



Top Canadian Investment Cities

Based on Key Economic Fundamentals



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verall, the Canadian real estate market is deemed a safe place for investors and is increasingly seen as a safe place for *foreign* investors to park capital in the tumultuous global market. Yet, there is really no national Canadian real estate market. The market in Canada needs to be analyzed on a regional basis due to differing economies in each province. Real estate varies provincially and regionally, and even differs from one neighbourhood in a city to another. Cities with a tendency to have a lot of equity gain over a period of time may not cash flow well and conversely, solid cash flowing properties may *just* be steady performers with an appreciation equivalent to inflation.

Canada was never affected by the sub-prime mortgage crisis experienced and still being experienced in the United States (and dare we speculate that it never will due to Canadian banks' more conservative lending practices). The dip (the plunge in some markets) in prices is starting to rebound in most cities and in others, is, and always has been, incredibly high. In many of these markets, values are too high for investors resulting in a lack of net yields (monthly cash flow), and appropriate stock is too low. Low interest rates subsequently entice buyers with low mortgages, but because of the tighter restrictions on lending, getting a mortgage for many has never been more difficult.

The national market has entered into balance and as RBC describes in their affordability report, it is a Goldilocks market – not too hot, not too cold, but just right. Starts are moderating and the resale market will plateau from a bit of an uptick. Net migration will increase to just under 300,000 new residents in the next few years due to an improving economy. Immigrants add fuel to the rental market particularly in ports of entry and the surrounding suburbs. Many cities across Canada benefitted from the government's economic stimulation plan and are in the process of building new infrastructure in the forms of bridges, roads, and other transportation improvements, which create great real estate rental niches by attracting residents to homes with short commute times to work. These fundamentals form excellent opportunities for real estate investors.

But just like the stock market, not all cities see real estate values increase in a booming market and many actually underperform. Your job as a real estate investor is to pick areas that provide the best returns for the lowest risk. There is a simple and easy strategy for doing this called **“Focusing on the Fundamentals Not Emotions”**.

Successful real estate investing is all about identifying a town or neighbourhood that has a future, not a past. Sadly, many investors like to invest based on past performance; thus, they are constantly chasing the market. This is called speculating — not investing.

To dramatically reduce the risk, investors should ask key questions instead of falling in love with a property. There are thirteen major influences on the long term values of property. Each of these affects real estate prices in both directions, and each one is an important component in finding which way real estate values will be going. The more “yes’s” that are revealed, the better the market will perform.

Economic Fundamental Questions

- Is the area's average income increasing faster than the provincial average?
- Is the area's population growing faster than the provincial average?
- Is the area creating jobs faster than the provincial average?
- Does the area have more than one major employer?
- Is the area in the RBC Affordability Index Hot Zone (25% to 39%)?
- Will the area benefit from an economic or real estate ripple effect?
- Has the political leadership created an economic growth atmosphere?
- Is the Economic Development Office progressive and helpful?
- Is the area's infrastructure being built to handle the expected growth?
- Are there any major transportation improvements in the works?
- Is the area attractive to Baby Boomers' lifestyle?
- Is there a short term problem occurring that is slated to disappear in the future?
- Is there a noted increase in labour and materials cost in the area?

The answers to these questions provide a base from which to work while analyzing any region in North America. This is especially important during today's market turmoil and mixed economic signals, as this economic focus is critical for investors identifying regions with future long-term potential.

Top Canadian Investment Cities

- 1) *Calgary, AB*
- 2) *Edmonton, AB*
- 3) *Hamilton, ON*
- 4) *Surrey, BC*
- 5) *Maple Ridge & Pitt Meadows, BC*
- 6) *Airdrie, AB*
- 7) *Kitchener & Cambridge, ON*
- 8) *Red Deer, AB*
- 9) *St. Albert, AB*
- 10) *Waterloo, ON*
- 11) *Winnipeg, MB*
- 12) *Saskatoon, SK*
- 13) *Halifax, NS*



Calgary, AB

Calgary, after having experienced one of its best economic and real estate periods in Canadian history, entered a strong (and needed) correction. During the economic downturn, Calgary's market is making a predictable correction resulting in slightly more affordable housing compared to recent years passed. It was economically impossible for the market to continue at the pace at which it was heading and now finds itself adjusting to market realities. This adjustment period, as the market searches for its new foundation from which to build, should continue as the provincial economy is poised for another growth spurt. The in-migration pace continuing to lead the nation combined with the renewed affordability will help propel the market over the coming years. We, fortunately, should not see the massive over-boom situation we previously witnessed as the market remains more in line with the fundamentals.



Edmonton, AB

Edmonton still remains near the top of the list for future potential. Because of the diversity of the economy, we should see the job growth kick back in and this growth will attract migrants from across the country who in turn will build the foundation for real estate demand. A perennial over-achieving market, Edmontonians and investors have learned to choose their neighbourhoods wisely with a focus on areas with improved ease of access, affordability and nearness to job centers. Edmonton provides investors with a growing market, an increasing population, and a forward looking leadership. We will begin to witness market norms and balance being achieved in the coming years, without the frenzy of the last boom, or the fear of the last downturn. The good news is that Edmonton's historic norms will be at, or near, the top of performance for all of Canada, both economically and in the re-sale and rental housing sectors. A focus on the major infrastructure improvements (i.e. ring road and LRT expansion) will prove to be keys for investors.



Hamilton, ON

Known formerly as a hard-working steel town, the city has quickly shed this image in the eyes of potential investors - as indicated by the record breaking building permit values Hamilton has experienced in recent years. Helmed by a forward-thinking government and Economic Development team, Hamilton's population and economic growth have skyrocketed, finally propelling the city to the top of our list of Ontario Investment Towns. The wheels have been set in motion to create a major high-tech industrial park in conjunction with growth at McMaster University, sparking an entrepreneurial spirit in the city. In fact, Hamilton's leadership has been very innovative with their revitalization plans throughout the city. Residents are witnessing re-developments including residential, commercial, industrial and recreational projects in all areas of Hamilton.



Surrey, BC

As the second largest city in British Columbia, Surrey has already experienced tremendous growth. As the fastest growing city in Canada, Surrey is predicted to take Vancouver's place as the largest city in Canada in upcoming years. With two border crossings to the United States, links to five major highways, deep sea docks, and four railways, it's easy to see why. Surrey is a prime location to do business, with access to local, national, and international markets.

When reviewing Surrey's economic fundamentals, one sees an area going through a positive transition. Others have taken notice as well of the increase in population and the subsequent business opportunities. Surrey has experienced tremendous growth and the trend looks to continue for many years to come. There are many renters in the region, providing potential landlords with the ability to provide safe, quality housing to a growing rental population. This is why it is important to examine this city on a micro level and take the neighbourhood's and even the street's characteristics into consideration when deciding where to purchase.



Maple Ridge & Pitt Meadows, BC

This region has been hampered by poor transportation infrastructure for decades. Thus, property values have been lower historically than other areas located the same distance from the Central Business District (CBD). As the Translink/Gateway Project components are completed, Maple Ridge will be among the most accessible regions in the Lower Mainland; this will drive demand for both residential and commercial/industrial property due to having some of the lowest average priced real estate in the Lower Mainland. The City predicts an additional 400 businesses will call Maple Ridge their home. Pitt Meadows will also feel this impact positively and benefit from the new transportation projects. In the Metro Vancouver area, the cities are prime locations for those wanting access to the amenities of a larger city without the constant activity and commotion a large city creates. A decade from now, as the transition begins to take hold, this area will become known as "The Place To Live For Lifestyle."



Airdrie, AB

There is no denying that Airdrie has been one of the fastest growing communities in the Alberta and homeowners, developers and investors have done very well over the last several years. Its proximity to the economic engine of Calgary and the growth of the surrounding economy will push the physical and economic growth limits of the city in the next decade. The city's leadership is handling the tremendous growth better than others in the province and with their positive steps towards densification (which will help investors receive increased income), council and planning departments are setting Airdrie up for a long term win.

Investors and homeowners should have a feeling of confidence that the current market is built on a foundation of economic fundamentals. With increasingly easy access to many areas of Calgary via the ring road, as well as the growth of job centers in and around the city, Airdrie property owners will continue to feel upward pressure on both rents as well as home prices. As affordable housing becomes a growing problem in Calgary, Airdrie will benefit from lower average house prices. As the office centre of the west, Calgary may offer employment opportunities that Airdrie does not, but much of the labour force will turn to Airdrie as a place to call home. With the completion of the north section of the Calgary Ring Road, Airdrie is better connected to its larger neighbour than ever before. In coming years, we will see the population of Airdrie continue its rapid growth.



Kitchener & Cambridge, ON

With their ever diversifying economies, Kitchener and Cambridge remain near the top of our list of Ontario investment towns. Their access to key Canadian, U.S., and international markets, superb transportation links (GO transit, access to the Lester B. Pearson International Airport, and Highway 401), and a forward-thinking economic development team leave them poised to be economic leaders in the province for many years to come. In-migration is strong, average incomes are strong, available older housing stock is there and overall job growth continues. KC will remain the "Economic Alberta of Ontario" for the foreseeable future.



Red Deer, AB

Situated right in the heart of the booming Edmonton – Calgary corridor, it is hard for Red Deer to do anything but become one of Canada's best locations for real estate investment. Red Deer and the surrounding county have enjoyed tremendous economic growth over the last seven years, and the negative effect of the global downturn has been muted compared to other cities in Western Canada. The underlying economic stability has lead to an influx of people from across Canada, helping to support one of the strongest rental and real estate markets in the province. It has become the main commercial and retail center for all of Central Alberta. The leadership in the city has created a vision of renewal, revitalization, and economic stability, all of which make the opportunities in Red Deer very strong. From transportation changes to increased localized job growth and an increasing population, the City will continue to attract people from across the province. Red Deer will go through the inevitable growing pains as diversification continues. Investors should review the plans the city has in place to identify the hidden opportunities.



St. Albert, AB

With consistently low vacancy rates, high rents, and strong property value increases, combined with a strategic location, St. Albert is definitely poised to take advantage of the next phase of the recovery. Immediately adjacent to the northwest corner of Edmonton, St. Albert experiences a positive economic ripple effect from the larger city which will increase as the northern section of the Edmonton Ring Road is completed. This major transportation improvement will improve access to St. Albert not only from Edmonton but also the airport region, which will heighten demand from both companies and citizens alike. In addition, St. Albert has worked hard to create its own stable and diverse employment base. It has turned itself into a major retail centre for the northern region while adding to its industrial and commercial job base. As economic vitality re-emerges in Alberta, we will witness new companies attracted to the city that will tap into its higher-educated population and improved access.



Waterloo, ON

In spite of the overall loss of the momentum in the provincial and federal economies in the past two years, Waterloo's potential remained strong. The city has proven to be a bit of a chameleon, changing its colours to adapt to an evolving economy (the latest reinvention being a shift to a high-tech and service business focused city). Bolstered by strong immigration and an influx of students attending post-secondary institutions in the area, Waterloo offers investors a consistently strong rental market. However, investors will need to tread cautiously in the near future to see how the recently passed rental licensing system affects the rental market. The licensing system means stricter regulations for most landlords and a potential drop in rental income as the number of rentable bedrooms is limited. This new threat to investors has caused the city to drop below Kitchener and Cambridge on our list of top investment cities.



Winnipeg, MB

After nearly ten years of housing prices increasing by over 10% annually, Winnipeg has increasingly become a seller's market. Winnipeg generally does not experience the ups and downs experienced in larger cities across Canada. As the largest city in Manitoba, it will greatly feel the positive effects of the province's expanding economy, GDP and employment opportunities after a decline that resulted in a decrease in employment and emigration of residents to other provinces. International immigration is expected to increase under the provincial nominee program being undertaken by the government, which will provide more renters in the housing market. A low inventory of all homes, including multi-family homes, coupled with low vacancy rates have spurred starts in the rental apartment construction centre. Investors need to be aware that the double digit increases of home values will lead to an influx of inventory on the market, which although will bring a more balanced market, may dilute potential rent and increase vacancy rates (although with one of the lowest vacancy rates in the country at 1.2%, there is room to give).



Saskatoon, SK

The city of Saskatoon provides a wonderful opportunity for those with a long term view and who are not afraid of short term fluctuations. In the last couple of years, an over-abundance of speculation hit the market and pushed values above the economic fundamentals; subsequently, we are witnessing the market response to that. This speculation, coupled with an influx of workers from other provinces, created a triumvirate of positive attributes for an investor: increases in values; rents; and a decrease in vacancy rates. This influx of intra-migration will not be sustained over the next 18 months but the city should see resurgence in late 2012 as the oil and gas economy kicks back into gear and employment opportunities and incomes subsequently increase. After a record level of starts in 2007 and 2008, new housing levels will return to normal and are forecasted to increase in the next two years as population growth continues at a more measured rate.

Investors in Saskatoon must pay very close attention to obtaining positive cash flow and not just rely on the value increases experienced in this market.



Halifax, NS

The announcement of the \$25 billion ship building contract awarded in 2011, which extends through three decades, has resulted in the Regional Municipality of Halifax finally emerging as one of Canada's top investment cities. Previously it flew under the radar, as jobs were relatively hard to come by. Yet now, the out-migration of young workers to the west is likely to be curbed through the creation of an expected 11,500 jobs directly and indirectly related to the contract. Additionally, the province expects a \$900 million boost to its GDP as the creation of jobs will also result in more housing development, higher consumer confidence and the purchase of more vehicles and consumable goods. In a province of less than one million people, the city is well supported by universities (with more educational facilities per capita than anywhere else in Canada), creating a tremendous opportunity for student housing. The strong presence of military and government provides employment stability to the municipality. Although the cost of housing is relatively inexpensive compared to most other metropolitan areas in Canada, rents need to catch up in order to provide solid cash flowing opportunities for investment. With anticipated increased demand due to a huge spike in jobs, this should be forthcoming.

ABOUT THE AUTHORS



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Don R. Campbell is a Canadian-based real estate investor, researcher, author and educator. He is a Founding Partner of The Real Estate Investment Network Ltd. His experienced team's research and systems have been developed and continuously refined over the last twenty years and are based solely on proven Canadian strategies that work in today's market environment.

Don is the author of the best-selling Canadian real estate book *Real Estate Investing in Canada*. Published in May 2005, with a combined total of over 100,000 copies of all his books sold, *Real Estate Investing in Canada* is the all-time best-selling real estate book in Canadian history. *Real Estate Investing in Canada 2.0* was released in 2009 with an update on current market conditions and includes a section on property management to help investors better manage their portfolios. Don's second book, *97 Tips for Canadian Real Estate Investors* was released in 2006 and became a #1 best-seller with over 20,000 copies sold. His third book, titled *51 Success Stories of Canadian Real Estate Investors*, chronicles real estate investors' stories and follows with detailed analyses of their journeys so that all investors can mirror the successes and avoid the pitfalls. *81 Financial and Tax Tips for the Canadian Real Estate Investor*, released in February 2010, is a practical, compact, and easy-to-understand guide to accounting and tax-saving strategies. Published in 2011, *Secrets of the Canadian Real Estate Cycle* enables investors to assess local markets and decide the best investment tactics based on the key factors that drive cycles. *Real Estate Joint Ventures: The Canadian Investors Guide to Raising Money and Getting Deals Done* was released in November 2011. *Buying US Real Estate: The Proven and Reliable Guide for Canadians* was released in September 2012, followed soon after by *The Little Book of Real Estate Investing in Canada* in January 2013.

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Melanie joined REIN™ in 2006 as a research analyst and has contributed in many areas including Top Investment Towns; the Impact of Transportation Improvements on the Lower Mainland, Calgary, Edmonton, Greater Toronto and the Hamilton region; grow-ops and methamphetamine labs in rental housing and crime prevention through environmental design. Melanie holds a Master's Degree in Criminal Justice from California State University, San Bernardino and a Bachelor's Degree in Criminology from Simon Fraser University. She has worked with law enforcement agencies in southern California on many projects including a methamphetamine task force and Community Oriented Policing initiatives. In Canada, Melanie consulted with local transit agencies to help reduce crime at rapid transit stations along the Millennium line and has helped develop crime prevention and safety projects with various law enforcement agencies around the Lower Mainland. Now, as the Director of Research, she is the driving force behind the monthly REIN™ e-newsletter for real estate investors, *The Real Estate Insider*, which can be accessed at <http://blog.myreinspace.com>

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Allyssa first joined the REIN™ team in 2008 as a research assistant. In the past four years, Allyssa has contributed to many of REIN's cutting edge research reports, including: the Top Investment Towns reports for Alberta, BC and Ontario, and the Transportation Effects reports for Vancouver, Calgary, Edmonton, Hamilton, the GTA and, most recently, Ottawa. Her work has been published in the *Canadian Real Estate Magazine* on more than one occasion. Allyssa is currently pursuing her Bachelor of Business Administration Degree with a Communications minor at the University of the Fraser Valley.