

REAL ESTATE ROUNDUP

PETER MITHAM

*Bank economists espy bottom
in British Columbia's housing market***Affordability
improves (barely)**

Hard on the heels of last week's report that housing affordability would be a key issue for the B.C. Real Estate Association in the May 12 provincial election, RBC Economics issued its latest report on housing costs.

Having declared B.C. housing markets "in full-blown correction mode" in its last report in December 2008, bank economists now muse that a market bottom may be in sight.

While this bodes well for affordability, the province remains relatively unaffordable, particularly against historical averages. While affordability has improved by as much as 6.3 percentage points for some properties, homes in the province are by no means affordable according to traditional definitions. It still requires more than 40% of household income to own a condo, and more than 70% for a bungalow, well in excess of the 32% deemed affordable by most observers. While home prices continue to slide and interest rates have fallen (the Bank of Canada cut its prime rate to 0.25% last week, prompting RBC to offer a 2.25% mortgage rate to clients), home ownership in Vancouver remains "exorbitant." The province's rising unemployment rate – 7.4% in March – won't help matters.

It doesn't matter what side of the market you're on these days. As RBC remarked, "To say that things continue to be tough in the Vancouver housing market would be an understatement."



Green acres: Holman Lang Vineyard Estates has listed two of its Naramata properties with Sothebys to attract an international market for some of its holdings

Speaking of tough ...

The tough housing market includes multifamily properties, traditionally the domain of investors. While vacancies in Vancouver remain below 1%, making these stable investments, transaction volumes in the first quarter reflect an ongoing weakness that Avison Young claims was at its worst in the last quarter of 2008.

A total of 17 multifamily apartment properties changed hands in the first three months of this year, at a total value of \$59.3 million. That's up from the last quarter of 2008, when seven properties changed hands, but still down from a year ago when 26 properties valued at \$92.1 million changed hands.

A change in expecta-

tions on the part of vendors contributed to the upswing in activity, Avison Young remarked, while lower interest rates also helped.

But the outlook for the year ahead isn't yet clear, from the perspective of David Goodman, a veteran apartment property broker with Macdonald Commercial.

While transactions have increased over the past month, they're still down sharply from last year. The slump that got underway in 2007 remains "really deep this year," he said.

"We are seeing a continuing decline in volumes," Goodman said last week.

Buyers are doing their homework and driving harder deals with vendors, knowing that declining in-

terest rates are in their favour. Rising vacancies are also giving them strength in negotiations.

Goodman noted that there have been no additional sales since the end of March, whereas last year there were 32 sales by the third week of April.

Goodman noted that the initial upswing was likely the result of deals deferred from the last quarter to take advantage of capital gains opportunities.

... and not so tough

Sothebys International Realty Canada has launched a division designed to market vineyards and vineyard-oriented properties in the Okanag-

an. Appropriately enough, reps were on hand for the annual spring release event the Naramata Bench Wineries Association hosted last week in Vancouver.

"To say that things continue to be tough in the Vancouver housing market would be an understatement"

- RBC Economics report

Sothebys has the listings for two Naramata Bench wineries: **Mistral Estate** and **Stonehill Estate**. Owner **Keith Hol-**

man is selling the properties as part of a refinancing that includes looking further afield for new opportunities for **Holman Lang Vineyard Estates**.

Other wineries in the Naramata area have also expressed interest in working with Sothebys, thanks to the international reach the company has.

According to Sothebys broker **Christa Frosch**, international investors have a keen interest in the Okanagan and its vineyards, which they see as a stable investment in an uncertain economy.

Frosch noted that investors from China and Russia have been particularly keen to invest in the region. ■ pmitham@telus.net

BRIEFS**Avison Young report finds B.C. multifamily real estate sales higher in 2009's first quarter**

B.C.'s multifamily investment sector is picking up steam after hitting a new low in the fourth quarter of 2008, according to an Avison Young first-quarter investment report.

Seventeen deals worth \$59.3 million were made in the first quarter compared with only seven worth \$29.9 million in 2008's fourth quarter.

Avison Young principal **Rob Greer** said the consistent, low-risk returns of multi-family investments coupled with historically low financing rates contributed to the increased sales in the first three months of 2009.

The report noted that mortgages insured by the **Canadian Mortgage and Housing Corp.** are available at around 3.5%, which is far lower than rates in the high 4% to low 5% range 12 months ago.

Rates might fall even further with the **Bank of Canada's** announcement Tuesday morning that it lowered its target overnight rate to a historic low of 0.25%. Shortly after the announcement, all the major banks lowered their prime rates and mortgage rates.

Despite the increased deal activity, sales are still down from a year ago and well below volumes experienced over the past five years. The number of sales and the total volume of sales have fallen roughly 35% from figures in 2008's fourth quarter.

Avison Young suggests that sales might not rebound to previous levels until sometime next year as the bid-ask gap between sellers and buyers remains relatively high despite prices for multi-family units falling between 10% and 20% from their peak in mid-2008.

Michael Brodie, an Avison Young multi-family investment adviser, said, "Some vendors are still looking to achieve yesterday's prices in today's environment." ■



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