.	\$7,300,000	\$221,212	33
1957 E. 3 rd Ave.	Aug.	\$3,015,000	\$376,875	8
1837 Adanac St.	Aug.	\$3,150,000	\$450,000	7
2320 Woodland St.	Aug.	\$14,250,000	\$395,833	36
5190 Hastings St.	Sept.	\$3,250,000	\$250,000	13
Total & Average		\$40,470,000	\$318,661	127
UBC				
5519 Toronto St.	June	\$10,391,210	\$1,731,868	6
5506 King Rd.	June	\$10,391,210	\$1,731,868	6
2225 Arcadia Rd.	June	\$12,980,210	\$721,123	18
Total & Average		\$33,762,630	\$1,125,421	30
Mount Pleasant				
396 E. 2 nd Ave	Jan.	\$12,680,000	\$239,245	53
234 E. 14 th Ave.	Feb.	\$7,900,000	\$359,091	22
938 E. Broadway	Feb.	\$2,780,000	\$278,000	10
2224 Alberta St.	March	\$4,550,000	\$350,000	13
243 E. 13 th Ave.	March	\$4,600,000	\$418,182	11
117 E. 15 th Ave.	April	\$2,500,000	\$250,000	10
1130 E. Broadway	May	\$7,500,000	\$258,621	29
Total & Average		\$42,510,000	\$287,230	148
Fraserview				
4899 Quebec St.	July	\$2,250,000	\$321,429	7
7883 Knight St.	June	\$2,598,000	\$199,846	13
418 E 44 th Ave.	June	\$4,950,000	\$309,375	16
Total & Average		\$9,798,000	\$272,167	36
West End				
1517 Comox St.	Jan.	\$2,200,000	\$366,667	6
1606 Nelson St.	Jan.	\$7,200,000	\$553,846	13
1070 Barclay St.	Jan.	\$28,000,000	\$1,037,037	27
1080 Barclay St.	Jan.	\$31,000,000	\$620,000	50
1180 Broughton St.	Jan.	\$11,000,000	\$523,810	21
1090 Jervis St.	Feb.	\$6,500,000	\$342,105	19
1770 Davie St.	June	\$43,000,000	\$741,379	58
1425 Haro St.	June	\$5,550,000	\$292,105	19
1742 Pendrell St.	June	\$7,680,000	\$333,913	23
1186 Nicola/1485 Davie St.	June	\$36,500,000	\$715,686	51
1055 Harwood Ave.	July	\$40,500,000	\$1,350,000	30
1531 Barclay St.	Sept.	\$15,080,000	\$558,519	27
1131 Barclay St.	Dec.	\$13,500,000	\$482,143	28
Total & Average		\$247,710,000	\$665,887	372

Blue text denotes sales by NAI Commercial

Market Insight Vancouver

VANCOUVER

This year has seen a staggering number of sales in the Vancouver area, with the current count at 68 sales—an 8% increase over 2015. The number of units transacted is at 8.9%, with the possibility of increasing before the year is over. We are seeing a frenzied demand for multi-family buildings, even with the government's best efforts to slow the market.

In 2015, most offers were being submitted subject-free, in buyer's attempts to gain a competitive advantage bidding for new properties. Grandview-Woodlands adopted a new Official Community Plan (OCP) providing beneficial densities to a large number of owners holding older houses and buildings. In November the ApartmentBlocks team listed a property at Broadway and Clarke for over \$17 million (\$386,000 per unit) with a sub-2% cap rate. An asking price this steep normally would never sell. The deal transformed into a windfall for the owner, bringing him offers he couldn't refuse.

Last year we saw an approximate price increase of 25%, resulting in an average price per unit from \$340,260 to \$459,625. Our expectations for the Greater Vancouver market continue to be insatiable demand, lightning-paced activity and further price escalations.

WEST END

Rents are the main discussion topic in this area, and shocking is the only way to describe recent rental increases. In some instances, units are achieving values of \$4.00 per square foot. Millennials are flocking to this area as they prioritize an urbanized lifestyle. Due to the fact that most tenants would need to pay \$400 to \$500 more in monthly rent if they move, they don't. With two or three units turning over per building per year, we expect this market will stay uncomfortably tight. If there was ever an area where rents could really be fully appreciated without rent controls, this area is it. Selling prices are now in excess of \$400,000 per unit for any wood-frame building.

Burnaby & Suburban

BURNABY

Metrotown is brewing what some might call the perfect storm. The long-awaited Metrotown Official Community plan is finally updated. Almost all apartment sales in Metrotown for 2016 have been sold as development opportunities. Once the plan is finalized, owners not yet listing their properties while awaiting clarification of designated density are more likely to put new supply on the market.

Prices in Burnaby have increased by an average of 8.2% per unit with the number of buildings sold at this time remaining at 23. The Burnaby marketplace saw mostly larger buildings sold. While Metrotown dominates the Burnaby market, there was healthy activity in other areas including Highgate with over 8% increase in prices.

NEW WESTMINSTER

New Westminster has seen the prices jump from a relatively modest \$140,000 per unit at the beginning of the year to over \$200,000 nearing year end. This dramatic increase is partially due to the fact that rents in New Westminster are only 4% lower than in Metrotown or Marpole, but the price per unit is about \$100,000 higher in these two areas.

The tenant profile in New West has evolved dramatically over the last few years. We are seeing proximity to SkyTrain draw in young professionals to buildings in proximity to achieve exceptional rents. The city has begun to lighten up on the hard line approach to unauthorized suites. Previously ordered to be removed, suites can now be legalized with a fee that covers inspection of unit safety and other concerns.

NORTH VANCOUVER

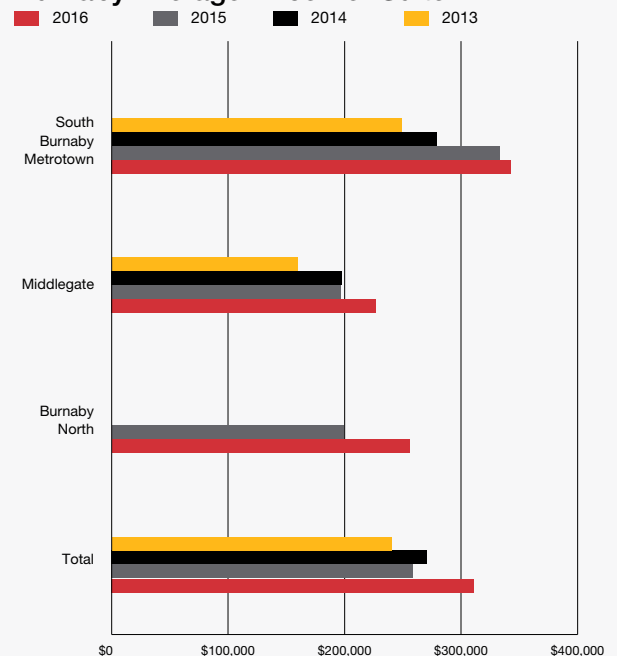
In the last few months, we have seen prices soar to over \$300,000 per unit in North Vancouver. Many sales have underlying land value due to the larger lot sizes. The most recent sales were considered a land bank, where you often see one owner owning side-by-side buildings, which they have held for many years. We saw one buyer attempt to add two floors on a recent purchase, which is getting positive feedback from the City as they desperately try and achieve a larger supply of rental units. These prices may now level off as such dramatic increases have taken place.

Burnaby Wood-Frame Apartment Transactions 2016

Address	Month Sold	Selling Price	Price/Suite	# of Units
South Burnaby / Metrotown				
4520 Beresford St.	Jan.	\$6,000,000	\$300,000	20
6576 Sussex St.	Jan.	\$3,525,000	\$440,625	8
5868 Olive Ave.	Jan.	\$12,490,000	\$265,745	47
6540 Marlborough	Feb.	\$6,800,000	\$226,667	30
6366 Cassie Ave.	Feb.	\$16,150,000	\$273,729	59
6433 McKay Ave.	Feb.	\$9,600,000	\$342,857	28
6585 Sussex Ave.	March	\$11,880,000	\$495,000	24
6425 Silver Ave.	March	\$14,150,000	\$294,792	48
6525 Telford St.	April	\$20,888,888	\$386,831	54
6525 Sussex Ave.	May	\$18,000,000	\$750,000	24
6559 Sussex Ave.	May	\$2,800,000	\$280,000	10
6556 Marlborough Ave.	May	\$3,238,768	\$359,863	9
6566 Marlborough Ave.	May	\$3,258,444	\$271,537	12
6580 Marlborough Ave.	May	\$5,964,481	\$350,852	17
6665 Royal Oak Ave.	Dec.	\$5,475,000	\$288,158	19
Total & Average		\$140,220,581	\$342,838	409
Middlegate				
7230 Elwell St.	Jan.	\$5,400,000	\$200,000	27
6947 Walker Ave.	Jan.	\$7,000,000	\$200,000	35
7465 14 th Ave.	Feb.	\$2,900,000	\$290,000	10
6822 Arcola St.	May	\$3,060,000	\$306,000	10
6749 Arcola St.	June	\$2,270,000	\$252,222	9
Total & Average		\$20,630,000	\$226,703	91
North Burnaby				
5366 Hastings St.	Aug.	\$7,300,000	\$221,212	33
5190 Hastings St.	Sept.	\$3,250,000	\$250,000	13
7120 Pandora	Dec.	\$13,500,000	\$281,250	48
Total & Average		\$24,050,000	\$255,851	94

Blue text denotes sales by NAI Commercial

Burnaby Average Price Per Suite



Metrotown is brewing what some might call the perfect storm.

New West has seen prices jump.

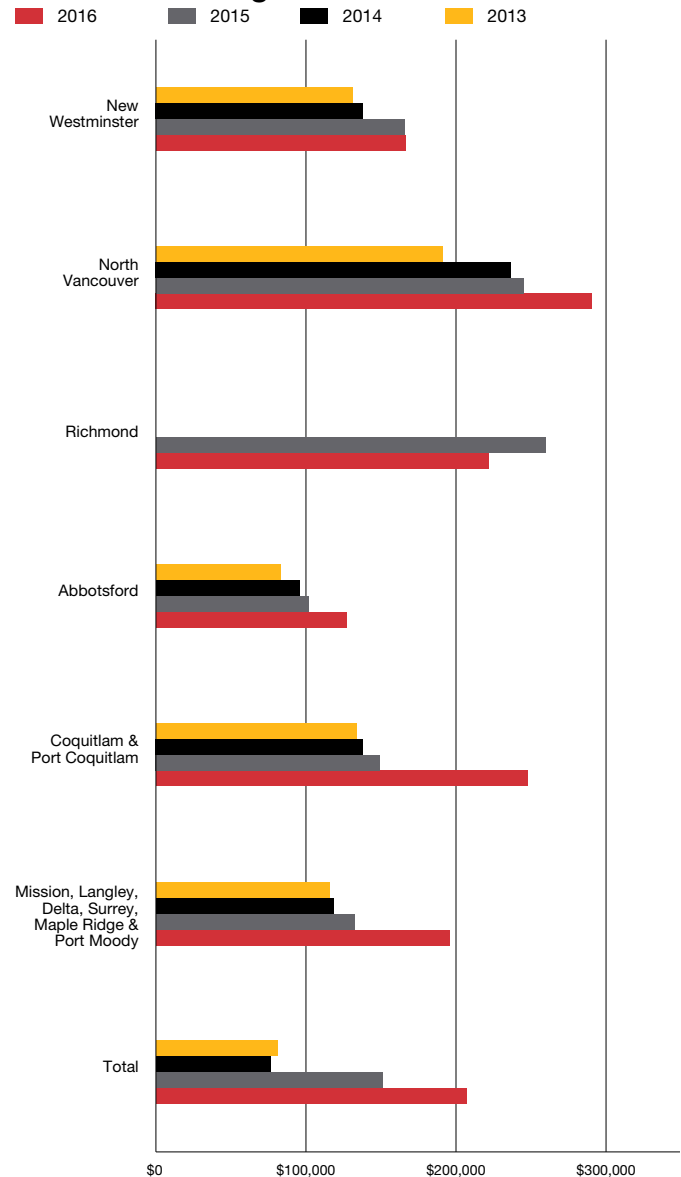
Market Forecast Best Bets for 2017

Suburban Wood-Frame Apartment Transactions 2016

Address	Month Sold	Selling Price	Price/Suite	# of Units
New Westminster				
1320 5 th Avenue	Jan.	\$2,000,000	\$153,846	13
1222 5 th Avenue	Jan.	\$3,180,000	\$151,429	21
615 Third Avenue	Feb.	\$4,450,000	\$153,448	29
217 Royal Avenue	March	\$2,550,000	\$134,211	19
1024 St. Andrews	March	\$3,650,000	\$158,696	23
427 Eighth Street	March	\$2,100,000	\$140,000	15
429 Eighth Street	March	\$2,100,000	\$150,000	14
311 Ash Street	May	\$5,000,000	\$185,185	27
815 Fifth Avenue	June	\$8,900,000	\$145,902	61
53 Fourth Street	July	\$1,785,000	\$178,500	10
521 Victoria Street	July	\$1,500,000	\$166,667	9
325 Ward Street	Aug.	\$11,300,000	\$198,246	57
228 Manitoba Street	Sept.	\$1,500,000	\$187,500	8
204 Agnes Street	Sept.	\$2,848,888	\$219,145	13
1210 Seventh Avenue	Sept.	\$2,728,000	\$181,867	15
Total & Average		\$55,591,888	\$166,443	334
City & District of North Vancouver				
365 East 2 nd Street	Jan.	\$4,475,000	\$298,333	15
226 East 15 th Street	Jan.	\$3,600,000	\$300,000	12
1215 St Georges Street	April	\$2,175,000	\$80,556	27
154 East 18 th Street	April	\$8,996,500	\$290,210	31
124 West 20 th Street	July	\$6,820,000	\$310,000	22
111 West Windsor Road	July	\$7,200,000	\$276,923	26
210 East 2 nd Street	Sept.	\$12,000,000	\$375,000	32
230 East 2 nd Street	Sept.	\$12,000,000	\$375,000	32
Total & Average		\$57,266,500	\$290,693	197
Abbotsford				
33555 South Fraser Way	Feb.	\$8,900,000	\$128,986	69
2136 McKenzie Road	April	\$1,925,000	\$120,313	16
Total & Average		\$10,825,000	\$127,353	85
Coquitlam & Port Coquitlam				
2623 Burleigh Avenue	Jan.	\$32,000,000	\$278,261	115
2066 Coquitlam Avenue	Jan.	\$2,000,000	\$166,667	12
530 Cottonwood Avenue	April	\$5,090,000	\$242,381	21
329 Casey Street	Oct.	\$5,700,000	\$172,727	33
Total & Average		\$44,790,000	\$247,459	181
Mission				
33523 3 rd Avenue	July	\$3,598,000	\$112,438	32
32500 Fraser Crescent	July	\$1,500,000	\$136,364	11
Total & Average		\$5,098,000	\$118,558	43
Langley City & Township				
20699 Eastleigh Crescent	Jan.	\$3,197,500	\$228,393	14
19855 54 th Avenue	March	\$1,280,000	\$182,857	7
8026 207 Street	Aug.	\$17,000,000	\$293,103	58
Total & Average		\$21,477,500	\$271,867	79
White Rock & Delta				
1461 Foster Street	May	\$3,750,000	\$187,500	20
1580 Everall Street	July	\$10,925,000	\$191,667	57
1497 Martin Street	Oct.	\$6,950,000	\$330,952	21
Total & Average		\$21,625,000	\$220,663	98
Maple Ridge				
11682 224 th Street	July	\$2,220,000	\$105,714	21
Surrey				
13570 Hilton Road	Jan.	\$2,075,000	\$159,615	13
7760 120 Street	April	\$10,802,977	\$154,328	70
13748 Bentley Road	May	\$1,768,000	\$221,000	8
Total & Average		\$14,645,977	\$160,945	91
Richmond				
8251 Bennett Road	Dec.	\$7,100,000	\$221,875	32

Blue text denotes sales by NAI Commercial

Suburban Average Price Per Suite



We are seeing
the SkyTrain
draw in young
professionals.

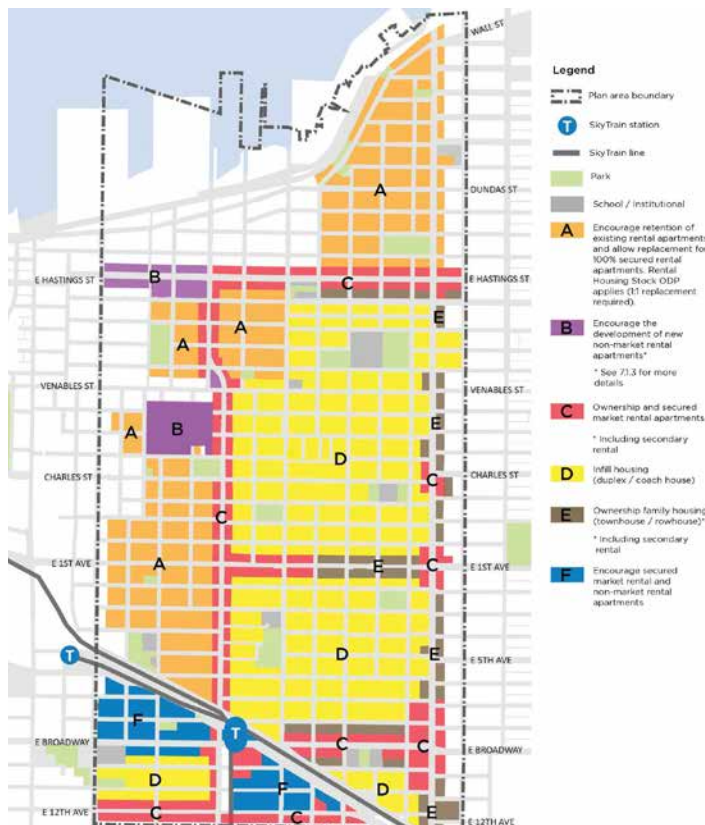
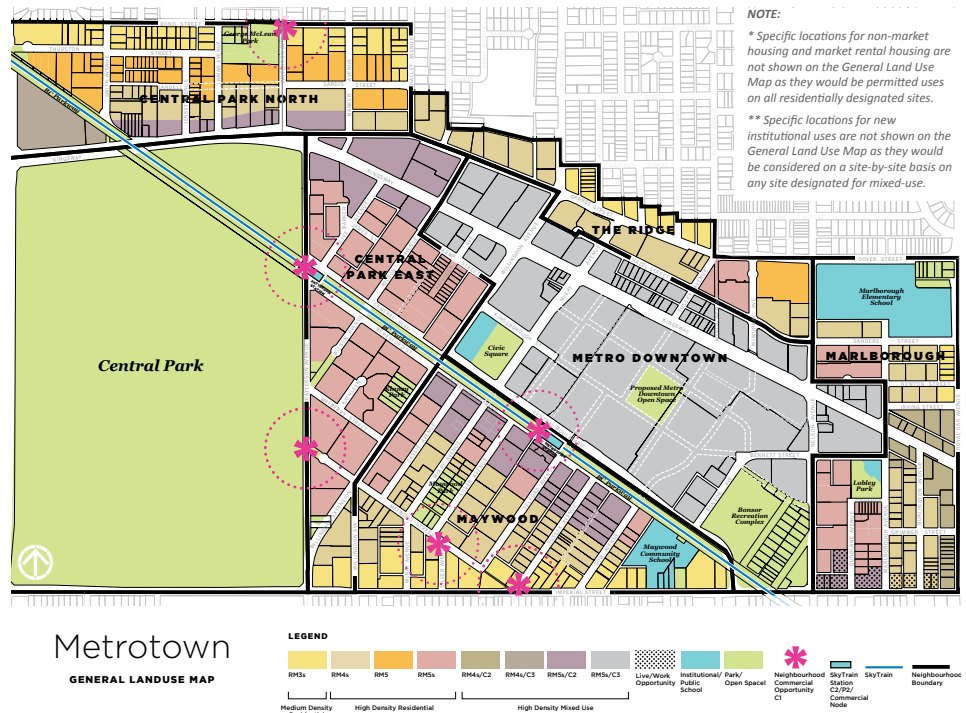
Development Highlights

Changing Communities

METROTOWN

The heated battle continues in one of the most controversial modernizations of Official Community Plans in Greater Vancouver. After much deliberation, an updated draft has been released identifying the newly-designated zoning for specific properties. The results were not entirely as expected. Some areas received higher densities than originally anticipated. The Southern Beresford Skytrain pocket got the RM-4s zonings. Unlike the City of Vancouver, it seems the Metrotown OCP contains no intention of introducing rental replacement requirements. This gives developers flexibility when designing new projects, keeping land values strong. With such high contention surrounding the project, we cannot say for certain whether it will be released in the coming year.

It is important to remember that Burnaby is one of the only municipalities that will commandeer land and density upon rezoning. We advise anyone looking for an accurate assessment of newly-achieved property values to take the time to ask and understand the full implications of what the city intends for your property.



GRANDVIEW-WOODLANDS

After only two years of public consultation, the Grandview-Woodlands OCP has been released. Urban planners began the process with the release of a preliminary land use map that was circulated as a rough sketch of the City's vision for the neighbourhood. Within two months of releasing the concrete version of the plan, it was adopted by council. The Plan comes with challenges for developers as many of the few designated areas for high-rise density require a 50% rental component. This has kept many developers from paying premiums for the land as they try and put together the most comprehensive designs for this kind of development. The majority of increased density is unsurprisingly focused on new rental construction as Vancouver tackles zero vacancy rates.

What we like about the plan is the young culture that should emerge from a revitalized community. Many millennials already flock to Commercial Drive for its trendy feel and relatively affordable rental market. Increasing the supply will allow for a greater number of young professionals to take advantage of the rapid transit into downtown, eliminating the requirement of car ownership, and promote a vibrant culture of millennials looking for entertainment outside of the typical amenities of the downtown core.

Development Highlights

Changing Communities

COQUITLAM

Citizens in Coquitlam have been resistant to attempts to increase densities anywhere within the municipality. Most residents are reluctant to see their neighbourhoods change even with daily articles and headlines addressing the desperate need for increased supply of housing in the area. Only the core areas within 500 meters of the new Evergreen Line stations have been designated for higher densities. The shoulder areas, 500 to 800 metres from each station, are seeing zoning changes significant enough for many homeowners to see a higher property value in the developers' market than the residential market. Many of these property owners are taking advantage of the increased value to upgrade into better homes within the area or migrating closer to Downtown Vancouver. Developers are keen and ready, getting into development opportunities before the plan is adopted to get a head start on their condo projects and beat a wave of supply that will inevitably hit the market. This has driven land prices up significantly in late 2016.

We would like to see Coquitlam designate higher densities within the shoulder areas of the plan. This would promote better utilization of rapid transit as well as larger community hubs for first-time homeowners requiring local amenities and entertainment. Increasing densities in the core and shoulder areas reduces the sprawl of low-rise redevelopment and maintains a larger stock of single-family detached homes.

NEW WESTMINSTER

The city planners have finalized the draft OCP to be submitted to council and adoption of the plan is set to be early 2017. The concept of the Plan seems to be preserving detached homes, which make up the majority of the landscape. The new plan will accommodate a smaller increase in population than we would like to see from a growing market that has allowed renters affordability while providing rapid transit options to downtown Vancouver.

Many of the younger residents live in New Westminister in order to save for a home elsewhere but as rents skyrocketed in 2016, making this more difficult. We expect many of the renters who are looking for ownership to modify expectations



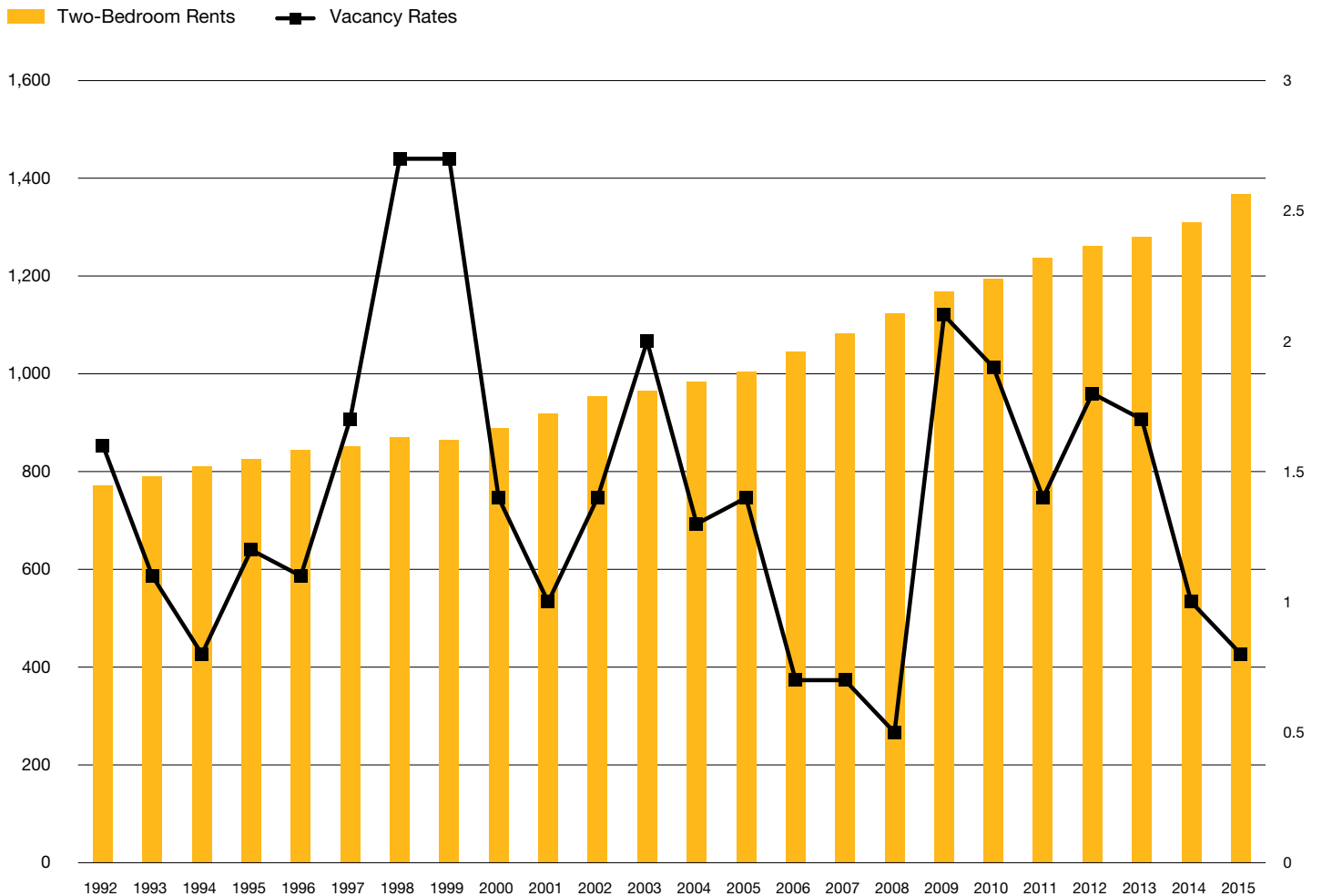
BURQUITLAM LOUGHEED NEIGHBOURHOOD PLAN - Proposed Land Use



and settle on New West as the place to raise a family, thus population estimates may be higher than anticipated.

Land in New Westminister is relatively inexpensive compared with other areas and the overall increases in density are marginal. New developments will be challenging because land costs will be unviable for future development in some of the targeted areas.

Historic Vancouver Rents VS. Vacancy Rates



Source: CMHC (https://www.cmhc-schl.gc.ca/en/hoficlincl/homain/stda/data/data_004.cfm)

Rental rates have been escalating dramatically throughout the year.

Team History

1980

Terry earns real estate license 1980
Terry joins Goddard & Smith 1980

1990

Jackson becomes development site consultant 1986
Jackson earns real estate license 1987
Jackson & Terry team up 1988

2000

First \$100 million transacted 1995
Goddard & Smith becomes NAI Commercial 2003

2010

First \$1 billion transacted 2010
Brandon begins managing properties 2011
Brandon earns real estate license & joins team 2013
Articles published in Renx & Landlord BC 2015
\$150 million transacted in 2016

2017

Market Forecast

Best Bets for 2017

MARKET FORECAST

- ▶ Interest rates have been climbing over the last year. We will likely see small increases and those sub-2% mortgages become a thing of the past.
- ▶ Rental rates should continue to increase, but not near the frenzied pace of last year.
- ▶ Land development continues to grow dramatically with Vancouver, Burnaby, and Coquitlam now increasing densities in many rapid transit areas.
- ▶ Bank lending policies to get tighter for construction loans and loan amounts to be cut down for building acquisitions.
- ▶ The low buying power of the Canadian dollar will continue to keep strong demand on hard assets like investment properties.

BEST BETS FOR 2017

We have seen prices escalate from 8% to 25% in almost all areas of the multi-family market. This will likely continue at a slower pace, but still continue moving upward. Values within the City of Vancouver or in nearby suburbs such as Richmond or North Vancouver almost always appreciate faster than those in outlying areas. Slightly higher yield on an outlying property likely does not warrant the potential upside benefit of more prime properties.

A current concern is the requirement of large down payments. On a recent sale in South Granville, the buyer was able to commit a 70% down payment. In West Vancouver, 80% down was required. If buying within Vancouver's city limits, some lenders will commit to interest only, allowing a purchase with only 30% to 35% down. What we see as the best place to buy is close proximity to Vancouver and as large a building as you can afford. Better to buy as large as possible than to invest in two smaller building as economies of scale play an important part in building ownership.

Tender or Not?

GOING ONCE... GOING TWICE... NOT SOLD?

2016 revealed a new phenomenon taking the sale of apartment buildings back to one of the oldest known forms of exchanging goods and services... the auction.

Though sporadic, the earliest auctions have been dated back to 500 B.C. Over 2,500 years later, the uncommonly tight Vancouver market has real estate brokers rebranding this ancient negotiation as a modern way of achieving higher values. One of the reasons this strategy is being used is uncertainty. An unspoken fear of real estate professionals is undervaluing a property.

The tender method has merits that can be beneficial for specific types of properties, making it a viable option in determining the best way to generate top dollar for your investment. But does it work for every property?

Why Tender?

There are benefits to removing the asking price from a property. With no price expectations established, buyers must compete against each other to present offers high enough to stand out against other contenders.

A seasoned investor will use a logical system to appraise the property and present an appropriate bid, completing extensive research to determine value. Using data from similar sales and factoring in current market trends, they form an offer that ultimately reflects the true value of the investment. This approach takes time to gather and understand all the information necessary when comparing investments.

On the other hand, an inexperienced investor competing in a tender scenario might use a more emotional approach guided by apprehension, ambition or audacity. Some see value in a property based on others' enthusiasm and public interest. While less concrete, this approach saves time otherwise spent on research and education.

In a hot market, the experienced investor will not have time to complete the level of due diligence they would normally base their decisions on. Decisions must be made hastily in order to be competitive. This agitated process can drive prices to

levels that are above what a professional may consider top of the market. Offers start to rise beyond a rational value for the investment.

When to Avoid Tender

A tender scenario does not always mean more value for the property. Having a carefully researched and properly valued listing will generate strong interest from all sectors of the market. If purchasers feel the price is within reasonable expectations, they make offers accordingly. When using a bidding format, the initial offering might not pull the anticipated response the property and can languish on the market.

Once the excitement surrounding a new listing wears off, the decision moves to a purely rational one. Without an official asking price, these investors will likely make offers lower than expected. This can cause a property to drag through multiple bid dates with many obstacles and disruptions, eventually leading to the provision of an official asking price.

Some investors willing to pay top dollar for in a certain area will not compete in a tender scenario. Our recent sale of a concrete highrise in West Vancouver involved a purchaser who refused to bid for the property.

Should I Tender?

Tendering is effective for flagship properties considered as more of an emotional purchase rather than a researched transaction. These types of investments have a sentimental value to certain buyers, which may lead to a price beyond the owner's expectations.

It is important to note that the rarity of flagship properties will generally ensure multiple offers using either method. Flagship properties are buildings that are unique: waterfront locations, concrete construction, unobstructed views, and the like.

Deciding the best way to obtain the highest value for your investment should be discussed with a real estate professional who can explain the advantages and difficulties of your property and utilize the best way to leverage the unique strengths of your asset.



Mortgage Financing Basics

CMHC vs. Conventional

As an experienced Mortgage Consultant I am often asked about the difference between CMHC and Conventional financing for apartment buildings. Both products are unique in that they cater to very different investment and financing objectives. Below I have described each option and summarized the advantages of each given your investment objectives:

CONVENTIONAL

This is a typical mortgage provided by a Lender using standard lending rules as a base and further applying their own criteria to reach loan amounts. These further Lender criteria such as Debt Coverage Ratios (DCR), Loan to Value (LV), borrower profile and property condition and location will result in different loan amounts derived by Lenders. Loan terms such as rates, mortgage payments, prepayment privileges, amortizations, etc., may also differ as the Lenders have flexibility in catering the mortgage to meet your financing objectives. All Lenders will require third party reports such as an Appraisal and an Environmental report. A Structural or Property Condition report may also be required given the age, nature and size of the property.

CMHC

This is a mortgage provided by a lender which has been insured by The Canadian Mortgage and Housing Corporation (CMHC). A Lender or a qualified mortgage consultant who is an approved CMHC Lender correspondent must make an application into CMHC for insurance. Once approval has been obtained the Lender may fund the mortgage once all of the CMHC funding conditions have been satisfied. CMHC Lending criteria are applied to derive loan amounts and the respective insurance premiums to be paid by the borrower. Since CMHC loans are insured they are typically pooled and sold in the markets as Mortgage Backed Securities (MBS) thus allowing Lenders liquidity and continued lending. An Insured mortgage also reduces Lender risk thus resulting in lower rates as compared to conventional mortgage rates. CMHC loans are also assumable with qualification should a buyer want to maintain the existing loan amount on the property at sale.

INVESTMENT STRATEGIES

Short-Term Hold

A conventional mortgage is more appropriate in this case as you have the flexibility to cater the loan term to meet your timelines. Upon sale the loan can either be paid off without incurring penalties or assumed by the buyer with qualification. This may result in significant saving in terms of external reporting costs and legal fees

Long-Term Hold

A CMHC mortgage is more cost effective as lower rates may be secured even after factoring in the insurance premiums to be paid. Also the insurance is maintained for the duration of the amortization of the loan without further premiums and therefore lower rates are also applicable at loan renewal. Should you decide to refinance at renewal time a new application must be made to CMHC and applicable premiums will apply.

Renovation or Fix up

A conventional mortgage will offer flexibility in payment terms such as interest only or limited principal amounts thus limiting outflow of cash until such a time that renovations are complete. A CMHC mortgage may also work in this case as long as one can manage the payments given the interruption of cash flow resulting from the renovations.

Maximizing Cash Flow

In most cases typical apartment buildings are financed using CMHC insured mortgages. Lower rates offered result in lower mortgage payments which allows one to maximize on the cash flow from the property.

When a prospective buyer does not have enough down of a payment required, a higher loan amount derived from a conventional loan may be more suitable thus allowing market entry.

A professional Mortgage Consultant canvases the market for rates and mortgage flexibility to provide the best possible options for all your financing needs.

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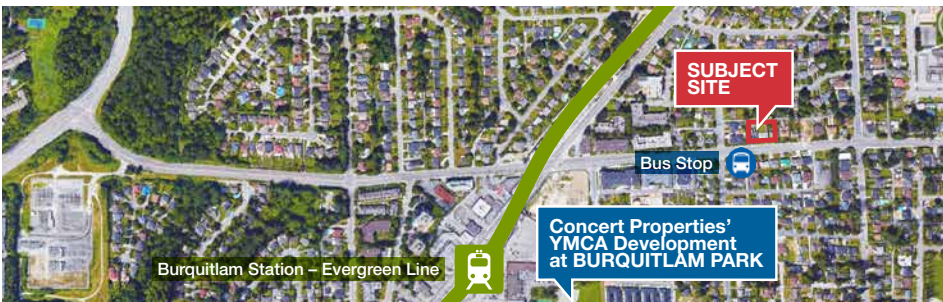
Featured Listings

Development & Multi-Family



1333 East Broadway Vancouver

- ▶ Development site
- ▶ 23,424 square feet
- ▶ Under contract



703-713 Como Lake Avenue Coquitlam

- ▶ Development site
- ▶ 27,324 square feet
- ▶ Asking \$6,950,000



17700 58th Avenue Cloverdale, Surrey

- ▶ Multi-family
- ▶ 25 units
- ▶ Asking \$5,125,000



112 Nanaimo Street Vancouver

- ▶ Multi-family
- ▶ 17 units
- ▶ Asking \$5,600,000



2525 Mission Road Courtenay

- ▶ Development site
- ▶ 1.908 acres
- ▶ Contact for price

The next story of success
could be yours.

2016 Success Stories

Development & Multi-Family Transactions



2145 Bellevue Ave.
West Vancouver



8251 Bennett Road
Richmond



1321 Cariboo Street
New Westminster



621 Twelfth Street
New Westminster



2293 West 6th Avenue
Vancouver



2910 Alder Street
Vancouver



2425 Alma Street
Vancouver



53 Fourth Street
New Westminster



1910 East 12th Ave.
Vancouver



44037 Progress Way
Chilliwack



815 Fifth Avenue
New Westminster



1666 West 12th Ave.
Vancouver



2746 Quebec Street
Vancouver



7465 14th Avenue
Burnaby



6576 Sussex Avenue
Burnaby



4520 Beresford Street
Burnaby



427 Eighth Street
New Westminster



429 Eighth Street
New Westminster



13570 Hilton Road
Surrey



615 Third Avenue
New Westminster



1024 St Andrews St.
New Westminster



1222 Fifth Avenue
New Westminster



1320 Fifth Avenue
New Westminster



1929 West 3rd Avenue
Vancouver



1090 Burnaby Street
Vancouver

\$150,000,000 transacted in 2016
by NAI Commercial's Apartment Team.



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