

# Multi-Family Investing... The Next Step?

## Investing in Rental Apartment Properties

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It's about buying smart!

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



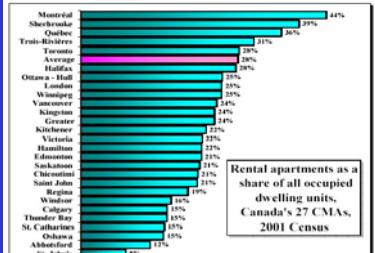
Apartment Demand & Rent Growth are a Function of:

- Population Growth (Internal & External Immigration)
- Income
- Housing Prices
- Vacancy Rates

*But even if these factors are good, there still has to be something to buy!*



### Population Measures 1



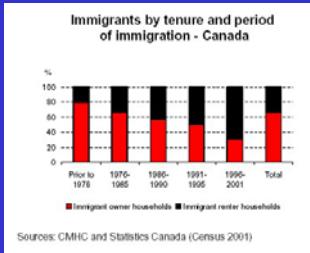
City	Percentage
Montreal	44%
Sherbrooke	36%
Trois-Rivières	31%
Toronto	28%
Quebec	28%
Halifax	25%
Ottawa - Hull	25%
Edmonton	25%
Vancouver	25%
Victoria	24%
Kingston	24%
Greater Sudbury	23%
Kamloops	23%
Victoria	23%
Hamilton	23%
Edmonton	23%
Saskatoon	21%
Calgary	21%
Saint John	21%
Regina	21%
Victoria	21%
Calgary	21%
Thunder Bay	19%
St. Catharines	19%
Ottawa	19%
Abbotsford	17%
Saint John N.B.	8%

Rental apartments as a share of all occupied dwelling units, Canada's 27 CMAs, 2001 Census

SOURCE: Urban Futures.



### Population Measures 2

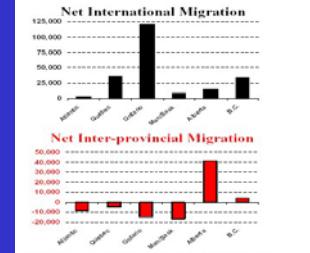


Immigrants by tenure and period of immigration - Canada

Sources: CMHC and Statistics Canada (Census 2001)



### Population Measures 3



Net International Migration

Net Inter-provincial Migration

Sources: CMHC adapted from Statistics Canada (CANSIM)

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Canadian Apartment Universe						
Metropolitan Area	No. of Structures (by Building Size)					
	Under 6	6 to 19	20 to 49	50 to 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 City	3,371	3,285	567	144	11	7,378
Vancouver	532	1,540	1,307	532	14	3,925
Toronto (CMA)	3,053	2,274	1,082	1,306	363	8,078
Montreal (CMA)	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>

SOURCE: CMHC 2006.

Canadian Apartment Universe						
Metropolitan Area	No. of Dwelling Units (by Building Size)					
	Under 6	6 to 19	20 to 49	50 to 199	200+	Total
Halifax	2,789	6,931	9,040	16,548	1,994	37,302
London	3,109	3,655	7,077	22,283	3,188	39,267
Calgary	3,440	10,056	11,570	11,070	5,280	41,416
Hamilton	1,906	5,511	6,183	22,107	7,031	42,738
Winnipeg	1,269	8,761	15,081	20,031	7,904	53,046
Ottawa	3,707	9,809	5,205	24,217	17,581	60,519
Edmonton	315	15,975	25,395	19,193	5,179	66,057
Quebec City	13,180	30,629	17,214	12,856	3,031	76,910
Vancouver	1,923	17,521	41,549	42,373	3,299	106,665
Toronto (CMA)	11,073	21,555	35,585	131,246	103,532	302,991
Montreal (CMA)	109,512	193,221	77,966	71,584	26,532	478,815
<b>TOTAL</b>	<b>185,108</b>	<b>397,180</b>	<b>307,410</b>	<b>462,825</b>	<b>190,620</b>	<b>1,543,149</b>

SOURCE: CMHC 2006.



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## Acquisition Strategies

- Identify Missing Niche in Marketplace
- Built Form (High-Rises, Townhouses, no Elevators)
- Scalability



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## Acquisition Strategies

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

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

**New Construction:**

- Better returns over time
- Brochure quality product
- Merchant Builder Relationship

**Condo Conversion Opportunities (for future exit)**



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## The Hidden Value Market Survey

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



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## Ranking Buildings 1

**Apartment Survey Chart:**

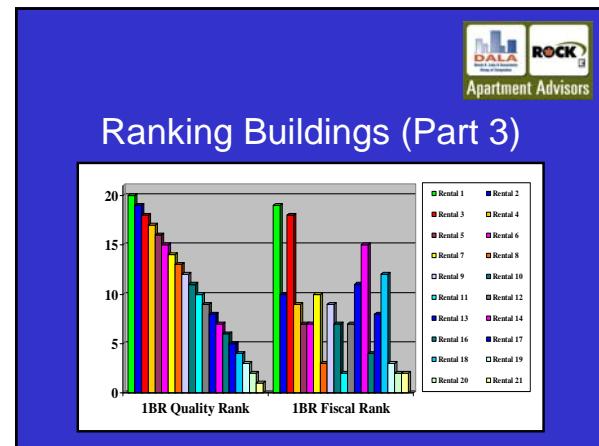
	Apt #1	Apt #2	Apt #3	Apt #4	Apt# 5	Apt# 6
1. Superintendents	21	22	18	17	19	15
2. Curb Appeal	21	22	20	19	6	5
3. Lobby	21	22	20	19	15	16
4. Common Areas	21	22	19	20	14	14
5. Apartment Appeal	22	20	21	19	17	16
6. Location	14	18	17	16	3	20
7. Security	21	22	20	19	17	6
8. Parking	21	18	19	20	22	12
9. Amenities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

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**Ranking Buildings 2**

**Apartment Survey Chart:**

	Quality Rank	1BR Fiscal Rank	1BR \$	Parking \$	Utilities Incl.
Apartment #1	1	6	605	Incl.	Yes
Apartment #2	2	2	650	\$20	No
Apartment #3	3	3	639	Incl.	No
Apartment #4	4	5	579	Incl.	Yes
Apartment #5	5	4	625	Incl.	Yes
Apartment #6	6	1	719	Incl.	Yes



**Population Growth**

City	Population 2001	Population 2006	Population Growth (%) 2001-2006
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)	\$ 992
Edmonton (CMA)	\$ 908
Lethbridge	\$ 740
Red Deer	\$ 798
Grand Prairie	\$ 979
Medicine Hat	\$ 634
Wood Buffalo	\$ 2,193
Vancouver (CMA)	\$ 904
Victoria (CMA)	\$ 774

SOURCE: CMHC 2008.

**Affordability (Income vs. Rents)**

**1 Bedroom Units**

City	Median Income (1 Person Household)	1. Est. Affordable Monthly Rent	2. AVG Rent (1 Bedroom)	GAP between 1. and 2.
Calgary (CMA)	\$ 30,432	\$ 845.33	\$ 919	-\$ 74
Edmonton (CMA)	\$ 24,663	\$ 685.08	\$ 837	-\$ 152
Lethbridge	\$ 20,247	\$ 562.42	\$ 690	-\$ 128
Red Deer	\$ 24,292	\$ 674.78	\$ 723	-\$ 48
Grand Prairie	\$ 27,145	\$ 754.03	\$ 903	-\$ 149
Medicine Hat	\$ 20,193	\$ 560.92	\$ 560	\$ 1
Wood Buffalo	\$ 54,267	\$ 1,507.42	\$ 1,858	-\$ 351
Vancouver (CMA)	\$ 26,769	\$ 743.58	\$ 857	-\$ 113
Victoria (CMA)	\$ 24,735	\$ 687.08	\$ 736	-\$ 49

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. Est. Affordable Monthly Rent	2. AVG Rent (2 Bedroom)	GAP between 1. and 2.
Calgary (CMA)	\$ 68,963	\$ 1,915.64	\$ 1,096	\$ 820
Edmonton (CMA)	\$ 62,666	\$ 1,740.72	\$ 1,000	\$ 741
Lethbridge	\$ 53,658	\$ 1,490.50	\$ 783	\$ 708
Red Deer	\$ 60,929	\$ 1,692.47	\$ 866	\$ 826
Grand Prairie	\$ 69,300	\$ 1,925.00	\$ 1,025	\$ 900
Medicine Hat	\$ 54,527	\$ 1,514.64	\$ 670	\$ 845
Wood Buffalo	\$ 94,874	\$ 2,635.39	\$ 2,350	\$ 285
Vancouver (CMA)	\$ 82,168	\$ 1,726.89	\$ 1,071	\$ 656
Victoria (CMA)	\$ 59,936	\$ 1,664.89	\$ 900	\$ 765

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

# Multi-Family Investing... The Next Step?

## Vacancy Rates



City	Vacancy Rate (All Units)
Calgary (CMA)	2.0%
Edmonton (CMA)	3.4%
Lethbridge	0.8%
Red Deer	3.2%
Grand Prairie	8.8%
Medicine Hat	2.0%
Wood Buffalo	0.1%
Vancouver (CMA)	0.9%
Victoria (CMA)	0.3%

SOURCE: CMHC 2008.

## Apartment Universe



City	Total Apartment Universe
Calgary (CMA)	37,861
Edmonton (CMA)	60,360
Lethbridge	2,692
Red Deer	4,654
Grand Prairie	2,862
Medicine Hat	2,467
Wood Buffalo	3,260
Vancouver (CMA)	103,962
Victoria (CMA)	23,367

SOURCE: CMHC 2008.

## Rental Units vs. Population



City	No. of Rental Units per 100 People
Calgary (CMA)	3.51
Edmonton (CMA)	5.83
Lethbridge	2.83
Red Deer	5.62
Grand Prairie	3.98
Medicine Hat	3.58
Wood Buffalo	6.19
Vancouver (CMA)	4.91
Victoria (CMA)	7.08

SOURCE: DALA calculation from CMHC 2007 and Statistics Canada.

## Acquisition Strategies

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

City	Population 2006	Total Apartment Universe
Calgary, AB	1,079,310	40,333
Hamilton, ON	692,911	42,498

SOURCE: CMHC 2006 and Statistics Canada Census 2006.

## Acquisition Strategies

2. People matter.



City	Population Growth (%) 2001-2006
Okotoks	46.7%
Wood Buffalo	23.6%
Calgary (CMA)	13.4%
Edmonton (CMA)	10.4%
Lethbridge	8.9%
Camrose	5.0%
Brooks	3.5%

SOURCE: Statistics Canada Census 2006.

## Acquisition Strategies

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

# Multi-Family Investing... The Next Step?



## 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.*

## Hamilton, Ontario Sales

Sale Date	Sale Price	# Units	Price per Unit
Oct. 1, 2007	\$1,800,000	36	\$50,000
Oct. 1, 2007	\$1,750,000	43	\$40,698
Mar. 31, 2008	\$1,602,000	32	\$50,063
Jan. 5, 2007	\$1,212,000	19	\$63,780
Dec. 7, 2007	\$1,085,000	31	\$35,000
Feb. 5, 2008	\$850,000	17	\$50,000
Mar. 22, 2007	\$520,000	15	\$34,667
Feb. 1, 2007	\$514,800	15	\$34,320



## Questions & Answers

### Questions & Answers...

1. Are there any other key metrics that buyers need to consider?



### Questions & Answers...

2. How are you finding your best deals?

# Multi-Family Investing... The Next Step?



## Questions & Answers...

3. In any given city, how do you evaluate neighbourhoods?



## Questions & Answers...

4. How does the resident profile impact on your financial proforma and buying decision?

### Top 10 Signs You Have a Tough Building in a Soft Rental Market

- 10) Your roommate matching program includes a clause for thirty foreign guys in the basement sewing designer t-shirts.
- 9) Residents insist on paying rent in small, non-sequential bills.
- 8) Every Tuesday your super rents out your sauna and turns it into a "rub and tug".
- 7) Your building's security system is just a cardboard cut-out of Clint Eastwood.



### Top 10 Signs You Have a Tough Building in a Soft Rental Market

- 6) Instead of painting your apartment, your super just coats the walls with mayonnaise.
- 5) You can't get through the bedroom door in the "furnished model" apartment for all the yellow police tape.
- 4) After you evict that pesky drug pusher your policy manual says to vacuum apartment, then sell contents of bag on street.
- 3) Three words to prospective tenant: "that ain't carpet".
- 2) Move-in gift is a six-pack and a gun rack.



### *And the #1 Sign You Have a Tough Building in a Soft Rental Market...*

- 1) Your property manager caught trying to suck quarters out of the laundry machine.

