

Investing in Rental Apartment Properties

Prepared by:



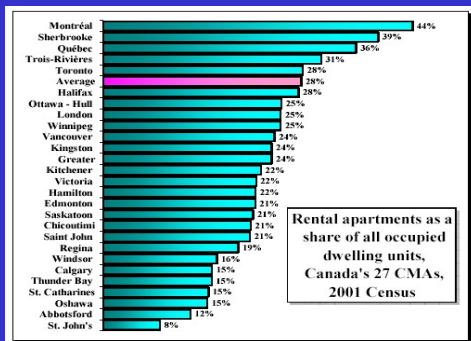
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It's about buying smart!

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

Population Measures



SOURCE: Urban Futures

Canadian Apartment Universe



Metropolitan Areas	Number of Structures					
	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	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
TOTAL	49,994	43,667	10,115	4,991	701	109,488



Acquisition Strategies

- **Identify Missing Niche in Marketplace eg. 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

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

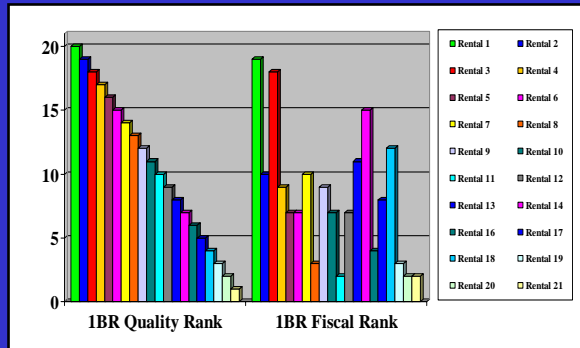
- **Select Competitors**
- **Rank Buildings**
- **Compare Ranking To Rent Charged**
- **Determine Neighbourhood Rent**
- **Determine Optimum Rent**
- **Test Higher Rents**
- **Benchmarks**

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

Ranking Buildings



Apartment Demand and Rent Growth are a Function of:

1. Job Growth
2. Population Growth (Internal and External Immigration)
3. Income
4. Housing Prices
5. Vacancy Rates
6. Apartment Construction
7. Diversified Economy
8. Political Stability

Population Growth

City	Population 2001	Population 2006	Population Growth (%) 2001-2006
Milton	31,471	53,939	71.4 %
Brampton	325,428	433,806	33.3 %
Richmond Hill (+Vaughan)	132,030	162,704	23.2 %
Oakville	144,738	165,613	14.4 %
Toronto (CMA)	4,682,897	5,113,149	9.2 %
Guelph	117,344	127,009	8.2 %
Brantford	84,417	124,607	5.5 %
London	432,451	457,720	4.7 %
Hamilton	662,401	692,911	4.6 %
Corwall	57,581	58,485	1.6 %
Toronto (City)	2,481,494	2,503,281	0.9 %
Timmins	43,686	42,997	-1.6 %

SOURCE: Statistics Canada Census 2006.

Average Rents

City	Average Rents (All Units)
Oakville	\$ 1,051
Pickering (+Ajax)	\$ 1,019
Toronto (City)	\$ 990
Toronto (CMA)	\$ 989
Whitby	\$ 885
Milton (+Halton Hills)	\$ 918
Ottawa	\$ 844
Guelph	\$ 820
Kingston	\$ 786
London	\$ 721
Brantford	\$ 693
Cornwall	\$ 598

SOURCE: Statistics Canada Census 2006.

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.
Pickering (+Ajax)	\$ 38,936	\$ 887	\$ 789	\$ 98
Ottawa	\$ 31,183	\$ 780	\$ 774	\$ 6
Windsor	\$ 25,286	\$ 632	\$ 650	- \$ 18
London	\$ 23,293	\$ 582	\$ 628	- \$ 46
Oshawa	\$ 27,645	\$ 691	\$ 756	- \$ 65
Cornwall	\$ 17,205	\$ 430	\$ 525	- \$ 95
Toronto (CMA)	\$ 29,787	\$ 745	\$ 896	- \$ 151
Barrie	\$ 24,883	\$ 622	\$ 804	- \$ 182

SOURCE: DALA Calculations from CMHC 2006 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.
Oakville	\$ 94,824	\$ 2,371	\$ 1,084	\$ 1,287
Milton (+Halton Hills)	\$ 83,349	\$ 2,084	\$ 964	\$ 1,120
Windsor	\$ 67,649	\$ 1,795	\$ 774	\$ 917
Mississauga	\$ 74,914	\$ 1,873	\$ 1,033	\$ 840
Kitchener / Waterloo / Cambridge	\$ 65,861	\$ 1,647	\$ 824	\$ 823
Thunder Bay	\$ 60,401	\$ 1,510	\$ 696	\$ 814
London	\$ 60,238	\$ 1,506	\$ 790	\$ 716
Toronto (CMA)	\$ 69,916	\$ 1,748	\$ 1,067	\$ 681
Cornwall	\$ 49,064	\$ 1,227	\$ 641	\$ 586

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

Vacancy Rates

City	Vacancy Rate (All Units)
Oakville	1.1 %
Greater Sudbury	1.2 %
Kingston	2.1 %
Ottawa	2.3 %
Mississauga	2.9 %
Toronto (CMA)	3.2 %
Cornwall	3.5 %
London	3.6 %
Hamilton	4.3 %
Thunder Bay	4.9 %
Windsor	10.4 %

SOURCE: CMHC 2006.

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
Calgary, AB	13.4 %
Toronto, ON (CMA)	9.2 %
Quebec City, QC	4.2 %
Trois-Rivières, 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.

Example: 905 beltway around Toronto, including Mississauga, Markham, Oakville, Richmond Hill

Acquisition Strategies

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

Example: Victoria, BC
Niagara Region, ON



Acquisition Strategies

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

Example: Newmarket/Aurora, ON
Total Apartment Universe = 1,664
No. of Units/100 People = 1.36



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



Testing Higher Rents

- Ready To Rent Apartments
- Mystery Shop On-Site Staff
- Closing Ratio Of 20% to 30%



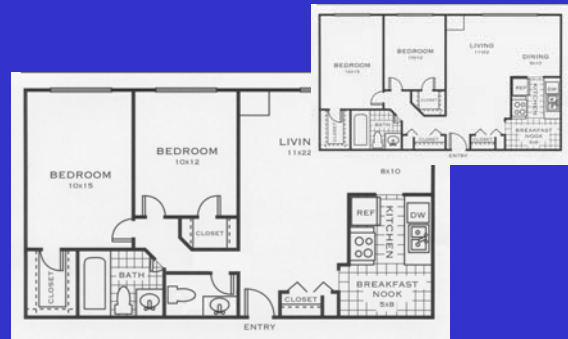
Telephone / Visits / Renters

- | | |
|-----------------------|-------|
| • Phone Call | 100 |
| • Appointments Booked | 60 |
| • Visit | 50 |
| • Rental | 10-15 |

Floorplan Audits



Floorplan Audits (cont.)



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
- 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.