

# Multi-Family Investing

REIN Multi-Family Investing Bootcamp  
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*Presented by:*

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## Looking At Canada From Outside

- We have less problems than most countries
- Strong banks
- Diversified economy
- Resource-rich (food, energy)
- Canadian apartments look very attractive in an unstable world



## USA vs. Canadian Transactions



\* Based on independent reports of properties and portfolios \$5 million and greater.

Source: Real Capital Analytics.

Source: CB Richard Ellis and Real Net Canada



## Investor Demand

- Buyers have returned to marketplace
- Interest rates low
- Cap rates low
- Shortage of quality product
- Flight to safety
- Foreign buyers will look at Canada



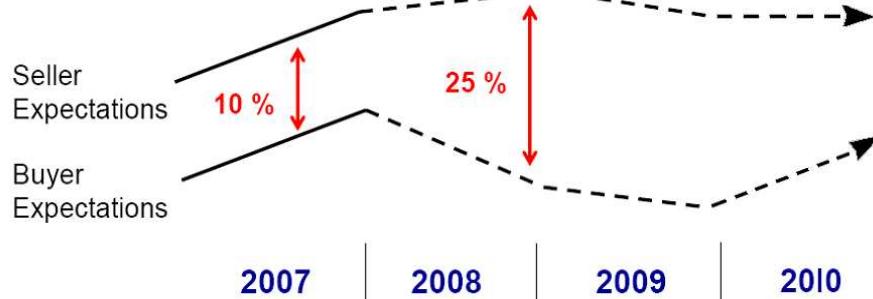
## It's about buying smart!



*80 % of the money you make  
is made by buying smart.*



### Seller / Buyer Expectations



Canadian Apartment Universe						
Number of Structures (by Total Number of Units)						
Metropolitan Areas	Under 6	6 - 19	20 - 49	50 - 199	200+	Total
Halifax	741	684	289	198	8	1,920
London	839	378	246	217	14	1,694
Calgary	867	944	389	120	20	2,340
Hamilton	499	564	194	222	30	1,509
Winnipeg	326	748	504	213	29	1,820
Ottawa	1,027	1,153	169	229	69	2,647
Edmonton	77	1,347	920	224	21	2,589
Quebec	3,371	3,285	567	144	11	7,378
Vancouver	532	1,540	1,307	532	14	3,925
Toronto	3,053	2,274	1,082	1,306	363	8,078
Montreal	30,008	22,892	2,622	794	96	56,412
<b>TOTAL</b>	<b>49,994</b>	<b>43,667</b>	<b>10,115</b>	<b>4,991</b>	<b>701</b>	<b>109,488</b>

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## ROCK Benchmark Transactions:

266 Condo Units at 100 Wingarden Ct  
Scarborough, ON



**Property Area:**  
266 of 300 units

**Date of Purchase:**  
April 2010

**Transaction Highlights & Experience**

- 4.5% cap rate
- \$18.45M or \$69,361/unit
- Large one, two, and three bedroom units
- New roof, balconies, and elevators
- Sold By Rock Advisors Inc




Apartment Advisors

## ROCK Benchmark Transactions:

1985 Richmond Street

London, ON



**Property Area:**

137 units

**Date of Purchase:**

May 2010

### Transaction Highlights & Experience

- High-rise concrete luxury purpose built rental
- 5.8% cap rate
- \$33M or \$241,000/unit
- Large one, two, and three bedroom units
- Sold By **Rock Advisors Inc**



## ROCK Benchmark Transactions:

100 Eagle Street  
Cambridge, ON



**Property Area:**  
119 units

**Date of Purchase:**  
June 2010

200 Eagle Street  
Cambridge, ON



**Property Area:**  
106 units

**Date of Purchase:**  
June 2010

### Transaction Highlights & Experience

- Luxury high-rise concrete purpose built rental
- 5.6% cap rate
- \$26.450M or \$222,270/unit
- Large one and two bedroom units
- Sold By **Rock Advisors Inc**

### Transaction Highlights & Experience

- Luxury high-rise concrete purpose built rental
- 5.6% cap rate
- \$20.250M or \$191,038/unit
- Large one and two bedroom units
- Sold By **Rock Advisors Inc**



## ROCK Benchmark Transactions:

306 Units at 11230/11350 104 Ave N.W.  
Edmonton, Alberta



**Property Area:** 306 units      **Date of Purchase:** August 2010

### Transaction Highlights & Experience

- \$58 Mil or \$190,000 /unit
- Large bachelor, 1, 2, and 3 bedroom units
- Balconies with gas hookups
- Business centre, fitness centre
- Sold By Rock Advisors Inc



## Vancouver Transactions:

Location	Age	Suites	Sale Date	Sale Price	Per Unit
Dolphin Square, 8200-8300 Park Rd. and 6780-6880 Buswell St., Richmond, B.C.	1978	174	Apr-08	\$23,000,000	\$132,184
Evergreen House, 1169 East 27th Street, North Vancouver	2009	32	May-09	\$9,000,000	\$281,250
Greensborough, 3091 Lincoln Avenue, Coquitlam	2009	66	Jun-09	\$10,450,000	\$158,333
Austin Manor, 544 Austin Avenue, Coquitlam	1970	48	Mar-10	\$5,175,000	\$107,813
Water's Edge, 425 6th Street, West Vancouver	2007	16	Oct-09	\$5,500,000	\$343,750

SOURCE: Burgess Cawley Sullivan & Associates (Vancouver, BC)



## Edmonton Transactions:



“Monticello”

11511 27 Avenue, Edmonton

Walk-up apartments

*Price:*

83 units

\$12,035,000

August 2010

*Price per suite:*

\$145,000



## Edmonton Transactions:



“Blue Quill Pointe”

11405 27 Avenue, Edmonton

Walk-up apartments

*Price:*

156 units

\$21,500,000

January 2009

*Price per suite:*

\$137,821



## Edmonton Transactions:



**“Whitehall Square”**

15403 87 Avenue, Edmonton

**High-rise apartments**

*Price:*

**601 units**

**\$111,250,000**

**September 2007**

*Price per suite:*

**\$185,108**



## Edmonton Transactions:



**“Callingwood Estates” / “Stonebridge Estate” /  
“Briarwood Apartments”**

17004 64 Avenue, Edmonton

**Walk-up apartments**

*Price:*

**236 units**

**\$33,000,000**

**May 2007**

*Price per suite:*

**\$139,831**



## Edmonton Transactions:



**“Sherwood Park”**  
501 Bothwell Drive, Edmonton

**Walk-up apartments**  
**180 units**  
**May 2007**

**Price:**  
**\$31,500,000**  
**Price per suite:**  
**\$175,000**



## Edmonton Transactions:



**“The Briarwood”**  
8104 182 Street, Edmonton

**Walk-up apartments**  
**87 units**  
**May 2007**

**Price:**  
**\$11,500,000**  
**Price per suite:**  
**\$132,184**



## Acquisition Strategies

- Identify Missing Niche in Marketplace (e.g. 1 Bedroom and Dens, Student Housing)
- Built Form (High-Rises, Townhouses, no Elevators)
- Choose the area you like
- Scalability



## Acquisition Strategies

### **In Each Market and Sub-Market:**

- Stagnant Portfolios
- Repositioning Opportunities
- Empire Loyalist Building
- Story Buildings



## Acquisition Strategies

### New Construction:

- Better returns over time
- Development risk
- Recognize the value of Increasing density

### Condo Conversion Opportunities (for future exit)



## Identify Your Target Market

- Build a database of Acquisition Targets
- Photograph the buildings
- Track Apartment Sales
- Make Unsolicited Offers (be the only one at the table)



# The Hidden Value Market Survey

- Select Competitors
- Rank Buildings
- Compare Ranking To Rent Charged
- Determine Neighbourhood Rent
- Determine Optimum Rent
- Test Higher Rents
- Benchmarks

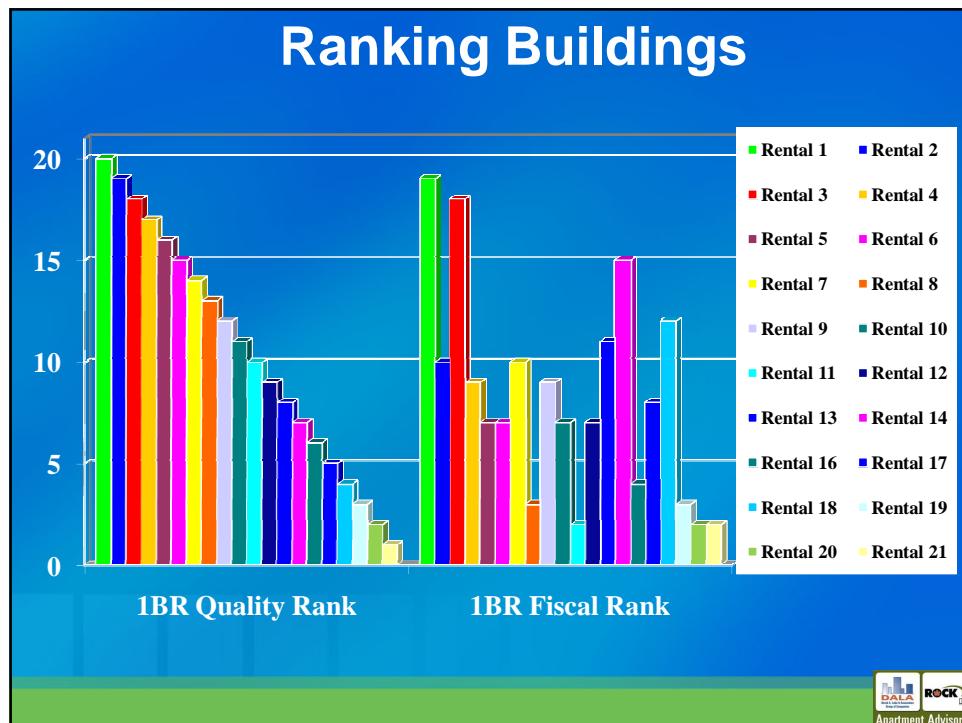


## Ranking Buildings

Apartment Survey Chart:

	Apt #1	Apt #2	Apt #3	Apt #4	Apt# 5	Apt# 6
1. Superintendents	21	22	18	17	19	15
2. Curb Appeal	21	22	20	19	6	5
3. Lobby	21	22	20	19	15	16
4. Common Areas	21	22	19	20	14	14
5. Apartment Appeal	22	20	21	19	17	16
6. Location	14	18	17	16	3	20
7. Security	21	22	20	19	17	6
8. Parking	21	18	19	20	22	12
9. Amenities	17	8	6	5	12	21
TOTAL:	179	174	160	154	135	124
RANKING:	1	2	3	4	5	6





## Population Growth

City	Population 2001	Population 2006	Population Growth 2001 to 2006 (%)
Calgary (CMA)	951,395	1,079,310	13.4%
Edmonton (CMA)	937,845	1,034,945	10.4%
Lethbridge	67,374	95,196	8.9%
Red Deer	67,707	82,772	22.0%
Grand Prairie	36,983	71,868	22.3%
Medicine Hat	61,735	68,822	11.5%
Wood Buffalo	42,602	52,643	23.6%
Vancouver (CMA)	1,986,965	2,116,581	6.5%
Victoria (CMA)	311,902	330,088	5.8%

SOURCE: Statistics Canada Census 2006.



## Average Rents

City	Average Rents (All Units)
Calgary (CMA)	\$ 970
Edmonton (CMA)	\$ 911
Lethbridge	\$ 792
Red Deer	\$ 787
Grand Prairie	\$ 808
Medicine Hat	\$ 649
Wood Buffalo	\$ 1,968
Vancouver (CMA)	\$ 978
Victoria (CMA)	\$ 850

SOURCE: CMHC 2010.



## Affordability (Income vs. Rents) 1 Bedroom Units

City	Median Income (1 Person Household)	(1) Estimated Affordable Monthly Rent	(2) AVG Rent 1 Bedroom	GAP between (1) and (2)
Calgary (CMA)	\$ 30,432	\$ 845.33	\$ 891	-\$ 46
Edmonton (CMA)	\$ 24,663	\$ 685.08	\$ 838	-\$153
Lethbridge	\$ 20,247	\$ 562.42	\$ 710	-\$148
Red Deer	\$ 24,292	\$ 674.78	\$ 708	-\$ 33
Grand Prairie	\$ 27,145	\$ 754.03	\$ 728	\$ 26
Medicine Hat	\$ 20,193	\$ 560.92	\$ 571	-\$ 10
Wood Buffalo	\$ 54,267	\$ 1,507.42	\$ 1,706	-\$199
Vancouver (CMA)	\$ 26,769	\$ 743.58	\$ 943	-\$199
Victoria (CMA)	\$ 24,735	\$ 687.08	\$ 809	-\$122

SOURCE: DALA Calculations from CMHC 2008 and Statistics Canada Census 2006.



## Affordability (Income vs. Rents) 2 Bedroom Units

City	Median Income (2+ Person Household)	(1) Estimated Affordable Monthly Rent	(2) AVG Rent 2 Bedroom	GAP between (1) and (2)
Calgary (CMA)	\$ 68,963	\$ 1,915.64	\$ 1,082	\$ 834
Edmonton (CMA)	\$ 62,666	\$ 1,740.72	\$ 994	\$ 747
Lethbridge	\$ 53,658	\$ 1,490.50	\$ 843	\$ 648
Red Deer	\$ 60,929	\$ 1,692.47	\$ 840	\$ 852
Grand Prairie	\$ 69,300	\$ 1,925.00	\$ 851	\$ 1,074
Medicine Hat	\$ 54,527	\$ 1,514.64	\$ 682	\$ 833
Wood Buffalo	\$ 94,874	\$ 2,635.39	\$ 2,060	\$ 575
Vancouver (CMA)	\$ 62,168	\$ 1,726.89	\$ 1,150	\$ 577
Victoria (CMA)	\$ 59,936	\$ 1,664.89	\$ 999	\$ 666

SOURCE: DALA Calculations from CMHC 2008 and Statistics Canada Census 2006.



## Acquisition Strategies

1. You can only buy where the  
apartment universe provides.

City	Population 2006	Total Apartment Universe
Calgary, AB	1,079,310	35,972
Hamilton, ON	692,911	42,111

SOURCE: CMHC 2010 and Statistics Canada Census 2006.



## Acquisition Strategies

2. People matter

City	Population Growth 2001 - 2006 (%)
Calgary, AB	13.4 %
Toronto, ON (CMA)	9.2 %
Quebec City, QC	4.2 %
Trois-Rivieres, QC	2.9 %
Regina, SK	1.1 %
Toronto, ON (City)	0.9 %
Saint John, NB	- 0.2 %

SOURCE: Statistics Canada Census 2006.



## Acquisition Strategies

3. You should consider building where the apartment universe is low, but income is high.



## Acquisition Strategies

4. Watch where the seniors are going. The aging population will require larger apartments in retirement-friendly neighbourhoods.



## Acquisition Strategies

*\* Remember, it wouldn't take much to dominate market share in some smaller cities and towns.*

**Example:** Richmond, BC (suburb of Vancouver):  
Total Apartment Universe = 2,489  
No. of Units/100 People = 1.43



## Eliminate Dangers

- There is too much competition
- Prices are too high
- Deepest pocket wins
- Foot race to buy building



## Focus On Opportunity

- Create new way generate qualified leads
- Be the only one at the table
- Spot hidden value in Rent Roll that owner is unaware of



## Plan and Path

1. Commit to purchase apartment buildings
2. The Database of Beneficial Apartment Owners
3. “Deal Funnel” generated by Brokerage
4. Broker ‘bird dog’ opportunities



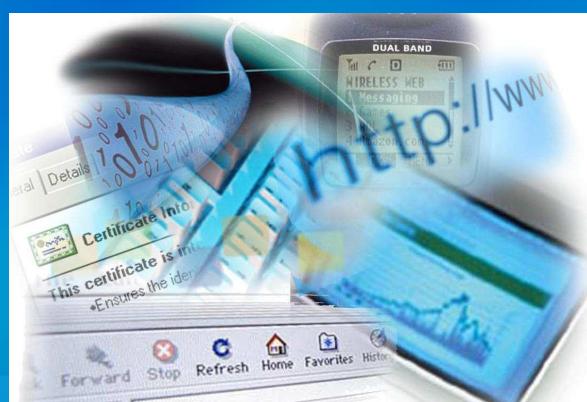
## Using Technology

1. Information gives you an huge buying and selling advantage.
2. When Selling: Exposing your property to the market will always get a higher price
3. When Acquiring: an off-market deal will always allow you to pay a lower price



## Using the Internet

- Acquisition
- Disposition



## Windsor, ON (sample risk scenario)

- recession risk
- Windsor risk
- financing risk
- renovation risk
- lease-up risk

*What rate of  
return would  
an investor  
expect?*



## Lesson Learned...

- Nobody knows what's coming (inflation, deflation, stagflation)
- Prepare for multiple outcomes
- Trust yourself
- Buy when there is 'blood on the streets'



# Thank You

Solo Deo Gloria

