



Let us help you *THINK BEFORE YOU ACT!*

We believe that knowledge is power. Whether it be in our own careers or in our businesses, we've always tried to gather and share as much information as we can before we make any decisions. Through MPC, we improve the quality and efficiency of our real estate industry by sharing as much information as we can.

In response to the ongoing changes and challenges present in today's market MPC Intelligence will now be producing a market update for email circulation. The **Inside Trac** will be produced on a regular basis and enables us another venue to communicate trends, issues and market changes in a timely fashion. In the coming weeks and months you can expect to receive information on absorption, product type reviews, valuation monitoring, condominium rental rates and much more.

The information and opinions contained within the **Inside Trac** newsletter are a product of our intelligence and research within the BC and Alberta markets. Should you have any questions or further inquiries we hope that you will contact our offices directly.

With continued changes and challenges to the new housing industry, we believe strongly that knowledge equates to power. We will give you all the information you need, how you use it will determine your success.

Should you require more specific information on this report or any of our services please do not hesitate to contact our offices. Should you wish to become a regular recipient of the **Inside Trac** please forward your contact information to Jennifer Anderson at janderson@mpcintelligence.ca or call our offices 604-605-1516.

Sincerely,

Handwritten signature of Jennifer Podmore in blue ink.

Jennifer Podmore
Managing Partner

Handwritten signature of Jennifer Anderson in blue ink.

Jennifer Anderson
Regional Market Analyst

YOUR INSIDE TRAC ON THE HOUSING MARKET

The Downtown of Vancouver experienced one of the greatest and most prolonged surges of new development activity from 2003 through early 2008. The rapid escalation of price and the fevered absorption of product encouraged investment and rewarded many of those buyers that were first to react. As the last of these presold buildings come or near completion by 2011, we are left speculating as to the impact they will have on the resale market.

MPC has chosen to analyze what motivates current ownership, what the true depth of what the non owner-occupier (NOO) is in newly constructed buildings and moreover provide our opinion as to what effect the investor will have on the market moving forward.

While the level of participation that the NOO buyer assumed during previous years of presales is no doubt of importance, this report concentrates on the level of involvement that they currently have in completed product.

For the purpose of this study we have chosen to review 14 projects completed from 2004 to present in the Yaletown, Concord Pacific and Crosstown submarkets of Downtown Vancouver. Our sample size accounts for 3,770 units in 14 buildings built 2004 through Q1 2009, of which 1,767 homes are owned and occupied by the end user.

47% of the surveyed inventory is occupied by the owner suggesting that at least 53% of these buildings completed in the last five years are widely deemed 'investor units'.

Yaletown, Concord Pacific & Crosstown							
Building	Owner Occupied	Owner Percent	Non Owner Occupied	Non Owner Percent	Sample Size	Units in Building	Completion
Spectrum	347	41%	500	59%	847	889	Q1 2007
Coopers Lookout	70	37%	120	63%	190	214	Q1 2009
Coopers Pointe	39	48%	43	52%	82	86	Q1 2009
Nova	99	62%	59	37%	158	166	Q2 2004
Azura I	111	56%	89	46%	200	207	Q2 2004
Elan	101	46%	115	53%	215	229	Q2 2008
Eden	105	59%	73	41%	178	209	Q3 2004
Brava	213	52%	195	42%	413	424	Q3 2005
Yaletown Park	383	45%	468	55%	851	880	Q3 2007
Grace	30	61%	19	39%	49	71	Q3 2008
Azura II	90	47%	103	53%	193	200	Q4 2004
Aqua at the Park	67	48%	74	52%	141	140	Q4 2005
H&H	76	57%	100	43%	175	197	Q4 2008
Flagship	36	46%	42	54%	78	112	Q4 2008
Total	1,767	47%	2,000	53%	*3,770	4,024	

* Registered Titles

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Although the majority of this transferred stock is registered to other Lower Mainland addresses, it does not necessarily define the motivation for ownership (personal use or investment). Regardless, with a lack of more qualified ownership motivation we do concede that this stock represents potential rental supply.

The short term investor represents the most volatile owner in today's market and is most likely to affect market rental or resale values; however, as those that did not intend to hold condominiums long term exit the market we expect greater levels of stability.

Long term investors entered the market with an intention to hold their assets and ideally create positive cash flow while planning for future needs and lifestyle changes.

While other studies would indicate that there is minimal participation from foreign buyers, property transfer data does not account for units bought by offshore individuals that either register the home with local advisors/lawyers or register tax assessments to the unit; this could potential translate to an understatement of international ownership and even an understatement of investor ownership as a whole.

Rental Condominiums in Yaletown, Concord Pacific and Crosstown

Anecdotally we have observed that a significant, but as of yet undetermined, portion of the rental suites within these buildings are owned by unintentional

landlords – those that previously did not expect to still own the unit.

In a recent survey of the study area and buildings we have found only 129 available suites for rent, which would at least loosely suggest that 85% of all investor owned suites within this stock are either rented or not offered to the rental pool.

- A recent study by BTAsworks using BC hydro data determined that only 5.5 to 8 percent of condos in the Downtown core are unoccupied.

Based on the values of the buildings surveyed and the registered purchase price of these investor units, the average condominium within this study was purchased at approximately \$470,000. As they are registered to a second address, we assume that these units have a minimum of 25% deposits. Given an available mortgage financing rate of 3.8% the majority of identified investors in these buildings are currently able to cash flow their units based on average market rents of over \$2.25. This does not factor in strata fees or property taxes which when added in translate to most units just narrowly able to cash flow.

Regardless of the current debt servicing of investor units, buildings with completions scheduled for the coming 24 months were sold during the peak of the market. Contract prices for the presale of these condominiums are significantly higher than our sample buildings and will not as easily support positive cash flow.

YOUR INSIDE TRAC ON THE HOUSING MARKET

What Does This Mean for Future Completions?

Within the product surveyed (constructed 2004 to present) MPC did not observe a large discrepancy of ownership ratios, regardless of building age. If activity remains consistent we should expect at least 53% of upcoming completions that could add to the Downtown Vancouver rental market.

We expect that a further 1,114 high-rise condominium completions within the sample area during the final three quarters of 2009. With the potentially false assumption that future completions will have 53% NOO this would indicate a potential 590 units of rental or resale supply to be available in the coming months.

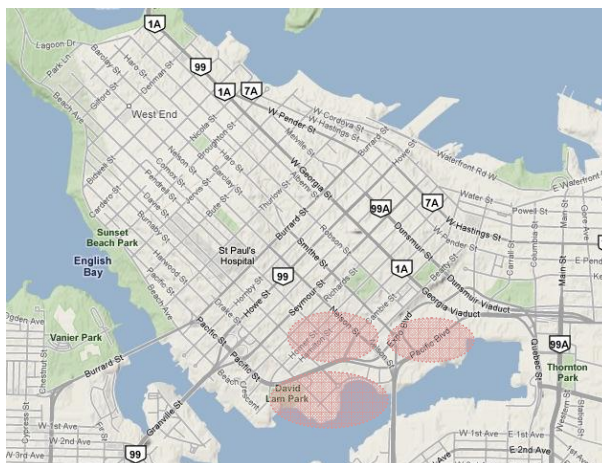
While we continue to track market condominium rental rates in the Downtown peninsula, we are unable, at this time, to confidently account for the size of the supply. Regardless, as less sophisticated landlords, some unintentionally, enter the market, we expect that there will be continued change to the values and asking rates in the Downtown Core.

Average Asking Rental Rates		
Studio	One Bedroom	Two Bedroom
\$1,211	\$1,588	\$2,262

While institutional landlords are motivated to preserve value for the sake of their overall portfolio, the one off investor is motivated to supplement the cost of ownership more quickly. This results in more value volatility.

Titles would suggest that the condominium market over the last real estate cycle has been motivated almost equally by end use and investment, and currently we know that the investor has become one of the primary landlords for new built product. However, as these buildings age and ownership is transferred more to end user the rental supply will once again become restricted.

The lack of starts in 2009, be it rental or market condominiums will translate to a reduced amount of completed product 2010 and beyond. What remains to be seen is exactly when the Downtown will once again be at a point of undersupply.



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