RETURNS ON APARTMENT PROPERTIES FOR THE PERIOD 1960 TO 1970 IN THE GREATER VANCOUVER AREA

by

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ABSTRACT

The Vancouver apartment market in the analysis period of 1960 to 1970 has been evolutionary and characterized by fundamental and massive change. The mix of housing starts has moved away from single family predominance to multi-family predominance. Land costs have increased at an accelerated pace as compared to the general economy or as compared to the total cost of housing. Rents have increased at a rate in excess of the cost of living. Tenants have formed organization fronts to oppose landlords. Interest rates have increased rapidly, thus upsetting a balance between yield and debt costs. Housing preferences have changed. Government regulations and federal taxes have altered and thus changed the rules of the game and the net returns to investors. The landlord and tenant act has weakened the position of the landlord, and government intervention, either direct or indirect, has become a very real and increasing influence on the housing market. The result has been reflected in changes in the attitudes of investors first towards the increasingly speculative and sometimes irrational bull market that peaked in 1970 and lately to an equally massive and corrective bear market that has yet to run its full course.

This study is an analysis of 69 properties located in the lower mainland area. The sample is comprised of both concrete and frame structures ranging in age from one year to sixty years and in size from 11 suites and a $15,000 annual income to 311 suites and a $615,000 annual income. The period under analysis is primarily the years 1960 to 1970 and the area analysed is essentially Vancouver, Burnaby and New Westminster.

The purpose of the study is to analyse a representative sampling of properties with respect to their operational costs over a period of time and with respect to the yields that investors have obtained on these properties. The study is useful in that data of this magnitude have not been collated outside of the assessors' offices of various municipalities and such data that have been available to the assessors have not been analysed in this manner.

The results of the study have shown that a number of rules-of-thumb currently in use in the analysis of apartment properties are misconceptions that often lead to erroneous conclusions. It has also been shown that the entrance of many unsophisticated investors into the market for the primary purpose of tax avoidance has resulted in a very great bull market that was corrected and is still being corrected by the combination of four

basic factors; the economic slowdown, the White Paper, high interest rates, and the change in the types of alternative housing available to the tenant. The study also gives insights into formative factors, such as indirect and direct government intervention into housing, that will shape the apartment market of the 1970's.

A limiting factor in the study is the fact that the information required is of a personal and highly secretive nature and thus difficult to obtain. The result has been that the sample is not large enough and it has been drawn from sources which were co-operative and does not necessarily represent a random sample of the existing apartment property stock.[1] However, any bias does not invalidate the general conclusions obtained but only results in overrepresentation in some areas. In general, the information obtained was taken directly from audited operating statements thus alleviating most inconsistencies that may result from a deliberate misrepresentation of the facts.

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[1] 37 of the 69 properties in this study are owned by doctors. The remaining properties are owned by contractors, financial institutions, owner-managers, full-time property investors, individuals or corporations who derive a substantial proportion of their income from property, and other professionals such as lawyers.

The basic conclusions arrived at are that those individual investors who purchase property on a sound economic basis and operate on a sound basis will make money while those investors who purchase on the sole basis of tax shelter and who operate haphazardly often suffer heavy capital losses.

TABLE OF CONTENTS

LIST OF TABLES AND GRAPHS

CHAPTER I

INTRODUCTION

During the period under study, the number of multiple family starts in the metropolitan Vancouver area increased sixfold from 1700 in 1960 to 9700 in 1971.[1] This rapid expansion of the market brought about a new type of investor -- typically the professional with a very high income and a high marginal tax rate -- who was more concerned with his personal after-tax cash position than about the before tax profitability of the investment and who was willing to trade off a reduction in the return on his investment for a very large tax saving. In turn, this new type of investor brought about an increased expansion of the market because he was willing to accept a lower return and lower rents which, consequently, resulted in a misallocation of resources towards apartments and away from other types of housing. Thus, a self-generating market occurred. The purpose of the great migration by doctors into apartment investment was to avoid taxes. However, as illustrated in the examples following this chapter, the tax savings obtained are very quickly eaten up by any major real value loss and, unless the marginal tax rate was 100%, the investor could only lose. Naturally, it was not expected that any real losses would

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[1] See Tables 1, 2 and 3 following.

occur and, on this presumption, the actions taken by the doctors and other seekers of tax shelters could hardly be faulted. This phenomena resulted in a very quickly rising bull market that culminated in November and December of 1969 and 1970 when the problem a builder faced was not if he was going to get his price but to whom he would condescend to sell his building. The results of some of these misadventures into apartment "investment" can be seen in Chapter VI.

An effect of the income tax changes has been a reallocation of resources away from apartment investment and back towards other types of real property investment. For owners of apartment property this has resulted in declining prices and higher expectations of yield.

The study is an attempt to categorize the investments, collect accurate data and numerate the operational qualities of a number of properties in order to arrive at a norm and to check for a consistency and a uniformity among properties. This level of consistency or "norm" can then be expected to repeat itself in equally representative properties and, as such, can be used to compare other data with. In this respect the study is a success in that the data reinforce the "norms" that were expected and so provides more concrete goals

against which the performance of other similar investments can be measured. Disappointing, however, was the lack of statistical evidence to explain the observable great extremes from the expected or to explain the lack of differentiation that should exist according to observation or according to "gut" feel. Thus, although there is a central uniformity or consistency, the individual property being compared to the "norms" obtained must itself be normal or consistent and must be from the same time period. The reason for this last requirement is that it appears as if the ratio of various expenses to income and the ratio of total expenses to income may be altering and so the results obtained may not have an accurate consistency over time.

The study is useful in that, at present, data such as presented here exist only in assessors' offices or, in limited amounts, to organizations such as the Vancouver Real Estate Board.

The conclusions arrived in the study are not as definitive as that which was expected or hoped for. This is not necessarily a fault of the data but more of a fault in not being able to convey ideas, opinions or feelings through numerical figures. Where brief references can be made to clarify or expand on statistical data they will be made but where longer explanations would be required

the reader is asked to make use of the appendix which contains extensive data on each property along with a commentary that attempts to convey the reasons for some of the conclusions arrived at.

Chapter II is a discussion on the apartment market during the period under analysis. The main purpose of this chapter is twofold; to state the time sequence of events that occurred that affected the market and to convey feelings which will help the reader to appreciate more fully the data contributing to the study.

Chapter III is concerned with the sampling techniques used; where were the data obtained from and what were their shortcomings, what were the mathematical methods used and what is the significance of the results obtained.

Chapter IV is a discussion and analysis of the various operational costs (excluding property taxes) of an apartment property. Minor or non-analytic items such as cablevision or advertising are only discussed whereas major variable items such as salaries, utilities and repairs are both discussed and analysed for statistical significance. Also discussed in this chapter are methods and procedures which could and should be used to improve the efficiency of operation. Different types of investors

and modes of operation will also be looked at. An analysis is made of various factors such as age, size, construction type and location to determine if there is a relationship to total operating costs.

Chapter V is concerned with the analysis of the single most important operating expense -- property taxes -- by area, age of property, type of construction, size and value. Increases in taxes will be looked at and compared between municipalities. Also discussed will be alternative methods of assessment that would result in a more equitable system of asset taxation.

Chapter VI is concerned with the yields obtained by purchase/sale data and by operational costs. Sale prices are also hypothesized on a number of properties and these are analysed on the basis of expected gains and losses to arrive at an estimate of the return obtained. Non-arms-length transactions, data weaknesses and the presumptions on which expected sales prices are estimated will also be discussed.

Chapter VIIA is a summation of the findings obtained and a discussion of the weaknesses and the strong points of the paper. Chapter VIIB is concerned with discussions on:

1) The many misconceptions and rules-of-thumb that permeate and cloud the apartment investment market.

2) The probable outcome of the market.

3) Ways in which to correct deficiencies in the market and in the housing provided (or to be built) (such as the social problems of overcrowding) through the land use contract, project zoning, taxes, building codes and direct government intervention.

The appendices are concerned with the presentation of the raw data on each of the properties. Each block has a minimum of three pages of data which summarize most of the pertinent particulars on the property. Page one gives the type of construction, the analysis period, the age of the property, the location, the size, suite distribution and rental rates, general information on the construction, the amenities offered and the type of tenant, the financing arrangements and any purchase or sale data. Page two is concerned with a tabulation of the operational costs of the property for as many years as data are available. Detailed analyses of property taxes to gross income, net income and total expenses are also included. Page three is concerned with the yields obtained throughout the holding period of the property. Yields are broken down into cash flow, mortgage principal reduction and capital gain or loss. Where sale data are not available there is a summary setting out reasons for an expected sale price and capitalization rate.

The properties within the appendices are grouped according to location and type of construction. The appendices themselves contain all the essential data relating to the study and, in fact, give a much more precise and true picture of the investment outcomes and operational costs relating to apartment investment as a whole. The analysis of the data results in statistically acceptable norms which muffle the results and which remove the extremes from consideration but, unfortunately, it is the extremes which provide the most interesting observations and which provide the reasons for explaining the varied and irrational nature of this particular segment of the real estate market.

TRADE-OFF BETWEN TAX SHELTER AND YIELD

On hindsight, many of the investments made by professional people in high tax brackets (especially doctors) have not been well-advised. Too much emphasis appears to have been placed upon the saving of income tax and too little effort appears to have been spent on acquiring a reasonable investment. The following examples should help clarify this point.

Example 1:

	Property X	Property Y
Price:	$500,000	$550,000
Depreciable assets at 10%:	$400,000	$450,000
Total tax saving at 50% tax:	$ 20,000	$ 22,500
Yield on equity:	10.0%	7.5%

If it is assumed that the properties have been held for 3 years, it can be seen that the total additional tax saving for property Y is something less than $7,500 (because of the declining depreciable base). If it is again assumed that the tax saving is reinvested at a compound rate of return of 20% (10% after tax), then the total advantage of property Y over property X has been less than $10,000. Against this must be charged the cost of the lost return on the additional $50,000 spent (on property Y) for a period of 3 years. This amounts to $16,550. Therefore, it appears

obvious that paying a higher price for the privilege of additional tax shelter is uneconomical and foolhardy. However, the preceding argument neglects one basic point; the choice is often not between acquiring a property with a 7.5% return and a 10% return but between acquiring a property or paying the tax. Example 2 shows that the premium that can be paid for a property just to obtain a tax shelter for one year is small.

Example 2:

If it is assumed that Dr. Y acquires a tax shelter merely for the purpose of postponing tax for one year and that he is in the 50% tax bracket and that he obtains a 10% after tax return on his tax savings, then the total amount that he can lose on his investment is 1% of the depreciable amount.

a)	Depreciable amount	=	$500,000
b)	Depreciation at 10%	=	$ 50,000
c)	Tax saving at a rate of 50%	=	$ 25,000
d)	Net addition to income on tax savings	=	$ 2,500
e)	Resale value of asset	=	$495,000
f)	Tax on recapture of $45,000 at 50%	=	$ 22,500
g)	Total benefit of (c) and (d)	=	$ 27,500
h)	Total loss of (f) and (a) minus (e)	=	$ 27,500

Total net gain = nil

Therefore, it becomes equally apparent that any loss taken to avoid tax for one year must be very small.

Example 3:

A third example, which is probably the closest to reality, should also be utilized to cover those cases where a small expected loss is incurred. Assume that Dr. Y acquired a property in 1969 at $500,000 and sold it in 1971 for a total loss of $40,000. However, to cover any recapture of depreciation, this investor acquired a similar type property valued at less than $50,000 which means that it can be "pooled" with the old asset and so recapture is avoided.

Depreciable asset:	$400,000
Depreciation year 1:	$ 40,000
Tax saving year 1:	$ 20,000
Depreciation year 2:	$ 36,000
Tax saving year 2:	$ 18,000
Total tax saving:	$ 38,000

Total value at the end of two years if the tax saving is reinvested at 10% net of taxes = $40,000

Since the total depreciation claimed is $76,500 and since the loss on the property is $40,000 then $36,500 of the depreciation must be "buried" in the new asset. The net result of the transaction is that $40,000 has been "saved" and $40,000 has been lost on the sale of the building. In addition, the investor

has capital tied up in his "buried" depreciation and, unless he allows the building asset to rot, he always has the threat of recapture hanging over him. On top of this is the lost income, or differential in income, that has not been obtained from the capital invested in either the original asset or in the asset acquired to "bury" the depreciation.

The three examples illustrate that it is not economical to acquire a tax shelter if the possibility of more than a small loss exists because it is always more economical to pay 50 cent dollars to the government than to take 100 cent losses.

TABLE 1

METROPOLITAN VANCOUVER MULTIPLE FAMILY COMPLETIONS

1959 TO 1971

Year	Completions
1959	3,700
1960	1,700
1961	1,600
1962	2,600
1963	4,300
1964	5,500
1965	6,900
1966	7,500
1967	5,600
1968	8,400
1969	8,900
1970	9,200
1971	9,700

Source: Central Mortgage and Housing Corporation staff.

TABLE 2

HOUSING COMPLETIONS IN THE CITY OF VANCOUVER

1960 TO 1971

Year	Single Family and Duplex	Row and Multiple	Total
1960	514	1,151	1,665
1961	554	1,033	1,587
1962	771	1,566	2,337
1963	770	2,801	3,571
1964	712	3,432	4,144
1965	720	5,220	5,940
1966	929	4,808	5,737
1967	600	3,017	3,617
1968	572	3,182	3,754
1969	424	3,548	3,972
1970	345	4,192	4,537
1971	507	2,969	3,476

TABLE 3

HOUSING COMPLETIONS 1965 TO 1971 FOR

BURNABY, NEW WESTMINSTER AND SURREY

Location	Year	Single	Multiple	Total
Surrey*	1965	488	178	666
	1966	686	98	784
	1967	708	91	799
	1968	961	46	1,007
	1969	789	680	1,469
	1970	620	95	715
	1971	715	1,076	1,791
Burnaby	1965	386	520	906
	1966	520	547	1,067
	1967	476	1,035	1,511
	1968	502	1,248	1,750
	1969	555	1,602	2,157
	1970	370	1,200	1,570
	1971	410	1,470	1,880
New Westminster	1965	34	352	386
	1966	49	725	774
	1967	68	774	842
	1968	26	1,122	1,148
	1969	7	634	641
	1970	8	444	452
	1971	17	471	488

*Note: In 1958 Surrey had 2,000 single family completions - the largest recorded in that municipality.

CHAPTER II

AN OVERVIEW OF THE APARTMENT MARKET 1960 TO 1970

In Chapter I, there are three Tables showing the multiple family completions for various areas in the lower mainland for the period 1960 to 1970. At the beginning of the decade the standing stock of apartment properties was held mainly by those investors in the market for a long-term situation. Small properties were typically held by the owner-manager who lived on the premises and depended upon the property to provide his sole income. Generally, these older, smaller blocks were purchased on the basis of a reasonable economic return and were run in a manner that maximized long-run benefits. Tenants were typically long-term and consisted mainly of single people and couples or families who wished to live in apartment blocks.

The larger frame block or the high rise (of which there were few) was owned by the more well-to-do individual owner/manager or by large-scale investors who held these properties for income and for long-run investment. Again, these properties were generally purchased and operated on a very businesslike manner.

An inspection today of frame and concrete properties 10 to 20 years old gives the impression that

the quality of the materials and labor that was used was generally good and, in some cases, extravagant. The result has been that, although the buildings appear to be less than modern, they have aged gracefully and their basic structure is very sound. The reason for this would seem to be that the purchaser in 1960 was looking more at the quality of his proposed investment than at the tax savings he would reap by having a large capital cost allowance to apply to his other income.

The mortgage market at this time was reasonably steady with a continuing supply of funds at interest rates of 6% to 7%. In addition, it would appear that vendor financing was more prevalent at that time than it is today. Rents and most operative costs were readily predictable and steady. The overall result was a reasonably stable market typified by relatively constant tenants, rents and operating costs with few outside influences such as wide swings in supply/demand or government regulation.

The 1960's resulted in a number of changes that were gradual at the beginning but which gained more and more momentum as the decade went by. First, there was a rapid increase in the number of apartments constructed both in the old strongholds such as the West End, Kitsilano and South Granville and also in areas unused to multiple family housing such as New Westminster and

Burnaby. This rapid increase in construction was brought about not only by more demand because there were more people coming into the city but also because house prices were beginning to move up very rapidly and fewer people could afford to buy houses within the city and so either moved into the suburbs or rented apartments. This resulted in a more rapid increase in land values for apartment projects and in rapidly rising rents. Second, there was a gradual increase in interest rates from about 7% in 1963 to 8% in 1967 and then a rapid increase in rates to as high as 11% in 1970. Third, there was the problem of families, couples and individuals who lived in apartment blocks not through choice but through economic necessity. As this group of tenants became more and more prevalent, the problems and costs associated with operating apartment properties rose. Fourth, and probably most important, there was a very rapid shift in the type of investor purchasing apartment properties. Incidental to the first points (or because of it) there was also a very marked decrease in the quality of most frame buildings and of some concrete buildings. Although the data do not show it, there is evidence to suggest that the long-run operational costs of this new group of properties will be significantly higher than the costs of operating similar types of buildings which were built in earlier years and which were constructed of better materials.

The economic peak of apartment investment was probably reached in 1967/1968. After this point in time there were a number of factors which occurred which, on hindsight, show the impending collapse of the speculative boom. These factors are:

a) The rapidly deteriorating quality of construction. Some buildings were built only to show a high gross return which, based upon the gross rent multiplier, would yield a very handsome price and a lucrative profit.

b) The softening of demand in some outlying areas which resulted in weakened rental rates.

c) The very high inflation rate which resulted in rapidly increasing operating costs (especially property taxes).

d) The rapid increase in interest costs which, because of the large standing stock of existing housing, could not be completely passed on to the tenant and which resulted in the erosion of the return to the investor.

e) The change in government regulations governing landlord/tenant relations and the rise of tenant rights and tenant organizations.

f) The proposed changes in the income tax act which would remove the major incentive for the speculative or "non-professional"[1] investor being in the market. These changes were implemented in January of this year.

g) The change in the market from one of high demand for properties by "non-professionals" to one of negative demand by these same "non-professionals."

h) Governmental influence on the family housing market through limited dividend and low income housing projects.

i) The introduction of the condominium and other low cost housing units which decreased the demand for rental accommodation through conventional sources. It should be noted here that the same apartment suite owned by the resident is automatically $15 per month cheaper because of the provincial home-owner grant.[2]

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[1] "Non-professional" meaning that the purpose of ownership is other than solely for income and that the owner does not make property ownership his sole livelihood but rather uses the investment to create losses to offset his other income.

[2] The current home-owner grant is $185 per year or approximately $15 per month. This grant has not been at this level all along but has increased yearly since its inception.

j) The very speculative nature of the market which did not purchase on the basis of net earnings but on the basis of a statement not supported by evidence and on the basis of rules-of-thumb such as "$x per suite" and "seven times gross."

These factors which started to act upon the speculative aspects of the apartment investment market in 1968 have not yet run their full course. The reason for this is that many individual investors have not or will not recognize the fact that they overpurchased and many investors have not had to sell their properties as yet. However, this is the first year where individuals will not be able to write capital cost allowance created "losses" off against other income.

The largest group of investors caught in this speculative bind have been the doctors. Typically, this group mortgaged the property through conventional means to the greatest extent possible, even if this meant 15½% second mortgages. The property was then purchased with a downpayment obtained from private sources or from the banks. This downpayment loan was often obtained on the basis of the cash flow of the property and on the massive tax savings that would result from artificially created property "losses" applied to professional incomes. Since purchase the investor has had to face the following:

a) The expense of operating a property increases after one or two years of operation as repairs and repainting increase. Thus, the property that was operated on 32% of gross income in the first year may require 35% or 36% in the third year.

b) The purchase statements as presented by the builder or vendor are often overly optimistic with respect to both income and expenses.

c) Vacancies are often shown as being negligible, but a period of high vacancies, such as is occurring at the present time, will reduce income and may increase the expenses of operating the building.

d) If management is a hit or miss situation then costs have a tendency to soar and incomes to drop.

e) Because of an excess supply, rental rates have not been increasing in relationship to costs and, in some instances, rental rates have remained static or may even have dropped. In the meantime costs have gone up significantly.

f) The positive cash flow may have disappeared and, in fact, the block may have to be supported by transfusions of personal capital.

g) The large tax savings created by the artificial property losses have been eliminated by the change in the tax regulations. The personal loan taken out from the bank in order to buy the property will still have to be repaid and this will have to be done from a greatly reduced income.

The results will be that this group of professionals will no longer be able to afford to keep any property that is not an economically sound investment and, inevitably, many sales will come about because the funds are simply not available to meet the financial commitment incurred. The end result is that, over the next few years, investment in apartments should return to its status of 1960 where properties were acquired and held for long-term investment and yield. This in turn will result in the following:

a) Decreased starts of apartment suites until the area can support an economic rent.

b) Stable or decreasing land costs because demand for sites has declined.

c) Better quality construction that emphasizes the long-run aspects of investment ownership.

d) A probable decline in the ratio of frame buildings to concrete buildings.

e) The return to the more stable tenant market as low income families find low cost accommodation in either limited dividend developments or in condominiums.

f) The return of apartment investment to a business-like footing with less turnover in properties.

This last point will be reinforced by the change in the tax act which will mean that tax will be applied to any recapture or gain at the time of sale. This should result in better construction and better maintenance in order to preserve the long-run income of the property. The end result should be a rationalization of the market and the necessity of this particular aspect of the real estate market to compete not only with other areas of property investment but also with other modes of investment.

CHAPTER III

SAMPLING TECHNIQUES

Collection of Data

The sampling techniques used in the compilation of the raw data for this paper do not correspond to the techniques that would be acceptable to a trained statistician seeking statistically acceptable results. Rather it was simply a search for raw data and whenever a donor was found the information was gratefully received and only discarded if it appeared completely unworkable.

Extensive use was made of the records of two accounting firms who were kind enough to provide the audited statements of a number of properties. Unfortunately, this data as a whole provided a bias in that a very high percentage of the clients of the firms held the properties for tax shelter purposes only and most of these clients had only entered the market since 1967. However, for those clients who had purchased properties on the basis of investments, the information was very good, accurate and consistent.

The second most important source of data was from two management companies. Unfortunately, one of these companies was unable to provide the mortgage data so it was impossible to determine the actual yields obtained. However, the data were extremely useful in that they covered properties

in the city of Vancouver ranging in age from 5 to 30 years and for the period 1966 to 1970. Thus, the data obtained were over a long enough period of time to eliminate most short term consequences. Again, this data may have a built-in bias because the type of investor who uses a property management firm probably has not purchased the property solely for investment reasons and there often appears to be little value for the money from the property management firm. This last point may be a little unfair because professional management firms are often given properties that are problems and if they merely reduce the expenses to a normal amount or reduce vacancies to an acceptable level then they have earned their fee.

Data were also obtained from individual investors. In many cases it was not possible to obtain financing details. However, the operational costs were useful in that they gave a very much larger sampling with which to determine results.

When all the data were obtained arrangements were made to visit each block and see enough of it to form an opinion as to the accuracy of the data, the future expectations as to operational costs, the types of tenants and the general condition of the building and the suites. It was also at this time that some of the blocks had to be

discarded as not being useful to the study. Based upon the data and the visit to the block, a capitalization rate and a value were then arrived at.

Data Weaknesses

As was previously mentioned, there is a weakness in the data because they are not a random sample. However, the purpose of the paper was not necessarily to arrive at a statistically accurate summation of costs but more to see what operational costs a number of blocks had and what returns their owners had obtained or were making. There is a further weakness in the data in that, for tax purposes anyway, as many costs and expenses as possible are written off against the block. This naturally has an effect upon the answers obtained but since it was impossible to correct for outside influences these personal expenses were ignored. It should be sufficient to say that it appeared as if whole private households were often refurbished and repaired at the expense of the block.

A further weakness in the data is that the majority of properties analysed were built in the last half of the 1960's. Thus older blocks are underrepresented while newer blocks are overrepresented. However, as is indicated in Tables 1, 2 and 3, the number of blocks built in the late 1960's is a very substantial proportion and they have become so they are the major influence in the market.

The data are also weak in that they cannot express feelings as to the future profitability of a project or express opinions of value judgement. In this respect it becomes very important to consult the appendix to look at the individual properties rather than just to form opinions on the aggregate data as a whole. These feelings, of course, are weighted in that they form the basis for the capitalization rate chosen and so have a very large influence on the valuation of the property. Possibly the total data weakness can be summarized by stating that to accurately express market value the data obtained must be modified by opinion and feelings and opinion and judgement must be modified by fact.

The Mathematical Methods Used

The mathematical methods used were extremely simple. First the data were gathered on the basis of annual incomes and annual expenses. All expense items were then categorized so as to obtain a consistency between properties. These data were then fed into a computer and the percentages and ratios were calculated. Each property was then examined and any figures that differed from those expected were first analysed then checked and if their validity appeared doubtful the property was discarded or, if the segment was not important, only that segment was discarded.

After the raw data were broken down the figures for each area under analysis were arranged in ascending

order and the median with the two extremes or range were then entered. The reason why a median was utilized and not an average is that it was felt that an average could be unduly influenced by extremes and, since the sample was relatively small, the median would be a more accurate figure.

In all cases all raw and obtained data were screened and all data that appeared as if they could be incorrect were eliminated from the study. In the event that some inaccurate datum was unavoidably included the use of the median instead of the average would reduce its influence.

The Significance of the Results Obtained

As was mentioned previously, all data and all findings were screened for accuracy by comparing the results with the expected. If a deviation was found the facts were checked further and corrected if necessary. If there was no explanation for the deviation and if the result appeared incorrect, then the property or the offending portion of the data was eliminated. The end result is that the answers appear to be sufficiently accurate in order to set norms with which to compare other similar properties for like time periods. It should be cautioned, however, that there is no way that the results can be defended upon a statistical analysis basis.

The findings are somewhat disappointing in that they fail to accurately explain major deviations from the norm. If

it is remembered that these findings obtained from the data are only guidelines and if it is also remembered that the market is always in a state of flux, then the results can be said to be useful in that they offer a measuring tool for similar property over a similar point in time.

CHAPTER IV

OPERATIONAL COSTS

Operational costs are the expenses incurred in the running of a property and the expenses necessary to retain the capital or long-term earning power of that property. There are many basic factors which affect the level of expenses incurred. These factors are:

1) The level of rental income; it costs very little more to operate 25 suites at $130 per suite per month than 25 suites at $120 per suite per month but the ratio of expenses to income differs greatly. Thus it becomes very important for rentals to be at the market rate. A high ratio of expenses to income may be an indication of low rents.

2) The age of the property; properties which are one or two years old have very low expenses because repairs and replacements should be at a minimum and repainting should be unnecessary. Also, new blocks typically have premium rents when compared to similar accommodation which is older and so their expense ratio appears better in the short run.

3) The location of a property; identical blocks in Kerrisdale or Surrey will have widely different rents because of the locational value attributable to one site. However, the costs of operation should be basically the same. The result will be a different ratio of expenses.

4) The type of investor and mode of operation; some investors operate their blocks as a sideline while some operate them as a business and some are owner-operators. The doctor who is not particularly concerned about his property income and who is more concerned with his practice and his tax shelter is not going to be as watchful on income and costs as the owner-operator. The owner-operator or the good caretaker will repair the broken light switch at a cost of a few minutes and a dollar while the doctor is more likely to call in an electrician at a cost of ten dollars. Through the choice of tenants and the method of repair, a property can be operated on the basis of maximizing short-term income or on the basis of maximizing the capital nature of the asset and the long-term earnings.

5) The quality of construction; a 20 ounce nylon carpet costs approximately 30% more per yard than a 14 ounce carpet and yet the life of the carpet is between two

and three times as long. Obviously such measures can be carried to extremes and a property can be so overbuilt so as to be uneconomical but there should be a balance between quality, the cost of capital and long-term income and repair costs.

The expenses of operating a property have been broken down into four main headings: operating costs, repairs, administration or fixed costs and taxes. Three of these groups will be discussed and analysed in this chapter while the fourth, taxes, will be discussed in the next chapter. Minor expense items will be discussed briefly while major items will be analysed to determine if there are any direct relationships to supposedly causative factors.

Operating Expenses

A) Utilities: This group contains such expenses as heat, power, garbage, cablevision, telephone and elevator if the elevator service is on a contract.

i) Garbage: This item is usually extremely minor in nature but the costs do vary widely between properties. Many blocks still burn garbage with the result that their collection costs are low while other blocks have large bins, twice weekly pickup and costs which can run to $1 per suite per month. However, by not burning garbage these blocks may save on gas and on labor.

ii) Cablevision: This cost is usually a fixed charge per suite of $1.50 to $1.75. This would mean that it would absorb a lower percentage of income on high value suites and a higher percentage of income on low value suites. This would be similar to a regressive tax.

iii) Telephone: Some blocks have a telephone entering service as opposed to an intercom. Few blocks have this because of the high rental cost. However, it is common for the manager to have his or her telephone paid by the owner. This normally amounts to $6 or $7 per month and so is not significant.

iv) Elevator: For a normal frame block, elevator service will cost $25 to $40 per month and it appears to be an excellent investment because it keeps the elevator in adjustment and normally covers preventative maintenance. Some apartment blocks only 3 or 4 years old have had major problems and this can be traced directly to a lack of preventative maintenance service. For a frame block the cost of this service will be quite minor -- probably running at about .5% of income depending on the number of suites; a relatively minor charge to care for a $15,000 asset.

In a high-rise block, the elevator service is very important and it can be very expensive because the type of machine utilized is vastly more complicated than the simple hydraulic type used in a low-rise block. It is not unusual for maintenance costs to be .5% to 1% of gross income for a large block -- not out of line for an asset that could be worth $100,000 (for two) and 10% of a building's cost.

v) Utilities: This expense encompasses both heat and light. It would be useful if this cost could be broken down into the two components but since about 50% of the properties showed an aggregate amount it was decided to analyse the two as a whole. As can be seen in Table 4 following, the expense of utilities is very significant. Since it is such an important aspect of the operating expenses it is often puzzling to see how little concern some owners and operators have with wasted heat and light.

Table 4 relates the size of the property with the cost of utilities. It would appear that heat and light costs are extremely varied in frame blocks but relatively constant in concrete blocks. Part of this can be explained by the fact that concrete is probably a better insulator and concrete buildings generally contain more sophisticated equipment which

TABLE 4

THE RELATIONSHIP OF THE COST OF UTILITIES AND SALARIES

TO NUMBER OF SUITES

Size of Property	Median	Type	Year	Sample Size	Percentage of Gross Income To Utilities	Percentage of Gross Income To Salaries
11 to 24	20	Frame	1970	9	5.5 (7.1) 11.6	3.9 (7.2) 10.6
			1969	8	4.6 (7.2) 9.4	5.9 (6.8) 10.9
			1968	4	7.5 (9.2) 11.0	5.7 (7.8) 9.3
25 to 35	29	Frame	1970	11	5.2 (7.4) 11.6	6.2 (6.9) 7.7
			1969	9	6.5 (7.9) 9.9	5.2 (6.1) 7.3
38 to 57	42	Frame	1970	19	4.8 (8.1) 10.0	5.0 (6.4) 7.9
			1969	16	5.9 (7.3) 9.4	3.5 (6.1) 7.8
			1968	7	6.0 (7.1) 9.4	4.9 (6.4) 6.7
38 to 56	46	Concrete	1970	5	5.1 (5.7) 6.7	4.5 (5.7) 6.5
			1969	4	5.0 (5.6) 5.8	4.4 (6.1) 6.3
			1968	4	4.9 (5.3) 5.6	4.3 (6.2) 6.7
			1967	4	5.3 (5.7) 6.1	4.3 (6.5) 8.9
60 to 89	62	Frame	1970	6	4.4 (7.5) 10.1	5.0 (5.6) 8.5
			1969	5	5.0 (7.4) 8.0	5.5 (5.9) 10.8
61 to 86	68	Concrete	1970	5	4.2 (5.3) 6.5	3.9 (5.3) 6.1
			1969	4	4.6 (5.8) 8.7	4.5 (5.2) 7.1
			1968	4	4.2 (6.2) 6.6	5.1 (5.4) 8.1
93 to 311		Concrete/Frame	1970	5	4.1 (4.4) 8.7	4.1 (5.7) 7.7
			1969	3	5.4 (7.0) 7.1	4.5 (6.8) 7.7

results in greater efficiency. From the figures, it would appear that some frame blocks are completely lacking in insulation.

It was not expected that the data would show that small frame buildings were more economical than larger frame buildings. This may be a fault of the data and it may be true. There appears to be a trend upwards from the 11 to 24 group to the 25 to 35 group to the 38 to 57 group. The trend appears to reverse itself in the very large frame group. Also of interest is the extreme variation that occurs -- over 100% in groups 1, 2, 3 and 5 for 1970 and group 1 for 1969.

Two groups, however, showed very good consistency, a small range in values and a much lower average cost of utilities. This phenomena can be partially used to explain the inconsistencies in the rest of the data.

Electricity: Most apartment blocks have time clocks to control common area lighting. An awareness of changing light conditions will result in the time clock settings being changed frequently so as to provide the necessary light without wasting power. Fluorescent lighting is also cheaper than incandescent lighting.

Heating: Most of the wide discrepancy in utilities cost can be traced directly to efficiencies or inefficiencies in heating.

Most apartment blocks are heated by a hot water system fired by either gas or oil. Oil is less expensive but the cost of repair and maintenance is higher. The most efficient system is a conversion system whereby gas is used in months of low demand and oil is used in the months when gas is in short supply. This type of service is called "intermittent" service and the rate is .4 to .6 of the normal rate. It can be readily seen that this method, although more expensive initially, is much cheaper -- often by 30%. However, such a system is only economical in a large property.

The heating unit itself is important for efficiency. A five stage system is inherently more economical than one single large burner because, as demand rises, each smaller stage comes in as required. It is also important to have a separate boiler for the domestic hot water instead of utilizing the heating system to heat tap water. The reason for this is that in the summer time the stack temperature of the heating system can be reduced or

the whole heating system can be shut down without affecting the hot water system. In any event, whether the system is one stage, five stages, separate or not, the temperature of the water should be reduced from its winter level of $190^{o}+$ to 140° in the summer. This will increase efficiency dramatically.

Of very great importance is an outside temperature control. This device regulates the water temperature and thus the boiler activity by sensing outside temperatures. The control can be set at any level but generally when the outside temperature rises above, say, 65° the system shuts down and all heat is cut off to the suites. The internal heat generated by the building will generally ensure that the temperature in the suites will not fall below 70° to 72°. This device is extremely important in the winter time in that it limits the amount of heat any one suite can demand and so reduces the amount of lost heat through open patio doors and open windows.

<u>Summation</u>: Of all operating expenses only heat and light can be readily controlled but, since they are a very important factor, any efficiencies can have a very profound effect on the overall profitability of a block.

For frame blocks the low to high was from 4.1% to 11.6% of income for a difference of 7.5%. On some properties this difference is the total net return after all costs including debt service.

B) Repairs: Repair costs have been analysed with respect to age and type of construction. The difficulty with the analysis of this sector is that repairs can be postponed for some time and the cost of repairs is often not indicative of the condition of a property. The range of repair costs between buildings of like age varies widely but also varying is the quality of the repair and the efficiency of the worker. Unfortunately, these last two factors cannot be measured so we must rely upon a large enough sample and a long enough time span in order to arrive at a "norm." Deviations from the "norm" can be explained by efficient or very inefficient repair work, by the postponement of required work or, alternatively, by the doing of many years' work or major work in a short time. The initial quality of the investment also has a great bearing on repair costs.

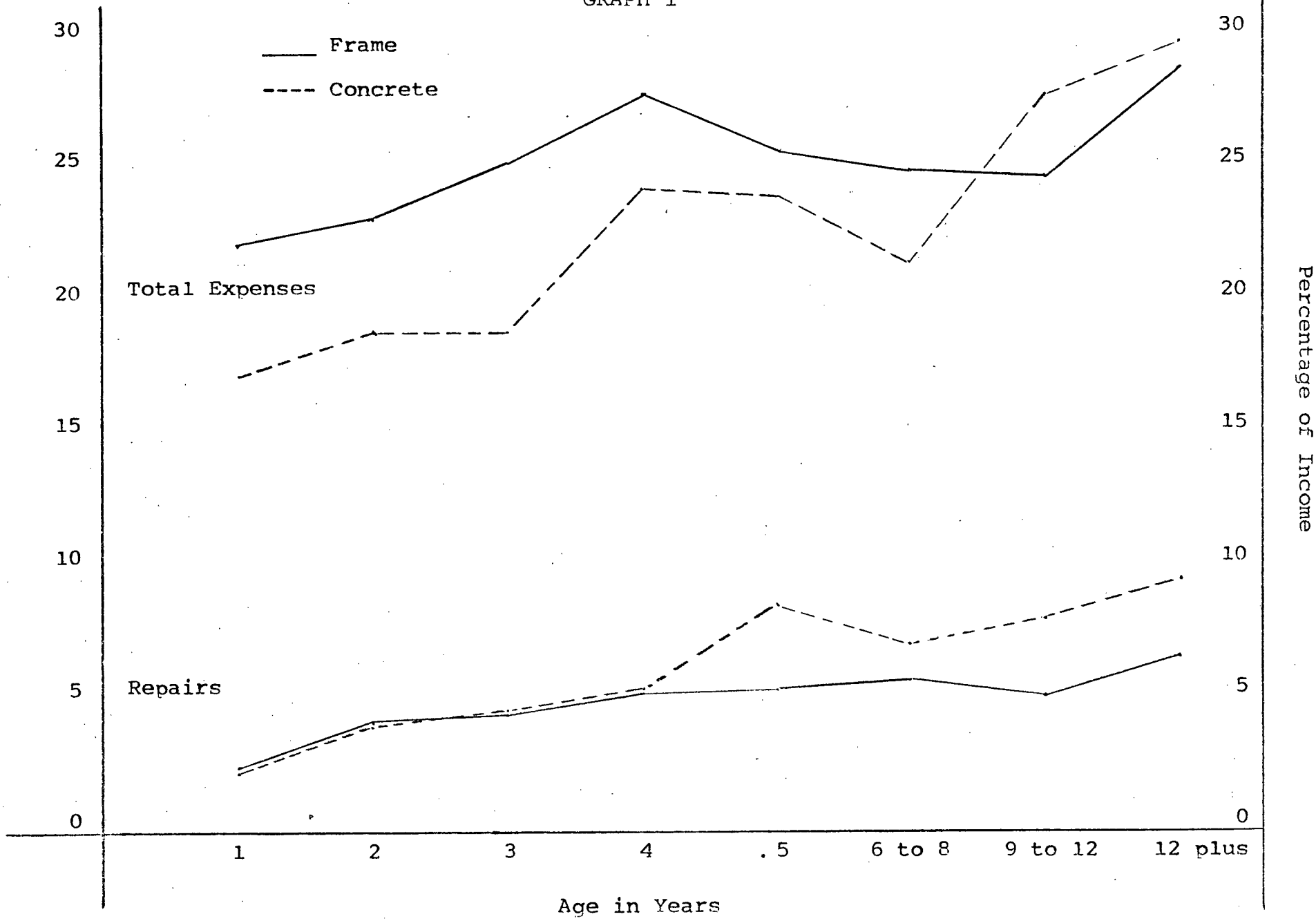
Surprising was the reversal from the expected regarding the repair costs of frame and concrete properties. As can be seen from the graph, the costs of repair for both types of properties were similar to

TABLE 5

THE RELATIONSHIP OF TOTAL COSTS AND REPAIRS TO PROPERTY AGE

Age of Property	Type	Sample Size	Total Costs	Repairs
1	Frame	17	16.3 (22.0) 26.9	1.3 (2.5) 6.4
	Concrete	3	15.6 (17.1) 18.2	1.5 (2.4) 2.9
2	Frame	24	17.6 (23.0) 30.1	1.1 (4.3) 7.8
	Concrete	7	16.0 (18.9) 22.5	2.1 (4.2) 6.5
3	Frame	18	18.9 (25.2) 33.3	2.4 (4.5) 9.7
	Concrete	5	17.7 (18.8) 26.0	3.0 (4.6) 10.3
4	Frame	12	21.2 (27.8) 34.1	2.0 (5.3) 18.6
	Concrete	4	18.2 (24.2) 31.8	2.4 (5.4) 8.4
5	Frame	6	23.0 (25.6) 29.0	4.4 (5.3) 8.0
	Concrete	4	20.2 (23.9) 29.7	7.8 (8.5) 9.4
6 to 8	Frame	5	18.1 (24.9) 28.9	1.2 (5.6) 8.3
	Concrete	10	19.3 (21.3) 36.1	3.1 (7.0) 15.2
9 to 12	Frame	6	14.5 (24.7) 31.9	2.0 (5.0) 7.5
	Concrete	12	17.8 (27.9) 32.9	4.3 (8.5) 13.9
12 plus	Frame	18	23.0 (28.8) 37.2	2.8 (6.5) 13.8
	Concrete	8	26.2 (29.3) 35.8	4.5 (9.5) 14.2

GRAPH 1


Frame
Concrete
Total Expenses
Repairs
30
25
20
15
10
5
0
1
2
3
4
5
6 to 8
9 to 12
12 plus
Age in Years
Percentage of Income

the fourth year. At this time repair expenses for concrete buildings rose above the level for frame buildings and remained there. Part of the reason may be the paucity of data that were available for properties, especially concrete buildings, over 5 years of age. Thus, the problem may be the data. Generally, most of the properties over 5 years of age have been kept in reasonable repair so the problem does not appear to be one of a general downgrading of the frame properties. The suspicion must lie with the possibility that a bias exists which is not recognized. The collection of more data on those properties over 5 years of age would either confirm or place under further suspicion this study's findings.

In Chapter II it was mentioned that newer frame blocks appear to be of inferior quality when compared to older blocks. For this reason it would be dangerous to assume that the repair costs on, say, a group of 2 year old buildings will average 5.2% in 3 years. If the quality of materials is, in fact, less then it would be expected that long-run repair costs will increase.

C) Administrative: This classification contains all expenses on salaries, management, advertising, insurance and other management costs such as office expenses, etc.

i) Insurance: Depending on the type of coverage and the type of construction, this expense varies widely. Some owners carry insurance only for the value of the building or the amount of the mortgage while others have coverage that exceeds the replacement value of the building. At one extreme there is fire coverage alone and at the other extreme there is coverage encompassing theft, earthquakes, water, hail, public liability, etc. The result is that the cost can range from, roughly, $400 to $1,000 per year for a 40 suite block.

ii) Advertising: In one property analysed, the advertising expense was over 8% of gross income. This is bad enough but is further compounded by the fact that the property was being managed by a large professional management company. Given the location, quality and rental structure of the property, it would be difficult to justify an expense of even .8%.

In general, advertising costs need only be very low. An effective sign and a small well-placed ad should have the desired results if the rents are not above market. Unless a property has

some not obvious attributes or is in an untravelled area or is just starting up there should be little money spent on newspaper advertising. Advertising during a period of high vacancies is a waste of money unless the property is offering something that most other buildings are not. Although the correlation has not been made it would appear that there is very little relationship, except possibly negative, between the level of vacancies and the amount of money spent on advertising. The chief beneficiary of the advertising dollar is the newspaper, contrary to what the salesman would have you believe. Very useful is a rental service that advertises and promotes vacant suites on a fee-for-service basis. This is eminently fair because the owner receives something for his suite when it would likely have remained empty and the service receives a fee based upon performance. Advertising should be a very low dollar figure and an insignificant percentage figure and where it is not an analysis should be made of possible causitive factors for the vacancies.

iii) Management: Professional management firms operate a number of properties in this study. The fee ranges from 2% to 5% of gross income and the service offered is generally of the same level offered

by a competent owner who is not especially concerned with operating the property at its greatest efficiency. The service is usually well worthwhile for those investors who would do a poor job if left to handle their own affairs. However, there appear to be many instances where the property management fee is a waste of money and the wise owner would be better off to find a good, honest caretaker to operate the building with only guidelines from the owner.[1]

iv) Salaries: Table 4 sets out the relationship of the number of suites to salary cost. Generally, the larger a property is the lower the percentage cost for caretakers. This can be explained by two basic factors:

a) The provincial government has a minimum wage. This wage is based upon a minimum of $66 plus $6 for every suite managed, plus time off, plus holiday pay, plus benefits. For example,

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[1]Management firms often are able to attract and hold good maintenance people who do excellent work at good prices. For example, the cost of painting a one bedroom suite can range from $55 to $140 for the same type of job and the same quality.

see the comparison below between a 25 suite and a 50 suite block.

Suites	25	50
Base pay	$ 66	$ 66
$6 per suite managed	144	294
Holiday pay at 4%	8	14
Relief (minimum)	28	28
Benefits	20	30
	$266	$432
Cost per suite	$10.64	$8.64

b) Generally, a larger block has a higher average income per suite. The cost of a caretaker is the same whether the suite income is $100 or $200 per month but on the higher valued suite the percentage is much less.

There becomes a limit in project sizes for one caretaker. Thus the cost of a caretaker per-suite-managed does not always decline and may rise for a larger frame project. However, very large complexes generally can afford a very efficient staff set-up and often they have an on-site manager. Thus although all salary costs may be attributable to "salaries" there may be significant cost savings elsewhere. The largest project in the study, 311 suites and a $615,000 income, was extremely efficient. With a project of this size

it becomes economical to split up duties and to have specialized functions. In this particular project it was also economical to have a full-time repairman on salary to do all but major repairs.

From the study of the properties, it became very obvious that a good manager was an asset who can run a property as well or better than most management firms or absentee landlords and that the extra cost over and above the minimum wage set is often repaid many times by intelligent, honest, handyman-type individuals who run a property as if it were their own.

Summary

The most important factors in the operation of a property are heat, light, repairs and salaries. The type of building and the type of equipment will have a great deal to do with the cost of utilities but efficient operation can have a great deal to do with reducing total costs. The cost of repairs and the cost of salaries often go hand in hand. Higher salary costs can mean inefficiencies or it can mean an investment in keeping repair costs down and the quality of the investment up.

TABLE 6

THE RELATIONSHIP OF OPERATIONAL COSTS

TO NUMBER OF SUITES

Size of Property	Median	Type	Sample Size	Operational Costs
11 to 24	20	Frame	11	14.1 (23.0) 32.9
25 to 35	29	Frame	13	18.3 (26.0) 29.3
38 to 57	42	Frame	21	16.3 (24.5) 31.7
38 to 56	46	Concrete	5	20.9 (25.0) 35.5
60 to 89	62	Frame	6	18.8 (24.8) 30.7
61 to 86	68	Concrete	6	15.6 (20.1) 31.1
93 to 311	127	Frame	4	21.2 (24.5) 31.6
103 to 157	130	Concrete	2	16.0 - 29.0

Note: Operational costs as a percentage of gross income. Taxes are not included.

TABLE 7

THE RELATIONSHIP OF OPERATIONAL COSTS

TO LEVELS OF SUITE INCOME

Suite Income	Median	Type	Sample Size	Operational Costs
$ 92 to $111	$103	Frame	7	18.1 (25.9) 34.6
$117 to $124	$121	Frame	15	16.0 (24.1) 31.5
$125 to $135	$130	Frame	22	16.3 (24.3) 28.5
$136 to $184	$152	Frame	12	17.0 (21.5) 29.0
$123 to $148	$140	Concrete	7	16.0 (27.4) 34.2
$155 to $191	$171	Concrete	6	15.6 (18.9) 28.5

Note: Operational costs as a percentage of gross income. Property taxes are not included.

CHAPTER V

PROPERTY TAXES

Property taxes are the single most important expense in the operation of an apartment block. Generally, between 35% and 45% of the total expenses are paid to the municipality in taxes. In the last few years, the percentage increase in taxes has been at a much faster rate than the rate of increase of other expenses and of the rate of increase of rentals. The purpose of this chapter is to analyse property taxes with respect to the age of the property, its size, its average suite income, its type of construction and the location of the property to determine if direct causative relations can be established.

In the appendix, each property is analysed on the basis of the total tax as a percentage of gross income, the total tax as a percentage of net income and the total tax as a percentage of total expenses including taxes. The year by year rate of increase of taxes is also shown. The Tables included in this chapter are either a summation of these data or they are derived from these data.

If property taxes are to be fair they should apply equally to properties of equal value. The data collected show that not only does this principle not apply even within municipalities but also that very wide swings from the average

are evidenced. The purpose of the analysis is to try to determine what causes this divergence from a normal.

A) <u>The Relationship of Building Age to Property Taxes</u>

It appears as if property taxes decline as a percentage of gross income as a property becomes older. This is logical in that the property's value also decreases because of rising expenses. This is evidenced in a number of areas but especially in New Westminster where there is a definite correlation of taxes to age. The lowest value obtained, 7.9%, was on a 60 year old frame building in Vancouver which would have a capitalization rate of about 15%. The results of this test are valid but it should also be noted that a wide divergence in tax rates also applies to older buildings as well as to newer buildings.

No definite correlation can be made between taxes as a percentage of net income and age. There appears as if there might be a correlation but the 5 to 7 year old group of properties goes against the trend. There should be a trend on the grounds of logic because older buildings typically sell for a higher capitalization rate and hence a lower value. However, to prove this point a larger sample will be required.

TABLE 8

THE RELATIONSHIP OF BUILDING AGE TO PROPERTY TAXES

Age of Property in Years	Type	Sample Size	1970 or Latest Year's Taxes To Gross Income	1970 or Latest Year's Taxes To Net Income
1 to 2	Frame	16	12.2 (14.7) 22.7	19.9 (23.8) 29.5
	Concrete	3	14.1 (14.2) 15.2	20.4 (20.4) 22.1
3 to 4	Frame	18	11.3 (14.3) 16.0	15.7 (22.8) 28.6
	Concrete	1	17.2	26.4
5 to 7	Frame	8	12.4 (13.9) 18.8	18.0 (24.7) 33.9
	Concrete	3	13.4 (15.0) 15.8	20.1 (27.8) 28.1
8 to 12	Frame	6	10.8 (12.6) 15.7	16.0 (20.2) 23.7
	Concrete	4	12.2 (14.5) 15.8	17.5 (23.0) 31.8
13 or over	Frame	6	7.9 (12.5) 15.4	11.9 (22.1) 28.9
	Concrete	2	12.8 - 14.4	21.4 - 26.1

Note: Taxes to gross income is the relationship of property taxes to the total income.
Taxes to net income is the relationship of property taxes to the net income; net income being that amount remaining after the deduction of operating costs and property taxes.

B) <u>The Relationship of Building Size to Property Taxes</u>

Building size should have little or no bearing on property taxes but value should. Since smaller blocks are less economical to operate their taxes, as a percentage of gross income, should be less than larger blocks. The exact opposite trend appears to be evidenced by the data. The properties having suites in the 11 to 24 range have a mean gross tax ratio of 14.7% while those in the 93 to 311 range have a mean gross tax ratio of 11.3%. With the net tax ratios the trend, if there is one, is not as clear but it would still appear as if there is a definite bias against the small block when there should be a slight bias towards it.

Part of this phenomenon can be explained by the fact that, because of side yard requirements, a smaller block makes less efficient use of a given amount of land than does a larger block. Thus, more of its total value will be attributable to land which is assessed at a higher rate and so should result in higher taxes. However, this analysis ignores the effects of the market which values the property on the basis of how many suites it will take and not on land area. Thus, there is and should be an automatic

correction made, but it appears as if this correction is not made by the assessor who acts as if he may value property on the basis of so much per square foot as opposed to so much per suite. The example following should help clarify the situation:

	Property X	Property Y
Dimension:	66' x 122'	132' x 132'
Number of suites:	14	32
Value at $2,500 per suite:	$35,000	$80,000
Value per square foot:	$4.35	$4.97

In the above example, there are economies of scale attributable to the larger site which make it worth more than the sum of its parts. On this basis, it is logical that the taxes on the land should be greater than twice the taxes on the smaller parcel and equally illogical for the taxes on the smaller parcel to be one-half the taxes on the larger parcel. However, this argument also has its faults, this time on theoretical grounds, in that taxing a property on a per suite basis (assuming that all suites are homogeneous) discourages economies of scale and so helps encourage the formation of smaller less monetarily

efficient properties. The same argument can be applied to the property as a whole -- perhaps less efficient properties should be taxed at a higher rate so as to encourage more efficient units. However, the basis of the property tax is said to be value and on this basis there can be no justification for a higher percentage tax on smaller properties.

C) The Relationship of Average Suite Income to Property Taxes

Properties with lower average suite incomes are usually less efficient and so the value of the property is usually less. It should follow that property taxes are lower for those buildings with lower incomes. This appears to be evidenced in the ratio of taxes to net incomes. However, this is as expected because the corrective nature of the inefficiency should even out any discrepancies. All suite income levels should have approximately the same ratio of taxes to net income as long as the capitalization rate used to value the properties is the same.

TABLE 9

THE RELATIONSHIP OF NUMBER OF SUITES TO PROPERTY TAXES

AS A PERCENTAGE OF GROSS AND NET INCOMES

Size of Property	Median	Type	Sample Size	1970 or Latest Year's Taxes To Gross Income	1970 or Latest Year's Taxes To Net Income
11 to 24	20	Frame	11	10.8 (14.7) 17.9	15.7 (23.6) 29.5
25 to 35	29	Frame	13	7.9 (14.4) 22.7	11.9 (24.1) 39.1
38 to 57	42	Frame	21	11.1 (13.2) 15.4	18.3 (22.3) 28.6
38 to 56	46	Concrete	5	12.6 (14.3) 15.6	17.7 (26.1) 31.8
60 to 89	62	Frame	6	13.6 (14.3) 18.3	20.6 (23.2) 33.9
61 to 86	68	Concrete	6	11.9 (14.1) 16.8	20.1 (22.1) 26.4
93 to 311	127	Frame	4	10.8 (11.3) 16.1	16.0 (16.8) 30.0
103 to 157	130	Concrete	2	13.2 - 14.2	20.4 - 21.4

TABLE 10

THE RELATIONSHIP OF SUITE INCOME TO PROPERTY TAXES

AS A PERCENTAGE OF GROSS AND NET INCOMES

Monthly Rental Rate	Sample Size	Type	1970 or Latest Year's Taxes To Gross Income	1970 or Latest Year's Taxes To Net Income
Less than $125	21	Frame	7.9 (13.9) 16.5	11.9 (23.4) 28.9
	1	Concrete	15.8	23.8
$125 to $135	21	Frame	12.2 (14.3) 20.5	19.4 (22.6) 27.4
	1	Concrete	15.0	28.0
More than $135	11	Frame	10.8 (14.8) 18.8	15.7 (23.9) 33.9
	11	Concrete	12.2 (14.2) 17.2	17.7 (22.1) 31.8

D) The Relationship of Location to Property Taxes

Because different locations have different mill rates and different tax assessors it can be expected that the tax rates may vary widely between municipalities. Since tenants do not consider property taxes an expense and since tenants are free to search for better accommodation at the same price or the same accommodation at a lower price then it would appear as if the burden of the tax differential will fall on the landlord and, if the market is perfect, affect the sale prices of improved properties and raw land. From the data gathered it would appear that, on the basis of taxes as a percentage of gross income, Burnaby has taxes slightly above the mean while Surrey has very high taxes and West Vancouver has taxes lower than the mean. The same conclusions would appear to be as correct for the ratio of taxes to net income. However, the sample is fairly small so no definite conclusion can be arrived at for Burnaby. The fact that Surrey has taxes much higher than the average is reinforced by data from other types of real estate.

E) The Relationship of Property Taxes to Value

Property taxes are ostensibly a tax on value. The purpose of this paper is not to delve into the ethics of taxes on property to support services not going to

TABLE 11

THE RELATIONSHIP OF LOCATION TO PROPERTY TAXES

AS A PERCENTAGE OF GROSS AND NET INCOMES

Location	Sample Size	1970 or Latest Year's Taxes To Gross Income	1970 or Latest Year's Taxes To Net Income	Average Rate of Expenses
Vancouver	21	7.9 (14.2) 16.5	11.9 (22.3) 31.8	36.3
Burnaby	8	13.9 (15.0) 15.9	20.4 (23.5) 27.4	36.2
New Westminster	26	11.2 (13.9) 17.2	17.8 (22.6) 28.6	38.5
Aggregate*	9	10.8 (14.9) 18.8	15.7 (22.4) 33.9	34.3*
*North Vancouver	3	13.6	20.4	*
*Surrey	2	17.6	31.9	*
*Coquitlam	2	13.5	20.3	*
*West Vancouver	1	13.4	20.1	*
*Mission	1	14.9	22.4	*

TABLE 12

PROPERTY TAX AS A PERCENTAGE OF VALUE

Location	Construction	Sample Size	Low	Median	High	Spread	Percentage Deviation from the Mean
Vancouver	Frame	9	1.75[1]	1.97	2.46	36.0%	-11.2 to +24.9
	Concrete	5	1.63	2.01	2.36	36.3%	-18.9 to +17.4
Burnaby	Frame	8	1.99	2.25	2.63	28.5%	-11.6 to +16.9
New Westminster[2]	Frame	19	1.65	2.09	2.49	40.2%	-21.1 to +19.1
	Concrete	2	2.09	-	2.28		
Surrey	Frame	3	2.48	2.61	3.04	21.5%	- 5.0 to +16.5
Coquitlam	Frame	2	1.98	-	2.33		
North Vancouver	Frame	3	1.69	1.93	2.78	56.4%	-12.4 to +44.0
Mission	Frame	1		2.06			
West Vancouver	Concrete	1		1.72			

[1] One property has a property tax to value ratio of 1.24% but it is not a representative example because of its age and condition.

[2] In New Westminster the lower values are all older blocks which would indicate that the assessor values these properties at a lesser amount than shown in the study.

the property but to try to find the basis on which taxes are determined. However, if property taxes are supposed to tax a real form of wealth then they should tax on the basis of value and value alone. All the properties in this study have had taxes calculated on the basis of their market value -- either value as evidenced by sale or an estimation of value based upon net incomes and market capitalization rates. A summation of the findings appears on the Table following. As was mentioned in Part D of this chapter, there is an obvious reason why taxes should vary between municipalities but no obvious reason for taxes to vary within a municipality. In the city of Vancouver the spread was 36.3%, in the municipality of Burnaby the spread was 28.5% and in the city of New Westminster the spread was 40.2%.

The results seem to indicate that some other factor other than value may be used for the purpose of setting assessments. At this time it would appear to be the gross rent multiplier or the net rent multiplier. In Chapter VII the use and misuse of rules-of-thumb, including rent multipliers, will be discussed.

F) Increases in Property Taxes in Vancouver, Burnaby and New Westminster

As with most other expenses in operating apartment blocks,

TABLE 13

INCREASES IN PROPERTY TAXES IN

VANCOUVER, BURNABY, NEW WESTMINSTER

	Sample Size	Year	Low	Median	High
1) Vancouver	6	1967	95.4	107.0	115.4
	9	1968	99.8	101.2	104.7
	9	1969	101.3	108.6	110.8
	12	1970	101.8	105.5	110.2
2) Burnaby	5	1970	100.2	102.0	104.2
3) New Westminster	7	1969	103.7	105.4	115.3
	16	1970	100.1	113.4	115.5

the cost of property taxes has increased. This increase has had a very great effect for two reasons; first, the market for rentals has been soft so rents have remained fairly steady and, second, the rate of the tax increase has been very large especially in New Westminster where the mean increase was 13.4% in 1970. This is a disturbing factor to many apartment owners because an increase of a similar magnitude is expected this year and there again appears to be little hope of passing the increase on to the tenant. If other municipalities' taxes do not rise as fast as Surrey's or New Westminster's then the increase differential will be borne by the landlord but if all taxes go up then it simply will not be economical to build apartment blocks until rents go up enough to offset the lost net return.

The tax problem is further aggravated by the fact that home owners obtain a rebate on their taxes of $15 per month (1971). Thus, the owner of an apartment-like condominium has the same accommodation but, because he owns it, his monthly costs are automatically $15 lower (1971).

The rebate is intended to encourage home ownership. In this respect it does help because it reduces the net income requirements of the purchaser by $720 per year (1971), not an insignificant percentage. However, for those people who cannot afford to buy homes the lack of the

rebate and the consequently higher rent is equivalent to a very regressive tax. In this regard the rebate is very poor.

An alternative to the rebate is for the provincial and federal governments to pay all the costs of the social services that are now supported by the property tax. This would leave the property and the property tax to support only the direct services to the site. This would also reduce the regressivity of the property tax and, hopefully, reduce the large annual increases that are now necessary because of the very rapidly increasing costs of welfare and schools.

Summation

Property taxes impose a very great burden on the income of a property and that burden is increasing. Property taxes appear to be levied in a haphazard manner that does not seem to have too much bearing on value. Property taxes vary greatly in some assessment areas and vary greatly between assessment areas. Property taxes sometimes appear to be regressive in nature when applied to apartment buildings.

CHAPTER VI

YIELDS

The two major areas of research for this paper are, firstly, operational costs and, secondly, net yields to owners. This chapter is concerned with yields and is broken down into two sections; one deals with purchase/sale data which gives an irrefutable result and the other deals with a hypothesized sale price. Unfortunately, many of the sales in the first category took place prior to 1970 which was a time period of rising or levelling apartment prices. Since 1970 most apartment prices have declined very rapidly and so there is a difference in the yields before and after 1970 and consequently a different picture for those properties on which sale data exist as opposed to those properties where a sale price is hypothesized.

Purchase/Sale Data

There are 15 properties for which sale data were obtained and 19 purchases/sales within that group. Five sales occurred in 1971, seven in 1970, five in 1969 and two in 1968.

One of the problems in dealing with purchase/sale data derived from individuals is to determine the validity of those data. For instance, it became obvious that some blocks traded hands at prices which could not be supported by their

TABLE 14

SALE DATA ON PROPERTIES SHOWING AVERAGE RETURN BEFORE CAPITAL GAIN OR LOSS AND SHOWING AVERAGE RETURN INCLUDING ANY REALIZED GAIN OR LOSS

Date of Purchase	Date of Sale	Suites	Average Return Excluding Gain or Loss	Average Total Return
3/69	8/71	35	3.4	-8.8
10/68	7/71	44	7.1	3.1
12/68	12/70	26	7.4	13.3
11/67	2/71	49	8.0	7.3
12/67	4/70	11	8.9	35.7
3/69	12/69	101	10.6	7.1
11/67	9/70	41	12.0	11.7
10/69	7/71	39	12.0	22.8
6/68	7/70	25	12.2	29.3
11/68	11/69	20	14.1	33.8
12/68	3/71	31	14.5	35.9
1/68	12/69	101	14.6	31.1
12/69	12/70	26	15.7	28.2
10/68	11/70	41	16.2	25.0
12/67	1/69	24	20.5	74.5
11/66	12/68	101	21.0	37.9
11/66	12/69	101	21.0	52.1
11/66	1/68	101	21.1	75.9
12/69	6/70	11	28.1	87.3

Median rate of return excluding capital gain:	12.1%
Median rate of return including capital gain:	26.0%
Median length of ownership:	25 months
Shortest period of ownership:	6 months
Longest period of ownership:	51 months
Sample size:	19 sales
	16 properties

earnings. In one case, two very similar blocks were traded at prices yielding a return of less than 6% and at gross rent multipliers exceeding 8.0. This appeared to be a convenient way of setting a high value for purposes of valuation day and thus reducing the burden of the capital gains tax. If it appeared as if the sale was a non-arms-length transaction then that property was eliminated from the study.

Of the 19 sales occurring in the sample group within the past three years, 14 sold for yields in excess of 10%. Of the 5 sales selling below 10% only one loss occurred. Since this property was yielding a return of 3.4% it is not difficult to determine that a loss would have occurred no matter when the building was sold. Of the properties sold it can be said that possibly only two investors "bailed out" with gains that were not justified and that would have been losses in today's market. These two are sales 3 and 5. In one of these cases the yield was 8.9% and a handsome capital gain was still obtained while in the other case the yield was 7.1% and a fairly small gain was obtained.

For that group of sales above 10%, some investors sold out for gains that could not be repeated in today's market. The reason is simply that, although the block was a very good investment for the vendor, the price which the vendor obtained did not make it an economical operation for the purchaser. Thus, many of the sale prices would be very much lower if the property were marketed today.

In the appendix, on the third page for each property, is a summary showing the purchase and sale data for each block, the beginning and ending financing and equity and a breakdown of the yield by year. The cash flow for each year has been calculated from the statement and the principal repayment has been calculated for the mortgage(s). Any market gain or loss has simply been prorated over the holding period of the block unless there was evidence showing that greater or lesser amounts of gain/loss occurred at different times. The total yield was derived by summing the components and an allocation of total yield was then determined. As can be seen from the Table following, the gain obtained was very significant and often formed the predominant part of the total yield. At the bottom of each page 3 the total return is shown. The <u>average rate of return excluding market gain</u> is the average of the total cash flow and principal repayment as a percentage of the original equity. This is only a good measuring device if the original equity in the property is very close to the equity at that point of time where the calculation is made. If reference is made to the appendix, pages 58 and 59, it can be seen that property #155 returned 37.9% on original equity for 1969 but only 19% or one-half, based upon the equity of 1969. Thus, it becomes very important to look at the second figure which is either the <u>Internal rate of return including market gain</u> or <u>Average rate of return including market gain</u>. This figure

is derived by taking the return in any one year based upon the equity in that year and summing it with the returns in other years based upon the equity positions in each of the corresponding years and compounding each year's component by a per-cent factor to arrive at a value equivalent to the equity value at the sale date or date of valuation.

A simple example of the calculation is shown below:

Original equity, 1967, or	$10,000	
1967 return	1,200	12%
1968 equity	$11,200	
1968 return	1,344	12%
1969 equity	$12,544	
1969 return	1,505	12%
1970 equity	$14,049	

The internal rate of return for this investment for the period 1967, 1968 and 1969 is 12.0%. The above example is extremely simple in that it assumes each year's return is the same. In practice, the returns differ widely but the procedure for calculating the return is the same. However, this is normally not done by hand because it is a long and tedious method using trial and error. All internal rate of return calculations are made using the computer.

Where the holding period of the property is only one or two years, the rate of return is calculated using a

simple average. The example below will indicate the method used.

1)	1969 equity:	$100,000		
	1969 return	20,000	or	20%
	a) $8,000 cash flow		or	8%
	b) $2,000 principal repayment		or	2%
	c) $10,000 market gain		or	10%
	1970 equity:	$112,000		
	1970 return	21,500	or	19.2%
	a) $9,000 cash flow		or	8.0%
	b) $2,500 principal repayment		or	2.2%
	c) $10,000 market gain		or	9.0%

$$\text{Average rate of return} = \frac{20.0\% + 19.2\%}{2} = 19.6\%$$

Purchase/Hypothesized Sale Data

Where it was possible, a hypothesized value or sale price was formed and the total yields calculated from this value. This is an inherently dangerous assumption to make because it assumes that the value chosen is right and that it accurately reflects what the market will pay for a property.

In all cases the attempt was made to be as accurate as possible while remaining on the conservative side. If there are areas of errors these will be in the newer blocks with the low values. The reason for this might be that an astute investor may gauge the market right, pick up the block at a yield less than that indicated here (at a correspondingly higher price) and effect changes in management and efficiencies in operation that will result in a very profitable operation.

However, there are very many blocks in this category and so any investor coming into the market now will have many blocks to choose from.

The valuation has been based upon the following:

i) The rate of capitalization that the market appears to be demanding on similar properties.

ii) The condition of the block both from the standpoint of quality and from the standpoint of repair.

iii) The location of the property and the trend of the area with respect to the general conditions and rental demand which will affect future values.

iv) The capitalization rate for frame or concrete commercial or industrial properties within the same area.

v) The gross income of the property and its rental structure. Two similar properties with identical net incomes and financing arrangements should have different values if one block has rates at market rent and one has rates below market rent. There is room for improvement in one and the downslide risk is less.

vi) The level of expenses and the efficiency of operation. There is usually a reason or reasons for a block to have a high ratio of expenses. This is discounted to a certain degree because net incomes are used

but it also appears as if some properties that are inefficient become more inefficient over time. The expenses given for the block have been "normalized" to reflect this problem. In some cases expenses have been increased and in some cases they have been dropped so as to create an approximation of the long-run trend. Hopefully, this results in a fair factor on which to base values.

vii) The rate of interest on the mortgage, suitably modified to discount any short-term benefits or costs. That is, one property with an 8% mortgage with a 5 year clause is not treated the same as a similar property with an 8% mortgage and no clause. For purposes of evaluation, it has been assumed that the intelligent vendor will pay off any mortgage that creates negative leverage so as to maximize the value of the property. Thus, with a 12% capitalization rate, an 11% second mortgage will be retained while a 13% third mortgage is paid off. It must be stressed that this is only done for purposes of evaluating a property. The full leverage situation is used when calculating yields and returns.

viii) Opinions, judgement and "gut feel" are also used to form a value. These subjective points reflect themselves in the capitalization rate chosen and in modifications to the cash flow in order to create a "normal" situation.

The end result of all these factors is, hopefully, a market value. It should be recognized, however, that many of the people who buy and sell in the market and who therefore form the discreet edge of the market do not think along objective lines but often let emotion or misinformation make their investment decisions for them. Obviously, if this happens often, we have a market that is not perfect and that appears to act irrationally. A rational line of thought has gone into the evaluation of each property. This can be an extremely inaccurate and dangerous method of operation if a significant segment of the market does not behave in a similar manner.

The sample of properties with hypothesized sale prices have been broken down into two groups; one group contains all expected capital loss situations and one group contains all properties with an expected gain situation. Each group will be treated separately and then compared.

Properties with Expected Capital Gains

The Table following lists all properties that would be sold with an expected market gain. The order is based upon the average or internal rate of return excluding the proposed capital gain. In some cases, as in the first property, the actual yield obtained is less than that which will be expected in the future. In this instance the reason is that heavy expenses have been incurred in order to upgrade the property

TABLE 15

DATA ON PROPERTIES WHICH WOULD HAVE A GAIN SITUATION

OF AT LEAST THIS MAGNITUDE IF THEY WERE SOLD TODAY

Year of Purchase	Years Analysed	Purchase Price	Expected Sale Price	Gain	Average Rate of Return Excluding Gain	Average Rate of Return Including Gain
		$	$	$	%	%
1968	2	1,047,000	1,062,000	15,000	9.4	11.5
1967	3	405,000	406,000	1,000	10.4	10.8
1966	5	840,000	908,000	68,000	10.6	12.5
1969	1	1,860,000	1,875,000	15,000	11.2	14.6
1968	2	208,500	219,500	11,000	11.2	17.7
1967	3	530,000	543,000	13,000	11.3	17.8
1967	3	425,000	458,000	33,000	12.2	19.9
1967	3	1,337,000	1,425,000	88,000	12.3	17.9
1960	11	531,000	700,000	169,000	12.7	14.1
1968	2	433,000	458,000	25,000	12.7	25.6
1968	2	700,000	714,000	14,000	13.3	16.2
1968	2	278,000	284,000	6,000	13.9	16.1
1965	5	468,000	575,000	107,000	14.4	24.8
1967	3	452,800	510,000	57,200	16.0	24.5
1966	4	840,000	1,034,000	194,000	16.0	26.6
1969	1	176,500	177,000	500	16.1	17.0
1968	2	1,182,500	1,275,000	92,500	16.5	29.7
1968	2	160,000	167,000	7,000	17.6	20.2
1969	1	227,500	241,500	14,000	18.2	42.7

Median rate of return excluding capital gain: 12.7
Median rate of return including capital gain: 17.8
Sample size: 19

and so a "normalized" cash flow must be interpreted. Again, all gains have been prorated on the basis of time unless their is reason to believe otherwise. Some of the increases in value have been very high but, because of the long holding period and because of the utilization of the internal rate of return method of determining yield, the difference in yield before and after taking a gain into account is often small. Also, an identical situation with widely differing equity positions will accentuate the gain situation. Properties and leverage are like bonds; a small change in return is reflected by a large gain (or loss) in value.

Example:	x	y
Cash flow before financing	$100,000	$100,000
Financing		
$800,000 at 7%	56,000	
$500,000 at 7%		35,000
Net cash flow	$ 44,000	$ 65,000
Gain in market value	40,000	40,000
Total return	$ 84,000	$105,000

Property "y" has a higher return than property "x." However, if it is assumed that the value of the property is $1.2 million then the picture changes dramatically.

	x	y
Cash flow on equity	11.0%	9.3%
Market gain on equity	10.0%	5.7%
Total return	21.0%	15.0%

Of course, the situation reverses itself if a loss occurs.

The mean return on the group of properties with expected gains was 12.7% excluding the gain and 17.8% including the gain.

Properties with Expected Capital Losses

Of the 15 properties with an expected capital loss situation, all but 5 have an overall loss position. This loss position will naturally be reduced over time and it will eventually change to a positive return if the property is held long enough and if inflation continues unabated. This false position is similar to the investor who invests in stocks and "averages down" his loss by buying more and more shares at increasingly lower prices. However, the owner of an apartment block need not be so foolhardy. He has four choices or courses of action:

1) He can recognize his mistake, take his paper loss and purchase the block from himself at a price that yields an economic return.
2) He can sell the block at the recognized market price, take his loss and invest his money elsewhere.
3) He can place the property on the market at an inflated price and hope that someone not attuned to the market will pay a price not justified by the economics of the situation.
4) He can bury his head in the sand and refuse to recognize the loss and average down the loss over time not by purchasing more property but by purchasing more time. This will work for all properties except for the first one in the Table. This investment will

TABLE 16

HYPOTHESIZED SALES PRICES ON PROPERTIES

TO DETERMINE EXPECTED CAPITAL LOSSES AND YIELDS BEFORE AND AFTER LOSSES

Year of Purchase	Years Analysed	Purchase Price	Expected Sale Price	Loss	Average Rate of Return Excluding Loss	Average Rate of Return Including Loss
		$	$	$	%	%
1969	1	355,000	285,000	70,000	-1.1	-74.7
1969	1	537,000	455,000	82,000	3.7	-63.5
1968	2	895,000	805,000	90,000	4.8	-19.4
1969	1	277,000	245,000	32,000	5.4	-32.7
1968	2	398,000	342,000	56,000	5.5	-21.1
1968	2	485,000	432,000	53,000	5.5	-16.7
1967	3	235,000	228,000	7,000	6.3	- 1.4
1969	2	417,000	387,000	30,000	6.7	- 9.7
1969	1	820,000	717,000	103,000	7.0	-23.7
1968	2	217,500	210,000	7,500	7.9	.8
1968	2	312,000	308,000	4,000	8.8	7.4
1968	2	353,000	348,000	5,000	9.1	7.0
1969	2	225,000	220,000	5,000	10.1	5.2
1969	1	365,000	354,000	11,000	10.3	.3
1968	2	267,000	251,000	16,000	12.3	- 1.7

Median rate of return excluding capital loss:	6.7%
Median rate of return including capital loss:	-9.7
Median loss as a percent of purchase price:	-8.6%
Sample size:	15

Note: Data determining capitalization rates is contained in the Appendix.

increase its loss over time because it operates on a net loss situation.[1] Presumably, inflation will correct this situation within a few years.

A comparison should be made between those blocks with an expected gain situation and those blocks with an expected loss situation. The median return, excluding any gain, for one group is 12.7% while the median return, excluding any loss, for the other group is 6.7% or a 6% differential. For both groups the median capitalization rate is 11%. If it is assumed that the average leverage situation is approximately 70% then it can be seen why the internal or average rate of return results vary so much.

Summation

The analysis of yields has shown that many properties are extremely good buys when purchased while others are very bad buys and others are sold at a return reflecting a normal market rate. Part of this large discrepancy can be based upon misinformation, incorrect statements and dishonesty, but the majority of the discrepancy appears to be caused by the fact that many buyers and many sellers simply do not know their business and so rely upon "rules-of-thumb," vendor's statements and other non-economic or non-rational means to make their investment decisions.

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[1]A net loss is determined by summing cash flow and principal repayment. Many blocks have a negative cash flow but all but one more then offset this by the principal repayment.

CHAPTER VII

SUMMATION OF FINDINGS AND CONCLUSIONS

The apartment investment market, in the years 1960 to 1970, underwent a period of rapid growth and change. We can expect further growth and further change, but along different lines, over the next ten years.

Most of the owners of apartment blocks in the forthcoming years will come from three basic groups:

i) The investor who owns the property and runs it as his main income,

ii) The investor, large or small, who owns a property for long term income, gain and inflation protection, and

iii) The large investor or development company who uses property investment as a means of hiding profits until a future date or who uses the property for tax shelter.

The areas of apartment investment will become more structured. On the one hand there will be the areas or properties that cater to the individual who lives in a particular block or area because he wants to or because alternative forms of housing are less appealing. This type of property will be owned by investors (i) and (ii). On the other hand there will be the areas or properties that cater to those

individuals who, because of income, have no choice but to live in low rental housing that is indirectly supported by the three levels of government and by the public through low interest rate mortgages. This type of property will be owned by investors (ii) and (iii) who are not concerned with a cash-flow profit but are more concerned with obtaining a 95% mortgage on value (usually much in excess of the construction cost) and a nice tax shelter which is provided by the government. There is a fourth group of investor, the slum landlord, but, for the purposes of this paper, he is assumed not to exist.

The end result will be that areas such as West Vancouver, the West End, Kitsilano, Kerrisdale, the Simpson-Sears area of Burnaby and the Woodward's area of New Westminster will continue to be good rental areas because they are premium locations and they will attract the type of tenant who wishes to live in an apartment block and who is willing to pay for the privilege. Outlying and less desirable areas with an abundance of available, less expensive land will attract the limited dividend type of housing and so the poorer tenant. Typically, these projects are large in size, overcrowded and are self-defeating because the breadwinner often spends more time and money getting to and from work than he saves by living in a less desirable area and saving a few dollars on rent.

Not all limited dividend or low income projects are bad and none need be so. The inclusion of small buildings or

projects among other rental structures would help. The encouragement of small projects would help to lessen the feeling of overcrowding that often accompanies low cost projects. The continued encouragement of well-designed, well-built and well-thought out projects can also do much to upgrade the quality of housing available to the less well-to-do.

However, all of these measures would not be necessary if one simple policy were implemented. This would be to give those people who are deemed to require assistance for housing the necessary funds so that they can compete in the open market for their housing. The cost of this policy should be no greater and could even be less. For example, the family earning $5,500 and the one earning $6,700 both qualify for a limited dividend unit but it is obvious that one requires assistance more than the other. If the rent differential is $20 per suite per month then the total cost is $40. However, if the open market were used then need could be the basis for a rent subsidy. In the example given, the subsidies could change to $5 and $25 for a total saving of $10. This type of housing situation is inherently more efficient because supply/demand and the market rents are supposedly in balance. The social costs caused by overcrowding are probably reduced and government influence, of which there is probably too much, is redirected on an individual basis as opposed to a blanket basis. The stigma of living

in a subsidized project is also eliminated.

It was also evident throughout this study that the quality of many projects was very poor not only from the standpoint of construction but also from the standpoint of location and design. Hopefully, the more rational aspect of the future market (supply/demand and market cost) will encourage a more careful choice of design and location and make it more economical and profitable to construct better buildings. The local governments can do their part in upgrading housing by being more flexible. Some areas are making use of the land-use contract extensively. This method of development appears to be preferable to the blanket rezoning that often characterizes development now. The land-use contract bases rezoning and density on the merits of the project being contemplated. If both the developer and the municipality or city are in agreement a contract is signed and the project proceeds. This system is better because it offers an ideal vehicle to increase the quality of development but it is dangerous in that it can be open to abuse and arbitrary decisions by those in control.

The apartment investment market is presently changing to the better because of the change in the tax act that removed the major governmental influence to housing, namely, the tax shelter. The result should be a more perfect market which is based upon supply/demand and cost of capital. However, it appears as if the federal government may be creating a potentially

dangerous social and economic condition by providing below market-rate mortgages for lower income families.

The apartment investment market was found to be very irrational. Part of this irrationality can be attributed to the before mentioned tax influences but a good proportion of this irrationality can be blamed upon poor knowledge and bad decisions which were and are often based upon "rules-of-thumb." Three of these rules-of-thumb will now be examined.

Gross Rent Multiplier

The most prevalent rule-of-thumb is the gross rent multiplier or G.R.M. which is simply the gross income of the property multiplied by a factor to arrive at an asset value. The factor most often used is "7 times gross" for frame buildings and "7.5 times gross" for concrete buildings. A similar situation could apply to the stock market by saying that all oil stocks should sell for 20 times earnings and all steel stocks should sell for 15 times earnings. This system is obviously foolhardy when applied to the stock market and equally foolhardy when applied to the apartment market. The G.R.M. does not take into account the following:

i) The ratio of expenses to income.
ii) The quality of construction or the state of repair.
iii) The location.
iv) The financing.
v) The capitalization rate.

With all these factors against the G.R.M. it is inconceivable that it could be used and yet a very large proportion of investment decisions are influenced and based upon it.

TABLE 17

THE RELATIONSHIP OF THE GROSS RENT MULTIPLIER TO COST OF DEBT CAPITAL AND TO THE CAPITALIZATION RATE

Frame Construction

Building Number	G.R.M.	Capitalization Rate	First Mortgage Rate
		%	%
150[1]	4.93	Sold (15%)	8
142[1]	5.59	Sold	8
139	6.01	12	9
111	6.13	12	7
131	6.13	10.5	9.5
156	6.18	11.5	7.75
116	6.25	13	9
117	6.36	12	7.25
109	6.38	12	9
137	6.39	15	8
130	6.40	11	7.25
105	6.44	Sold	9
163	6.48	11	8.75
114	6.50	11	8.75
120	6.50	12	8
112	6.53	11	8.875
125	6.55	11	8.875
106	6.58	Sold	7.5
157	6.62	Sold	8
140	6.65	Sold	8
119	6.66	11	8
121	6.67	11	9.5
146	6.69	11	7.5
152	6.70	12	9
122	6.71	10.5	9.25
144	6.74	13	7.25
129	6.75	Sold	9
118	6.76	Sold	9
115	6.79	12	6.75
147	6.85	11	7.75
148	7.02	11	8
153	7.03	Sold	7.5
138	7.04	11	7.75
108	7.07	Sold	9.0
102	7.08	11	8.5
127	7.17	Sold	9
128	7.17	Sold	7.5
107	7.22	11	8
145	7.22	Sold	9.25
141	7.33	Sold	8
104	7.40	11	8
113	7.56	11.5	8
123	7.73	Sold	8.5
124	7.90	Sold	8
132	7.94	Sold	6

[1] Buildings number 150 and 142 are landlease situations.

Concrete Construction

Building Number	G.R.M.	Capitalization Rate	First Mortgage Rate
		%	%
154	6.56	10.0	7.00
158	6.93	10.5	7.75
155	7.12	10.5	6.75
166	7.80	10.0	7.00
161	8.02[1]	10.0	10.00
126	8.22	10.0	7.75

Concrete Construction

Sample size: 6
Range: 6.56 to 8.22
Median: 7.46

Frame Construction

Sample size: 43
Range: 6.01 to 7.94
Median: 6.70

Frame Properties Sold

Sample size: 15
Range: 6.44 to 7.94
Median: 7.07

Value range of a property with $100,000 gross income:

Concrete construction: $656,000 to $822,000 with a mean of $746,000.
Variation from the median: -12.1% +10.2%

Frame construction: $601,000 to $794,000 with a mean of $707,000.
Variation from the median: -15.0% +12.3%

[1]Although this property sold on the basis of a gross rent multiplier of 8.02 an evaluation for today's market would yield a G.R.M. of 7.02.

TABLE 18

THE USE OF THE GROSS RENT MULTIPLIER TO VALUE A PROPERTY

Example 1

	x	y
Gross income	$100,000	$100,000
Long run expense ratio	38,000	38,000
Net income before debt service	$ 62,000	$ 62,000
Debt service		
$500,000 at 8%	40,000	
$500,000 at 10%		50,000
Net income	$ 22,000	$ 12,000
Value of property capitalized at 10%	$720,000	$620,000

Example 2

	x	y
Gross income	$100,000	$100,000
Long run expense ratio	36,000	41,000
Net income before debt service	$ 64,000	$ 59,000
Debt service		
$500,000 at 9%	45,000	45,000
Net income	$ 19,000	$ 14,000
Value of property capitalized at 11%	$673,000	$627,000

Example 3

	x	y
Gross income	$100,000	$100,000
Long run expense ratio	36,000	36,000
Net income before debt service	$ 64,000	$ 64,000
Debt service:		
$500,000 at 8%	40,000	40,000
Net income	$ 24,000	$ 24,000
Value of property using a capitalzation rate of		
a) 10%	$740,000	
b) 12%		$700,000

Net Rent Multiplier

The net rent multiplier is slightly better than the G.R.M. in that it capitalizes net income or that which remains after the operating expenses have been deducted. A typical figure is 10 or 11 times net. This term or tool is not used much, however, possibly because it is much more difficult to determine.

A summation of the gross rent multipliers for all properties for which values have been determined is shown in the following Table. For frame properties, excluding numbers 1 and 2 which are landleases, the mean G.R.M. is 6.70 and the range is from 6.01 to 7.94, and the range for the middle 50% is from 6.44 to 7.17 -- not particularly accurate for a rule-of-thumb used so extensively.

Following the Tables listing the gross rent multipliers, the medians and the ranges, is a Table showing three basic reasons why a gross rent multiplier cannot be used; variation in debt costs, variation in expenses and variation in capitalization rates.

"$X Per Suite" Syndrome

The value per suite syndrome has about as much validity as the gross rent multiplier. One of the properties in the sample was purchased in 1967 for $467,000 or $9,530 per suite. The reason for its purchase was that it was new and that it had

TABLE 19

"X PER SUITE" AS A MEASURE OF VALUE

CITY OF VANCOUVER

Type	Suite Income	Value Per Suite	Value Per Suite / Suite Income
	$	$	
Frame	92	7,080	770
	111	10,540	949
	118	10,900	924
	119	10,250	861
	121	11,000	909
	127	9,950	783
	128	10,450	816
	132	10,700	811
	134	10,850	810
	135	9,760	723
	148	12,625	853
	152	13,030	857
Concrete	140	11,750	839
	145	12,960	893
	155	12,890	831
	161	12,430	772

Median income: $ 133

Median suite value: $10,875

Range on suite value: $ 7,080 to $13,030

or -34.9% to +19.8%

TABLE 20

"X PER SUITE" AS A MEASURE OF VALUE

NEW WESTMINSTER

Type	Suite Income	Value Per Suite	Value Per Suite / Suite Income
	$	$	
Frame	95	8,430	818
	101	7,600	752
	103	8,430	818
	117	9,500	812
	119	9,540	802
	122	9,800	803
	122	11,600	951
	123	10,900	886
	124	9,540	769
	124	10,500	847
	127	10,410	820
	129	10,920	847
	130	11,590	892
	131	10,290	785
	132	10,390	787
	133	10,620	787
	135	10,830	802
	135	11,333	839
	141	8,375	594[1]
Concrete	123	10,270	835
	168	16,570	986

Median income: $ 127

Median suite value: $10,390

Range in suite value: $ 7,600 to $16,570
or -26.9% to +59.5%

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[1]Landlease

TABLE 21

"X PER SUITE" AS A MEASURE OF VALUE

BURNABY

Type	Suite Income	Value Per Suite	Value Per Suite / Suite Income
	$	$	
Frame	118	9,420	798
	121	9,580	792
	125	11,000	880
	126	9,300	738
	128	9,830	768
	132	10,180	771
	137	11,550	843
	139	9,350	673

Median income: $ 127

Median suite value: $10,050

Range on suite value: $ 9,300 to $11,550
or -7.5% to +14.9%

OTHER AREAS

Type	Location	Suite Income	Value Per Suite	Value Per Suite / Suite Income
		$	$	
Frame	Surrey	143	11,390	797
		154	12,110	786
		161	11,930	741
Frame	Coquitlam	136	10,980	807
		164	13,180	804
Frame	North Vancouver	153	12,350	807
		158	13,709	868
		184	14,610	794
Frame	Mission	130	11,230	864
Concrete	West Vancouver	175	16,350	934

Median income: $ 160

Median suite value: $12,230

Range on suite value: $10,980 to $16,350
or -20.5% to +37.5%

a low cost per suite. No other basis was used. Similar sized properties were selling at about $10,000 per suite. In 1971 that same block was sold for $467,500 and the owner was fortunate in obtaining that amount. The internal rate of return for the holding period was 7.3%. It would not have been unusual for a well built and well bought block to have yielded 15% per year over the same time period.

The Tables immediately following list the ranges of suites, values by location and type of construction. For example, in New Westminster the range goes from $8,375 to $16,570 or nearly double. An investor who buys on the basis of a set figure per suite is only looking for trouble and some of the builders who specialize in blocks with a high ratio of bachelor or studio suites would be only too pleased to accommodate him.

The Tables also seek to determine if a simple constant exists that can be used to determine value. A more logical approach would be to relate value to a constant based upon suite income because it is obvious that suites that have incomes of $180 are worth more than suites that have incomes of $100. As could be expected, no relationship exists.

The conclusion that can be reached is that the only accurate valuation method is one that looks at rental rates, expenses, financing, age, location, condition and market rate

of interest for similar investments. This type of evaluation results in a figure that will give an economic return.

Findings on Operational Costs

The following conclusions can be interpreted from the data obtained on costs of operation:

1) Small blocks are generally less efficient in operation.
2) Good rental areas may appear to have a lower capitalization rate but costs of operation, rental income and a general lack ofproblems justify the higher prices paid for properties.
3) Salaries are a very significant proportion of costs but salaries and repair costs appear as if they could be interrelated.
4) Newer buildings have lower repair costs than older buildings.
5) Expenses seem to run in cycles. There are peaks when major repainting is required, when carpets need replacing or when appliances are replaced.
6) The long run costs of operating a frame building appear to be lower than for a concrete building.
7) Buildings with lower income suites cost more to operate than those with higher income suites.
8) The quality of frame apartment blocks has deteriorated.
9) The cost of utilities is very important to the overall profitability of a building. The proper choice and operation of the heating equipment can reduce costs dramatically.

10) Property management fees range from 2% to 5% and offer a level of service comparable to that offered by a reasonably astute owner.

Findings on Taxes

1) Property taxes are lower on older buildings than on newer buildings even though the values may be the same. If anything, taxes should be higher because the ratio of land value to total value is higher and land has a higher ratio of assessment than do improvements.

2) Smaller buildings have a higher tax rate than do larger buildings. (See page 53)

3) It is extremely important to know the tax rates and ratios and to appeal assessments if they appear to be out of line.[1] It is also wise to be known for this habit because it seems to ensure that rates are on the low side.

4) Property taxes are regressive compared to suite rents.

5) Property tax rates vary widely within districts and between districts.

6) Some factor other than value seems to be a major influence in setting assessments. It would appear as if the gross rent multiplier was a major influence.

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[1] One investor has supplied information on 5 buildings. It is significant that he always appeals taxes if there appears to be any discrepancy. Also significant is the fact that his properties have tax rates which are not only all below the mean but are sometimes the lowest in the group.

Findings on Yields

1) Properties with high ratio mortgages appear to have a lower overall net yield even though this factor should be taken out or compensated for by the market.
2) Capital gains form a very significant proportion of the total yield.
3) Many investors operate on an irrational basis with the result that the yields on apartment properties cover an extremely wide range.
4) Yields are currently moving upwards because other benefits, such as tax shelters, have been removed and apartment properties must begin to compete with other forms of similar investment. Similarly, prices of properties are moving down.
5) Governmental influence in the market may again begin to have an effect upon yields.
6) Good rental locations will continue to offer good investment opportunities while areas under the influence of (5) above may show further deterioration.

In 1960 the apartment investment market was based on fundamentally sound economic principles. The 1960's saw a rapid increase in the level of apartment construction and the rise of the "non-professional" investor. The end of the 1960's saw changes that were to begin moving this segment of the investment market back towards a supply/demand/cost of capital oriented base -- in other words, an economic base. The 1970's

may see the creation of two separate and distinct markets; the conventional market that is based upon economic fundamentals and the limited dividend market which is based upon tax avoidance and tax saving criteria.

APPENDIX TO

RETURNS ON APARTMENT PROPERTIES FOR THE PERIOD 1960 TO 1970 IN THE GREATER VANCOUVER AREA

by

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ABSTRACT

The appendices are concerned with the presentation of the raw data on each of the properties. Each block has a minimum of three pages of data which summarize most of the pertinent facts on the property. Page one gives the type of construction, the analysis period, the age of the property, the location, the size, suite distribution and rental rates, general information on the construction, the amenities offered and the type of tenant, the financing arrangements and any purchase or sale data. Page two is concerned with a tabulation of the operational costs of the property for as many years as data are available. A detailed analysis of property taxes to gross income, net income and total expenses is also included. Page three is concerned with the yields obtained throughout the holding period of the property. Yields are broken down into cash flow, mortgage principal reduction and capital gain or loss. Where sale data are not available there is a summary setting out reasons for an expected sale price and capitalization rate.

The properties within the appendices are grouped according to location and type of construction. The appendices themselves contain all the essential data relating to the study and, in fact, give a much more precise and true picture of the investment outcomes and operational costs relating to apartment investment as a whole.

INDEX

CLASS : Frame

ANALYSIS PERIOD: 1966, 1967, 1968, 1969, 1970

AGE : Approximately 35 years

LOCATION : Kitsilano - Point Grey

SIZE : 60 suites

GENERAL : Excellent rental area

Large suites that have been redone and appear in new condition.

Hardwood floors although most tenants appear to have floors well covered with their own carpets.

Oil heat

Underground parking (locked)

Leased laundry

Some suites have a good view of Burrard Inlet

A waiting list exists.

FINANCING : Not available. This is an analysis of operating costs only.

FRAME - VANCOUVER #103

AGE	:	35 years
SUITES	:	60
AVERAGE SUITE INCOME PER MONTH (1970)	:	$182
TOTAL INCOME (1970)	:	$131,077

EXPENSES	1966	1967	1968	1969	1970*
Operating					
Utilities	4.9	5.5	5.5	5.0	5.5
Cablevision	.9	.9	.9	.9	1.0
Telephone	.6	-	.2	.4	.5
Elevator	3.7	1.4	1.1	2.3	.8
Other	1.0	1.2	.3	1.4	1.4
Repairs	6.6	6.8	10.5	6.5	36.9
Administration					
Salaries	6.4	5.9	5.6	5.5	5.7
Management	4.0	4.0	4.0	4.0	4.0
Insurance	.3	1.5	.1	.1	.9
Advertising	-	.1	-	-	.1
Taxes					
Water, Sewer	.9	.6	1.1	.5	.7
Dues and Licenses	.3	.3	.5	.5	.5
Taxes	14.5	14.2	14.0	15.0	15.4
TOTAL EXPENSES	43.3	42.3	42.8	42.1	73.4

PROPERTY TAX RATIOS					
Tax to gross income	14.5	14.2	14.0	15.0	15.4
Tax to net income	25.5	24.6	24.9	25.9	57.7
Tax to total expenses	33.5	33.5	31.9	35.6	20.9
Ratio Year 2 to Year 1	100.0%	106.1%	103.3%	109.2%	103.4%

COMMENTS Very extensive renovations were undertaken in 1970 to bring most suites up to standard.

The analysis of this property is for operational costs only.

CLASS : Frame

ANALYSIS PERIOD: April 1969, 1970

AGE : The property was first purchased about January 1967; 4 years old.

LOCATION : 16th and Main

SIZE : 20 suites

GENERAL : Hardwood floor

No elevator

The property shows wear but it is in reasonable condition given its age.

Construction quality is average

Leased laundry

FINANCING : First Mortgage : $104,400 at 8%, 20 years, $936 per month. The mortgage was originally $113,000.

Second Mortgage: $63,600 at 9½%, 20 years, $607 per month. The mortgage was originally $66,000.

PURCHASE PRICE : March, 1969 - $225,000

SALE VALUE : A sale price to reflect a return of approximately 11½% would be probable.

FRAME - VANCOUVER #113

AGE	:	1967
SUITES	:	20
AVERAGE SUITE INCOME PER MONTH (1970)	:	$121
TOTAL INCOME	:	$29,103

EXPENSES	1969*	1970
Operating		
Utilities	4.9	7.2
Cablevision	1.5	1.4
Repairs	4.2*	2.7*
Administration		
Salaries	-*	-*
Management	.3	-
Insurance	3.5	2.9
Other	1.0	-
Taxes		
Water and Sewer	.7	-
Dues and Licenses	.7	1.4
Taxes	16.8	16.0
TOTAL EXPENSES	33.4	31.7

PROPERTY TAX RATIOS*		
Tax to gross income	16.8	16.0
Tax to net income	25.1	23.4
Tax to total expenses	50.2	50.4
Ratio	-	-

*COMMENTS : Operational costs for 1969 reflect April to December. This block is owner operated and so repairs and salaries are lower than normal. The only valid property tax ratio is then TAX TO GROSS INCOME.

PURCHASE DATA

Purchase price	$225,000
Financing	$171,500
Purchase equity	$ 53,500

SALE EXPECTATION

The property is presently owner-operated so the expenses do not show an amount for salaries and repairs and maintenance are below normal. Partially offsetting this is the fact that no income is shown for the owner-occupied suite. A "normalized" cash flow of $1500 per year has been assumed for 1970. This combined with an expected capitalization rate of 11.5% would result in a sale price of $220,000 and an ending equity of $52,000. A capitalization rate of 10.5% would raise this value by $4500

YIELDS	1969*	1970
Cash flow	$ 181	$2801
Principal repayment	$3000	$4400
Expected market loss	$(2200)	$(2800)
	$1,000	$4,400
Return on initial equity of $53,500	2.5%	8.2%
Return on year's equity	2.5%	8.0%

ALLOCATION OF TOTAL YIELD

Cash flow	$2982	55.4%
Principal repayment	$7400	137.5%
Expected market loss	$(5000)	(92.9)%
	$5,382	100.0%

RETURNS

Average rate of return excluding expected market loss	10.1%
Internal rate of retern including expected market loss	5.2%

*COMMENTS

1969 represents a nine month period only.

CLASS	:	Frame
ANALYSIS PERIOD	:	1969 and 1970
AGE	:	5 years
LOCATION	:	Wall Street, East Vancouver
SIZE	:	21 suites - 2 two bedroom 19 one bedroom (2 penthouse)
GENERAL	:	Poor rental area No elevator Heavy oil heat Hardwood floors Condition is generally below average Construction is below average Leased coin laundry
FINANCING	:	First Mortgage - $80,500 (December 1970) at 6 3/4%, $711 per month. Agreement for Sale - $48,250 at 8%, $500 per month (Dec. 1970).
PURCHASE PRICE	:	December, 1968 - $208,500
SALE VALUE	:	The property is presently on the market for $247,500 and is grossly overpriced. A sale would probably not be effected at a rate of less than 12%.

FRAME - VANCOUVER #115

AGE	:	5 years
SUITES	:	21
AVERAGE SUITE INCOME PER MONTH (1970)	:	$128
TOTAL INCOME (1970)	:	$32,329

EXPENSES	1969	1970
Operating		
Utilities	5.7	6.5
Cablevision	1.4	1.4
Garbage	.3	.2
Repairs	18.6	6.7
Administration		
Salaries	5.9	6.4
Insurance	1.1	1.0
Other	1.1	.7
Taxes		
Dues and Licenses	.7	.7
Taxes	11.5	12.4
TOTAL EXPENSES	46.3	36.1

PROPERTY TAX RATIO		
Tax to gross income	11.5	12.4
Tax to net income	21.4	19.4
Tax to total expenses	24.8	34.4

FRAME - VANCOUVER #115

PURCHASE DATA

Purchase price	$208,500
Financing	$136,500
Purchase equity	$ 72,000

SALE EXPECTATION

The property is presently on the market for $247,500. Using a capitalization rate of 12% and a cash flow of $6000 a sale value of $219,500 with an ending equity of $93,000 should be expected.

YIELDS	1969	1970
Cash flow	$2205	$6086
Principal repayment	$4900	$5200
Expected market	$5500	$5500
	$12,600	$16,800
Return on initial equity of $72,000	17.5%	23.3%
Return on year's equity	17.5%	20.5%

ALLOCATION OF TOTAL YIELD

Cash flow	$8300	28.2%
Principal repayment	$10100	34.4%
Expected market gain	$11000	37.4%
	$29,400	100.0%

RETURNS

Average rate of return excluding market gain	11.2%
Internal rate of return including market gain	17.8%

CLASS : Frame

AGE : 15 to 20 years

ANALYSIS PERIOD: December 1969 to June 1970

LOCATION : Kerrisdale

SIZE : 11 suites

GENERAL : Excellent rental area

Across the street from a small park

No elevator

Small building with older, very stable tenants.

The suites and appliances are not modern but they appear to be in excellent shape, given the age.

FINANCING : $80,000, 9%, $700 per month (approximately 21 years)

PURCHASE PRICE : December 1969 - $102,000

SALE PRICE : June 1970 - $118,000

FRAME - VANCOUVER #118

AGE	:	20 years
SUITES	:	11
AVERAGE SUITE INCOME PER MONTH (1970 - 6 months)	:	$132
TOTAL INCOME	:	$8720

EXPENSES	1970 (6 months)*
Operating	
Utilities	11.6
Cablevision	1.3
Repairs	2.8
Administration	
Salaries	7.2
Advertising	.3
Other	.3
TOTAL EXPENSES	23.4

*COMMENTS: The property was owned for a period of six months and all taxes were adjusted at the time of sale.

FRAME - VANCOUVER #118

PURCHASE / SALE DATA

Purchase price	$102,000
Financing	$ 80,000
Purchasing equity	$ 22,000
Sale price	$118,000
Financing	$ 79,300
Sale equity	$ 38,700

YIELDS

Cash flow	$ 2,477	13.0%
Principal repayment	700	3.7%
Market gain	16,000	83.3%
	$19,177	100.0%

*Return on initial equity of $22,000	87.3%

*COMMENTS

The total transaction took place within a six month period. For purposes of calculation it has been assumed that the total gain, if the property would have been held a full year, would not be appreciably greater and would have been confined solely to cash flow and principal repayment. An added speculation would be that if the property had been held a full year the market gain could have been less (or more).

CLASS : Frame

ANALYSIS PERIOD: 1969 and 1970

AGE : Constructed summer of 1968

LOCATION : Triumph Street, East Vancouver

SIZE : 35 suites - 2 two bedroom
8 studio
6 large one bedroom
19 small one bedroom

APPRAISAL : The property was appraised at $335,000 for mortgage purposes.

GENERAL : Lower middle class rental area

No curbs, street is very rough

Exterior of building is showing premature signs of aging

Interior fixtures are of very poor quality

No elevator

Carpeted suites, carpeting showing wear

Leased coin laundry

FINANCING : First Mortgage - $194,000 at 8%, 20 years, $1,657 per month.

Second Mortgage - $47,000 at 13%, 10 years, $692 per month.

PURCHASE PRICE : December, 1968 - $353,000

SALE VALUE : A sale price reflecting a return of approximately 12%+ would be probable.

FRAME - VANCOUVER #120

AGE	:	1968
SUITES	:	35
AVERAGE SUITE INCOME PER MONTH (1970)	:	$127
TOTAL INCOME (1970)	:	$53,541

EXPENSES	1969	1970
Operating		
Utilities	7.5	8.0
Cablevision	1.5	1.4
Repairs	7.8	3.8
Administration		
Salaries	5.9	6.3
Management	.6	3.1
Advertising	.1	.1
Insurance	2.5	-
Other	-	.2
Taxes		
Dues and Licenses	.7	
Taxes	13.3	12.8
TOTAL EXPENSES	41.8	35.7

Property tax ratios		
Tax to gross income	13.3	12.8
Tax to net income	22.9	19.9
Tax to total expenses	31.8	35.8
Ratio Year 2 to Year 1	100.0%	106.0%

FRAME - VANCOUVER #120

PURCHASE DATA

Purchase price	$353,000
Financing	247,000
Purchase equity	106,000

SALE EXPECTATION

A capitalization rate of 12% with a cash flow of $6,000 (probably high) would yield an overall price of $348,000 with an ending equity of $115,000.

YIELDS	1969	1970
Cash flow	$ 11	$ 6,237
Principal repayment	6,700	7,636
Expected market loss	(2,500)	(2,500)
	$4,211	$11,373
Return on initial investment of $106,000	4.0%	10.7%
Return on year's equity	4.0%	10.3%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 6,248	40.1%
Principal repayment	14,336	92.0%
Expected market loss	(5,000)	(32.1%)
	$15,584	100.0%

RETURNS

Average rate of return excluding expected market loss	9.1%
Internal rate of return including expected market loss	7.0%

*COMMENTS

This property was appraised at $335,000 before purchase, and it is likely that the appraisal was generous even at that time.

#123

CLASS : Frame

ANALYSIS PERIOD: 1968, 1969

AGE : about 15 - 20 years

LOCATION : 16th and Oak, Vancouver

SIZE : 11 suites

GENERAL : Of average construction when it was new

Needs repainting

Smells as do most blocks of this age that have not been properly maintained or properly ventilated.

FINANCING : Agreement for sale of $65,000, 8½%, 20 years, $558.10 per month ($61,863 balance on sale).

PURCHASE PRICE : December 15, 1967 - $94,000

SALE PRICE : April 15, 1970 - $120,000

A sale value today reflecting a return of 12½% - 13½% would be probable.

FRAME - VANCOUVER #123

AGE	:	20 years
SUITES	:	11
AVERAGE SUITE INCOME PER MONTH (1969)	:	$118
TOTAL INCOME (1969)	:	$15,531

EXPENSES	1968	1969
Operating		
Utilities	7.5	8.3
Cablevision	.8	1.5
Garbage	-	.2
Repairs	4.8	8.1
Administration		
Salaries	9.3	10.9
Management	1.5	-
Insurance	.9	.8
Other	2.9	1.2
Taxes		
Water, Sewer	1.1	.6
Dues and Licenses	.8	.7
Taxes	13.2	13.5
TOTAL EXPENSES	42.7	45.8

PROPERTY TAX RATIOS

Tax to gross income	13.2	13.5
Tax to net income	22.9	24.8
Tax to total expenses	30.8	29.4
Ratio Year 2 to Year 1	100.0%	108.6%

FRAME - VANCOUVER #123

PURCHASE / SALE DATA

Purchase price	$ 94,000
Financing	65,000
Purchase equity	29,000
Sale price	120,000
Financing	62,000
Sale equity	58,000

*COMMENT

This property would probably sell for less than $90,000 today.

YIELDS	1968	1969
Cash flow	$ 1,690	$ 1,719
Principal repayment	780	910
Market gain	13,000	13,000
	$15,470	$15,629
Return on initial investment of $29,000	53.3%	53.9%
Return on year's equity	53.3%	36.8%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 3,409	11.0%
Principal repayment	1,690	5.4%
Market gain	26,000	83.6%
	$31,099	100.0%

RETURNS

Average rate of return excluding market gain	8.9%
Internal rate of return including market gain.	35.7%

CLASS : Frame

ANALYSIS PERIOD: October 1968 to October 1969

AGE : Approximately 5 years

LOCATION : Exhibition Park, East Vancouver

SIZE : 20 suites

GENERAL : Between Exhibition Park and Wall Street. This is a lower middle class location, on a busy street but a good location within that area.

No elevator

The exterior and interior show signs of wear but the condition of the building is good given the area.

Construction is average

FINANCING : First Mortgage - $88,000 (original amount) at 9%, 20 years, $783 per month.

Second Mortgage - $51,000 (original amount) at 9¼%, 20 years, $461 per month.

PURCHASE PRICE : $193,000 in October 1968

SALE PRICE : $205,000 in November 1969

FRAME - VANCOUVER #127

AGE	:	5 years
SUITES	:	20
AVERAGE SUITE INCOME PER MONTH (1969)	:	$119
TOTAL INCOME (1969)	:	$28,607

EXPENSES	1969
Operating	
Utilities	4.6
Cablevision	1.5
Other	.1
Repairs	.4
Administration	
Salaries	6.0
Insurance	1.6
Taxes	
Water, Sewer	.8
Dues and Licenses	1.1
Taxes	12.8
TOTAL EXPENSES	28.8

PROPERTY TAX RATIOS

Tax to gross income	12.8
Tax to net income	18.0
Tax to total expenses	44.5
Ratio	—

FRAME - VANCOUVER #127

PURCHASE / SALE DATA

Purchase price	$193,000
Financing	$139,000
Purchase equity	$ 54,000
Sale price	$205,000
Financing	$137,000
Sale equity	$ 69,000

YIELDS

Cash flow	$5433	27.7%
Principal repayment	$2172	11.1%
Market gain	$12,000	61.2%
	$19,605	100.0%

RETURNS

Average rate of return excluding market gain	14.1%
Internal rate of return including market gain	33.8%

CLASS : Frame

ANALYSIS PERIOD: 1969, 1970

AGE : completed Spring 1967

LOCATION : 14th and Oak

GENERAL : Good rental area
Attractive exterior
Average construction but poorly finished inside
Elevator, carpeting (showing permature wear)
Underground parking
Leased laundry

FINANCING : First Mortgage - $333,500, 7½%, $2,488 per month, 25 years (no clause). The original amount was $340,000.

Second Mortgage - $105,000, 13%, $1,367 per month, 15 years (original balance $110,000).

PURCHASE PRICE : November 1968 - $585,000

SALE PRICE : June 1971 - $589,500 ($573,500 net). An offer of $615,000 was obtained in December 1970 but this was rejected.

FRAME - VANCOUVER #128

AGE	:	1967
SUITES	:	44
AVERAGE SUITE INCOME PER MONTH (1970)	:	$152
TOTAL INCOME (1970)	:	$80,033

EXPENSES	1969	1970
Operating		
Utilities	6.1	5.4
Cablevision	1.2	1.2
Garbage	.1	.1
Elevator	-	.1
Repairs	6.9	4.7
Administration		
Salaries	4.8	5.0
Management	4.4	5.0
Insurance	1.3	1.4
Taxes		
Water, Sewer	.7	.7
Dues and Licenses	.7	.6
Taxes	14.5	14.8
TOTAL EXPENSES	40.6	38.9

PROPERTY TAX RATIOS		
Tax to gross income	14.5	14.8
Tax to net income	24.4	24.3
Tax to total expenses	35.8	38.1
Ratio Year 2 to Year 1	100.0%	105.0%

FRAME - VANCOUVER #128

PURCHASE / SALE DATA

Purchase price	$585,000
Financing	$438,000
Purchase equity	$147,000
Sale price	$573,500
Financing	$420,000
Sale equity	$153,500

YIELDS	1969	1970
Cash flow	$ 66	$2626
Principal repayment	$8760	$9500
Market loss	$(5750)	$(5750)
	$3076	$6376

ALLOCATION OF TOTAL YIELD

Cash flow	$ 2,692	28.5%
Principal repayment	$18,260	193.1%
Market loss	$(11,500)	(121.6)%
	$9,452	100.0%

RETURNS

Average rate of return excluding market loss	7.1%
Internal rate of return including market loss	3.1%

CLASS : Frame

AGE : completed August 1968

ANALYSIS PERIOD: 1969, 1970

LOCATION : Broadway/MacDonald

SIZE : 39 suites

GENERAL : On Broadway
Carpeting, elevator
Leased laundry
Average sized suites
Below average quality finishing
Low vacancy rate

FINANCING : First Mortgage : $257,000, 9%, 25 years, $2,156 per month (original balance of $260,000).
Second Mortgage: $76,000, 12½%, 18½ years, $875 per month (original balance of $77,000).

PURCHASE PRICE : September 1968 - $400,000

SALE PRICE : July 1971 - $430,000 ($423,000 net)

FRAME - VANCOUVER #129

AGE	:	1968
SUITES	:	39
AVERAGE SUITE INCOME PER MONTH (1970)	:	$134
TOTAL INCOME (1970)	:	$62,681

EXPENSES	1968*	1969	1970
Operating			
Utilities	6.0	6.2	5.7
Cablevision	1.7	1.4	1.3
Garbage	.1	.2	.1
Other	-	.3	-
Repairs	1.9	5.3	3.9
Administration			
Salaries	6.4	6.0	6.5
Management	1.9	5.1	5.0
Insurance	-	.8	.8
Other	-	-	.4
Taxes			
Water, Sewer	.7	.9	.8
Dues and Licenses	.1	.7	.7
Taxes	-	12.2	12.2
TOTAL EXPENSES	18.7	39.0	37.5

PROPERTY TAX RATIOS			
Tax to gross income	N/A*	12.2	12.2
Tax to net income	N/A*	20.0	19.6
Tax to total expenses	N/A*	49.1	47.7
Ratio Year 2 to Year 1	-	100.0%	102.4%

*COMMENTS 1968 is for four months only and should not be considered indicative for all expense items.

FRAME - VANCOUVER #129

PURCHASE / SALE DATA

Purchase price	$400,000
Financing	337,000
Purchase equity	63,000
Sale price	423,000
Financing	325,000
Sale equity	98,000

YIELDS	1968*	1969	1970
Cash flow	$3,246	$1,105	$2,860
Principal repayment	1,548	4,949	5,363
Market gain	3,200	9,900	9,900
	$7,994	$15,954	$18,123
Return on initial equity of $63,000	38.1%	25.3%	28.8%
Return on year's equity	38.1%	23.5%	21.8%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 7,211	17.1%
Principal repayment	11,860	28.2%
Market gain	23,000	54.7%
	$42,071	100.0%

RETURNS

Average rate of return excluding market gain	12.0%
Internal rate of return including market gain.	22.8%

CLASS	:	Frame
ANALYSIS PERIOD	:	1968
AGE	:	7 years
LOCATION	:	Heather Street, Marpole
SIZE	:	24 suites
GENERAL	:	Older building in fair shape only. No elevator Self-owned coin laundry Good rental area but this particular location is not the best.
FINANCING	:	In the one year the property was held, the principal repayment was $4,383.98. The initial equity was $50,000.
PURCHASE PRICE	:	December 15, 1967 - $226,000
SALE PRICE	:	January 7, 1969 - $253,000 less $3,000 commission.

A sale price reflecting a return of about 12½% would be probable today.

FRAME - VANCOUVER #132

AGE	:	7 years
SUITES	:	24
AVERAGE SUITE INCOME PER MONTH (1968)	:	$111
TOTAL INCOME (1968)	:	$31,871

EXPENSES	1968
Operating	
Utilities	3.8
Cablevision	1.4
Elevator	.4
Repairs	1.2
Administration	
Salaries	7.0
Insurance	1.5
Other	1.3
Taxes	
Dues and Licenses	1.4
Taxes	16.5
TOTAL EXPENSES	34.6

PROPERTY TAX RATIOS

Tax to gross income	16.5
Tax to net income	25.3
Tax to total expenses	47.8
Ratio	-

FRAME - VANCOUVER #132

PURCHASE / SALE DATA

Purchase price	$226,000
Financing	176,000
Purchase equity	50,000
Sale Price	253,000
Financing	171,600
Sale equity	81,400

YIELDS	1968	
Cash flow	$ 5,871	15.8%
Principal repayment	4,384	11.8%
Market gain	27,000	72.4%
	$37,255	100.0%

RETURNS

Rate of return excluding market gain	20.5%
Rate of return including market gain	74.5%

*COMMENTS

The property was held for thirteen months but for purposes of analysis it has been assumed to have been one year.

The price that the property was sold for appears reasonable - - based upon 1968 expenses (if they are correct and indicative) a rate of return of 12% is indicated.

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : Ancient - about 45 years

LOCATION : Broadway and Main

SIZE : 25 suites - 1 bachelor - $65
23 one bedroom - $62 to $112
1 two bedroom - $115

GENERAL : On the market in early 1969 at $190,000
Old building in fair repair only
A well kept slum building
Repainted on the front only
Leased laundry
Oil heat
No elevator
Tile and wood (fir) floors
Many children
No parking (built on lot lines)

FINANCING : Agreement: $86,700 ($89,000) at 8%, $763 per month.
Agreement: $31,000, $300 per month, 8%.

PURCHASE PRICE : $176,500 - December 15, 1969

SALE VALUE : For a property of this age a sale value and a rate of return would be very difficult to set because of the extremely limited market that this property would appeal to. A sale price reflecting a minimum rate of 15% is anticipated. The property is presently on the market for $215,000, a rather extreme figure.

FRAME - VANCOUVER #137

AGE	:	45 years plus
SUITES	:	25
AVERAGE SUITE INCOME PER MONTH (1969)	:	$92
TOTAL INCOME (1969)	:	$27,696

EXPENSES	1969
Operating	
Utilities	9.9
Cablevision	1.9
Garbage	.2
Repairs	4.2
Administration	
Salaries	6.5
Insurance	1.4
Taxes	
Water, Sewer	1.4
Dues and Licenses	.8
Taxes	7.9
TOTAL EXPENSES	34.0

PROPERTY TAX RATIOS

Tax to gross income	7.9
Tax to net income	11.9
Tax to total expenses	23.1
Ratio	-

FRAME - VANCOUVER #137

PURCHASE DATA

Purchase price	$176,500
Financing	120,000
Purchase equity	56,500

SALE EXPECTATION

Based upon a capitalization rate of 15% the property would appear to have a value of about $177,000 with an ending equity of $60,700. The 15% is only a very arbitrary figure but, because of the very limited market that this type of property appeals to, perhaps a valid one. The fact that the present owners purchased the property on the open market for that price appears to lend credence to the assumption. On the basis of the current asking price $215,000, the return would be 9.2%.

YIELD	1970	
Cash flow	$4,416	57.5%
Principal repayment	3,585	37.3%
Market gain	500	5.2%
	$9,601	100.0%

RETURNS

Rate of return excluding expected market gain	16.1%
Rate of return including expected market gain	17.0%

CLASS : Frame

ANALYSIS PERIOD: 1969, 1970

AGE : 1968 (Fall)

LOCATION : 12th and Kingsway

SIZE : 35 suites

GENERAL : Below average construction and finishing
Some children
Leased laundry
75% underground parking
Carpeting (average quality only)
No vacancies
Shows age prematurely

FINANCING : First mortgage - $232,000 (original balance) 9%, 25 years, $1,921 per month.
Second mortgage- $60,000 (original balance) 13%, 15 years, $746 per month.

PURCHASE PRICE : December 1968 - $398,000

SALE VALUE : A sale price reflecting a return of 11 to 12% would be probable.

FRAME - VANCOUVER #139

AGE	:	1968
SUITES	:	35
AVERAGE SUITE INCOME PER MONTH (1970)	:	$135
TOTAL INCOME (1970)	:	$56,821

EXPENSES	1969	1970
Operating		
Utilities	6.8	5.2
Cablevision	1.4	1.2
Elevator	.3	-
Repairs	4.8	5.2
Administration		
Salaries	6.0	6.5
Management	5.3	5.0
Insurance	1.0	1.0
Other	.5	-
Taxes		
Dues and Licenses	.7	.6
Taxes	14.0	14.8
Water, Sewer	-	.9
TOTAL EXPENSES	40.8	40.4

PROPERTY TAX RATIOS		
Tax to gross income	14.0	14.8
Tax to net income	23.7	24.9
Tax to total expenses	34.3	36.7
Ratio Year 2 to Year 1	100.0%	107.3%

FRAME - VANCOUVER #139

PURCHASE DATA

Purchase price	$398,000
Financing	292,000
Purchase equity	106,000

SALE EXPECTATION

Based upon the expenses as given (40%) and both mortgages a sale value of $337,500 with an ending equity of $54,000 is indicated. If the second mortgage is deleted and the 12% capitalization rate is retained, then the value rises to $341,500 and the equity to $58,300. The fact that the new first mortgage was only 58.3% of the purchase price should have given the purchasers some basis for reconsideration.

YIELDS	1969	1970
Cash flow	$ 1,199	$ 1,854
Principal repayment	3,987	4,643
Expected market loss	(28,250)	(28,250)
	$(23,064)	$(21,753)

RETURNS

Average rate of return excluding expected market loss	5.5%
Average rate of return including expected market loss	-21.1%

#149

CLASS : Frame

ANALYSIS PERIOD: 1966, 1967, 1968, 1969, 1970.

AGE : about 17 years

LOCATION : West End (within one block of Stanley Park)

SIZE : 23 suites

GENERAL : Older type building with good sized suites and wide hallways.

Enclosed parking (locked door) for approximately 50%.

No intercom or elevator.

Suites have been almost completely refurbished as tenant turnover allows. This includes placing carpeting over the existing hardwood, new cupboards, new plumbing fixtures and new appliances.

Above average size suites

Older tenants (no children)

Self-owned laundry

Oil heat

Analysis of operational costs only.

FRAME - VANCOUVER #149

AGE	:	17 years
SUITES	:	23
AVERAGE SUITE INCOME PER MONTH (1970)	:	$110
TOTAL INCOME (1970)	:	$30,290

EXPENSES	1966	1967	1968	1969	1970
Operating					
Utilities	5.9	5.9	11.0	6.8	5.8
Cablevision	1.6	1.5	1.6	1.5	1.7
Garbage	.1	.1	.1	.1	.2
Other	.1	.1	.2	.1	3.7
Repairs	12.8	13.8	5.4	11.4	8.6
Administration					
Salaries	9.7	9.6	8.7	8.5	9.3
Management	3.0	3.0	3.0	3.4	3.5
Insurance	2.1	-	.5	.2	.2
Taxes					
Water, Sewer	1.5	1.2	.9	.8	.8
Dues and Licenses	.5	.4	.8	.8	.8
Taxes	14.6	14.8	13.9	13.6	14.7
TOTAL EXPENSES	51.8	50.4	46.0	47.2	49.3

PROPERTY TAX RATIOS					
Tax to gross income	14.6	14.8	13.9	13.6	14.7
Tax to net income	30.2	29.8	25.8	25.7	28.9
Tax to total expenses	28.1	29.3	30.2	28.8	29.7
Ratio Year 2 to Year 1	100.0%	108.0%	101.2%	101.3%	110.2%

This is an analysis of operational costs only.

#133

CLASS : Concrete

ANALYSIS PERIOD: 1967 (2 months), 1968, 1969, 1970

AGE : 10 to 12 years

LOCATION : West End

SIZE : 38 suites on 10 floors

GENERAL : All suites face Burrard Inlet although only about 40% have a view.

The quality of construction and of the finishing is only average.

Hardwood floors

Oil heat

Some younger tenants which results in a higher turnover.

Analysis of operational costs only.

CONCRETE - VANCOUVER #133

AGE	:	10 years
SUITES	:	38
AVERAGE SUITE INCOME PER MONTH (1970)	:	$141
TOTAL INCOME (1970)	:	$64,120

EXPENSES	1967*	1968	1969	1970
Operating				
Utilities	4.3	6.5	6.7	6.7
Cablevision	1.0	1.2	1.1	1.4
Garbage	.1	.1	.1	.1
Other	1.1	1.2	1.2	1.3
Repairs	3.1	15.2	12.3	11.4
Administration				
Salaries	5.6	5.7	5.7	6.5
Management	5.0	5.0	4.9	5.0
Insurance	4.4	.7	.7	.4
Advertising	-	.1	-	-
Other	-	.4	-	-
Taxes				
Water, Sewer	1.4	.8	.8	1.1
Dues and Licenses	-	.6	.6	.6
Taxes	13.3	13.3	14.1	15.8
TOTAL EXPENSES	39.3	50.8	48.2	50.3

PROPERTY TAX RATIOS				
Tax to gross income	N/A	13.3	14.1	15.8
Tax to net income	N/A	26.4	29.1	31.8
Tax to total expenses	N/A	26.1	29.2	31.5
Ratio Year 2 to Year 1	100.0%	100.3%	110.8%	108.3%

*COMMENTS

1967 represents two months only.

This is an analysis of operational costs only.

#134

CLASS : Concrete

ANALYSIS PERIOD: 1967, 1968, 1969, 1970

AGE : Approximately 5 years

LOCATION : Kerrisdale

SIZE : 46 suites

GENERAL : No mortgage statements available; analysis of operational costs only.

Management

No pool

Well located, well maintained

Coin-operated (leased) laundry

Gas heat

Approximately 50% are younger tenants

Carpeting, bright suites

Elevator

No vacancy problem

Rents appear reasonable given the location and age of the property. Somewhat larger turnover than normal because of the fairly high proportion of younger tenants.

CONCRETE - VANCOUVER #134

AGE	:	5 years
SUITES	:	46
AVERAGE SUITE INCOME PER MONTH (1970)	:	$191
TOTAL INCOME (1970)	:	$105,671

EXPENSES	1967	1968	1969*	1970
Operating				
Utilities	5.5	5.6	5.0	5.1
Cablevision	.8	.9	.9	1.0
Garbage	.1	.1	.1	.1
Other	.3	.4	.6	.4
Repairs	4.9	4.6	4.2	8.4
Administration				
Salaries	4.3	4.3	4.4	4.5
Management	2.5	2.5	3.1	3.0
Insurance	.4	.5	4.6	4.1
Other	.1	-	-	-
Advertising	-	-	8.8	-
Taxes				
Taxes	15.0	14.7	17.1	15.8
Water, Sewer	.7	.6	.6	.6
Dues and Licenses	.2	.5	.5	.4
TOTAL EXPENSES	34.8	34.6	50.0	43.4

PROPERTY TAX RATIOS				
Tax to gross income	15.0	14.7	17.1	15.8
Tax to net income	23.0	22.5	34.2	27.8
Tax to total expenses	43.2	42.5	34.1	36.5
Ratio Year 2 to Year 1	100.0%	102.4%	110.3%	101.8%

*COMMENTS

The advertising and insurance costs as given are correct.

CONCRETE - VANCOUVER #134

This is an analysis of operational costs only.

CLASS : Concrete

ANALYSIS PERIOD: 1966, 1967, 1968, 1969, 1970.

AGE : 1955

LOCATION : Broadway - Granville

SIZE : 157 suites

GENERAL : Approximately 145 suites have been completely redone in the last 2 years.

Creeping of the foundation necessitated the freezing of the problem area. This has been going on for 10 years and it is likely to continue for the life of the building. The system is powered by bunker oil.

Hardwood floors

Turnover is about 2 or 3 per month

A waiting list exists

All suites have dishwashers and garbage disposal units.

Leased coin laundry

Underground parking

2 elevators

Some of the suites are very large (1,800 to 2,000 square feet).

FINANCING : Not available. Analysis of operational costs only.

CONCRETE - VANCOUVER #135

AGE	:	1955
SUITES	:	157
AVERAGE SUITE INCOME PER MONTH (1970)	:	$182
TOTAL INCOME (1970)	:	$343,141

EXPENSES	1966	1967	1968	1969	1970
Operating					
Utilities	8.1	7.6	7.3	7.0	7.1
Cablevision	1.0	1.0	1.2	.9	1.1
Garbage	.2	.2	.2	.1	.2
Telephone	.3	.3	.2	.1	.7
Elevator	.1	.2	.2	.1	1.4
Other	.6	.8	.8	.6	.6
Repairs	6.5	9.0	7.7	6.2	4.5
Administration					
Salaries	8.5	8.2	8.3	7.7	6.0
Management	3.6	3.5	3.5	3.5	3.5
Advertising	.1	-	.3	-	-
Insurance	-	2.1	-	-	2.2
Other	-	-	-	-	.2
Taxes					
Water, Sewer	.6	.6	.5	.4	.5
Dues and Licenses	.3	.4	.5	.5	.5
Taxes	13.6	14.1	13.2	12.2	12.8
TOTAL EXPENSES	43.5	48.0	43.9	39.3	41.3

PROPERTY TAX RATIOS					
Tax to gross income	13.6	14.1	13.2	12.2	12.8
Tax to net income	23.9	25.6	23.3	21.3	21.4
Tax to total expenses	31.1	31.5	30.2	27.9	31.8
Ratio Year 2 to Year 1	100.0%	110.1%	99.8%	104.9%	104.0%

CONCRETE - VANCOUVER

#135

This is an analysis of operational costs only.

CLASS : Concrete

ANALYSIS PERIOD: 1966, 1967, 1968, 1969, 1970.

AGE : Approximately 20 years

LOCATION : West End

SIZE : 39 suites

GENERAL : Older concrete structure but very stately in appearance (especially the entrance, lobby and staircase).

6 storeys but part of the 2 bottom storeys is garage (2 levels).

Some original tenants. The turnover is very low and a waiting list exists. The majority of the turnover results from death or hospitalization of the resident. Appliances are replaced and the suites are completely refurbished as turnover allows.

Elevator

Leased laundry

Half hardwood and half carpet over hardwood

Oil heat

Larger than average suites, wide hallways.

Analysis of operational costs only.

CONCRETE - VANCOUVER #136

AGE	:	20 - 25 years
SUITES	:	39
AVERAGE SUITE INCOME PER MONTH (1970)	:	$140
TOTAL INCOME (1970)	:	$65,486

EXPENSES	1966	1967	1968	1969	1970
Operating					
Utilities	5.9	6.0	5.3	5.5	5.7
Cablevision	1.1	1.1	1.2	1.2	-
Garbage	.2	.1	.1	.1	.2
Other	1.5	1.3	1.2	1.4	1.5
Repairs	13.3	8.1	14.2	13.9	10.8
Administration					
Salaries	6.7	6.4	6.0	6.1	6.4
Management	4.0	4.0	4.0	4.0	4.0
Insurance	.4	-	1.2	.1	.1
Other	-	.1	-	-	.1
Advertising	-	-	-	.1	-
Taxes					
Water, Sewer	.9	.8	.8	.6	.8
Dues and Licenses	.4	.3	.6	.7	.6
Taxes	13.7	13.7	12.7	13.9	14.4
TOTAL EXPENSES	48.1	42.0	47.3	51.0	44.7

PROPERTY TAX RATIOS					
Tax to gross income	13.7	13.7	12.7	13.9	14.4
Tax to net income	26.3	23.7	24.0	28.5	26.1
Tax to total expenses	28.4	32.7	26.8	27.3	32.3
Ratio Year 2 to Year 1	100.0%	104.8%	100.2%	108.7%	107.9%

This is an analysis of operational costs only.

#154

CLASS : Concrete

ANALYSIS PERIOD: 1966, 1967, 1968, 1969, 1970

AGE : 1959

LOCATION : West End

SIZE : 72 suites

GENERAL : See building #155. The condition of #154 is slightly inferior to #155 and the management problems of #154 are somewhat greater.

FINANCING : $339,000 ($450,000), 7%, $3,152 per month, 25 years.

PURCHASE PRICE : November 1959 - $733,000

SALE VALUE : A sale price reflecting a return of 10% to 11% should be expected. If the building were in better shape and if the tenancy problems were corrected the lower return figure would be more probable.

CONCRETE - VANCOUVER #154

AGE	:	1959
SUITES	:	72
AVERAGE SUITE INCOME PER MONTH (1970)	:	$148 (1969 $160)*
TOTAL INCOME (1970)	:	$127,766 (1969 $138,503)

EXPENSES	1966	1967	1968	1969	1970
Operating					
Utilities	4.9	4.5	4.2	4.6	5.6
Cablevision	1.3	1.0	1.4	1.2	1.7
Elevator	.5	.4	.9	.4	1.4
Repairs	8.3	6.7	12.6	13.9	12.5
Administration					
Salaries	4.5	5.4	8.1	7.1	6.1
Insurance	.4	.6	.5	.3	.1
Other	.3	.2	.5	.4	.2
Advertising	-	.1	.1	.2	.1
Taxes					
Water, Sewer	.9	.8	.7	.6	-
Taxes	11.6	12.1	11.4	11.3	13.2
TOTAL EXPENSES	32.7	31.8	40.3	39.7	40.6

PROPERTY TAX RATIOS					
Tax to gross income	11.6	12.1	11.4	11.3	13.2
Tax to net income	17.3	17.7	19.0	18.7	22.3
Tax to total expenses	35.6	38.0	28.2	28.4	32.5
Ratio Year 2 to Year 1	100.0%	115.4%	104.3%	105.5%	108.1%

*COMMENTS Vacancy problems occured in 1970.

CONCRETE - VANCOUVER #154

PURCHASE DATA

Purchase price	$733,000 (1959)
Financing	450,000
Purchase equity	183,000

EVALUATION OF MARKET VALUE (1966)

To arrive at an estimation of market value as of 1966, so that returns can be calculated from that date to 1970, it becomes necessary to compare this block with its sister block, #155. The estimate arrived at for 1966 is speculation only. The only purpose is to give a closer approximation of value than the original 1959 figure.

1966 income shows a net cash flow, after all expenses and mortgage payments, of $33,450. This combined with the principal repayment of $9,450 would give a net return of $42,900. Capitalization rates at this time were approximately 9% to 9.5% for buildings of this type. This would give an equity of approximately $450,000 and an overall value of $840,000

SALE EXPECTATION

1970 income is depressed approximately $11,000 from 1969. Using a "normalized" cash flow of $43,000 and a capitalization rate of 10% a sale value of $909,000 with an ending equity of $570,000 would be expected.

YIELDS	1966	1967	1968	1969	1970
Cash flow	$33,450	$42,529	$40,011	$45,698	$38,037
Principal repayment	10,500	11,300	12,100	13,000	13,900
Expected market gain	15,000	15,000	15,000	15,000	9,000
	$58,950	$68,829	$67,111	$73,698	$60,937
Return on 1966 equity of $450,000	13.1%	15.3%	14.9%	16.4%	13.8%
Return on year's equity	13.1%	14.5%	13.4%	13.9%	11.1%

ALLOCATION OF TOTAL YIELD

Cash flow	$199,725	62.5%
Principal repayment	50,782	15.9%
Market gain	68,000	21.6%
	$318,507	100.0%

*RETURNS

Average rate of return from 1966 to 1970 excluding market gain	10.6%
Internal rate of return including market gain	12.5%

CLASS : Concrete

ANALYSIS PERIOD: July 1959 to December 1970

AGE : 12 years

LOCATION : West End

SIZE : 54 suites

GENERAL : On transportation

2 blocks to the beach

No balconies

Outdoor pool

Approximately 50% parking

Self-owned laundry

Built by the owner

Well maintained but becoming dated.

The owner has attempted to keep vacancies down by renting furnished suites. This seems to have compounded management problems and has resulted in decreased revenues and higher costs. The same comments apply to building #154 although the problem is not so pronounced as it is in #155.

FINANCING : $243,000 (December 1970) 6 3/4%, $2,261 per month, 25 years. The original balance was $328,000.

PURCHASE PRICE : July 1959 - $531,000

SALE VALUE : An approximate return of 10 to 11% should be expected on a building of this age. Updating and correction of the major tenancy problem would result in a sale price reflecting a lower return, say 10%.

CONCRETE- VANCOUVER #155

AGE : 1959

SUITES : 54

AVERAGE SUITE INCOME PER MONTH (1970) : $145 ($152 in 1969

TOTAL INCOME (1970) : $94,168 ($98,350 in 1969)

EXPENSES	1959*	1960	1961	1962	1963
Operating					
Utilities	12.6	10.4	9.6	10.4	6.1
Telephone	.4	.2	.1	.2	-
Elevator	.5	.3	.5	.2	.1
Cablevison	-	-	-	-	1.6
Repairs	3.9	2.4	6.5	10.3	2.4
Administration					
Salaries	6.3	4.0	4.1	4.0	4.1
Management	3.8	-	-	-	-
Advertising	.6	.1	.6	-	1.2
Insurance	6.8	.2	.1	.6	.2
Other	.9	.6	.3	.4	2.5
Taxes					
Dues and Licenses	-	-	-	-	-
Taxes*	6.5	14.5	13.1	12.2	12.2
TOTAL EXPENSES	42.1	32.7	34.8	38.2	30.4

PROPERTY TAX RATIOS					
Tax to gross income	6.5	14.5	13.1	12.2	12.2
Tax to net income	11.2	21.6	20.0	19.7	17.5
Tax to total expenses	15.5	44.4	37.6	32.0	40.1
Ratio Year 2 to Year 1	-	100.0%	99.4%	93.6%	103.0%

*COMMENTS

1959	This reflects start-up costs and it is not a representative year
Taxes	1961 and 1962 taxes decreased slightly from 1960, and in 1964 they decreased from 1963. In 1965 taxes were 92.3% of those in 1960.
Utilities	In 1963 the heating unit was switched to oil/gas.
Management	In 1967 and 1968 charitable gifts were made and charged to this account.

CONCRETE- VANCOUVER #155

1964	1965	1966	1967*	1968*	1969	1970
5.9	6.3	5.8	5.3	4.9	5.8	5.2
-	-	-	-	-	-	-
.1	.3	.6	.5	.3	2.1	-
1.5	1.5	1.3	1.0	1.4	1.1	1.3
9.4	5.9	8.3	7.2	8.1	7.1	6.9
3.1	4.3	4.5	8.9	6.7	6.3	5.7
-	-	-	1.7*	5.5*	-	-
.6	.4	-	.1	-	-	-
.4	.7	.7	.5	.4	.2	-
.2	.2	.2	- *	1.3	.1	.4
-	-	-	-	-	-	-
11.1	11.6	13.2	11.3	11.2	11.3	12.1
32.2	31.1	34.6	36.4	29.8	34.1	31.6
11.1	11.6	13.2	11.3	11.2	11.3	12.1
16.4	16.9	20.2	17.8	18.6	17.1	17.7
34.4	37.4	38.0	31.1	28.2	33.2	38.4
91.3%	105.5%	127.3%	95.4%	104.7%	108.0%	102.9%

CONCRETE - VANCOUVER #155

PURCHASE DATA

Purchase price	$531,000
Financing	328,000
Purchase equity	203,000

SALE EXPECTATION

Using a cash flow of $37,000 and a capitalization rate of 10.5% a sale value of $700,000 with an ending equity of $457,000 would be expected.

YIELDS	1959*	1960	1961	1962	1963
Cash flow	$5,176	$10,935	$13,783	$11,245	$20,759
Principal repayment	-	5,500	5,800	6,200	6,600
Market gain	-	-	25,200	4,200	8,400
	$5,176	$16,435	$44,783	$21,645	$35,759
Return on initial investment of $203,000	2.5%	8.1%	22.1%	10.7%	17.6%
Return on year's equity	2.5%	8.1%	21.5%	9.0%	14.3%

*COMMENT

1959 was the start-up year.

ALLOCATION OF TOTAL YIELD

Cash flow	$257,283	50.3%
Principal repayment	85,000	16.6%
Market gain	169,000	33.1%
	$511,283	100.0%

RETURNS

Average rate of return excluding market gain	12.7%
Average rate of return including market gain	**14.1%**

1964	1965	1966	1967	1968	1969	1970
19,770	$20,757	$23,787	$27,919	$28,166	$37,717	$37,269
7,000	7,500	8,100	8,700	9,200	9,900	10,500
4,200	4,200	33,600	37,800	21,000	29,400	1,000
$30,970	$32,457	$65,487	$74,419	$58,366	$77,017	$48,769
15.3%	16.0%	32.3%	36.7%	28.8%	37.9%	24.0%
11.7%	11.8%	22.7%	22.6%	15.6%	19.0%	10.9%

CLASS : Concrete

ANALYSIS PERIOD: 1970 (operational costs only)

AGE : 1969

LOCATION : West End

SIZE : 61 suites - 29 bachelor (420 square feet) $115 to $130
30 one bedroom (590 to 620 sq. ft.) $140 to $165
2 one bedroom penthouse suites of 650 square feet renting at $215.

GENERAL : This property is an example of the "$x per suite syndrome" and has not been built to sell for a normal market yield.

Hardwood floors

Minimal quality construction for a concrete structure but it looks reasonable.

Two low speed elevators

Leased laundry

Vacancy problems and relatively high turnover.

The maintenance of the rents indicated may be difficult in periods of over supply.

FINANCING : $485,000, 10%, 30 years plus 10% of all revenues over $102,000. It is possible to pay out the mortgage only after 10 years.

SALE VALUE : The property was offered for sale at $850,000 and was sold for $820,000. The terms of the sale are not known but two alternatives have been assumed:

(a) Cash to Mortgage

(b) $200,000 cash with the balance held by the vendor at 10%, interest only.

It should be noted that these assumptions are for analysis only and they may be completely wrong.

CONCRETE - VANCOUVER #161

AGE	:	2 years
SUITES	:	61
AVERAGE SUITE INCOME PER MONTH (1970)	:	$140
TOTAL INCOME (1970)	:	$102,196

EXPENSES	1970
Operating	
Utilities	4.2
Cablevision	1.2
Other	1.5
Repairs	3.4
Administration	
Salaries	5.2
Insurance	.5
Taxes	
Dues and Licenses	.6
Taxes	14.1
TOTAL EXPENSES	30.1

PROPERTY TAX RATIOS	
Tax to gross income	14.1
Tax to net income	20.4
Tax to total expenses	45.9
Ratio	-

CONCRETE - VANCOUVER #161

PURCHASE DATA

Purchase price	$820,000
Financing	485,000
Purchase equity	335,000

SALE EXPECTATION

Although the property was purchased to yield 7.0% I can see no justification (in today's market) for a capitalization rate of less than 10%. The reasons for this are the terms of the mortgage (participation) and the fact that the expenses do not reflect the long run costs of operating the building. On this basis the property would have a value of $717,000 with an ending equity of $235,000.

YIELDS	1970	
Cash flow	$ 20,577	
Principal repayment	2,910	
Expected market loss	(103,000)	Loss
	$(79,533)	Loss

RETURNS

Average rate of return excluding expected market loss	7.0%
Internal rate of return including expected market loss.	-23.7%

#162

CLASS : Concrete

ANALYSIS PERIOD: 1970 (operational costs only)

AGE : 1969

LOCATION : West End

SIZE : 103 suites; 16 storeys

14	studio (440 square feet)	$120 to $138
83	one bedroom (536 to 665 sq. ft.)	$130 to $210
6	two bedroom (906 square feet)	$235 to $250

GENERAL : Indoor pool
Hardwood floors
Underground parking
Two high speed elevators
No air-conditioning
Average finish and amenities
Average mix of suite types

FINANCING : $845,000, 9%, 25 years, $7,245 per month.

SALE VALUE : A Sale value reflecting a return of 9½% to 10% on 37% expenses should be expected. The proprty is currently on the market for $1.5 million.

CONCRETE - VANCOUVER #162

AGE	:	2 years
SUITES	:	103
AVERAGE SUITE INCOME PER MONTH (1970)	:	$155
TOTAL INCOME (1970)	:	$191,186

EXPENSES	1970
Operating	
Utilities	4.4
Cablevision	1.2
Garbage	.1
Elevator	.6
Other	.9
Repairs	3.2
Administration	
Salaries	4.1
Insurance	.4
Taxes	
Water, Sewer	.6
Dues and Licenses	.5
Taxes	14.2
TOTAL EXPENSES	30.2

PROPERTY TAX RATIOS	
Tax to gross income	14.2
Tax to net income	20.4
Tax to total expenses	47.1
Ratio	-

CONCRETE - VANCOUVER #162

PURCHASE DATA

This property is owned by the developer and is presently on the market for $1,500,000. The evaluation is made on the basis of 35% expenses and a 9½% capitalization rate. 1970 cash flow was $46,440 with expenses of 30.2%.

SALE EXPECTATION

Based upon a cash flow of $33,500 (37% expenses) and a capitalization rate of 9.5%, a sale value of $1,286,000 with an ending equity of $451,000 would be expected. If an income/expense ratio of 35% is used the sale value rises to $1,328,000 and the equity rises to $493,000.

YIELDS

a) On the basis of the asking price of $1,500,000 the total 1970 yield would be:

Cash flow	$46,440
Principal repayment	9,250
	$55,690
Equity	$655,000
Yield	8.5%

b) On the basis of the expectations outlined, the total anticipated yield would be:

Cash flow	$37,440
Principal repayment	9,250
	$46,690
Equity	$493,000
Yield	9.47%

#164

CLASS : Concrete

ANALYSIS PERIOD: 1970 (operational costs only)

AGE : 1969

LOCATION : West End

SIZE : 86 suites

GENERAL : Underground parking
Indoor pool, saunas, swirl pool
Above average appearance, average suite finishing.
Across from #162 and comparable
Carpeted suites
leased laundry
Air-conditioned

FINANCING : $770,000, 9½%, $6,238 per month

SALE VALUE : The property is offered for sale at $1,220,000 and will probably sell to yield 9% to 9½% on the basis of 36% expenses.

CONCRETE - VANCOUVER #164

AGE	:	1969
SUITES	:	86
AVERAGE SUITE INCOME PER MONTH (1970)	:	$161
TOTAL INCOME (1970)	:	$166,193

EXPENSES	1970
Operating	
Utilities	4.5
Cablevision	1.1
Garbage	.1
Other	1.1
Telephone	.1
Repairs	2.9
Administration	
Salaries	3.9
Insurance	.8
Advertising	.2
Taxes	
Water, Sewer	.4
Dues and Licenses	.5
Taxes	15.2
TOTAL EXPENSES	30.8

PROPERTY TAX RATIOS	
Tax to gross income	15.2
Tax to net income	22.1
Tax to total expenses	49.4
Ratio	-

CONCRETE - VANCOUVER #164

SEE BLOCK #162 FOR COMPARISON

PURCHASE DATA

This property is presently being sold by the original developer/owner who had the building constructed for his own account. The evaluation is made on the basis of 34% expenses and a 9.25% capitalization rate. The 1970 cash flow was $30,031 with expenses of 30.8%.

SALE EXPECTATION

Based upon a cash flow of $21,531 (36% expenses) and a capitalization rate of 9.25%, a sale value of $1,033,000 with an ending equity of $266,000 could be expected. If an expense/income ratio of 34% is used then the sale value rises to $1,069,000 and the equity rises to $302,000.

YIELDS

a) On the basis of the asking price of $1,220,000 the total 1970 yield would be:

Cash flow	$30,031
Principal repayment	3,080
	$33,111
Equity	$450,000
Yield	7.4%

b) On the basis of the expectations outlined, the total anticipated yield would be:

Cash flow	$24,831
Principal repayment	3,080
	$27,911
Equity	$302,000
Yield	9.24%

#101

CLASS	:	Frame
ANALYSIS PERIOD	:	1970 only
AGE	:	New - Fall 1969
LOCATION	:	Edmonds - Middlegate area of Burnaby
SIZE	:	48 suites - 6 vacancies as of September 11, 1971.
COST	:	This is a contractor owned block. The actual capitalized book value (including some start-up costs) is $471,106.
GENERAL	:	Good rental area, but presently depressed Road not curbed but scheduled for Fall of 1971 Self-owned laundry A little above average construction Underground parking
FINANCING	:	$360,000 at 9¼%, 25 year amortization, $3,042 per month.
SALE VALUE	:	The property would probably sell to yield about 11%.

FRAME - BURNABY #101

AGE	:	1969
SUITES	:	46
AVERAGE SUITE INCOME PER MONTH (1970)	:	$130
TOTAL INCOME (1970)	:	$78,597

EXPENSES	:	1970
Operating		
Utilities		4.8
Cablevision		1.3
Elevator		.7
Repairs		.1
Administrative		
Salaries		6.1
Advertising		.5
Insurance		.9
Taxes		
Water and sewer		1.0
Dues and Licenses		.9
Property taxes		14.2
TOTAL EXPENSES		30.5

PROPERTY TAX RATIOS	
Tax to gross income	14.2
Tax to net income	20.4
Tax to total expenses	46.2
Ratio Year 2 to Year 1	-

COMMENTS : These expenses represent the first full year of operation of the building and as such can be expected to be lower than normal in the area of repairs.

FRAME - BURNABY #101

PURCHASE DATA: This building was built by the present owner for his own account. The analysis is of operational costs only.

#105

CLASS : Frame

ANALYSIS PERIOD: March 1969, 1970.

AGE : Purchased new

LOCATION : Royal Oak-Kingsway area of Burnaby

SIZE : 38 suites

GENERAL : Reasonably busy street

Building appears to be of average construction and condition appears good

Self-owned laundry (coin)

Elevator, carpeted suites

FINANCING : First Mortgage : $277,000 at 9%, 25 years, $2,360 per month. The original balance was $285,000.

Second Mortgage: $37,500 at 12%, 20 years, $432 per month. The original balance was $40,000.

PURCHASE PRICE : February 1969 - $417,000

SALE VALUE : A sale price to yield a return of approximately 11% would be probable.

FRAME - BURNABY #105

AGE	:	1969
SUITES	:	38
AVERAGE SUITE INCOME PER MONTH (1970)	:	$132
TOTAL INCOME (1970)	:	$60,111

EXPENSES	1969*	1970
Operating		
Utilities	5.9	6.5
Cablevision	1.1	1.4
Garbage	.1	.2
Repairs		
General	3.0	4.6
Other expenses	2.8*	
Administration		
Salaries	6.9	6.3
Management	3.0	3.0
Advertising	1.5	.8
Insurance	1.4	1.2
Taxes		
Water and sewer	1.2	1.5
Dues and Licenses	.4	.4
Taxes	10.6*	15.4
TOTAL EXPENSES	38.0	41.4

PROPERTY TAX RATIOS		
Tax to gross income	10.6*	15.4
Tax to net income	17.1	26.3
Tax to total expenses	27.9	37.2
Ratio of 1/2 to Year 1	N/A	N/A

*COMMENTS : 1969 represents the first 10 months of operation of a new building and as such some expenses may not be normal.

FRAME - BURNABY #105

PURCHASE DATA

Purchase price	$417,000
Financing	$325,000
Purchase equity	$ 92,000

SALE EXPECTATION

A sale price reflecting a yield of about 11% would be anticipated. This would yield an overall price of $380,000 with an ending equity of $62,000. However, if the property were sold on the basis of a first mortgage only then an overall price of $387,000 with an ending equity of $69,000 would be expected. It would appear that the property was an uneconomic development to begin with and it was a gross overpurchase. No sale is likely to take place for some time unless extenuating circumstances were to exist. However, for purposes of analysis only, a sale at $387,000 has been assumed.

YIELDS	1969*	1970
Cash flow	$ 2,943	$ 1,710
Principal repayment	3,180	4,500
Expected market loss	(13,700)	(16,300)
	$(7,577)	(10,090)
Loss on initial investment of $92,000.	8.2%	11.0%
Loss on year's equity	8.2%	12.3%

RETURNS

Average rate of return excluding expected market loss	6.7%
Average rate of return including expected market loss	-9.6%

*COMMENTS

1969 represents a ten month period only.

#111

CLASS : Frame

ANALYSIS PERIOD: 1968, 1969, 1970

AGE : 7 years

LOCATION : Central Park, Burnaby

SIZE : 60 suites, two buildings

GENERAL : No children, preponderance of older tenants

Two separate buildings with a large central courtyard

Hardwood floors, no elevator

Both buildings show their age and show a fair amount of wear.

FINANCING : First Mortgage : $282,000, 7%, 25 years, $2,101 per month. The original balance was $300,000.

Second Mortgage: $160,000, 14½%, 15 years, $2,140 per month.

PURCHASE PRICE : $530,000 - December 1967

SALE VALUE : A sale value reflecting an approximate return of not less than 12% would be probable.

FRAME - BURNABY #111

AGE	:	7 years
SUITES	:	60
AVERAGE SUITE INCOME PER MONTH (1970)	:	$126
TOTAL INCOME (1970)	:	$90,988

EXPENSES	1968	1969	1970
Operating			
Utilities	7.7	7.9	8.3
Cablevision	1.4	1.5	1.5
Garbage	.2	-	-
Repairs	4.4	5.2	5.6
Administration			
Salaries	10.0	10.8	8.5
Advertising	.2	.1	-
Insurance	.2	.2	1.1
Other	1.5	3.2	-
Taxes			
Dues and Licenses	.5	.5	.5
Taxes	14.1	14.3	13.9
TOTAL EXPENSES	40.1	43.7	39.3

PROPERTY TAX RATIOS			
Tax to gross income	14.1	14.3	13.9
Tax to net income	23.5	25.3	22.9
Tax to total expenses	35.2	32.7	35.3
Ratio Year 2 to Year 1	100.0%	103.3%	101.2%

FRAME - BURNABY #111

PURCHASE DATA

Purchase price	$530,000
Financing	$442,000
Purchase equity	$ 88,000

SALE EXPECTATION

This property is presently on the market for $660,000 with a very different income and expense statement than that presented here. Based upon a cash flow of $4400 and a capitalization rate of 12% a sale price of about $543,000 with an ending equity of $132,000 should be expected. However, if an evaluation is made subject only to the first mortgage then the sale price expectation rises to $558,000 and the equity rises to $147,000.

YIELDS	1968	1969	1970
Cash flow	$ 451	$(1,567)	$ 4,363
Principal repayment	9,500	10,400	11,500
Expected market gain	9,300	9,300	9,400
	$19,251	$18,133	$25,263
Return on initial equity of $88,000	21.9%	20.6%	28.7%
Return on year's equity	21.9%	16.8%	19.6%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 3,247	5.2%
Principal repayment	31,400	50.1%
Expected market gain	28,000	44.7%
	$62,647	100.0%

RETURNS

Average rate of return excluding market gain	11.3%
Internal rate of return including market gain	17.8%

#114

CLASS : Frame

ANALYSIS PERIOD: 1969 and 1970

AGE : Constructed 1968

LOCATION : Middlegate area, Edmonds/Kingsway, Burnaby

SIZE : 86 suites

GENERAL : Furnished and unfurnished suites

Children accepted

Large building showing premature signs of wear and disrepair. The type of clientele and the below average construction make the building appear much older than it actually is.

Coin laundry, self-owned

Carpeted suites but of below average quality

FINANCING : First Mortgage : $582,000 at 8 3/4%, 25 year amortization, $4,885 per month. The original balance was $600,000.

Second Mortgage: $119,000 at 13%, 15 year amortization, $1,554 per month. The original balance was $125,000.

PURCHASE PRICE : November 1968; $895,000

SALE VALUE : A sale price reflecting a return of approximately 11 to 11½% would be probable.

FRAME - BURNABY #114

AGE	:	1968
SUITES	:	86
AVERAGE SUITE INCOME PER MONTH (1970)	:	$118*
TOTAL INCOME (1970)	:	$122,252*

EXPENSES	1969	1970
Operating		
Utilities	5.4	4.4
Cablevision	1.5	1.4
Garbage	.1	.1
Telephone	.1	.2
Elevator	-	.2
Repairs	4.0	5.0
Administration		
Salaries	5.9	5.6
Management	.5	-
Advertising*	1.5	1.7
Other	1.2	1.5
Insurance	-	1.2
Taxes		
Water and Sewer	1.5	1.5
Dues and Licenses	.9	-
Taxes	15.2	14.7
TOTAL EXPENSES	37.9	37.5

PROPERTY TAX RATIOS		
Tax to gross income	15.2	14.7
Tax to net income	24.5	14.7
Tax to total expenses	40.3	39.2
Ratio Year 2 to Year 1	100.0%	100.2%

*COMMENTS : The low average of suite income and the high advertising reflect vacancy problems that are likely to continue to exist.

FRAME - BURNABY #114

PURCHASE DATA

Purchase price	$895,000
Financing	$725,000
Purchase equity	$170,000

SALE EXPECTATION

This is generally a poor block with problem type tenants. It is unlikely that the property would be purchased to yield less than 11%. On this basis a price of $795,000 with an ending equity of $95,000 should be expected. However, any evaluation should be made assuming that the second mortgage is paid off, and if this were true, a sale value of $810,000 with an ending equity of $110,000 would result. In either case a substantial market loss should be expected.

YIELDS	1969	1970
Cash flow	$(4,204)	$ (850)
Principal repayment	10,200	11,200
Expected market loss	(42,500)	(42,500)
	(34,504)	(33,150)
Return on initial equity of $170,000	LOSS	LOSS
Return on year's equity	LOSS	LOSS

ALLOCATION OF TOTAL YIELD

Cash flow	$(5,054)	LOSS
Principal repayment	21,400	
Expected market loss	(90,000)	
	(73,654)	LOSS

RETURNS

Average rate of return excluding market loss	4.8%
Average rate of return including market loss	-19.4%

CLASS : Frame

ANALYSIS PERIOD: 1970 only

AGE : Constructed 1969

LOCATION : Middlegate area of Burnaby

SIZE : 29 suites - 1 bedroom and bachelor

GENERAL : Above average construction
On the edge of the Middlegate rental area
No children
Self-owned laundry
Attractive block
Carpeting, elevator, underground parking

FINANCING : First Mortgage : $210,000, 9½%, 25 years amortization, 5 year term, $1,808 per month.
Second Mortgage: $50,000, 15%, interest only, 5 years.

PURCHASE PRICE : December 1969 - $355,000

SALE VALUE : The property is presently on the market for $370,000. On a projected rate-of-return basis a value giving an approximate return of 11% would be probable.

FRAME - BURNABY #131

AGE	:	1969
SUITES	:	29
AVERAGE SUITE INCOME PER MONTH (1970)	:	$128
TOTAL INCOME (1970)	:	$44,549

EXPENSES	1970
Operating	
Utilities	6.0
Cablevision	1.4
Other	.7
Repairs	2.1
Administration	
Salaries	6.9
Insurance	1.7
Taxes	
Dues and Licenses	.5
Taxes	22.7
TOTAL EXPENSES	41.0

PROPERTY TAX RATIOS*

Tax to gross income	22.7
Tax to net income	39.1
Tax to total expenses	54.1
Ratio	-

*COMMENTS This was the first full year of operation of the block. The taxes are very high but they appear to be correct.

FRAME - BURNABY #131

PURCHASE DATA

Purchase price	$355,000
Financing	260,000
Purchase equity	95,000

SALE EXPECTATION

Based upon a negative cash flow of $685 (36% expenses instead of the 41% shown) and a capitalization rate of 10.5%, a market value of $273,000 could be expected. However, the analysis should be made without the second mortgage. In this case the cash flow would be $6,815 and the value would be $285,000 with an ending equity of $77,000. In either case the property was an uneconomical purchase. Also of interest is the fact that the mortgage company saw fit to grant a mortgage of only $210,000. On the basis of a 75% loan (most prevalent) this would give a value of $280,000 while a 70% loan would give a value of $300,000.

YIELDS	1970	
Cash flow	$ (3,318)	
Principal repayment	2,310	
Expected market loss	(70,000)	Loss
	$ (71,018)	Loss

RETURNS

Average rate of return excluding expected market loss	-1.1%
Internal rate of return including expected market loss	-74.7%

#141

CLASS : Frame

ANALYSIS PERIOD: December 1968 to December 1970

AGE : Approximately 3 years

LOCATION : Middlegate area, Burnaby

SIZE : 26 suites - 4 studio at $112.50
17 one bedroom at $127.50 to $135.00
5 two bedroom at $146.00 to $156.00

GENERAL : Smaller than average suites

Poor color choices make the block unattractive

Close to shopping, schools, transportation

No younger children

Carpeting, elevator, full underground parking

The quality of the finishing is below average. Very drab entrance and common area.

Oil heat

Leased laundry

Average construction

FINANCING : First Mortgage : $169,000 (original balance of $180,000) 20 years, 8%, $1,492 per month.

Second Mortgage : $39,000, $485 per month, 12½%, 15 years.

PURCHASE PRICE : December 1968 - $276,000

SALE PRICE : December 1970 - $286,000 (net)

A sale value reflecting a return of approximately 11% would be probable today.

FRAME - BURNABY #141

AGE	:	1968
SUITES	:	26
AVERAGE SUITE INCOME PER MONTH (1970)	:	$125
TOTAL INCOME (1970)	:	$38,888 ($39,021 in 1969)

EXPENSES	1969	1970
Operating		
Utilities	6.5	6.9
Cablevision	1.5	1.5
Garbage	.1	.1
Elevator	.8	.3
Other	.9	.8
Repairs	5.2	6.2
Administration		
Salaries	6.8	7.1
Management	1.0	.8
Advertising	.2	.4
Taxes		
Water, Sewer	1.9	2.0
Taxes	15.4	15.9
	40.3	42.0

PROPERTY TAX RATIOS		
Tax to gross income	15.4	15.9
Tax to net income	25.8	27.4
Tax to total expenses	38.1	37.8
Ratio Year 2 to Year 1	100.0%	102.8%

FRAME - BURNABY #141

PURCHASE / SALE DATA

Purchase price	$276,000
Financing	209,000
Purchase equity	67,000
Sale price	286,000
Financing	197,000
Sale equity	89,000

YIELDS	1969	1970
Cash flow	$ (400)	$ (1,119)
Principal repayment	5,860	6,347
Market gain	5,000	5,000
	$10,460	$10,228
Return on initial equity of $67,000	15.6%	15.3%
Return on year's equity	15.6%	13.1%

ALLOCATION OF TOTAL YIELD

Cash flow	$ (1,519)	-7.3%
Principal repayment	12,307	59.2%
Market gain	10,000	48.1%
	$20,788	100.0%

RETURNS

Average rate of return excluding market gain	7.4%
Internal rate of return including market gain.	13.3%

#142

LAND LEASE

CLASS : Frame

ANALYSIS PERIOD: 1969, 1970

AGE : 3 years

LOCATION : Simpson-Sears area of Burnaby

SIZE : 31 suites - 3 bachelor ($100)
19 one bedroom ($130 - $135)
9 two bedroom ($155)

GENERAL : 66 year ground lease
Carpeting, elevator
Full underground parking
Leased laundry
Exterior painted in 1970
Average sized suites
Excellent shape..the property has been kept up
No vacancy problems

FINANCING : First Mortgage : $167,800, 8%, 25 years (no clause), $1,336 per month (original amount $175,000)
Second Mortgage: $38,600, 12½%, $450 per month, 19 years (original amount $40,000)
Land lease : $4,712.52 per year for 66 years.

PURCHASE PRICE : October 1968 - $258,000

SALE PRICE : June 1971 - $290,000

A similar building is presently on the market for $8,500 per suite. See #150 for comparison.

FRAME - BURNABY (LAND LEASE) #142

AGE	:	3 years
SUITES	:	31
AVERAGE SUITE INCOME PER MONTH (1970)	:	$139
TOTAL INCOME (1970)	:	$51879

EXPENSES	1969	1970
Operating		
Utilities	7.6	7.2
Cablevision	1.3	1.3
Garbage	.1	.1
Repairs	2.9	9.7
Administration		
Salaries	7.3	7.0
Management	.1	-
Insurance	1.4	1.6
Other	.9	.7
Taxes		
Water, Sewer	1.3	1.3
Dues and Licenses	.4	.5
Taxes	17.4	14.7
TOTAL EXPENSES	40.6	44.0

PROPERTY TAX RATIOS		
Tax to gross income	17.4	14.7
Tax to net income	29.2	26.2
Tax to total expenses	42.7	33.4
Ratio Year 2 to Year 1	100.0%	85.6%

FRAME - BURNABY #142

PURCHASE / SALE DATA

Purchase price	$258,000
Financing	215,000
Purchase equity	43,000
Sale price	290,000
Financing	206,500
Sale equity	83,500

YIELDS	1969	1970
Cash flow	$ 4,335	$ 2,852
Principal repayment	2,847	3,271
Market gain	16,000	16,000
	$23,182	$22,123
Return on initial equity of $43,000	53.9%	51.4%
Return on year's equity	53.9%	35.7%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 7,187	15.9%
Principal repayment	6,118	13.5%
Market gain	32,000	70.6%
	$45,305	100.0%

RETURNS

Average rate of return excluding market gain	14.5%
Internal rate of return including market gain	35.9%

#163

CLASS : Frame

ANALYSIS PERIOD: 1969

AGE : 9 years

LOCATION : Simpsons-Sears, Burnaby

SIZE : 48 suites + 1 illegal (49)

GENERAL : Non-basement

Non-operational indoor pool

No elevators

Two separate buildings

Hardwood floors

Poor condition of the exterior and interior (lack of long term maintenance).

Self-owned laundry

Many long term tenants

FINANCING : First Mortgage - $85,000, 7%, $1,090 per month
First Mortgage - $85,000, 6 3/4%, $1,134 per month

SALE VALUE : The property was sold in December 1970 for $460,000 with $100,000 down and the balance by Agreement for Sale at 9%, 25 years, $2,981 per month.

FRAME - BURNABY #163

AGE	:	9 years
SUITES	:	49
AVERAGE SUITE INCOME PER MONTH (1969)	:	$121
TOTAL INCOME (1969)	:	$70,942

EXPENSES	1969
Operating	
Utilities	5.9
Cablevision	1.2
Garbage	.2
Elevator	.2
Repairs	3.0
Administration	
Salaries	3.5
Insurance	.7
Taxes	
Water, Sewer	1.7
Dues and Licenses	.9
Taxes	15.4
TOTAL EXPENSES	32.5

PROPERTY TAX RATIOS

Tax to gross income	15.4
Tax to net income	22.8
Tax to total expenses	47.3
Ratio	-

FRAME - BURNABY #163

PURCHASE DATA

Purchase price	$460,000
Financing	360,000
Purchase equity	100,000

*COMMENTS

This property was purchased in December 1970 to yield an expected rate of return of 12% based upon expenses of 38%. Given the age and condition of the property an expense ratio as low as 38% may be deficient. How - ever, the sale price does confirm the general market rate of return that has been utilized on similar type investments.

#102

CLASS	:	Frame
ANALYSIS PERIOD	:	April 1968, 1969, 1970
AGE	:	Purchased new
LOCATION	:	Woodwards area, New Westminster
SIZE	:	26 suites - 2 bachelor 6 two bedroom 16 one bedroom
GENERAL	:	Average construction Carpeting (some of which has been replaced) Elevator Leased coin laundry Two blocks run by one manager Children Excellent condition, outside and in, given the quality of construction and the age.
FINANCING	:	First Mortgage - $177,000 at 8½%, 20 years, $1,588 per month. The original balance was $185,000.
PURCHASE PRICE	:	$278,000
SALE VALUE	:	The property would probably sell to yield around 11%.

FRAME - NEW WESTMINSTER #102

AGE	:	1968
SUITES	:	26
AVERAGE SUITE INCOME PER MONTH (1970)	:	$129
TOTAL INCOME (1970)	:	$40,112

EXPENSES	: 1968	1969	1970
Operating			
Utilities	5.7	8.7	7.7
Cablevision	1.5	1.3	1.4
Repairs	.9	1.9	6.0
Administration			
Salaries	6.5	6.1	7.7
Management	.2	.5	-
Insurance	.9	1.6	1.2
Other	.4	.5	1.3
Taxes			
Dues and Licenses	.4	.4	.5
Taxes	2.3*	13.1	15.7
TOTAL EXPENSES	18.8*	34.0	41.4

PROPERTY TAX RATIOS			
Tax to gross income	N/A	13.1	15.7
Tax to net income	N/A	19.8	26.8
Tax to total expenses	N/A	38.5	37.9
Ratio Year 2 to Year 1	-	100.%	113.6%

*COMMENTS :1968 represents the income for the first 8 months of the building and it is not indicative of the long run expenses.

FRAME - NEW WESTMINSTER #102

PURCHASE DATA

Purchase price	$278,000
Financing	185,000
Purchase equity	93,000

SALE EXPECTATION

1970 was a year of heavy vacancies. A normal year should see income at about $42,000 with expenses of 40% and a net cash flow of $7,500. On the basis of a sale expectation of 11% this would yield an overall price of about $284,000 with an ending equity of $110,000.

YIELDS	1968*	1969	1970
Cash flow	$10,504	$10,389	$ 5,838
Principal repayment	2,500	4,100	4,400
Expected market gain	1,600	2,200	2,200
	$14,600	$16,700	$12,400
Return on initial investment of $93,000	15.7%	18.0%	13.3%
Return on year's equity	15.7%	17.2%	12.0%

ALLOCATION OF TOTAL YIELD

Cash flow	$26,700	61.1%
Principal repayment	11,000	25.2%
Expected market gain	6,000	13.7%
	$43,700	100.0%

RETURNS

Average rate of return excluding market gain	12.2%
Internal rate of return including market gain.	16.1%

*COMMENTS

1968 represents an eight month period only.

#104

CLASS	:	Frame
ANALYSIS PERIOD	:	September 1967, 1968, 1969, 1970.
AGE	:	Purchased new
LOCATION	:	Woodwards area, New Westminster
SIZE	:	44 suites - 2 bachelor 9 two bedroom 33 one bedroom
GENERAL	:	A little above average construction Good rental area Elevator Leased coin laundry Excellent condition given the age and construction quality.
FINANCING	:	First Mortgage - $274,600 at 8%, 20 years, $2,446 per month. The original balance was $295,000. Second Mortgage - $45,300 at 12%, 15 years, $591 per month. The original balance was $50,000.
PURCHASE PRICE	:	$452,800
SALE VALUE	:	The property would probably sell to yield approximately 11%.

FRAME = NEW WESTMINSTER #104

AGE	:	1967
SUITES	:	44
AVERAGE SUITE INCOME PER MONTH (1970)	:	$130
TOTAL INCOME(1970)	:	$68,897

EXPENSES	1967*	1968	1969	1970
Operating				
Utilities	5.0	7.1	7.4	6.7
Cablevision	1.5	1.4	1.3	1.3
Repairs	.1	1.7	2.4	2.4
Administration				
Salaries	6.1	6.4	6.0	7.2
Management	.7	.2	.5	.6
Insurance	7.2*	.7	-	1.6
Other	-	.4	-	-
Taxes				
Dues and Licenses	1.0	.4	.4	.4
Taxes	1.7*	12.2	12.3	14.5
TOTAL EXPENSES	23.3	30.4	30.4	34.7

PROPERTY TAX RATIOS				
Tax to gross income	N/A	12.2	12.3	14.5
Tax to net income	N/A	17.5	17.7	22.3
Tax to total expenses	N/A	40.1	40.6	41.9
Ratio Year 2 to Year 1	N/A	100.0%	104.9%	114.1%

*COMMENTS : 1967 represents only a partial year for a new building and it is not indicative of long run costs.

FRAME - NEW WESTMINSTER #104

PURCHASE DATA

Purchase price	$452,800
Financing	$345,000
Purchase equity	$107,800

SALE EXPECTATION

The 1970 income is depressed some $2300 from 1969. A normal year should see income at approximately the level of 1969 with expenses at about the level of 1970. A cash flow of $11,000 should be expected. This combined with an expected capitalization rate of 11% would give a sale value of about $510,000 with an ending equity of $190,000.

YIELDS	1967*	1968	1969	1970
Cash flow	$ 3,204	$11,369	$13,086	$ 8,522
Principal repayment	$ 2,400	$ 7,800	$ 8,700	$ 9,800
Expected market gain	$ 5,800	$17,160	$17,160	$17,160
	$11,400	$36,300	$38,900	$35,500
Rate on initial equity of $108,000	42.3%	33.6%	36.0%	32.9%
Return on year's equity	42.3%	31.3%	27.6%	21.1%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 36,200	29.6%
Principal repayment	$ 28,700	23.5%
Expected market gain	$ 57,200	46.9%
RETURNS	$122,100	100.0%

Average rate of return excluding market gain	16.0%
Internal rate of return including market gain	24.5%

*COMMENTS

1967 represents four months only.

CLASS : Frame

ANALYSIS PERIOD: 1968, 1969 to September 1970

AGE : Purchased new in October 1967

LOCATION : Woodwards area, New Westminster

SIZE : 41 suites - 29 one bedroom
11 two bedroom
1 three bedroom

GENERAL : This block has a slab deflection which would cost approximately $10,000 to correct. The purchase price (1970) reflects this.

Good rental area but on a noisy street

Carpeting, large indoor garden, elevator

Suites are in good shape given the age

The quality of construction is average.

FINANCING : The property was purchased by City Savings and Trust and sold under an Agreement for Sale and at the same time a second mortgage was placed on the property. This mortgage contained a participation clause.

The underlying first mortgage is $246,000 (original balance), 22 years, 7½%, $1,918 per month.

The second mortgage is $80,000 (original balance) at 13%, 14½ years, $1,000 per month, 7½% of the gross over $40,000.

The total Agreement for Sale was originally $326,000 and at the time of sale the outstanding balance was $304,500.

PURCHASE PRICE : 1967; $420,000

SALE PRICE : 1970; $426,000 (no commission)

FRAME - NEW WESTMINSTER #106

AGE	:	1967
SUITES	:	41
AVERAGE SUITE INCOME PER MONTH (1969)	:	$132
TOTAL INCOME (1969)	:	$64,727

EXPENSES	1968	1969	1970*
Operating			
Utilities	7.0	6.6	8.3
Cablevision	1.2	1.3	1.4
Garbage	.1	.1	.4
Telephone	.7	.8	.8
Other	.8	.8	1.3
Repairs	1.6	1.8	8.5
Administration			
Salaries	6.0	5.8	7.2
Management	3.2	3.0	3.0
Insurance	1.4	1.3	2.0
Other	-	-	.1
Taxes			
Dues and Licenses	.5	.5	.3
Taxes	12.2	12.5	14.3
TOTAL EXPENSES	34.7	34.5	47.6

PROPERTY TAX RATIOS			
Tax to gross income	12.2	12.5	47.6
Tax to net income	18.7	19.0	27.3
Tax to total expenses	35.3	36.2	30.0
Ratio Year 2 to Year 1	100.0%	105.9%	114.0%

*COMMENTS The property was sold in September 1970 and the taxes have been adjusted. Also, this building had a heavy vacancy problem and heavy repairs and maintenance in 1970.

FRAME - NEW WESTMINSTER #106

PURCHASE/ SALE DATA

Purchase price	$420,000
Financing	$326,000
Purchase equity	$ 94,000
Sale price	$426,000
Sale financing	$304,500
Sale equity	$121,500

YIELDS	1968	1969	1970*
Cash flow	$ 4,719	$ 5,575	$ 2,009
Principal repayment	7,200	8,000	7,200
Market gain	2,200	2,200	1,600
	$14,100	$15,800	$ 6,800
Return initial investment of $94,000	15.0%	16.8%	8.7%
Return on years equity	15.0%	15.3%	7.2%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 8,285	22.6%
Principal repayment	$22,400	61.1%
Market gain	$ 6,000	16.3%
	$36,685	100.0%

RETURN

Average rate of return	12.0%
Internal rate of return	11.7%

*COMMENTS 1970 reflects ten months only. All percentage figures have been adjusted on a yearly basis.

CLASS : Frame

ANALYSIS PERIOD: 1969 (9 months), 1970

AGE : 1968

LOCATION : Woodwards' area, New Westminster

SIZE : 35 suites - 4 two bedroom - $150 to $165
31 one bedroom - $115 to $135

GENERAL : Good rental area
Below average construction
Hardwood floors in the bedrooms
Poor grade of carpeting
Leased laundry
Average sized suites
Generally poor condition, given the age
Three vacancies

FINANCING : The statements for the period analyzed show 3 mortgages. Early in 1971 two mortgages were discharged leaving the first mortgage at 9%.

First Mortgage : $239,000, 9%, 25 years (clause), $2,028.55 per month (original balance $245,000).

Second Mortgage: $43,000, 13%, 15 years, $560 per month ($45,000)

Third Mortgage : $14,000, 13%, 17 years, $180 per month ($15,000)

PURCHASE PRICE : March 1969 - $386,000

SALE PRICE : The property is presently on the market for $370,000. A sale price of approximately $355,000 is expected.

December 1971 - Sale price $367,500 (no sales commission).

FRAME - NEW WESTMINSTER #108

AGE	:	1968
SUITES	:	35
AVERAGE SUITE INCOME PER MONTH (1970)	:	$124
TOTAL INCOME (1970)	:	$52,002

EXPENSES	1969*	1970
Operating		
Utilities	5.5	10.0
Cablevision	1.4	1.4
Telephone	.1	.3
Repairs	4.6	5.8
Administration		
Salaries	7.4	6.8
Management	-	.7
Advertising	2.3	.7
Insurance	4.4	-
Other	.6	.6
Taxes		
Dues and Licenses	.5	.6
Taxes	9.3	15.2
TOTAL EXPENSES	36.1	42.2

PROPERTY TAX RATIOS		
Tax to gross income	N/A	15.2
Tax to net income	N/A	26.4
Tax to total expenses	N/A	36.1
Ratio Year 2 to Year 1	N/A	-

*COMMENTS 1969 represents nine months only.

FRAME - NEW WESTMINSTER , #108

PURCHASE / SALE DATA

Purchase price	$386,000
Financing	$305,000
Purchase equity	$ 81,000
Sale price	$367,500
Financing	$297,400
Sale equity	$ 70,000

YIELDS	1969*	1970
Cash flow	$ 682	$(2913)
Principal repayment	$3100	$ 4500
Market loss	(8000)	(10,500)
	(4200.)	($8900)
Loss on initial investment	5.2%	11.0%
Loss on year's equity	5.2%	12.2%

*COMMENTS

1969 represents a period of nine months only. This property was purchased on the basis of $x per suite and not on the basis of an economic evaluation. The sale was at the probable low in the market but it nevertheless represents the level where a purchaser felt an economic level existed.

CLASS : Frame

ANALYSIS PERIOD: 1969 and 1970

AGE : 10 years

LOCATION : Queen's Park area, New Westminster

SIZE : 48 suites - 11 two bedroom ($135 to $155)-3 at penthouse
37 one bedroom ($108 to $127)

GENERAL : Hardwood floors
Heavy oil heat
Elevator, hardwood floors
Five floors including the penthouse
No balconies
Coin-operated leased laundry
Suites are only in average condition
Approximately 15 children
5 vacancies at present

FINANCING : First Mortgage : $301,000, 9%, 25 years, $2,513 per month. The original balance was $303,500.

Second Mortgage: $48,000, 13%, 15 years, $622 per month. The original balance was $50,000.

PURCHASE PRICE : December 1968 - $433,000

SALE VALUE : The property is presently on the market for $528,000 (its "appraised" value). It is expected that the age and condition of the building would require a yield of 12 to 12½% which would result in a closer approximation of value.

FRAME - NEW WESTMINSTER #109

AGE	:	10 years
SUITES	:	48
AVERAGE SUITE INCOME PER MONTH (1970)	:	$124
TOTAL INCOME (1970)	:	$71,694

EXPENSES	1969	1970
Operating		
Utilities	6.6	8.2
Cablevision	1.5	1.4
Elevator	.2	.3
Repairs	7.5	4.6
Administration		
Salaries	7.1	6.7
Management	.1	-
Advertising	.1	.3
Insurance	1.5	1.1
Other	1.3	.4
Taxes		
Dues and Licenses	.6	.6
Taxes	11.6	12.2
TOTAL EXPENSES	38.0	35.7

PROPERTY TAX RATIOS		
Tax to gross income	11.6	12.2
Tax to net income	18.7	18.9
Tax to total expenses	30.6	34.1
Ratio Year 2 to Year 1	100.0%	105.8%

FRAME - NEW WESTMINSTER #109

PURCHASE DATA

Purchase price	$433,000
Financing	$354,000
Purchase equity	$ 79,000

SALE EXPECTATION

An expected capitalization rate of 12% and a cash flow of $7500 would yield a sale value of $458,000 with an ending equity of $114,000.

YIELDS	1969	1970
Cash flow	$6,444	$8,490
Principal repayment	$4,700	$5,150
Expected market gain	$12,500	$12,500
	$23,600	$26,100
Return on initial equity of $79,000	29.9%	33.0%
Return on year's equity	29.9%	26.9%

ALLOCATION OF TOTAL YIELD

Cash flow	$14,900	30.0%
Principal repayment	$ 9,800	19.7%
Expected market gain	$25,000	50.3%
	$49,700	100.0%

RETURNS

Average rate of return excluding market gain	12.7%
Internal rate of return including market gain	25.6%

CLASS : Frame

ANALYSIS PERIOD: 1969, 1970

AGE : 18 years

LOCATION : New Westminster, to the south of 12th Street.

SIZE : 33 suites

GENERAL : Less desirable rental area

No elevator

Hardwood floors

Self-owned laundry

The age of the building and its appliances will necessitate replacement of some major items in the next very few years.

The condition appears reasonable given the age of the building.

No balconies

FINANCING : First Mortgage : $140,000, 9%, 25 years, $1,242 per month (The original balance was $150,000)

Second Mortgage: $63,600, 10%, 25 years, $575 per month (The original balance was $65,000)

PURCHASE PRICE : November 1968 - $267,000

SALE VALUE : Given the age and condition of the block, a return of approximately 13 - 14% should be demanded by the knowledgeable market. Such a return and price would reflect the need for considerable replacements in the near future.

FRAME - NEW WESTMINSTER #116

AGE	:	18 years
SUITES	:	33
AVERAGE SUITE INCOME PER MONTH (1970)	:	$101 ($106 in 1969)
TOTAL INCOME	:	$40,151

EXPENSES	1969	1970
Operating		
Utilities	8.4	11.6
Cablevision	1.7	1.7
Telephone	.2	.2
Repairs	3.4	5.9
Administration		
Salaries	7.3	7.7
Management	.6	.5
Insurance	1.4	1.4
Other	-	.6
Taxes		
Dues and Licenses	.3	-
Taxes	9.8	11.5
TOTAL EXPENSES	33.1	41.1

PROPERTY TAX RATIOS		
Tax to gross income	9.8	11.5
Tax to net income	14.7	19.5
Tax to total expenses	29.7	27.9
Ratio Year 2 to Year 1	100.0%	112.0%

FRAME - NEW WESTMINSTER #116

PURCHASE DATA

Purchase price	$267,000
Financing	$210,000
Purchase equity	$ 57,000

SALE EXPECTATION

Using an income / expense ratio of 38% it would be expected that the age and condition of the block would necessitate a capitalization rate of at least 13%. This would allow for the capital replacement that will be necessary in the next few years. On this basis a sale price of about $251,000 with an ending equity of $47,000 should be expected.

YIELDS	1969	1970
Cash flow	$ 6,188	$ 1,847
Principal repayment	2,880	3,143
Expected market loss	(8,000)	(8,000)
	$ 988	$(3,010)
Return on initial equity of $57,000	1.9%	Loss
Return on year's equity	1.9%	Loss

ALLOCATION OF TOTAL YIELD

Cash flow	$ 8,035	
Principal repayment	6,023	
Expected market loss	(16,000)	____
	$(1,922)	Loss

RETURNS

Average rate of return excluding market loss	12.3%
Average rate of return including market loss	-1.7%

#117

CLASS : Frame

ANALYSIS PERIOD: June 1968, 1969, 1970

AGE : 13 years

LOCATION : Agnes Street, New Westminster

SIZE : 23 suites - 21 bachelor) furnished
1 one bedroom)
1 three bedroom penthouse

GENERAL : Area of older blocks, none of which are first rate.

Close to St. Mary's Hospital

Furnished suites

Construction below average

Some suites are carpeted

Maintenance has not been high with the result that the property is slightly run down.

FINANCING : First Mortgage : $66,000, 7¼%, 20 years, $668 per month. The original balance was $85,000.

Second Mortgage: $48,900, 13%, 15 years, $665 per month. The original balance was $53,500.

PURCHASE PRICE : May 1968 - $160,000

SALE VALUE : A sale price reflecting an approximate return of 12% to 13% would be probable. The property is presently on the market for $199,000 after a reduction from $210,000 and $225,000.

FRAME - NEW WESTMINSTER #117

AGE	:	13 years
SUITES	:	23
AVERAGE SUITE INCOME PER MONTH (1970)	:	$95.00
TOTAL INCOME (1970)	:	$26,222

EXPENSES	1968*	1969	1970
Operating			
Utilities	4.3	7.6	7.1
Cablevision	2.2	1.7	1.8
Repairs	3.2	5.4	3.3
Administration			
Salaries	9.8	9.9	10.6
Management	.4	1.0	.1
Advertising	.1	.1	.3
Insurance	1.3	.6	2.1
Other	-	-	.2
Taxes			
Dues and Licences	.4	.3	.3
Taxes	5.3	9.8	11.2
TOTAL EXPENSES	27.0	36.2	37.1

PROPERTY TAX RATIOS			
Tax to gross income	5.3	9.8	11.2
Tax to net income	7.2	15.3	17.8
Tax to total expenses	19.5	27.1	30.2
Ratio Year 2 to Year 1	-	100.0%	112.6%

*COMMENTS : 1968 is for May to December only.

FRAME - NEW WESTMINSTER #117

PURCHASE DATA

Purchase price	$160,000
Financing	$130,000
Purchase equity	$ 30,000

SALE EXPECTATION

There have been many improvements in the property which have resulted in an increase in income for 1971 of approximately 15%. However, based upon 1969 and 1970 income / expenses with a cash flow of approximately $1,000 and based upon a capitalization rate of 12% a sale price of $167,000 with an ending equity of $48,000 would be obtained. This approximation is supported by the fact that even with the 15% increase in income there has been no sale at the asking price of $195,000. The increase in value brought about by the 1971 changes would probably yield a value of about $185,000.

YIELDS	1968*	1969	1970
Cash flow	$1442	$ 911	$ 394
Principal repayment	$2300	$4300	$4700
Expected market gain	$1600	$2700	$2700
	$5342	$7911	$7794
Return on initial equity of $30,000	30.5%	26.4%	26.0%
Return on year's equity	30.5%	23.3%	19.0%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 2,747	13.0%
Principal repayment	$11,300	53.7%
Market gain	$ 7,000	33.3%
	$21,000	100.0%

RETURNS

Average rate of return excluding market gain	17.6%
Internal rate of return including market gain	20.2%

*COMMENTS

1968 is for eight months only.

#119

CLASS : Frame

ANALYSIS PERIOD: 1969 and 1970

AGE : Constructed 1968

LOCATION : Woodwards area, New Westminster

SIZE : 29 suites - 6 bachelor - $105 to $115
16 one bedroom - $130 to $140
7 two bedroom - $165 to $175

GENERAL : Excellent rental area, very quiet street

Different design and small size make this block very appealing.

No children

Well kept

Elevator, carpets, self-owned laundry

Wife of owner manages the block and charges a 3% fee.

Construction is a little above average

Underground parking, garden/fenced leisure area.

FINANCING : First Mortgage : $184,000, 8%, 21 years, 5 year term, $1,556 per month. The original balance was $192,000.

Second Mortgage: $30,500, 13%, 15½ years, $4,600 per annum. The original balance was $32,000.

PURCHASE PRICE : $312,000 - Fall 1968

SALE VALUE : The property is presently on the market for $350,000. A sale price yielding a rate of return of approximately 11% should be expected.

FRAME - NEW WESTMINSTER #119

AGE	:	1968
SUITES	:	29
AVERAGE SUITE INCOME PER MONTH (1970)	:	$133
TOTAL INCOME (1970)	:	$46,256

EXPENSES	1969	1970
Operating		
Utilities	9.4	8.4
Cablevision	1.4	1.3
Other	1.0	1.1
Repairs	2.4	3.1
Administration		
Salaries & Benefits	6.1	6.5
Management	.2	2.8
Advertising	1.0	.3
Insurance	3.2	1.5
Other	1.3	-
Taxes		
Dues and Licenses	.4	.4
Taxes	13.3	14.5
TOTAL EXPENSES	39.8	39.9

PROPERTY TAX RATIOS		
Tax to gross income	13.3	14.5
Tax to net income	22.1	24.1
Tax to total expenses	33.5	36.6
Ratio Year 2 to Year 1	100.0%	113.9%

FRAME - NEW WESTMINSTER #119

PURCASE DATA

Purchase price	$312,000
Financing	$224,000
Purchase equity	$ 88,000

SALE EXPECTATION

Because of the five year term on an otherwise advantageous mortgage it is likely that a normal market would capitalize the return at a rate of 11% giving a value of $301,000 and an ending equity of $87,000. However, if it is assumed that the second mortgage is paid off and an 11% capitalization rate is still used, then an ending value of $308,000 and an ending equity of $93,500 would result.

YIELDS	1969	1970
Cash flow	$3327	$4531
Principal repayment	$4500	$5000
Expected market loss	$(2000)	$(2000)
	$4,827	$7,531
Return on initial equity of $88,000	6.6%	8.4%
Return on year's equity	6.6%	8.6%

ALLOCATION OF TOTAL YIELD

Cash flow	$7858	58.8%
Principal repayment	$9500	71.1%
Expected market loss	$(4000)	(29.9%)
	$13,358	100.0%

RETURNS

Average rate of return excluding expected market loss	8.77%
Internal rate of return including expected market loss.	7.44%

#121

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : Purchased new, December 1969. This property was built for and presold to an investor.

LOCATION : Woodwards' area of New Westminster

SIZE : 42 suites

GENERAL : Good rental area

Suites are average in size

Rentals at peak of the market so some vacancies

Carpets, elevator, self-owned laundry

Average construction

Large percentage of underground parking

Two sleeping rooms

FINANCING : First Mortgage : $303,000, 9½%, 25 years, $2,576 per month. The original balance was $305,000.

Second Mortgage: Originally $110,000, 13%, 15 years, $1,244 per month. $10,000 in principal was paid at the end of 1970. The current balance of the mortgage is $99,000.

PURCHASE PRICE : Contract cost: $537,000

SALE VALUE : The property should sell to yield approximately 11%.

FRAME - NEW WESTMINSTER #121

AGE	:	2 years
SUITES	:	42
AVERAGE SUITE INCOME PER MONTH (1970)	:	$135
TOTAL INCOME (1970)	:	$68,218

EXPENSES	1970
Operating	
Utilities & Cablevision	8.2
Repairs	1.9
Administration	
Salaries	5.5
Management	1.2
Advertising	.8
Insurance	2.5
Taxes	
Dues and Licenses	.4
Raxes	14.3
TOTAL EXPENSES	34.9

PROPERTY TAX RATIOS

Tax to gross income	14.3
Tax to net income	22.0
Tax to total expenses	41.1
Ratio	-

FRAME - NEW WESTMINSTER #121

PURCHASE DATA

Purchase price	$537,000
Financing	$415,000
Purchase equity	$122,000

SALE EXPECTATION

Using a capitalization rate of 11%, with the existing second mortgage, a sale value of $451,000 with an ending equity of $42,000 would be obtained. If an evaluation is made without the second mortgage then the value rises to $455,000 with an equity of $46,000. In either case, a massive loss would occur if the property were sold at this time.

YIELDS	1970	
Cash flow	($1426)	Loss
Principal repayment	$6000	
Expected market loss	($82,000)	
	($77,426)	Loss

RETURNS

Average rate of return on equity excluding the expected market loss.	3.7%
Average rate of return including the expected market loss	-63.5%

#124

CLASS : Frame

AGE : 1967

ANALYSIS PERIOD: July 1968, 1969.

LOCATION : Woodwards area, New Westminster

SIZE : 25 suites - 4 bachelor
19 one bedroom
2 two bedroom

GENERAL : Good rental area but on a busy street
Carpeting, coin laundry (leased), elevator
Average construction, average sized suites
No children

FINANCING : First Mortgage : $160,000 (December 1969) at 8%, $1,402 per month, 20 years. The original balance was $169,000.

Second Mortgage: $18,000 (December 1969) at 12%, $300 per month, 9 years. The original balance was $20,000.

PURCHASE PRICE : July 1968 - $254,000

SALE PRICE : September 1970 - $290,000. The 1970 partial statement is not available but it is understood that the overall net position differed little from 1969.

FRAME - NEW WESTMINSTER #124

AGE	:	1967
SUITES	:	25
AVERAGE SUITE INCOME PER MONTH (1969)	:	$122
TOTAL INCOME (1969)	:	$36,718

EXPENSES	1968*	1969
Operating		
Utilities	10.6	7.9
Cablevision	1.5	1.4
Other	1.2	1.1
Garbage	-	.1
Repairs	6.4	4.0
Administration		
Salaries	6.3	6.5
Management	.4	-
Insurance	.5	1.3
Other	-	.3
Taxes		
Dues and Licenses	-	.5
Taxes	-	14.3
TOTAL EXPENSES	26.9	37.4

PROPERTY TAX RATIOS		
Tax to gross income	N/A	14.3
Tax to net income	N/A	22.8
Tax to total expenses	N/A	38.2
Ratio Year 2 to Year 1	N/A	-

*COMMENTS 1968 expenses represent a six month period.

FRAME - NEW WESTMINSTER #124

PURCHASE / SALE DATA

Purchase price	$254,000
Financing	185,000
Purchase equity	69,000
Sale price	$290,000
Financing	174,000
Sale equity	116,000

YIELDS	1968*	1969	1970*
Cash flow	$ 2,676	$ 2,561	$ 1,582
Principal repayment	2,667	5,620	2,990
Market gain	9,000	18,000	9,000
	$14,343	$26,181	$13,572
Return on initial investment of $69,000	41.6%	37.9%	33.7%
Return on year's equity	41.6%	32.3%	22.4%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 6,819	12.6%
Principal repayment	11,277	20.8%
Market gain	36,000	66.6%
	$54,096	100.0%

RETURNS

Average rate of return excluding market gain	12.2%
Internal rate of return including market gain	29.3%

*COMMENTS

The year 1968 was for six months and 1970 was for seven months.

CLASS : Frame

ANALYSIS PERIOD: 1969 and 1970

AGE : Constructed in 1968

LOCATION : Woodwards area, New Westminster

SIZE : 42 suites - 2 bachelor
12 two bedroom
28 one bedroom

GENERAL : Good rental area
Underground and undercover parking
Self-owned laundry as of January 1971
Exterior of building good
Interior and suites good
Suites are at market rent
Elevator, carpeting
Management
The building is of average construction

FINANCING : First Mortgage - $284,400 at 8 7/8%, 20 years, $2,645 per month. The original balance was $300,000.

Second Mortgage - $61,700 at 13%, 15 years, $808 per month. The original balance was $65,000.

PURCHASE PRICE : October, 1968 - $485,000

SALE VALUE : The location of the property and its quality and age would probably result in a price giving an approximate return of 11%.

FRAME - NEW WESTMINSTER #125

AGE	:	1968
SUITES	:	42
AVERAGE SUITE INCOME PER MONTH (1970)	:	$131
TOTAL INCOME (1970)	:	$65,989

EXPENSES	1969	1970
Operating		
Utilities	6.8	7.6
Cablevision	1.5	1.4
Repairs	2.7	4.3
Administration		
Salaries	6.0	6.4
Management	3.2	2.9
Advertising	.6	.1
Insurance	2.2	1.3
Other	.5	.3
Taxes		
Dues and Licenses	.7	.6
Taxes	12.8	13.7
TOTAL EXPENSES	36.9	38.7

PROPERTY TAX RATIOS		
Tax to gross income	12.8	13.7
Tax to net income	20.3	22.4
Tax to total expenses	34.7	35.5
Ratio Year 2 to Year 1	100.0%	113.2%

FRAME - NEW WESTMINSTER #125

PURCHASE DATA

Purchase price	$485,000
Financing	$365,000
Purchase equity	$120,000

SALE EXPECTATION

Using a capitalization rate of 11% and a zero cash flow, a sale price of $432,000 with an ending equity of $86,000 would be expected.

YIELDS	1969	1970
Cash flow	$(2,042	$(978)
Principal repayment	7,550	8,660
Expected market loss	(26,500)	(26,500)
	$(21,000)	$(18,800)
Loss on initial investment of $120,000	-17.5%	-15.7%
Loss on year's equity	-17.5%	-18.6%

ALLOCATION OF TOTAL YIELD

Cash flow	$(3,020)	Loss
Principal repayment	16,210	
Expected market loss	(53,000)	———
	$(39,810)	Loss

RETURNS

Average rate of return excluding expected market loss.	5.5%
Average rate of return including expected market loss.	-16.7%

#130

CLASS	:	Frame
ANALYSIS PERIOD	:	1968, 1969, 1970.
AGE	:	Approximately 5 years
LOCATION	:	New Westminster, near Woodwards
SIZE	:	24 suites
GENERAL	:	Good rental area On a busy street Elevator No children Hardwood floors Exterior and interior good considering the age Approximately 18 parking spaces
FINANCING	:	First Mortgage - $134,400 (December 1970) at 7¼%, 22 years, $1,050.63 per month. The original balance was $140,000. Refinanced December, 1967. Second Mortgage - $20,300 (December 1970) at 11%, 10 years, $477 per month. The original balance was $30,000. Agreement for Sale - $43,700 (December 1970) at 12%, 18 years, $500 per month. The original balance was $45,000.
PURCHASE PRICE	:	December, 1967 - $235,000
SALE VALUE	:	The property would probably sell to yield approximately 11 - 11½%.

FRAME - NEW WESTMINSTER #130

AGE	:	5 years
SUITES	:	24
AVERAGE SUITE INCOME PER MONTH (1970)	:	$117 ($124 for 1969)
TOTAL INCOME (1970)	:	$33,570 ($35,620 in 1969)

EXPENSES	1968	1969	1970
Operating			
Utilities	7.5	8.3	8.6
Cablevision	1.6	1.4	1.5
Garbage	.1	.1	.1
Elevator	.1	-	-
Other	.6	.8	.9
Repairs	4.3	6.2	8.6
Administration			
Salaries	5.7	6.8	8.2
Advertising	.1	.2	.3
Insurance	2.6	1.1	2.7
Other	.1	.9	1.5
Taxes			
Dues and Licenses	.6	.5	.5
Taxes	12.6	12.5	13.9
TOTAL EXPENSES	35.8	38.7	46.5

PROPERTY TAX RATIOS			
Tax to gross income	12.6	12.5	13.9
Tax to net income	19.6	20.3	26.0
Tax to total expenses	35.2	32.2	29.9
Ratio Year 2 to Year 1	100.0%	103.7%	103.0%

*COMMENTS A higher vacancy rate existed in 1970.

FRAME - NEW WESTMINSTER #130

PURCHASE DATA

Purchase price	$235,000
Financing	$215,000
Purchase equity	$ 20,000

SALE EXPECTATION

Assuming a negative cash flow of $3,000 and a capitalization rate of 11% a sale value of $228,000 with an ending equity of $30,000 would result.

YIELDS	1968	1969	1970
Cash flow	$(2,514)	$(2,483)	$(6,386)
Principal repayment	5,271	5,770	6,315
Expected market loss	(2,300)	(2,300)	(2,400)
	$ 457	$ 987	$(2,471)
Return on initial investment of $20,000	2.3%	4.9%	-12.4%
Return on year's equity	2.3%	4.3%	- 9.3%

ALLOCATION OF TOTAL YIELD

Cash flow	$(11,383)	Loss
Principal repayment	17,358	
Market loss	(7,000)	Loss
	$(1,025)	Loss

RETURNS

Average rate of return excluding market loss	6.3%
Internal rate of return including market loss	-1.4%

#138

CLASS : Frame

ANALYSIS PERIOD: 1968, 1969, 1970

AGE : About 4 years

LOCATION : New Westminster

SIZE : 42 suites

GENERAL : Average construction
Carpeting (average quality which is showing wear).
Elevator
Some children
Covered balconies
50% undercover parking
Presently being repainted

FINANCING : First mortgage: Approximately $290,000 ($306,000 at 7 3/4%, $2,279 per month).

PURCHASE PRICE : November 30, 1967 - $425,000

SALE VALUE : A sale value reflecting an approximate return of 11 to 11½% would be probable today.

FRAME - NEW WESTMINSTER #138

AGE	:	1967
SUITES	:	42
AVERAGE SUITE INCOME PER MONTH (1970)	:	$123 ($129 for 1969*)
TOTAL INCOME (1970)	:	$62,114 ($65,023 in 1969*)

EXPENSES	1968	1969	1970
Operating			
Utilities	8.6	7.9	8.5
Elevator	.2	.5	.2
Cablevision	-	1.4	1.3
Garbage	-	.1	-
Repairs	1.4	4.9	6.8
Administration			
Salaries	6.7	6.1	6.4
Management	.1	-	.3
Advertising	.1	-	-
Insurance	1.7	1.4	3.0
Other	.8	.2	.4
Taxes			
Dues and Licenses	.4	.9	.7
Taxes	12.2	12.5	14.9
TOTAL EXPENSES	32.0	35.9	42.5

PROPERTY TAX RATIOS			
Tax to gross income	12.2	12.5	14.9
Tax to net income	17.9	19.5	26.0
Tax to total expenses	38.1	34.8	35.1
Ratio	100.0%	105.4%	114.0%

*COMMENTS 1970 showed a much higher vacancy factor.

FRAME - NEW WESTMINSTER #138

PURCHASE DATA

Purchase price	$425,000
Financing	306,000
Purchase equity	119,000

SALE EXPECTATION

Because of the location and condition a capitalization rate of at least 11 % (possibly 11.5%) should be used. 1970 income was about $3,000 below 1969 and expenses were about $3,000 higher. Using a "normalized" cash flow of $13,500 and a capitalization rate of 11% yields a market value of $458,000 and an ending equity of $167,000.

YIELDS	1968	1969	1970
Cash flow	$15,751	$14,307	$ 8,374
Principal repayment	4,284	4,590	4,896
Market gain	16,000	16,000	1,000
	$36,035	$34,897	$14,270
Return on initial investment of $119,000	30.3%	29.3%	12.0%
Return on year's equity	30.3%	25.1%	8.9%

ALLOCATION OF TOTAL YIELD

Cash flow	$38,432	45.1%
Principal repayment	13,770	16.2%
Market gain	33,000	38.7%
	$85,202	100.0%

RETURNS

Average rate of return excluding market gain	12.2%
Internal rate of return including market gain.	19.9%

CLASS : Frame

ANALYSIS PERIOD: 1968, 1969, 1970.

AGE : 4 years

LOCATION : Woodwards area, New Westminster

SIZE : 49 suites - 8 bachelor - $100 to $105
36 one bedroom - $115 to $130
5 two bedroom - $150 to $155

GENERAL : Good rental area

The exterior of building has just been repainted.

The interior of the building shows hard usage and the lack of quality in the initial construction.

Construction quality is below average

Leased coin laundry

Poor quality carpeting, some of which has been replaced.

Poor quality cupboards, general finishing

Unstable structural areas in the building

Little or no tenant storage

Children and pets accepted.

FINANCING : First Mortgage : approximately $295,500 (December 1970)
$2,653 per month, 20 years, 8%, no clause.
The original balance was $325,000.

Second Mortgage: approximately $46,500 (December 1970)
$621.52 per month, 13%, due in 1972.

PURCHASE PRICE : $467,000 - November 1967

SALE VALUE : The property is presently on the market for $500,000. Offers have been received in the $475,000 range and a sale price of approximately $485,000 is expected. A price of this level would contravene the expected yield method of pricing--in this case a yield of 12 to 12½% should not be considered abnormal. However, it appears as if the present market considers the value to be higher than the yield would indicate.

February 1972: A sale price of $475,000 (less $8,000 commission) was obtained.

FRAME - NEW WESTMINSTER #140

AGE	:	1967
SUITES	:	49
AVERAGE SUITE INCOME PER MONTH (1970)	:	$119
TOTAL INCOME (1970)	:	$70,188

EXPENSES	1968	1969	1970
Operating			
Utilities	8.2	8.6	10.0
Cablevision	1.3	1.5	1.5
Elevator	-	1.2	.2
Garbage	.2	.2	-
Repairs	7.3	6.9	9.0
Administration			
Salaries	5.9	6.1	7.1
Management	3.5	3.0	3.0
Advertising	-	.2	.1
Insurance	2.1	1.5	1.6
Other	1.0	.3	.5
Taxes			
Dues and Licenses	.7	.4	.5
Taxes	12.3	13.0	14.8
TOTAL EXPENSES	42.4	42.8	48.2

PROPERTY TAX RATIOS			
Tax to gross income	12.3	13.0	14.8
Tax to net income	21.4	22.6	28.6
Tax to total expenses	29.1	30.2	30.7
Ratio Year 2 to Year 1	100.0%	106.7%	115.0%

FRAME - NEW WESTMINSTER #140

PURCHASE / SALE DATA

Purchase price	$467,000
Financing	370,000
Purchase equity	97,000
Sale price	$467,000
Financing	342,500
Sale equity	124,500

YIELDS	1968	1969	1970
Cash flow	$ 316	$ 657	$(2,962)
Principal repayment	8,995	9,481	10,313
Market gain	-	-	-
	$9,311	$10,138	$ 7,351
Return on initial investment of $97,000	9.6%	10.5%	7.6%
Return on year's equity	9.6%	9.6%	6.4%

ALLOCATION OF TOTAL YIELD

Cash flow	$(1,989)	(7.4%)
Principal repayment	28,789	107.4%
Market gain	-	0.0%
	$26,800	100.0%

RETURNS

Average rate of return	8.0%
Internal rate of return	7.3%

#146

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : Approximately 5 years

LOCATION : Woodwards'/Queen's Park area, New Westminster

SIZE : 25 suites - 19 one bedroom - $120 to $128
5 two bedroom - $135 to $148
Penthouse (2 bedroom) - $175

GENERAL : Older tenants (approximately 25% original)

History of zero vacancies

Very reasonable rents

Smaller two bedroom suites, average sized one bedroom suites

No children

Elevator except to penthouse

Self-owned laundry February 1971 (not reflected in this analysis)

50% underground parking

Average construction

Good condition, given the age

Full management

FINANCING : First Mortgage : $139,000, 7½%, $1,098 per month, matures 1991. The original balance was $150,000.

Second Mortgage: Approximately $53,000, 15%, $739.30 per month. The original balance was $54,000.

PURCHASE PRICE : December 1969 - $277,000

SALE VALUE : The property is presently on the market for $280,000. The estate is prepared to retire the present second mortgage and carry a new second mortgage of approximately $60,000 at 10%. A sale value reflecting a return of approximately 11% would be probable.

FRAME - NEW WESTMINSTER #146

AGE	:	5 years
SUITES	:	25
AVERAGE SUITE INCOME PER MONTH (1970)	:	$122
TOTAL INCOME (1970)	:	$36,614

EXPENSES	1970
Operating	
Utilities	7.4
Cablevision	1.4
Garbage	.1
Telephone	.2
Repairs	5.3
Administration	
Salaries	7.5
Management	4.0
Advertising	.2
Insurance	2.4
Other	.2
Taxes	
Dues and Licenses	.6
Taxes	13.7
TOTAL EXPENSES	43.0

PROPERTY TAX RATIOS

Tax to gross income	13.7
Tax to net income	24.1
Tax to total expenses	32.0
Ratio	-

FRAME - NEW WESTMINSTER #146

PURCHASE DATA

Purchase price	$277,000
Financing	193,000
Purchase equity	84,000

SALE EXPECTATION

1970 had a high vacancy rate. A more normal year should have a zero cash flow and, with the 15% second mortgage, a sale value of $240,000 with an ending equity of $52,000. A more reasonable evaluation would be based upon the assumption that the property is sold with the first mortgage only. On this basis the approximate sale value would be $245,000 with an ending equity of $57,000.

YIELDS	1970	
Cash flow	$(1,161)	Loss
Principal repayment	5,696	
Expected market loss	(32,000)	
	$(27,465)	Loss

RETURNS

Rate of return excluding expected market loss	5.4%
Rate of return including expected market loss	-32.7%

#147

CLASS : Frame

ANALYSIS PERIOD : 1968, 1969, 1970

AGE : Constructed the summer of 1967

LOCATION : Lower Woodwards area, New Westminster

SIZE : 39 suites - 5 bachelor - $97.50 to $107.00
20 one bedroom -$118.00 to $125.00
14 two bedroom -$145.00 to $150.00

GENERAL : Good rental area

The block is of average construction but it has been well looked after.

Repainted in the summer of 1971

Hardwood floors

Gas furnace

Underground parking of about 70% of the total

Suites are of average size

No vacancy problems because of reasonable rents

Leased laundry

Some children but they are well controlled

Elevator

FINANCING : First Mortgage : $265,700 (December 1970). The original balance was $277,000, 7 3/4%, 25 years, $2,070 per month.

Second Mortgage: $53,300 (December 1970). The original balance was $58,000, 12%, 15 years. This mortgage was retired in June of this year.

PURCHASE PRICE : November 1967 - $405,000

SALE VALUE : A value reflecting a return of approximately 11% would be probable.

FRAME - NEW WESTMINSTER #147

AGE	:	4 years
SUITES	:	39
AVERAGE SUITE INCOME PER MONTH (1970)	:	$127
TOTAL INCOME (1970)	:	$59,279

EXPENSES	1968	1969	1970
Operating			
Utilities	7.0	7.5	9.2
Cablevision	1.3	1.4	-
Garbage	.1	.2	-
Other	.5	.5	-
Elevator	-	.9	-
Repairs	1.2	3.4	5.7
Administration			
Salaries	6.4	6.5	7.9
Management	3.0	3.0	2.9
Advertising	.3	.1	-
Insurance	1.7	1.4	1.4
Other	-	.3	.8
Taxes			
Dues and Licenses	1.0	.6	.7
Taxes	12.6	12.6	14.4
TOTAL EXPENSES	35.2	38.4	42.9

PROPERTY TAX RATIOS			
Tax to gross income	12.6	12.6	14.4
Tax to net income	19.4	20.4	25.3
Tax to total expenses	35.9	32.7	33.6
Ratio Year 2 to Year 1	100.0%	104.9%	115.5%

FRAME - NEW WESTMINSTER #147

PURCHASE DATA

Purchase price	$405,000
Financing	335,000
Purchase equity	70,000

SALE EXPECTATION

Using a normalized cash flow of $2,500 and a capitalization rate of 11% a sale price of $403,000 with an ending equity of $85,000 would be expected. However, if a sale were to be made cash to the first mortgage then a sale value of $406,000 with an equity of $88,000 would be obtained.

YIELDS	1968	1969	1970
Cash flow	$3,067	$3,254	$ 707
Principal repayment	5,390	5,853	6,340
Expected market gain	333	333	333
	$8,790	$9,440	$7,380
Return on original equity of $70,000.	12.6%	13.5%	10.5%
Return on year's equity	12.6%	12.5%	9.1%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 7,028	27.4%
Principal repayment	17,583	68.7%
Expected market gain	1,000	3.9%
	$25,611	100.0%

RETURNS

Average rate of return excluding expected market gain	10.4%
Internal rate of return including expected market gain.	10.8%

#148

CLASS : Frame

ANALYSIS PERIOD: October 1968 to October 1970

AGE : 3 years

LOCATION : New Westminster

SIZE : 63 suites : ones - $125 to $128
twos - $162 to $175
bachelor $117

GENERAL : Carpeting

Leased laundry

Reasonable rents but slightly smaller than average suites.

A similar building but with hardwood floors is across the street and it has not vacancy problems and comparable rents.

Average construction and finish.

FINANCING : First Mortgage : $450,000, 8%, 20 years, $3,812 per month ($462,000).

Second Mortgage: $60,000, 11¼%, 5 years, $1,302 per month.

PURCHASE PRICE : October 1968 - $700,000

SALE VALUE : A sale value reflecting a return of approximately 11% would be probable.

FRAME - NEW WESTMINSTER #148

AGE	:	3 years
SUITES	:	63
AVERAGE SUITE INCOME PER MONTH (1969)	:	$135
TOTAL INCOME (1969)	:	$101,738

EXPENSES	1968*	1969	1970*
Operating			
Utilities	5.3	7.4	7.3
Cablevision	-	1.3	1.4
Repairs	.7	1.1	3.1
Administration			
Salaries	5.4	5.9	6.4
Management	.2	-	-
Insurance	2.4	1.9	.7
Other	4.8	.2	-
Advertising	-	.1	-
Taxes			
Dues and Licenses	1.0	.4	.3
Taxes	1.9	12.2	15.0
TOTAL EXPENSES	21.6	30.6	34.2

PROPERTY TAX RATIOS			
Tax to gross income	N/A	12.2	15.0
Tax to net income	N/A	17.6	22.8
Tax to total expenses	N/A	40.0	43.9
Ratio Year 2 to Year 1	N/A	100.0%	115.0%

*COMMENTS			
	1968	:	October to December only
	1970	:	January to October only.

FRAME - NEW WESTMINSTER #148

PURCHASE DATA

Purchase price	$700,000
Financing	512,000
Purchase equity	188,000

SALE EXPECTATION

A capitalization rate of 11% with a "normalized" cash flow of $4,500 would yield a sale value of $714,000 and an ending equity of $243,000. If the second mortgage were deleted the sale value and equity would remain substantially the same.

YIELDS	1968*	1969	1970*
Cash flow	$ 3,707	$ 9,289	$ 1,075
Principal repayment	4,807	19,884	16,641
Expected market gain	5,250	7,000	1,750
	$13,764	$36,173	$19,466
Return on initial equity of $188,000	29.3%	19.2%	13.8%
Return on year's equity	29.3%	18.3%	11.5%

ALLOCATION OF TOTAL YIELD

Cash flow	$14,071	20.3%
Principal repayment	41,332	59.5%
Expected market gain	14,000	20.2%
	$69,403	100.0%

RETURNS

Average rate of return excluding expected market gain	13.3%
Internal rate of return including expected market gain	16.2%

*COMMENTS

1968 represents three months and 1970 represents nine months.

#150

CLASS : Frame (Landlease)

ANALYSIS PERIOD: 1970

AGE : 1968

LOCATION : Lower Woodward's area, New Westminster

SIZE : 41 suites with the following distribution:

4 bachelor at $110
33 one bedroom at $122 to $137
4 two bedroom at $157.50 to $172.50
1 office

GENERAL : 65% underground parking

5 stage gas boiler (efficient) plus separate domestic hot water.

Self-owned laundry with $180 to $200 per month income.

Carpeting

Above average quality of construction.

Average sized suites

Elevator

Lots of storage room

The building has not been well looked after in the last 3 years with the result that there are a number of areas of minor disrepair.

The long-run operational and maintenance costs of this building should be below average.

FINANCING : Landlease - 60 year land lease, $82,000 at 8%, $6,560 per year.

First Mortgage- $242,000 (present balance), 25 years, 8½%, $24,156 per year with a participation clause of 7½% of the gross income in excess of $62,500 per year.

PURCHASE PRICE : 1968 - $368,000

SALE PRICE : December 1971 - $343,400 less a commission of $5,000.

FRAME - NEW WESTMINSTER (LAND LEASE) #150

AGE	:	3 years
SUITES	:	41
AVERAGE SUITE INCOME PER MONTH (1970)	:	$141
TOTAL INCOME (1970)	:	$69,612

EXPENSES	1970
Operating	
Utilities	7.5
Cablevision	1.4
Elevator	2.0
Repairs	2.7
Administration	
Salaries	5.5
Insurance	1.2
Taxes	12.3
TOTAL EXPENSES	32.6

PROPERTY TAX RATIOS

Tax to gross income	12.3
Tax to net income	18.3
Tax to total expenses	37.8
Ratio	-

FRAME - NEW WESTMINSTER #150

PURCHASE DATA

Purchase price (1968)	$368,000
Financing	$253,000
Equity	$115,000
Purchase price (1971)	$343,400
Financing	$242,400
Equity	$101,000

SALE EXPECTATION

This property was purchased on the basis of a 1970 statement showing a cash flow of $16,190 which was corrected to show a flow of $11,051. The equity gain for 1971 will be $4,048 giving a total return of $15,100. On this basis, an overall return of 15.0% was demanded - - considerably higher than that expected of a similar property held freehold.

CONCLUSION

It would appear as if the market expects freehold properties to appreciate at a much higher rate than leasehold properties. However, the rate differential of 4% appears to be high unless it is assumed that the market places a very great weight in long run market / inflation protection. Such an assumption does not appear unless theory is bypassed and concrete examples are analysed.

CLASS : Frame

ANALYSIS PERIOD: 1969, 1970

AGE : Approximately 10 years

LOCATION : Lower New Westminster

SIZE : 42 suites

GENERAL : Close to lower New Westminster business district.

This is an area of older blocks and it is not a prime rental area.

Only 6 balconies and 12 parking spaces.

Leased laundry.

Hardwood and carpet (poor condition) mixture.

The general condition of the building reflects only average care since new. The result is a building in less than ideal condition which reflects in lower rents than average and higher vacancy and turnover. As of December 8, 1971 there were 5 vacancies.

FINANCING : Agreement - $310,000, 9%, $2,180 per month (in excess of 50 years amortization).

PURCHASE PRICE : November 1968 - $365,000

SALE VALUE : A sale value reflecting a return of 12 - 12.5% would be probable.

FRAME - NEW WESTMINSTER #152

AGE	:	10 years
SUITES	:	42
AVERAGE SUITE INCOME PER MONTH (1970)	:	$103
TOTAL INCOME (1970)	:	$52,005 ($52,858 in 1969)

EXPENSES	1969	1970
Operating		
Utilities	7.6	8.8
Cablevision	1.5	1.6
Garbage	.2	-
Other	.4	-
Repairs	5.4	6.5
Administration		
Salaries	7.8	7.8
Management	5.0	4.8
Advertising	.2	.4
Insurance	1.1	1.1
Other	.6	.8
Taxes		
Dues and Licenses	1.0	.8
Taxes	11.0	11.2
TOTAL EXPENSES	41.7	43.9

PROPERTY TAX RATIOS		
Tax to gross income	11.0	11.2
Tax to net income	18.9	19.9
Tax to total expenses	26.4	25.5
Ratio Year 2 to Year 1	100.0%	100.1%

FRAME - NEW WESTMINSTER #152

PURCHASE DATA

Purchase price	$365,000
Financing	310,000
Purchase equity	55,000

SALE EXPECTATION

A "normalized" cash flow of $3,800 and a capitalization rate of 12% would yield a sale value of $354,000 and an ending equity of $46,000. The property is currently on the market for $441,000

YIELD	1969	1970
Cash flow	$ 4,653	$ 3,017
Principal repayment	1,740	1,910
Expected market loss	(5,500)	(5,500)
	$ 893	$(573)
Return on initial equity of $55,000	1.6%	-1.0%
Return on year's equity	1.6%	-1.1%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 7,670
Principal repayment	3,650
Expected market loss	(11,000)
	$ 320

RETURNS

Average rate of return excluding expected market loss.	10.3%
Internal rate of return.	.3%

CLASS : Frame

ANALYSIS PERIOD: October 1968 to November 1970

AGE : Constructed Summer of 1968

LOCATION : Silver Avenue, Simpson-Sears area, Burnaby.

SIZE : 42 suites - 30 one bedroom
11 two bedroom
1 bachelor

GENERAL : Good rental area

No curbs or full width roads (now completed)

Exterior of building will need painting shortly. Other than that, an attractive building. (now repainted).

Interior of the building shows poor care and is beginning to reveal a lack of maintenance.

Elevator, recreation room

Underground parking (locked)

Self-owned coin laundry

Small suites but very reasonable rents

Construction is above average and the financing is extremely attractive.

FINANCING : First Mortgage : $281,000 ($300,000 original) @ 7½%, 25 years, $2,195 per month.

Second Mortgage: $55,000 ($60,000 original) @ 12%, 13 years, $750 per month.

PURCHASE PRICE : $460,000

SALE PRICE : $485,000

FRAME - BURNABY #153

AGE	: 3 years
SUITES	: 42
AVERAGE SUITE INCOME PER MONTH (1969)	: $137
TOTAL INCOME (1969)	: $68,999

EXPENSES	1968*	1969	1970*
Operating			
Utilities	1.4	7.2	5.8
Cablevision	1.3	1.2	1.4
Telephone	.1	.1	.1
Repairs	1.1	5.0	3.3
Administration			
Salaries	6.2	6.5	6.3
Insurance	2.0	1.1	.7
Advertising	-	.2	.4
Other	-	.3	1.2
Taxes			
Dues and Licenses	.6	.4	.4
Taxes	13.7	13.5	15.3
TOTAL EXPENSES	26.5	35.5	34.9

PROPERTY TAX RATIOS			
Tax to gross income	13.7	13.5	15.3
Tax to net income	18.6	20.9	23.5
Tax to total expenses	51.7	37.9	44.0
Ratio Year 2 to Year 1	-	100.0%	104.2%

COMMENTS*

1968 was for three months only and 1970 was for eleven months only.

FRAME - NEW WESTMINSTER #153

PURCHASE-SALE DATA

Purchase price	$460,000
Financing	360,000
Purchase equity	100,000
Sale equity	$485,000
Financing	346,500
Sale equity	138,500

YIELDS	1968*	1960	1970
Cash flow	$3,443	$ 9,181	$ 8,690
Principal repayment	1,573	5,700	5,867
Market gain	2,900	11,500	10,400
	$7,916	$26,381	$24,957
Return on initial equity of $100,000	31.7%	26.4%	25.0%
Return on year's equity	31.7%	25.3%	20.7%

ALLOCATION OF TOTAL YIELD

Cash flow	$21,314	35.9%
Principal repayment	13,140	22.1%
Market gain	25,000	42.0%
	$59,454	100.0%

RETURNS

Average rate of return excluding market gain	16.2%
Internal rate of return including market gain	25.0%

#157

CLASS : Frame

ANALYSIS PERIOD: Operational costs only for 1969 and 1970 (contractor built/owned).

AGE : 4 years

LOCATION : New Westminster

SIZE : 45 suites

GENERAL : Needs painting badly
All outside parking
3 vacancies as of November 1971
Self-owned laundry
Average construction and finishing

FRAME - NEW WESTMINSTER #157

AGE	:	4 years
SUITES	:	45
AVERAGE SUITE INCOME PER MONTH (1970)	:	$123
TOTAL INCOME (1970)	:	$66,460

EXPENSES	1968*	1969	1970
Operating			
Utilities	9.4	9.4	8.8
Cablevision	1.5	1.4	1.4
Elevator	.2	-	-
Repairs	4.3	5.7	4.4
Administration			
Salaries	3.0	3.4	3.3
Management	1.9	1.0	2.3
Advertising	.4	-	-
Insurance	.8	1.0	.8
Other	.6	.9	1.3
Taxes			
Dues and Licenses	.3	-	-
Taxes	3.0	14.8	13.8
TOTAL EXPENSES	25.4	37.6	36.0

PROPERTY TAX RATIOS			
Tax to gross income	N/A	14.8	13.8
Tax to net income	N/A	27.8	21.5
Tax to total expenses	N/A	31.5	38.2
Ratio Year 2 to Year 1	N/A	100.0%	94.7%

*COMMENTS

1968 was a start-up year with some expenses capitalized.

This is an analysis of operational costs only.

#159

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : 10 years

LOCATION : Kingsway and 12th Avenue, New Westminster

SIZE : 15 suites ;

1 bachelor	$105
9 one bedroom	$120 to $135
5 two bedroom	$140 and $145

GENERAL : Close to transportation but on a quiet side street.

Oil heat

No balconies

5 parking spaces (free)

Free laundry

1 vacancy as of November 1971

Good repair given the age (owner managed).

SALE VALUE : A sale value reflecting a return of approximately 12% would be probable.

FRAME - NEW WESTMINSTER #159

AGE	:	10 years
SUITES	:	15
AVERAGE SUITE INCOME PER MONTH (1970)	:	$108
TOTAL INCOME (1970)	:	$19,463

EXPENSES	1970
Operating	
Utilities	9.3
Cablevision	1.6
Repairs	2.0
Administration	
Salaries	9.3
Insurance	.7
Taxes	
Dues and Licenses	.6
Taxes	13.0
TOTAL EXPENSES	36.6

PROPERTY TAX RATIOS

Tax to gross income	13.0
Tax to net income	20.6
Tax to total expenses	35.6
Ratio	-

This is an analysis of operational costs only.

#160

CLASS : Frame

ANALYSIS PERIOD: Operational costs for 1970 only (contractor built/owned)

AGE : 3 years

LOCATION : New Westminster

SIZE : 60 suites + 1 office/suite

GENERAL : Full underground parking
Large ground level balconies
Slightly above average construction
Land lease
Elevator
Self-owned laundry

SALE VALUE : A sale value reflecting a rate of return considerably higher than normal should be expected because of the land lease situation. Similar sales (few) have been in the 12% to 14% range.

FRAME - NEW WESTMINSTER #160

AGE	:	3 years
SUITES	:	60
AVERAGE SUITE INCOME PER MONTH (1970)	:	$133
TOTAL INCOME (1970)	:	$96,076

EXPENSES	1970
Operating	
Utilities	7.8
Cablevision	1.3
Repairs	3.4
Administration	
Salaries	5.2
Management	.5
Insurance	.6
Other	.2
Taxes	13.9
TOTAL EXPENSES	32.9

PROPERTY TAX RATIOS

Tax to gross income	13.9
Tax to net income	20.6
Tax to total expenses	42.1
Ratio	-

This is an analysis of operational costs only.

#167

CLASS : Frame (landlease)

ANALYSIS PERIOD: 1968 and 1969 operational costs only (owner built/operated).

LOCATION : Woodward's area, New Westminster

AGE : 1967

SIZE : 42 suites

GENERAL : Landlease
Average construction and finish, good exterior appearance
Carpeting, elevator
Self-owned laundry
1 vacancy as of November, 1971
On Transportation, 2 blocks from Woodward's

FRAME - NEW WESTMINSTER #167

AGE	:	4 years
SUITES	:	42
AVERAGE SUITE INCOME PER MONTH (1969)	:	$118
TOTAL INCOME (1969)	:	$59,456

EXPENSES	1969	1970
Operating		
Utilities	8.4	8.1
Cablevision	1.4	1.3
Elevator	.1	-
Repairs	5.6	5.0
Administration		
Salaries	6.5	7.1
Management	2.0	2.0
Advertising	.1	-
Insurance	1.3	.7
Other	.6	.2
Taxes		
Dues and Licenses	.4	.5
Taxes	15.0	15.7
TOTAL EXPENSES	41.3	40.7

PROPERTY TAX RATIOS		
Tax to gross income	15.0	15.7
Tax to net income	25.5	26.5
Tax to total expenses	36.2	38.6
Ratio Year 2 to Year 1	100.0%	111.6%

FRAME - NEW WESTMINSTER #167

This is an analysis of operational costs only.

#168

CLASS : Frame (landlease)

ANALYSIS PERIOD: 1968, 1969 (operational costs only)

AGE : 1967

LOCATION : Woodward's area, New Westminster

SIZE : 55 suites plus 2 "offices" or "sleeping rooms"

GENERAL : Corner entrance as opposed to the standard central entrance.

A poor choice of exterior color has resulted in premature fading. Needs painting.

Average interior finish and quality.

Self-owned laundry

Carpeting, elevator

Large ground level patios

Some underground parking

Landlease

FRAME - NEW WESTMINSTER #168

AGE	:	4 years
SUITES	:	55 plus 2 rooms = 57
AVERAGE SUITE INCOME PER MONTH (1969)	:	57 suites = $120
TOTAL INCOME (1969)	:	$81,829

EXPENSES	1968	1969
Operating		
Utilities	7.3	8.0
Cablevision	1.2	1.4
Elevator	.5	.1
Repairs	5.0	4.0
Administration		
Salaries	5.8	5.3
Management	2.0	2.0
Insurance	1.4	1.4
Other	.9	.8
Advertising	-	.1
Taxes		
Dues and Licenses	.5	.5
Taxes, Landlease	22.4	27.2
TOTAL EXPENSES	46.9	50.9

PROPERTY TAX RATIOS

NOT APPLICABLE FOR THIS PROPERTY.

This is an analysis of operational costs only.

CLASS : Frame (landlease)

ANALYSIS PERIOD: 1970 (owner built, operational costs only)

AGE : 3 years

SIZE : 51 suites plus 4 "sleeping rooms" (illegal)

GENERAL : The income is increased significantly by the addition of 4 "sleeping rooms" or "offices" at $60 each per month. The cost of this additional space is minor in comparison with the income (about $4,000).

Self-owned laundry and vending machines

Large patios for ground level suites

Average construction and finish

Landlease

60% underground parking

3 vacancies as of November, 1971

Carpeting, elevator

FRAME - NEW WESTMINSTER #169

AGE	:	3 years
SUITES	:	51 plus 4 sleeping rooms = 55/51
AVERAGE SUITE INCOME PER MONTH (1970)	:	55 suites = $125
TOTAL INCOME (1970)	:	$82,481

EXPENSES	1970
Operating	
Utilities	8.0
Cablevision	1.4
Repairs	4.0
Administration	
Salaries	5.4
Management	.6
Insurance	.8
Other	.3
Taxes	13.1
TOTAL EXPENSES	33.6

PROPERTY TAX RATIOS

Tax to gross income	13.1
Tax to net income	19.7
Tax to total expenses	38.8
Ratio	-

This is an analysis of operational costs only.

CLASS : Concrete

ANALYSIS PERIOD: August 1967, 1968, 1969, 1970

AGE : 1967

LOCATION : Woodward's area, New Westminster

SIZE : 86 suites with the following distribution:

13 studio - $116 to $134 - 445 square feet
53 one bedroom - $150 to $179, 690, 710, 750 sq. ft.
15 two bedroom - $210 to $234, 960 square feet
2 three bedroom - $440 - 1765 square feet

GENERAL : No pool or air-conditioning

Saunas

Locked underground parking

Combination gas/oil heat

Balconies

Close to transportation and shopping

Built for the present owners.

Carpeting, two elevators

Average + construction, given the type and age of the building.

FINANCING : Ground lease - (self-owned internal financing) 40 years at $9,800 per year ($140,000 at 7%).

First Mortgage-$850,000, 7 3/4%, 25 years, $6,018 per month.

Shareholder's Loan - $346,900, 8½%, interest only.

The total financing costs represent the total purchase price of approximately $1,337,000.

SALE VALUE : A sale value reflecting a return of about 10% would be probable.

CONCRETE - NEW WESTMINSTER #126

AGE	:	1967
SUITES	:	86
AVERAGE SUITE INCOME PER MONTH (1970)	:	$168
TOTAL INCOME (1970)	:	$173,345

EXPENSES	1967*	1968*	1969	1970
Operating				
Utilities	9.4	6.2	5.9	6.5
Cablevision	2.4	1.2	1.2	1.2
Elevator	1.2	.4	.1	-
Other	.7	1.4	1.3	1.2
Repairs	3.7	1.5	2.1	3.0
Administration				
Salaries	5.1	5.1	4.5	4.7
Management	3.4	-	-	.2
Advertising	.7	.2	.2	-
Insurance	1.5	.5	.5	.5
Other	2.2	.6	.4	.5
Taxes	6.7	17.5	15.6	17.2
TOTAL EXPENSES	36.7	34.6	31.6	34.9

PROPERTY TAX RATIOS				
Tax to gross income	N/A	17.5	15.6	17.2
Tax tonet income	N/A	26.7	22.7	26.4
Tax to total income	N/A	50.8	49.2	49.3
Ratio Year 2 to Year 1	N/A	100.0%	97.9%	111.8%

*COMMENTS In 1967 all interest costs were capitalized and added to the shareholder's loan. 1968 represents some start-up costs also. (The building was not operating at its normal occupancy level.)

CONCRETE - NEW WESTMINSTER #126

PURCHASE DATA

Purchase price	$1,337,000
Financing	$1,337,000
Purchase equity	N O N E

SALE EXPECTATION

A capitalization rate of 10% has been used although there could be a valid argument for a rate as low as 9%. On a 10% basis the project would be worth approximately $1,480,000 with an ending equity of $142,000. However, it should be noted that the property is owned by a financial institution and that both the amount and the rates of financing are advantageous. If it is assumed that the "shareholders loan" of $347,000 was the original equity then the following situation exists.

Purchase price	$1,337,000
Financing	990,000
Equity	347,000

Again using a capitalization rate of 10%, an expected price of $1,425,000 would be obtained giving an ending equity of $475,000.

YIELDS	1968	1969	1970
Cash flow	$22,868	$38,159	$33,909
Principal repayment	11,900	12,750	13,600
Expected market gain	42,000	42,000	44,000
	$76,800	$92,900	$91,500
Return on initial investment of $347,000	22.1%	26.8%	26.4%
Return on year's equity	22.1%	23.2%	20.1%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 94,936	36.3%
Principal repayment	38,250	14.5%
Expected market gain	128,000	49.2%
	$261,186	100.0%

RETURNS

Average rate of return excluding expected market gain	12.3%
Internal rate of return including expected market gain.	17.9%

#143

CLASS : Concrete

ANALYSIS PERIOD: 1966, 1967, 1968, 1969

AGE: : Constructed 1965

LOCATION : New Westminster

SIZE : 64 suites

GENERAL : No information on mortgages
Indoor pool and sauna
Self-owned laundry
Carpeting, elevator,galley type kitchens
Located on a busy street, on transportation, close to St. Mary's Hospital.

PURCHASE PRICE : $800,000 (1965)

SALE PRICE : $840,000 (1970)

CONCRETE - NEW WESTMINSTER #143

AGE	:	1965
SUITES	:	64
AVERAGE SUITE INCOME PER MONTH (1969)	:	$128 ($130 in 1967)
TOTAL INCOME	:	$97,908 ($100,145 in 1967

EXPENSES	1966	1967	1968	1969
Operating				
Utilities	6.5	6.5	6.3	8.7*
Cablevision	1.4	1.1	1.3	1.4
Garbage	.1	.1	.2	.2
Elevator	1.3	.8	.4	.2
Other	.9	1.0	1.2	1.5
Repairs	4.2	6.0	8.4	8.6
Administration				
Salaries	5.0	4.9	5.5	5.7
Management	3.0	3.0	3.2	3.3
Insurance	-	.1	1.1	.2
Advertising	-	-	.3	-
Taxes				
Taxes	-	-	15.0	-
Water, Sewer	.9	.9	1.2	1.0
Dues and Licenses	.5	.5	.5	.5
TOTAL EXPENSES	23.9	25.0	44.6	31.2

PROPERTY TAX RATIOS NOT AVAILABLE FOR THIS BUILDING

*COMMENTS In 1968 the structure started to shift which resulted in ground freezing and a very heavy increase in costs for 1968 and 1969.

CONCRETE - NEW WESTMINSTER #143

This is an analysis of operational costs only.

CLASS : Concrete

ANALYSIS PERIOD: 1966, 1967, 1968, 1969, 1970

AGE : Approximately 10 years

LOCATION : Woodwards area, New Westminster

SIZE : 56 suites

GENERAL : Good rental area
Stable tenants with few vacancies
No balconies but a large lobby/sun room
Some carpeted suites
Self-owned laundry
Indoor pool
Elevator (2)
50% underground parking
Average sized suites
Oil/gas heat (conversion)
The building is becoming a little dated but it is in good repair.

FINANCING : $245,000 (December 1970), 7¼%, $2,385 per month.

PURCHASE PRICE : July 1963 - $468,000

SALE VALUE : A sale price reflecting a return of approximately 10% to 10½% would be probable.

CONCRETE - NEW WESTMINSTER #158

AGE	:	10 years
SUITES	:	56
AVERAGE SUITE INCOME PER MONTH (1970)	:	$123
TOTAL INCOME (1970)	:	$82,915

EXPENSES	1966	1967	1968	1969	1970
Operating					
Utilities	6.5	6.1	5.3	5.7	5.7
Cablevision	1.6	1.2	1.5	1.6	1.5
Elevator	-	-	.3	.3	.1
Repairs	9.2	5.5	4.7	5.7	4.3
Administration					
Salaries	6.6	6.6	6.5	6.1	5.8
Insurance	.4	.3	.3	.5	.1
Advertising	-	-	.1	.3	.1
Other	-	-	-	-	.2
Taxes					
Water, Sewer	1.1	1.3	.6	.9	-
Taxes	14.1	14.2	13.1	14.9	15.8
TOTAL EXPENSES	39.4	35.3	32.4	35.9	33.6

PROPERTY TAX RATIOS					
Tax to gross income	14.1	14.2	13.1	14.9	15.8
Tax to net income	23.2	21.9	19.3	23.3	23.8
Tax to total expenses	35.7	40.3	40.3	41.5	46.9
Ratio Year 2 to Year 1	100.0%	107.8%	99.6%	115.3%	111.2%

FRAME - NEW WESTMINSTER #158

PURCHASE DATA

Purchase price	$468,000
Financing	284,000
Purchase equity	184,000

SALE EXPECTATION

Based upon a "normalized" cash flow of $24,000 and a capitalization rate of 10.5% a sale value of $575,000 with an ending equity of $330,000 would be expected.

YIELDS	1966	1967	1968	1969	1970
Cash flow	$12,292	$18,094	$24,220	$21,946	$26,428
Principal repayment	8,100	8,700	9,300	10,000	10,700
Market gain	21,000	21,000	25,200	4,200	15,600
	$41,392	$47,794	$58,720	$36,146	$52,728
Return on initial investment of $184,000	22.5%	26.0%	31.9%	19.6%	28.7%
Return on year's equity	22.5%	22.4%	23.7%	13.0%	18.1%

ALLOCATION OF TOTAL YIELD

Cash flow	$102,980	40.1%
Principal repayment	46,800	18.2%
Market gain	107,000	41.7%
	$256,780	100.0%

RETURNS

Average rate of return excluding market gain	14.4%
Internal rate of return including market gain.	24.8%

#112

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : Constructed 1969 and Spring of 1970

LOCATION : King George Highway area, Surrey

SIZE : 154 suites - 17 one bedroom
123 two bedroom
14 three bedroom

GENERAL : 154 suites, two and three storey, garden apartment on 8 acres.

Heated indoor pool

Carpeted, lots of storage space

Larger than average suites

3 bedroom units are two storey

Each suite has its own private entrance

5 laundry rooms with leased machines

Playground and tot lots

Ground floor suites have 200 square foot patios

Gross potential revenue is about $275,000

Vacancies now 4%.

FINANCING : $1,415,000 at 8 7/8%, 30 years, $11,097 per month.

PURCHASE PRICE : July 1969 - $1,700,000 plus $154,000 to pay off project. The total effective price including start-up costs would be approximately $1,860,000.

SALE PRICE : One half of the property was sold in December of 1969 for $1,000,000.

SALE VALUE : A sale value reflecting a return of approximately 11% would be probable.

FRAME - SURREY #112

AGE	:	1 year
SUITES	:	154
AVERAGE SUITE INCOME PER MONTH (1970)	:	$129*
TOTAL INCOME (1970)	:	$237,547*

EXPENSES	1970
Operating	
Utilities	8.7
Cablevision	1.6
Garbage	.6
Repairs	2.1
Administration	
Salaries	4.1
Management	2.7
Advertising	.6
Insurance	1.3
Other	.2
Taxes	
Water and Sewer	2.5
Dues and Licenses	1.3
Taxes	20.5*
TOTAL EXPENSES	46.2

PROPERTY TAX RATIOS	
Tax to gross income	20.5*
Tax to net income	38.1*
Tax to total expenses	44.4*
Ratio of Year 2 to Year 1	-

*COMMENTS : 1970 was the first full year of operation of this project but there were many problems which resulted in very high vacancies in the first six months of 1970. Gross potential revenue (no vacancies) is about $310,000 with an expected actual gross of $285,000 to $295,000. The property tax assessment should have bee appealed.

FRAME - SURREY #112

PURCHASE DATA

Approximate purchase price	$1,860,000
Financing	1,415,000
Purchase equity	445,000

SALE EXPECTATION

Because of the large scale development of limited dividend and condominium housing in Surrey, there will be continued pressure on conventional projects such as this. Therefore, a capitalization rate of at least 11% should be used. Based upon an actual gross of $290,000 with expenses of 40% this would result in an expected price of $1,865,000 and an ending equity of $460,000.

YIELDS	1970
Cash flow	$40,000
Principal repayment	10,000
Expected market gain	15,000
	$65,000
Return on equity	14.6%

RETURNS

Average rate of return excluding market gain	11.2%
Internal rate of return including market gain.	14.6%

#151

CLASS : Frame

ANALYSIS PERIOD: 1967, 1968, 1969

AGE : 5 years

LOCATION : Surrey

SIZE : Originally 98 suites, now 101 suites

12 one bedroom
50 two bedroom
39 three bedroom (8 with double plumbing)

GENERAL : Family type accommodation area

Across from a shopping center, very close to freeway access, adjacent to parks, close to schools.

Below average construction

Vacancy factor approximately 10%.

Indoor pool

Recreation rooms, outside play areas

Balconies, carpeting, no elevator, large storage areas in suites.

Leased laundry

Exterior painted in 1970

Extensive repairs and upgrading have occurred in the last 2 years.

This area is being hit badly by limited dividend rental housing and by low cost condominiums.

See building #156

FINANCING : Agreement - $885,000, 8%, $6,869 per month, 25 years, originally $900,000. The underlying mortgage is $685,000, 8%, 20 years.

TRANSACTIONS : 1. Purchased November, 1966 for $918,000.
2. A 50% interest was sold in January, 1968 for $505,000.
3. A 33 1/3% interest was sold in May, 1969 for $388,500.
4. The whole property was sold in Dec. 1969 for $1,150,000.
5. The property is presently on the market for $1,250,000.

SALE VALUE : A sale value reflecting a return of not less than 12% should be expected.

FRAME - SURREY #151

AGE	:	5 years
SUITES	:	101
AVERAGE SUITE INCOME PER MONTH (1969)	:	$143
TOTAL INCOME (1969)	:	$173,637*

EXPENSES	1967	1968[1]	1969
Operating			
Utilities	8.0	7.2	7.1
Cablevision	1.5	1.2	1.2
Garbage	.9	-	.9
Telephone	-	.1	.1
Other	.1	.3	.2
Repairs	3.2	6.4	5.3
Administration			
Salaries	7.0	7.0	6.8
Management	.6	2.5	2.9
Advertising	-	.5	.5
Insurance	.4	.7	.7
Other	.7	.1	-
Taxes			
Water, Sewer	3.7	2.8	3.0
Dues and Licenses	.5	.5	.4
Taxes	16.2	15.7	16.4
TOTAL EXPENSES	42.8	45.0	45.4

PROPERTY TAX RATIOS			
Tax to gross income	16.2	15.7	16.4
Tax to net income	28.3	28.5	30.0
Tax to total expenses	37.8	34.8	36.1
Ratio Year 2 to Year 1	100.0%	101.7%	104.8%

*COMMENTS Potential income $194,000. 1968 and 1969 income the same. 1971 income would appear to be lower than 1968/1969 because of continuing vacancy problem.

FRAME - SURREY #151

Portions of the following property were sold three times in three years. The last sale at a rate slightly below the high point which was reached in the spring of 1969. In 1970 and 1971 there were very heavy vacancies in the area which were brought about by four major factors.

1.) The economic slow down.

2.) The construction of new, non basement homes that were within reach of many of the potential and existing tenants.

3.) The construction of condominiums, some as low as $14,000, which tenants earning $400.00 per month could afford.

4.) The advent of "limited dividend" rental units.

The result has been that a heavy vacancy situation exists, rents cannot be raised, expenses are rising and many repairs are needed to a project that was shoddy to begin with.

The present owners have the property listed at $1,250,000. A sale at $1,050,000 would be fortunate.

SUMMATION

100% purchased → 50% sold → 50% sold

November 1966 — January 1968 — December 1969

$918,000 — $505,000 — $575,000

$168,000 equity — $138,000 equity — $227,000 equity

↓

Leaves 50% → 33.3%sold → 33.3% sold

March 1969 — December 1969

$388,500 — $383,333

$150,000 (equity) — $151,333 equity → $1,150,000

$ 454,000

↓

Leaves 16.6% → 16.6% sold

December 1969

$191,667

$ 75,667 equtiy

PURCHASE/SALE DATA #1

Purchase price	$918,000	(November 1966)
Financing	750,000	
Purchase equity	168,000	
Sale price	$1,010,000	
Financing	734,000	50% was sold in January 1968. The analysis
Sale equity	276,000	below is based on 100%

YIELDS	1967	
Cash flow	$ 19,741	15.5%
Principal repayment	15,750	12.4%
Market gain	92,000	72.1%
	$127,491	100.0%

RETURNS

Average rate of return excluding market gain	21.1%
Internal rate of return	75.9%

FRAME - SURREY #151

PURCHASE / SALE DATA #2

Purchase price	$918,000	(November 1966)
Financing	750,000	
Purchase equity	168.000	
Sale price	$1,165,000	33.3% was sold in March 1969. The
Financing	716,000	analysis below is based on 100%
Sale equity	449,500	

YIELDS	1967	1968
Cash flow	$ 19,741	$ 20,789
Principal repayment	15,750	18,000
Market gain	92,000	155,500
	$127,491	$194,289
Return on initial equity of $168,000	75.9%	115.6%
Return on year's equity	75.9%	70.4%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 40,530	12.6%
Principal repayment	33,750	10.5%
Market gain	247,500	76.9%
	$321,780	100.0%

RETURNS

Average rate of return excluding market gain	21.0%
Internal rate of return	52.1%

FRAME - SURREY #151

PURCHASE / SALE DATA #3

Purchase price	$918,000
Financing	750,000
Purchase equity	168,000
Sale price	$1,150,000
Financing	696,000
Sale equity	454,000

The whole property was sold in December 1969

YIELDS	1967	1968	1969
Cash flow	$ 19,741	$ 20,789	$28,179
Principal repayment	15,750	18,000	19,500
Market gain (loss)	92,000	155,500	(15,500)
	$127,491	$194,289	$32,179
Return on initial equity of $168,000	75.9%	115.6%	19.2%
Return on year's equity	75.9%	70.4%	7.2%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 68,709	19.4%
Principal repayment	53,250	15.1%
Market gain	232,000	65.5%
	$353,959	100.0%

RETURNS

Average rate of return excluding market gain	21.0%
Internal rate of return	37.9%

FRAME - SURREY #151

PURCHASE / SALE DATA #4 - (the 50% portion sold in January 1968)

Purchase price	$505,000
Financing	367,000
Purchase equity	138,000
Sale price	$575,000
Financing	348,000
Sale equity	227,000

YIELDS	1968	1969
Cash flow	$10,395	$14,090
Principal repayment	9,000	9,750
Market gain (loss)	77,750	(7,750)
	$97,145	$16,090
Return on initial equity of $138,000	70.4%	11.7%
Return on year's equity	70.4%	7.2%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 24,485	21.6%
Principal repayment	18,750	16.6%
Market gain	70,000	61.8%
	$113,235	100.0%

RETURNS

Average rate of return excluding market gain	14.6%
Internal rate of return	31.1%

FRAME - SURREY #151

PURCHASE/SALE DATA #5 - (The 33.3% portion sold in March 1969)

Purchase price	$388,500
Financing	238,500
Purchase equity	150,000
Sale price	$383,300
Financing	232,000
Sale equity	151,300

YIELDS	1969	
Cash flow	$ 9,393	87.6%
Principal repayment	6,500	60.6%
Market loss	(5,167)	(48.2%)
	$10,726	100.0%

RETURNS

Average rate of return excluding market loss	10.6%
Internal rate of return.	7.1%

#156

CLASS : Frame

ANALYSIS PERIOD: 1969, 1970

AGE : 5 years

LOCATION : Guildford area, Surrey

SIZE : Two 3 storey and Two 2 storey buildings.
89 suites; approximately 65 three bedroom and 24 two bedroom.

GENERAL : Close to freeway, shopping, schools.

Indoor pool, sauna.

Playgrounds

Two and three storey buildings with no hallways; stairways and landings only.

Below average construction.

Hardwood and carpeting.

Considerable funds have been spent on upgrading the property since it was purchased new.

Properties such as this are receiving more and more competition from C.M.H.C. financed limited dividend and low cost condominium housing. It would appear that this competition will increase.

FINANCING : $667,000, 7 3/4%, $6,108 per month, 20 years ($765,000).

PURCHASE PRICE : December 1968 - $1,047,000

SALE VALUE : A Sale value reflecting a return of 11½ to 12% would be probable.

FRAME - SURREY #156

AGE	:	5 years
SUITES	:	89
AVERAGE SUITE INCOME PER MONTH (1970)	:	$161
TOTAL INCOME (1970)	:	$171,963

EXPENSES	1969	1970
Operating		
Utilities	8.0	10.1
Cablevision	1.1	1.1
Other	-	.3
Repairs	12.8	8.0
Administration		
Salaries	6.7	5.0
Advertising	.1	.1
Insurance	1.2	.9
Other	.3	.1
Taxes	17.9	18.8
TOTAL EXPENSES	48.1	44.4

PROPERTY TAX RATIOS		
Tax to gross income	17.9	18.8
Tax to net income	34.6	33.9
Tax to total expenses	37.3	42.4
Ratio of Year 2 to Year 1	100.0%	119.2%

FRAME - SURREY #156

PURCHASE DATA

Purchase price	$1,047,000
Financing	690,000
Purchase equity	357,000

SALE EXPECTATION

Because of the severe competition in this area from condominium sales and from limited dividend rental units there will be continuing difficulties in running projects of this type because of the market pressures on rents. It should be expected that operational costs will continue to run at 42% to 44% of gross income. Using a " normalized " cash flow of $22,350 and a capitalization rate of 11.5% a sale value of $1,062,000 with an ending equity of $395,000 would be expected.

YIELDS	1969	1970
Cash flow	$ 5,214	$22,350
Principal repayment	20,655	22,950
Expected market gain	7,500	7,500
	$33,369	$52,800
Return on initial equity of $357,000	9.3%	14.8%
Return on year's equity	9.3%	13.7%

ALLOCATION OF TOTAL YIELD

Cash flow	$27,564	32.0%
Principal repayment	43,605	50.6%
Expected market gain	15,000	17.4%
	$86,169	100.0%

RETURNS

Average rate of return excluding expected market gain	9.4%
Internal rate of return including expected market gain	11.5%

#107

CLASS : Frame

ANALYSIS PERIOD: 1969 and 1970

AGE : 8 years

LOCATION : North Vancouver, north of Upper Levels, west of Lonsdale.

SIZE : 93 suites - 2 bachelor
9 one bedroom
41 two bedroom
21 three bedroom

GENERAL : Garden type complex made up of many separate buildings divided by paths, landscaping, pool.

Open air pool

Smaller children seem to be segregated into one area.

Hardwood floors

Leased coin laundry

No elevators

Quiet location close to conveniences

The property appears to be in reasonable shape given the age. However, extensive outlays may be probable for modernization if rents begin to suffer or vacancies occur. No vacancies exist now and rents appear to be very good but replacement allowances should be made.

FINANCING :

First Mortgage - $728,500 at 8%, $6,503 per month, 19 year amortization. The original balance was $770,000.

Second Mortgage - $105,500 at 8%, 17 years, $1,000 per month. The original balance was $112,500.

Third Mortgage - $80,000 at 5%, interest only, $333 per month.

PURCHASE PRICE : $1,182,500

SALE VALUE : A sale price to reflect a return of approximately 11% would be probable.

FRAME = NORTH VANCOUVER #107

AGE	:	8 years
SUITES	:	93
AVERAGE SUITE INCOME PER MONTH (1970)	:	$158
TOTAL INCOME	:	$176,641

EXPENSES	1969	1970
Operating		
Utilities	5.4	4.1
Cablevision	.8	.8
Repairs	8.3	6.1
Administration		
Salaries	4.5	5.3
Management	5.0	4.1
Advertising	.2	-
Insurance	1.5	-
Taxes		
Water and Sewer	1.2	1.1
Dues and Licenses	.3	.3
Taxes	10.7	10.8
TOTAL EXPENSES	37.8	32.6

PROPERTY TAX RATIOS		
Tax to gross income	10.7	10.8
Tax to net income	17.1	16.0
Tax to total expenses	28.2	33.1
Ratio Year 2 to Year 1	100.0%	106.9%

FRAME - NORTH VANCOUVER #107

PURCHASE DATA

Purchase price	$1,182,500
Financing	$ 962,500
Purchase equity	$ 220,000

SALE EXPECTATION

A sale value reflecting a return of approximately 11% with about $62,500 for expenses should be expected. In this basis the property would yield an overall price of $1,305,000 and an equity of $390,000. However, if the $80,000 at 5% is excluded from the financing then the return of 11% would yield a value of $1,265,000 for a reduction in equity of $40,000. Since the $80,000 at 5% is a relatively short term advantage then it would be expected that the value of the property would be approximately $1,275,000 for an equity of $360,000. In light of the magnitude of the expected capital appreciation a variation of ± $10,000 regarding the 5% financing is not significant.

YIELDS	1969	1970
Cash flow	$ 10,105	$ 25,107
Principal repayment	$ 21,700	$ 23,300
Expected market gain	$ 70,000	$ 70,000
	$101,800	$125,400
Return on initial investment of $220,000	46.3%	57.0%
Return on year's equity	46.3%	40.2%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 35,200	20.5%
Principal repayment	$ 45,000	26.2%
Expected market gain	$ 92,000	53.3%
	$172,000	100.0%

RETURNS

Average rate of return excluding market gain	16.5%
Internal rate of return including market gain	29.7%

COMMENTS

The lower than average operational costs can be attributed partially to economies of scale but more so to the low overall property taxes.

#122

CLASS : Frame

ANALYSIS PERIOD: 1969 and 1970

AGE : New, Fall 1968

LOCATION : Central Lonsdale, North Vancouver

SIZE : 17 suites - 5 one bedroom
11 two bedroom
1 three bedroom

GENERAL : Quiet area, excellent rental location

No elevator

Excellent condition

Different design and setting add visual appeal

Carpeted suites

Leased laundry

Construction appears to be better than average and maintenance appears good.

FINANCING : First Mortgage - $120,800 at 9¼%, 27 years, $1,039 per month. The original balance was $125,000.

Second Mortgage - $40,000 at 9¼%, 15 years, $406 per month.

PURCHASE PRICE : November, 1968 - $217,500

SALE PRICE : A sale price reflecting a return of approximately 10.5% would be probable.

#122

FRAME - NORTH VANCOUVER

AGE	:	1968
SUITES	:	17
AVERAGE SUITE INCOME PER MONTH (1970)	:	$153
TOTAL INCOME (1970)	:	$31,275

EXPENSES	1969	1970
Operating		
Utilities	9.4	5.6
Cablevision	1.5	1.5
Repairs	3.1	2.8
Administration		
Salaries	6.0	5.7
Advertising	.8	.5
Insurance	1.6	1.4
Other	.1	-
Taxes		
Dues and Licences	.4	.3
Taxes	14.2	18.7
TOTAL EXPENSES	37.2	36.6

PROPERTY TAX RATIOS

Tax to gross income	14.2	18.7
Tax to net income	22.7	29.5
Tax to total expenses	38.3	51.2
Ratio Year 2 to Year 1	100.0%	143.1%

FRAME - NORTH VANCOUVER #122

PURCHASE DATA

Purchase price	$217,500
Financing	165,000
Purchase equity	52,500

SALE EXPECTATION

A sale price reflecting a capitalization rate of about 10.5% is expected. This would yield a price of $210,000 and an ending equity of $50,000.

YIELDS	1969	1970
Cash flow	$ 718	$ 2,495
Principal repayment	2,450	2,690
Expected market loss	(3,750)	(3,750)
	$ (600)	$ 1,450
Return on initial investment of $52,500	-1.1%	2.8%
Return on year's equity	-1.1%	2.8%

ALLOCATION OF TOTAL YIELD

Cash flow	$3,213
Principal repayment	5,140
Expected market loss	(7,500)
	$ 853

RETURNS

Average rate of return excluding expected market loss	7.9%
Internal rate of return including expected market loss	.8%

#165

CLASS : Frame

ANALYSIS PERIOD: 1970 (operational costs only)

AGE : 4 years

LOCATION : North Vancouver

SIZE : 18 suites - 12 three bedroom 6 two bedroom

GENERAL : Owner operated

Very large suites (3 bedroom 1,100 to 1,400 square feet and 2 bedroom 900 to 1,000 square feet).

Close to shopping and transportation.

Hardwood floors

No basement or undercover parking

No elevator

Self-owned laundry

Repairs reflect materials only

Market rents, no vacancies

FINANCING : First Mortgage : $117,000, 8½%, $1,082 per month
Second Mortgage: $52,000, 8½%, $590 per month

SALE PRICE : January 1971 - $263,000

FRAME - NORTH VANCOUVER #165

AGE	:	4 years
SUITES	:	18
AVERAGE SUITE INCOME PER MONTH (1970)	:	$184
TOTAL INCOME (1970)	:	$39,637

EXPENSES	1970
Operating	
Utilities	5.5
Cablevision	1.2
Garbage	.5
Other	.5
Repairs	2.0
Administration	
Salaries	5.1
Insurance	.6
Taxes	
Water, Sewer	1.2
Dues and Licenses	.3
Taxes	11.3
TOTAL EXPENSES	28.2

PROPERTY TAX RATIOS

Tax to gross income	11.3
Tax to net income	15.7
Tax to total expenses	40.2
Ratio	-

FRAME - NORTH VANCOUVER #165

This is an analysis of operational costs only

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : Approximately 4 years

LOCATION : Coquitlam

SIZE : 311 suites - 163 two bedroom at $165
91 three bedroom at $188
57 one bedroom at $125 to $135

GENERAL : About 50% underground parking

Pool, saunas

No elevator

Self-owned laundry

5 separate buildings and 5 separate caretakers

Playgrounds with varied equipment

Considerable funds have been spent bringing the property back to new condition.

Carpeted suites, short hallways

FINANCING : First Mortgage - $2,448,000, 8 3/4%, 25 years, $20,290 per month ($2,500,000)

Second Mortgage - $300,000, 11%, 25 years, $2,900 per month.

PURCHASE PRICE : The property was developed and built by the present owners. The analysis is for the purpose of operational costs only.

FRAME - COQUITLAM #110

AGE	:	4 years
SUITES	:	311
AVERAGE SUITE INCOME PER MONTH (1970)	:	$165
TOTAL INCOME	:	$615,069

EXPENSES	1970
Operating	
Utilities	4.5
Cablevision	1.1
Garbage	.7
Telephone	.1
Other	.1
Repairs	3.3
Administration	
Salaries	7.7
Advertising	.7
Insurance	1.0
Taxes	
Water and Sewer	1.6
Dues and Licenses	.3
Taxes	11.3
TOTAL EXPENSES	32.5

PROPERTY TAX RATIOS

Tax to gross income	11.3
Tax to net income	16.8
Tax to total expenses	34.9
Ratio	-

FRAME - COQUITLAM #110

PURCHASE DATA: This property was constructed by the present owners for their own portfolio. The analysis is of operational costs only.

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : 10 years

LOCATION : Coquitlam (Brunette)

SIZE : 22 two bedroom at $140 to $145

GENERAL : The building was purchased in 1969 in a fairly run-down condition.

Each unit had its own washer and dryer (free) but these are in poor shape and as they break down they are being dismantled for parts. One set of equipment (self-owned coin-operated) has been installed for those tenants without their own machines.

Gas space heaters in each unit.

Individual gas hot water heaters.

Ground floor units have grassed areas (patios).

Second floor units have balconies

Hardwood floors

This property has just come under professional management and now has no vacancies. Seven vacancies existed in March 1971.

Separate entrances to all units.

Outside parking

Small play area

Family type block

FINANCING :

First Mortgage :	$76,000 (originally $120,000 and $85,500 at purchase), 7¼%, 20 years, $941 per month.
Second Mortgage:	$51,000 ($52,500 at purchase), 7½%, $400 per month (vendor).
Third Mortgage :	$17,500 (originally $20,000), 12%, 9 year amortization, $300 per month (vendor).

PURCHASE PRICE : May, 1969 - $227,500

SALE VALUE : A sale value reflecting an overall return of 12½% to 13½% would be probable.

FRAME - COQUITLAM #144

AGE	:	10 years
SUITES	:	22
AVERAGE SUITE INCOME PER MONTH (1970)	:	$136
TOTAL INCOME (1970)	:	$35,814

EXPENSES	1970
Operating	
Utilities	1.6*
Cablevision	1.4
Other	.1
Repairs	7.4
Administration	
Salaries	3.9
Advertising	.1
Insurance	1.4
Taxes	
Water, Sewer	1.4
Dues and Licenses	.5
Taxes	15.7
TOTAL EXPENSES	33.5

PROPERTY TAX RATIOS	
Tax to gross income	15.7
Tax to net income	23.7
Tax to total expenses	50.0
Ratio	-

*COMMENTS An approximate 10% vacancy situation existed in 1970. This building has individual furnaces and hot water tanks in each unit.

FRAME - COQUITLAM #144

PURCHASE DATA

Purchase price	$227,500
Financing	158,000
Purchase equity	69,500

SALE EXPECTATION

The income/expense ratio does not reflect the need for the extensive capital replacements that will be necessary in the near future. The 1970 cash flow was $4,132. However, a more "normal" cash flow that would allow for a 10% repair and replacement allowance would reduce this figure to $3,416 which, capitalized at 13%, would yield a price of $241,500 with an ending equity of $92,000.

YIELDS	1970	
Cash flow	$ 4,132	13.9%
Principal repayment	8,517	28.7%
Expected market gain	17,000	57.4%
	$29,649	100.0%

RETURNS

Rate of return excluding expected market gain	18.2%
Rate of return including expected market gain	42.7%

#145

CLASS : Frame

ANALYSIS PERIOD: 1970

AGE : Approximately 1 year

LOCATION : Mission

SIZE : 26 suites - 6 bachelor ($105 to $110)
7 one bedroom ($116 to $127)
13 two bedroom ($140 to $150)

GENERAL : The rental area appears good but the rental population is so small that any additions to the supply would have a very large effect on the demand/supply relationship.

This is the best and newest block in Mission

Free laundry

Gas heat and hot water

All suites have balconies and carpeting

Suites are of average size and quality

FINANCING : First Mortgage : $182,000, 20 years, 9¼%, $1,629 per month
Second Mortgage: $20,000, 10 years, 9¼%, $254 per month.

PURCHASE PRICE : December 1969 - $282,000

SALE PRICE : December 1970 - $292,000

FRAME - MISSION #145

AGE	:	1 year
SUITES	:	26
AVERAGE SUITE INCOME PER MONTH (1970)	:	$130
TOTAL INCOME (1970)	:	$40,461

EXPENSES	1970
Operating	
Utilities	6.5
Garbage	.1
Telephone	.2
Other	1.1
Repairs	1.3
Administration	
Salaries	7.1
Advertising	.2
Insurance	.9
Taxes	
Water, Sewer	1.2
Dues and Licenses	.1
Taxes	14.9
TOTAL EXPENSES	33.4

PROPERTY TAX RATIOS	
Tax to gross income	14.9
Tax to net income	22.4
Tax to total expenses	44.5
Ratio	-

FRAME - MISSION #145

PURCHASE / SALE DATA

Purchase price	$282,000
Financing	202,000
Purchase equity	80,000
Sale price	292,000
Financing	197,000
Sale equity	95,000

YIELDS	1970	
Cash flow	$ 7,817	34.7%
Principal repayment	4,738	21.0%
Market gain	10,000	44.3%
	$22,555	100.0%

RETURNS

Average rate of return excluding market gain	15.7%
Internal rate of return including market gain	28.2%

#166

CLASS : Concrete

ANALYSIS PERIOD: October 1966, 1967, 1968, 1969, 1970

AGE : 5 years

LOCATION : Bellevue, West Vancouver

SIZE : 62 suites

GENERAL : All suites face the ocean
Close to shopping, transportation, beach
Underground and surface parking
Self-owned laundry
Carpeting
Not a luxury building but only average by local standards.

FINANCING : $628,000 ($660,000), 7%, 30 years, $4,413 per month.

PURCHASE PRICE : October 1966 - $840,000

SALE VALUE : A sale value reflecting a return of approximately 10% would be probable.

CONCRETE - WEST VANCOUVER #166

AGE	:	5 years
SUITES	:	62
AVERAGE SUITE INCOME PER MONTH (1970)	:	$175
TOTAL INCOME (1970)	:	$129,945

EXPENSES	1966*	1967	1968	1969	1970
Operating					
Utilities	2.7	6.9	6.6	5.7	5.3
Cablevision	.9	1.2	.9	1.0	.9
Elevator	.1	-	-	-	-
Other	-	.2	.6	.9	.5
Repairs	1.9	6.0	4.0	6.6	7.8
Administration					
Salaries	2.6	5.5	5.4	4.9	5.3
Advertising	.3	.2	.1	.1	-
Insurance	.7	.7	.8	.9	.4
Other	2.0	-	-	.4	-
Taxes	16.4	18.2	19.4	16.6	13.4
TOTAL EXPENSES	27.6	38.9	37.8	37.1	33.6

PROPERTY TAX RATIOS					
Tax to gross income	16.4	18.2	19.4	16.6	13.4
Tax to net income	22.6	29.7	31.3	26.4	20.1
Tax to total expenses	59.3	46.5	51.5	44.9	39.8
Ratio Year 2 to Year 1	N/A	100.0%	105.6%	93.2%	85.1%

*COMMENTS 1966 represents three months only. 1969 represents eleven months only because of a change in year end. The property tax ratios have been adjusted for 1969 so that they are still valid.

CONCRETE - WEST VANCOUVER #166

PURCHASE DATA

Purchase price	$840,000
Financing	$660,000
Purchase equity	$180,000

SALE EXPECTATION

Based upon a "normalized" cash flow of $30,000 (36% expenses instead of the 33.6% given) and a capitalization rate of 9.5% a sale price of approximately $1,034,000 with an ending equity of $406,000 would be obtained. If the capitalization rate was increased to 10% both figures would decrease by $20,000 to $1,014,000 and $386,000.

YIELDS	1966*	1967	1968	1969	1970
Cash flow	$ 9,048	$16,875	$16,995	$22,331	$33,160
Principal repayment	1,980	6,600	7,260	7,920	8,580
Market gain	11,400	46,000	46,000	46,000	44,600
	$22,428	$69,475	$70,255	$76,251	$86,340
Return on initial investment of $180,000	50.0%	38.6%	39.0%	46.3%	48.0%
Return on year's equity	50.0%	36.0%	28.6%	27.8%	24.5%

ALLOCATION OF TOTAL YIELD

Cash flow	$ 98,409	30.4%
Principal repayment	32,340	9.9%
Market gain	194,000	59.7%
	$324,749	100.0%

RETURNS

Average rate of return excluding expected market gain	16.0%
Internal rate of return including expected market gain	26.6%

*COMMENTS

1966 represents three months and 1969 represents eleven months. The total period of analysis is fifty months.

155 RONALD 1966 PAGE 2

STATEMENT 3 OPERATING STATEMENT			CURRENT MONTH		YEAR TO DATE		LAST YEAR TO DATE	
INCOME	1	SUITE INCOME	77841.00	100.0	516287.44	100.0	0.0	0.0
	2	PARKING	0.0	0.0	0.0	0.0	0.0	0.0
	3	LAUNDRY	0.0	0.0	0.0	0.0	0.0	0.0
	4	OTHER	0.0	0.0	0.0	0.0	0.0	0.0
	5	TOTAL INCOME	77841.00	100.0	516287.44	100.0	0.0	0.0
	6	VACANCY	0.0	0.0	0.0	0.0	0.0	0.0
	7	POTENTIAL INCOME	77841.00	100.0	516287.44	100.0	0.0	0.0
OPERATING EXPENSES	8	HEAT	4526.00	5.8	41465.00	8.0	0.0	0.0
	9	ELECTRICITY	0.0	0.0	0.0	0.0	0.0	0.0
	10	CABLEVISION	998.00	1.3	4091.00	0.8	0.0	0.0
	11	GARAGE	0.0	0.0	0.0	0.8	0.0	0.0
	12	WATER AND SEWER	0.0	0.0	0.0	0.8	0.0	0.0
	13	TELEPHONE	0.0	0.0	425.00	0.8	0.0	0.0
	14	OTHER	0.0	0.0	0.0	0.0	0.0	0.0
	15	ELEVATOR	446.00	0.6	1603.56	0.0	0.0	0.0
	16	TOTAL OPERATING	5970.00	7.7	47584.56	9.2	0.0	0.0
REPAIRS AND MAINTENANCE	17	REDECORATE	0.0	0.0	0.0	0.0	0.0	0.0
	18	HEATING AND PLUMBING	0.0	0.0	0.0	0.0	0.0	0.0
	19	ELECTRICAL AND INTERCOM	0.0	0.0	0.0	0.0	0.0	0.0
	20	LAUNDRY	0.0	0.0	0.0	0.0	0.0	0.0
	21	CLEANING	409.00	0.5	3650.00	0.7	0.0	0.0
	22	FLOORS AND CARPETS	0.0	0.0	0.0	0.0	0.0	0.0
	23	BLDG AND SUITE GENERAL	6058.00	7.8	29006.00	5.6	0.0	0.0
	24	STRUCTURAL AND ROOF	0.0	0.0	0.0	0.0	0.0	0.0
	25	OTHER	0.0	0.0	150.00	0.0	0.0	0.0
	26	OTHER	0.0	0.0	0.0	0.0	0.0	0.0
	27	TOTAL REPAIRS	6467.00	8.3	32806.00	6.4	0.0	0.0
FIXED AND ADMINISTRATIVE	28	SALARIES AND BENEFITS	3508.00	4.5	21624.00	4.2	0.0	0.0
	29	MANAGEMENT	0.0	0.0	1400.00	0.3	0.0	0.0
	30	ADVERTISING	0.0	0.0	2212.69	0.4	0.0	0.0
	31	DUES AND LICENSES	0.0	0.0	0.0	0.0	0.0	0.0
	32	TAXES	10300.00	13.2	62481.00	12.1	0.0	0.0
	33	INSURANCE	533.00	0.7	4468.00	0.9	0.0	0.0
	34	ARREARS TO EXPENSE	0.0	0.0	0.0	0.0	0.0	0.0
	35	OTHER	148.00	0.2	3237.00	0.6	0.0	0.0
	36	TOTAL ADMINISTRATIVE	14489.00	18.6	95422.69	18.5	0.0	0.0
	37	TOTAL ALL EXPENSES	26926.00	34.6	175813.19	34.1	0.0	0.0
	38	TOTAL CASH-CAPITAL	50915.00	65.4	340474.19	66.0	0.0	0.0
CAPITAL	39	ADVANCE FROM OWNERS	0.0		0.0		0.0	
	40	PAYMENTS TO OWNERS	0.0		0.0		0.0	
	41	CAPITAL EXPENDITURE	0.0		0.0		0.0	
	42	MORTGAGE PAYMENT 1	27128.40		203462.81		0.0	
	43	MORTGAGE PAYMENT 2	0.0		0.0		0.0	
	44	MORTGAGE PAYMENT 3	0.0		0.0		0.0	
	45	OTHER	0.0		10802.00		0.0	
	46	TOTAL CAPITAL	27128.40		214264.81		0.0	
	47	TOTAL MONTHLY CASH	23786.60		126209.06		0.0	
	48	CASH FORWARD	5175.80		36230.58		0.0	
	49	NEW CASH BALANCE	28962.40		162439.69		0.0	

155 RONALD 1965

STATEMENT 1

CASH BALANCE FORWARD		5175.80
ADJUSTMENT TO INCOME		0.0
TOTAL ARREARS	0.0	
LESS COLLECTIONS	0.0	0.0
LESS LOSSES TO EXPENSE	0.0	
ARREARS FORWARD	0.0	5175.80
TOTAL PREVIOUS MONTH VACANCY	0.0	
LESS PART RENTAL TO INCOME	0.0	0.0
ADJUSTED PREVIOUS MONTH VACANCY	0.0	
CORRECTED PREVIOUS MONTH CASH		5175.80

STATEMENT 2

POTENTIAL REVENUES	69498.44	
LESS VACANCY AS OF FIRST	0.0	
RECEIPTS DUE		69498.44
LESS ARREARS FORWARD	0.0	
LESS CURRENT ARREARS	0.0	0.0
TOTAL ARREARS	0.0	69498.44
PLUS PREPAYMENT DEPOSIT		0.0
SUITE INCOME		69498.44
POTENTIAL PARKING	0.0	
LESS VACANCY	0.0	
LESS ARREARS	0.0	
TOTAL PARKING		0.0
LAUNDRY	0.0	
OTHER INCOME	0.0	
TOTAL INCOME	69498.44	