

Low interest rates help revive Vancouver real estate rental market

BY DERRICK PENNER, VANCOUVER SUN APRIL 22, 2009



There were 17 sales of rental apartment buildings worth 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, according to commercial realtor Avison Young.

Photograph by: Bill Keay, Vancouver Sun files

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.

Commercial realtor Avison Young counted 17 sales of rental apartment buildings worth 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 that those 17 sales in 2009's first quarter were substantially higher than the seven sales worth almost \$30 million recorded in the fourth quarter of 2008.

Greer, in an interview, said that between November of last year and the middle of January was a period where "nothing happened" in the market.

"But we are seeing things start to pick up," Greer said. "What's fueling things is very, very low [mortgage] interest rates, and [capitalization] rates that are now between one and 1 1/2-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 have come 10 to 20 per cent off their peaks, with low interest rates, have begun to draw buyers into the market.

Many, he added, 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."

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

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