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Business in Vancouver April 3-9, 2007; issue 910

Urban Development Institute tackles increasingly critical issue of affordable housing

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Families, seniors facing crunch in the Lower Mainland along with ranks of the displaced and poor

Real estate round-up: Peter Mitham

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Affordable housing discussed

It really shouldn't have come to this.

According to Urban Development Institute president and Concord Pacific Group executive David Negrin it shouldn't have taken the prospect of the 2010 Winter Olympics to put affordable rental housing on the agenda and prompt the real estate industry to take notice.

Yet that's exactly what's happened, he said, as he chaired a panel of speakers the institute assembled last week to discuss how best to create affordable rental housing in the Vancouver metropolitan area, where Canada Mortgage and Housing Corp. reports that apartment vacancies are running at 0.7%.

The seminar attracted municipal politicians, non-profit housing societies, developers and others in the local real estate industry.

While much of the clamouring for affordable housing focuses on the most vulnerable in society, Alice Sundberg, executive director of the B.C. Non-Profit Housing Association, said the requirements of families and independent seniors also deserve attention.

Sundberg and fellow speakers Jim O'Dea of Terra Housing Consultants and Al Poettcker of UBC Properties Trust agreed that financial assistance from senior levels of government is needed to help adequately address the needs of hard-to-house individuals.

But private developers can fruitfully engage in partnerships to address the needs of lower-income individuals who face homelessness in a market where the average rent for a one-bedroom unit is \$816 a month, and \$670 a month is considered affordable.

O'Dea cautioned that the economics still won't be easy and that any developer who pursues such partnerships will have to be creative, well-heeled and keep an open mind.

"Every deal is a one-off deal," O'Dea said. "There's a lot of people who think they know this. And they don't."

Speaking of affordability ...

Greater Vancouver's real estate has long been considered undervalued on a world scale, but that may be changing if a recent Century 21 Canada survey is any indication.

A cosmopolitan milieu has brought world-class home prices to the region, with Century 21 reporting that executive home prices in Vancouver now rank among those in cities such as London, New York and

Paris.

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The Century 21 survey found that a four-bedroom, two-and-a-half bath 2,700-square-foot home on an 8,750-square-foot-lot in West Vancouver, a half-hour commute from downtown Vancouver, costs \$1.55 million. Comparable accommodation in New York costs \$2.5 million (with a 45-minute commute, to boot). A better bet might be Paris, where executive accommodation within walking distance of the Seine is just \$1.39 million.

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 The Vancouver Board of
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Vancouver's prices ranked it third in the world behind London and New York, while Calgary and Toronto grabbed seventh and ninth places, respectively, with prices of \$1.2 million and \$890,000.

Vancouver cap rates low

Record flows of capital into Canada's real estate investment markets have helped pushed cap rates down, with Vancouver's now among the lowest in Canada.

A report last week from RealNet Canada Inc. confirms that cap rates for all classes of property in Vancouver have fallen in the past year.

A measure of the return an investor can expect to see from a property, cap rates for office product have fallen the most in the past year, dropping 1.4 percentage points to average 6.1%. Retail and industrial properties posted an almost equal drop in the past year and sit at 6.5%. Apartment properties continue to boast the lowest cap rates of any property class, averaging 4.9%.

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Vancouver would have the lowest average cap rates in Canada across the board were it not for tighter conditions in Calgary's industrial market, where cap rates are averaging 6.3%.

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Real estate investment slows

Public and private investment in B.C. real estate activities is trending above the average for provincial businesses as a whole, reports Statistics Canada in its annual survey of investment intentions.

StatsCan forecasts a 3.1% rise in investment in the B.C. economy this year, with total investment increasing to \$38.7 billion this year from \$37.6 billion last year.

Thanks largely to new investment in the construction sector, new capital spending in real estate and development is forecast to increase 4% this year.

New capital investment in B.C. construction businesses is projected to reach \$507.4 billion, a 9.2% gain over 2006.

Other sectors within the real estate industry will see less robust investment growth. New capital investment in B.C. real estate, rental and leasing businesses is set to top \$2.15 billion this year, a 2.6% rise over last year's preliminary tally of \$2.1 billion.

Meanwhile, investments in housing from public and private sources are forecast to hit \$13.35 billion, a 2.9% rise from last year's spending.

But the growth is lacklustre in comparison to what StatsCan reports occurred between 2005 and 2006. During that period, new investment rose:

- 18.6% in construction;
- 24.9% in real estate, rental and leasing; and
- 18.2% in housing.