

## Apartment investors suffer credit squeeze

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VANCOUVER - Sales of rental apartment buildings in Lower Mainland collapsed earlier this year in the credit squeeze and 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 the 153 sales worth \$519 million made in all of 2007.

Buyers and sellers in the market are "now [in] a standoff" over prices, according to Avison Young principal Rob Greer said, with listings on the rise and credit for investors running tight.

Buyers "have changed their pricing expectations" he continued, while sellers "are looking for yesterday's pricing in a more challenging market."

"The number of listings will continue to increase until assets are re-priced and purchaser confidence returns." And if difficult credit conditions persist in 2009, Greer added that 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, Michael Brodie, Avison Young's multi-family real estate advisor said.

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 only leverage 60 to 65 per cent.

"The inability to get yesterday's lending has driven many potential purchasers from the market simply because they don't have enough equity," Brodie added.

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