

Ontario Rental Market Overview - February 2017

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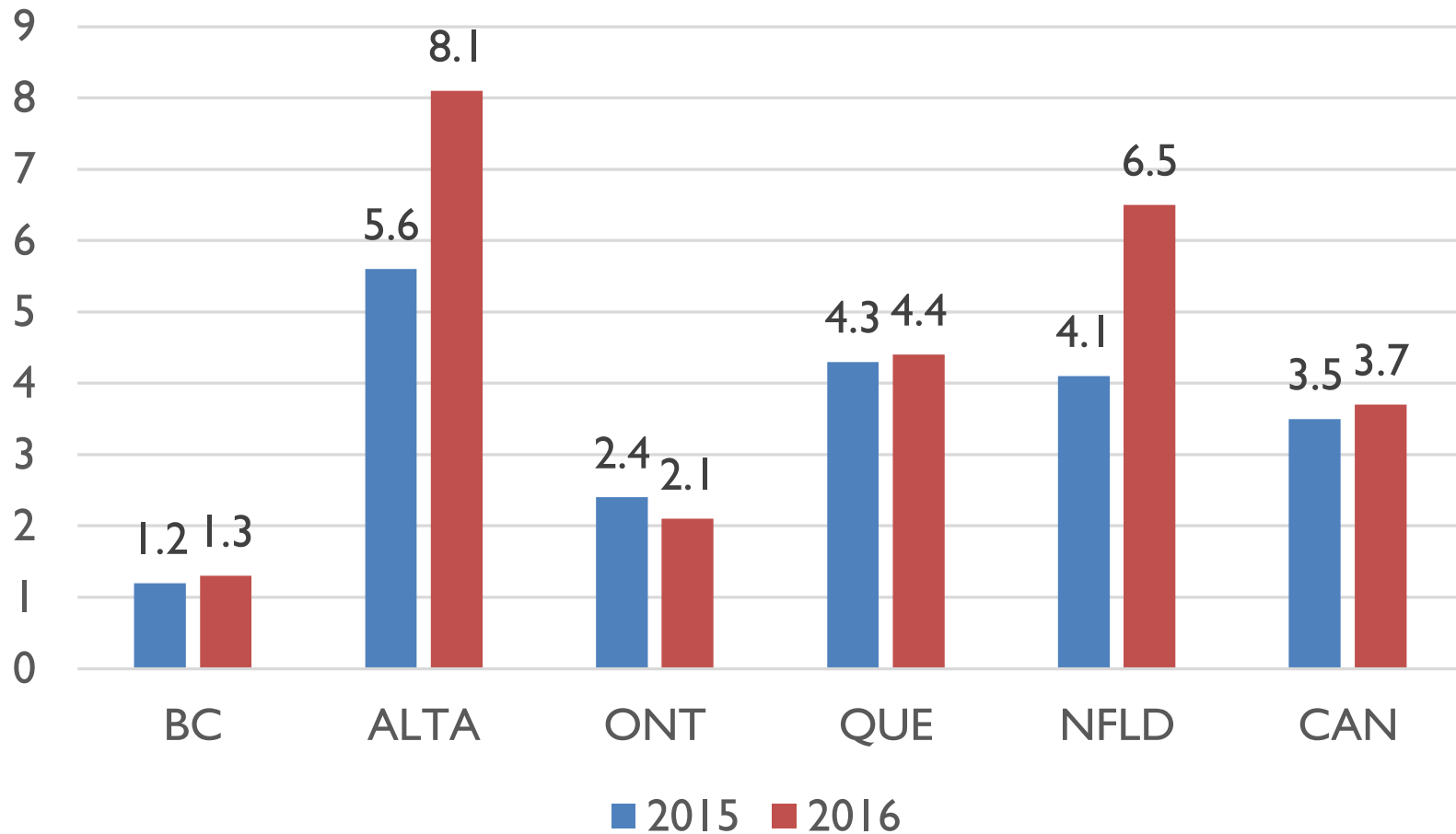
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KEY TAKEAWAYS

- Ontario & BC Remain Tightest Rental Markets
- Tight Rental Markets in South – Cooler in North
- Economy, Affordability, Immigration Add to Demand
- Vacancy Rates Still Have Room To Fall - Rents Will Grow
- Private Multi Unit Rental Investments Will Grow
- Investors/Builders Should Keep Eye on Potential Demand @ High End
- National Housing Strategy & Other Policies To Play a Pivotal Role

BC & Ontario Remain Tightest Rental Markets

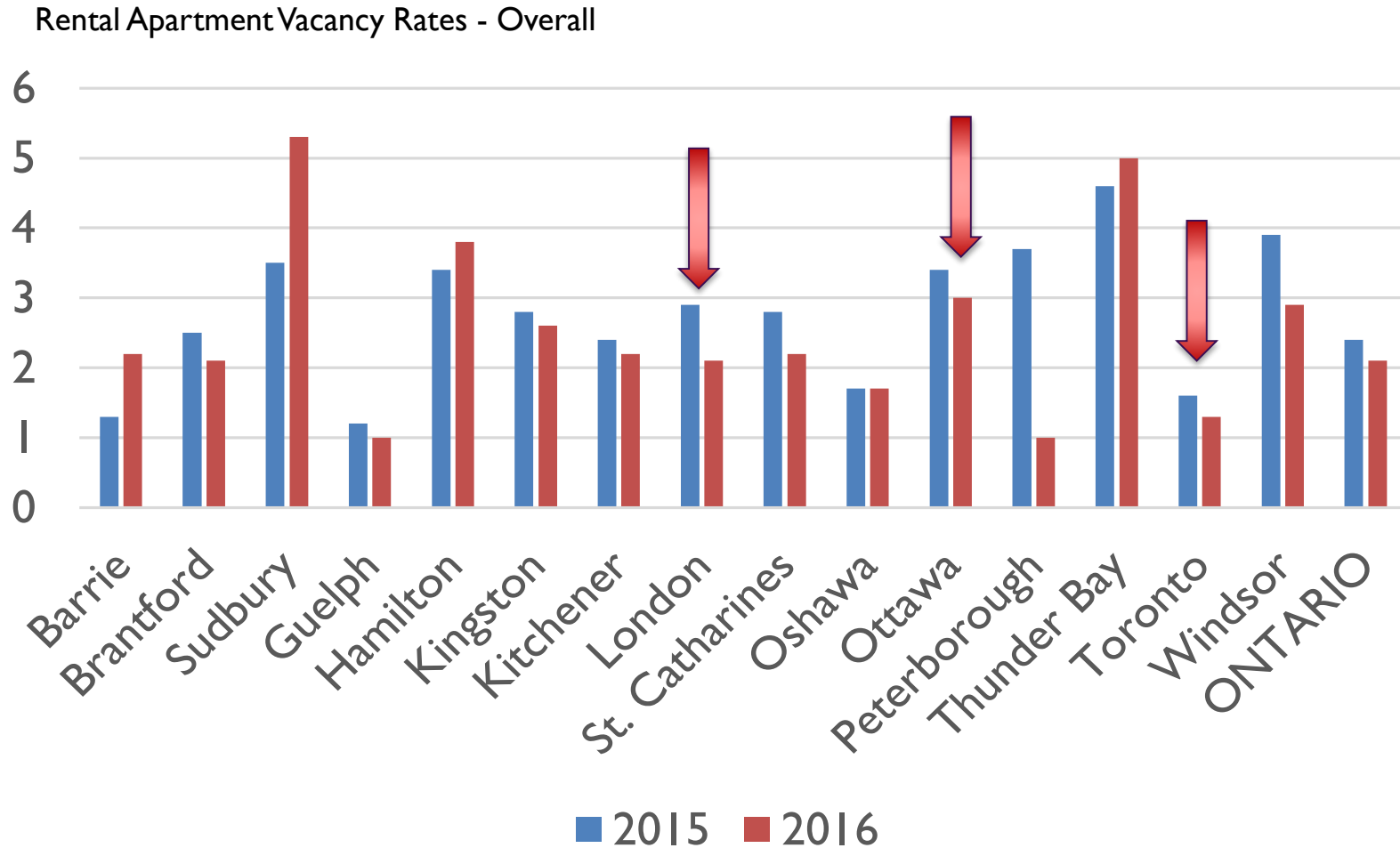
Rental Apartment Vacancy Rates - Overall



Source: CMHC Rental Market Survey



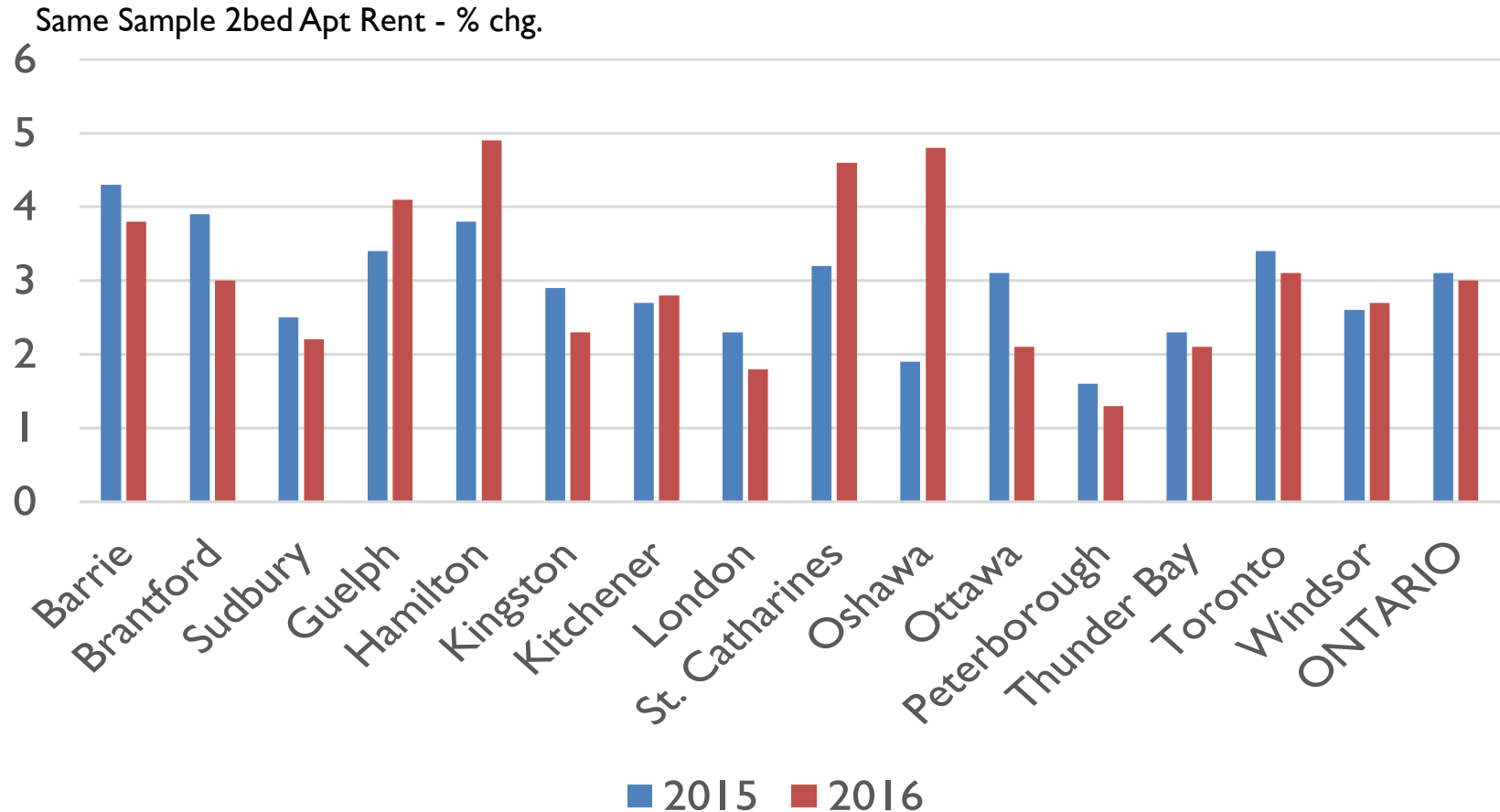
Toronto, London, Ottawa Contribute Most To Vacancy Drop



Source: CMHC Rental Market Survey



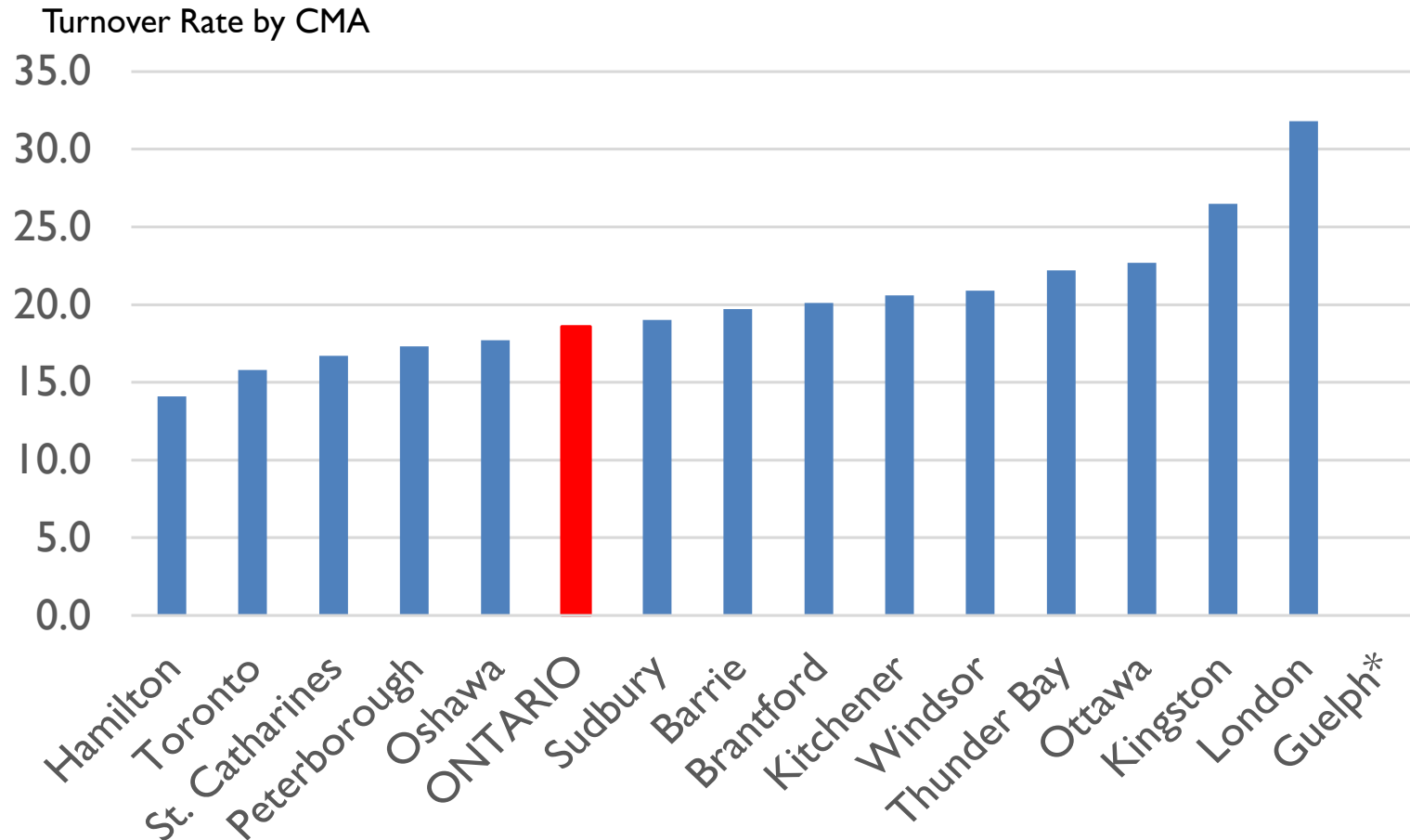
Southern Ontario Rents Grow Faster vs North & East



Source: CMHC Rental Market Survey



Younger University Towns Post Higher Turnover Rates



Source: CMHC Rental Market Survey

*Poor quality data (suppressed)



Factors Impacting Ontario Vacancy Rates: 2015/16

<u>FACTORS</u>	<u>2015</u>	<u>2016</u>
Job Market/Economy	U	D
Demographics	U	D
Cost Gap (Own vs Rent)	D	D
New Rental Supply	U+	U
NET EFFECT	U	D

D=Downward Pressure

U=Upward Pressure

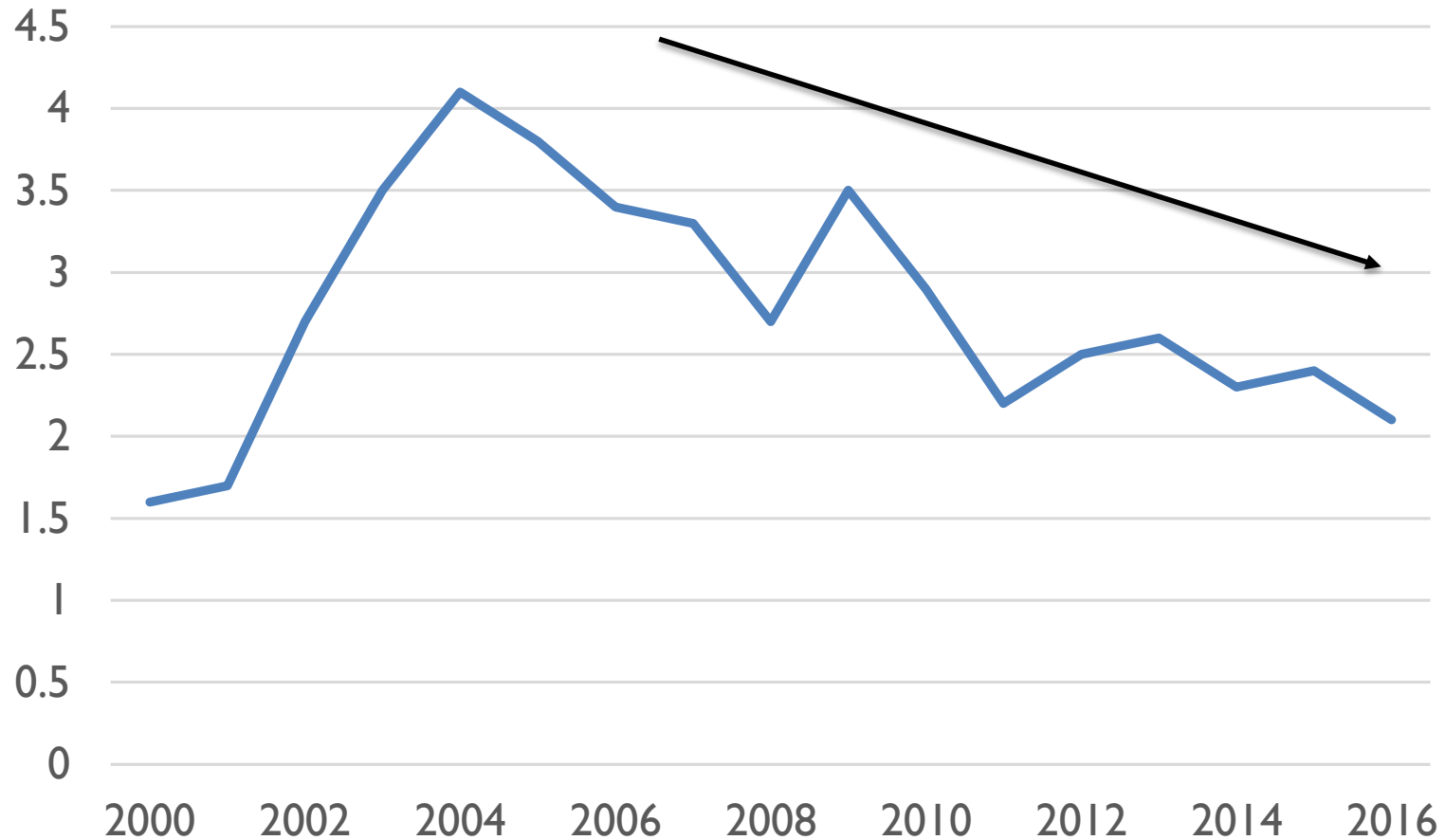
N=Neutral

Source: CMHC Rental Market Survey, Statistics Canada



Downtrend in Rental Vacancy Rates Will Continue

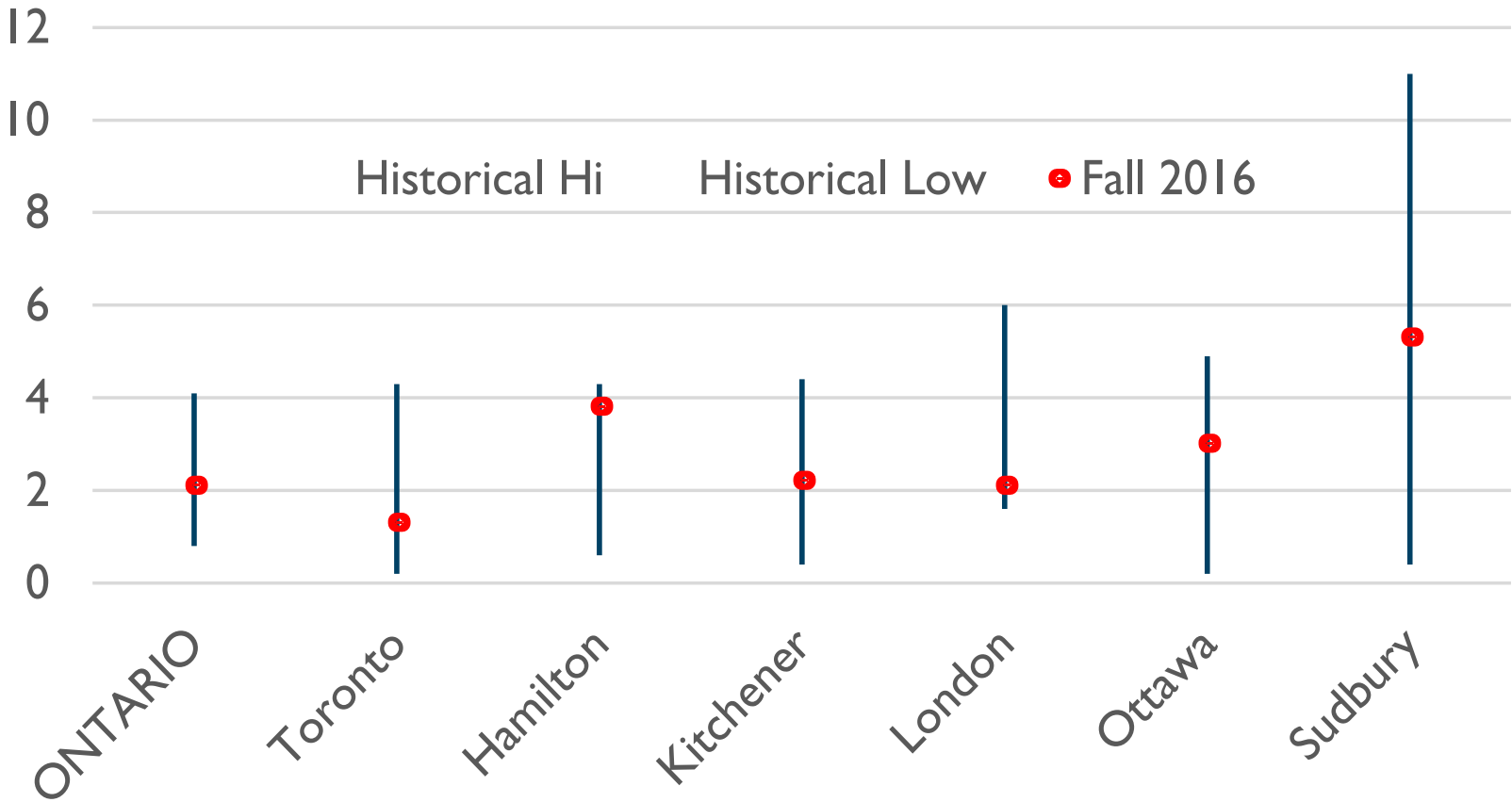
Ontario Rental Apartment Vacancy Rates - Overall



Source: CMHC Rental Market Survey,

How Low Can Ontario Vacancy Rates Go?

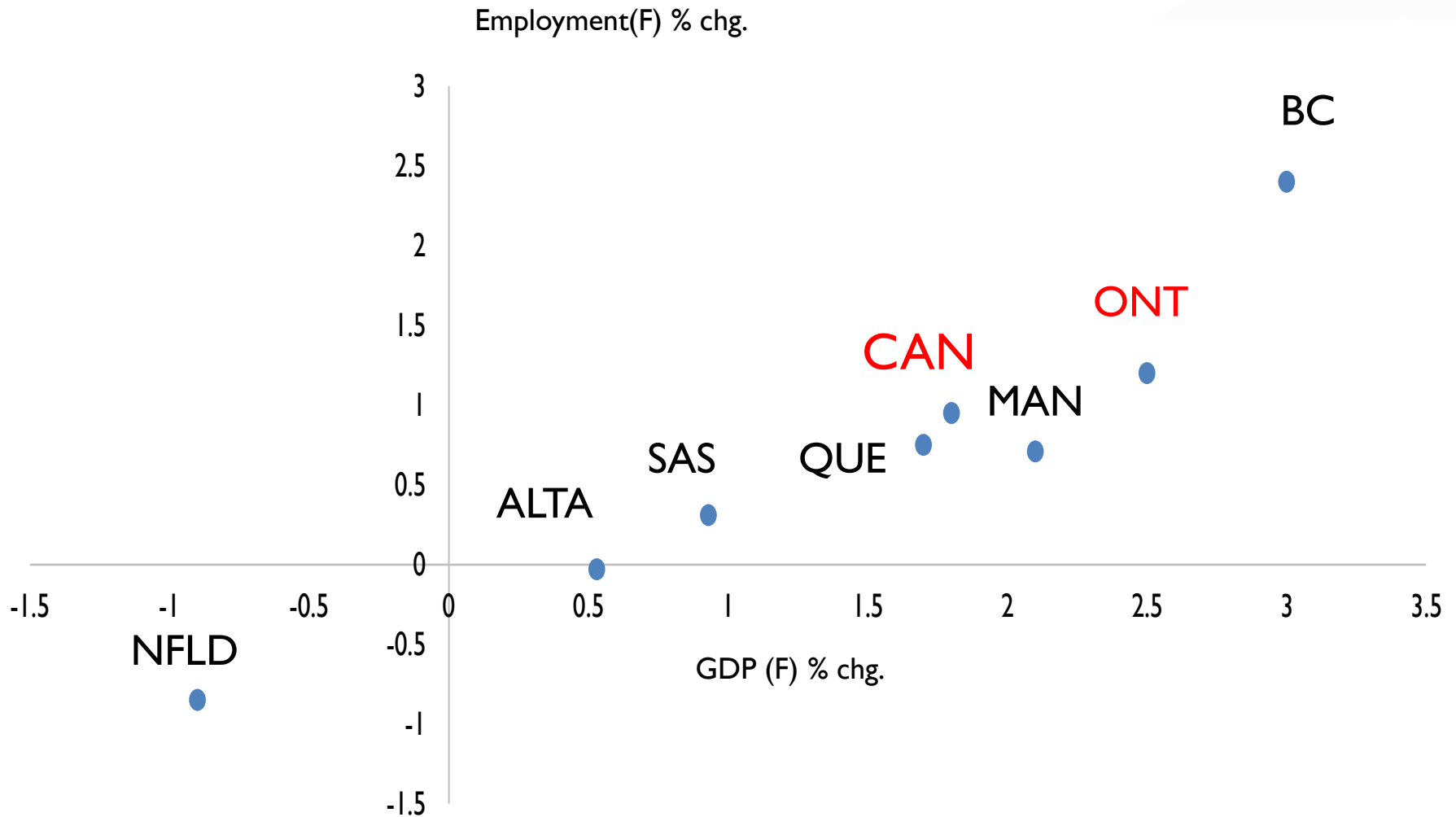
Historical Annual Rental Apartment Vacancy Rates - Overall



Source: CMHC Rental Market Survey,



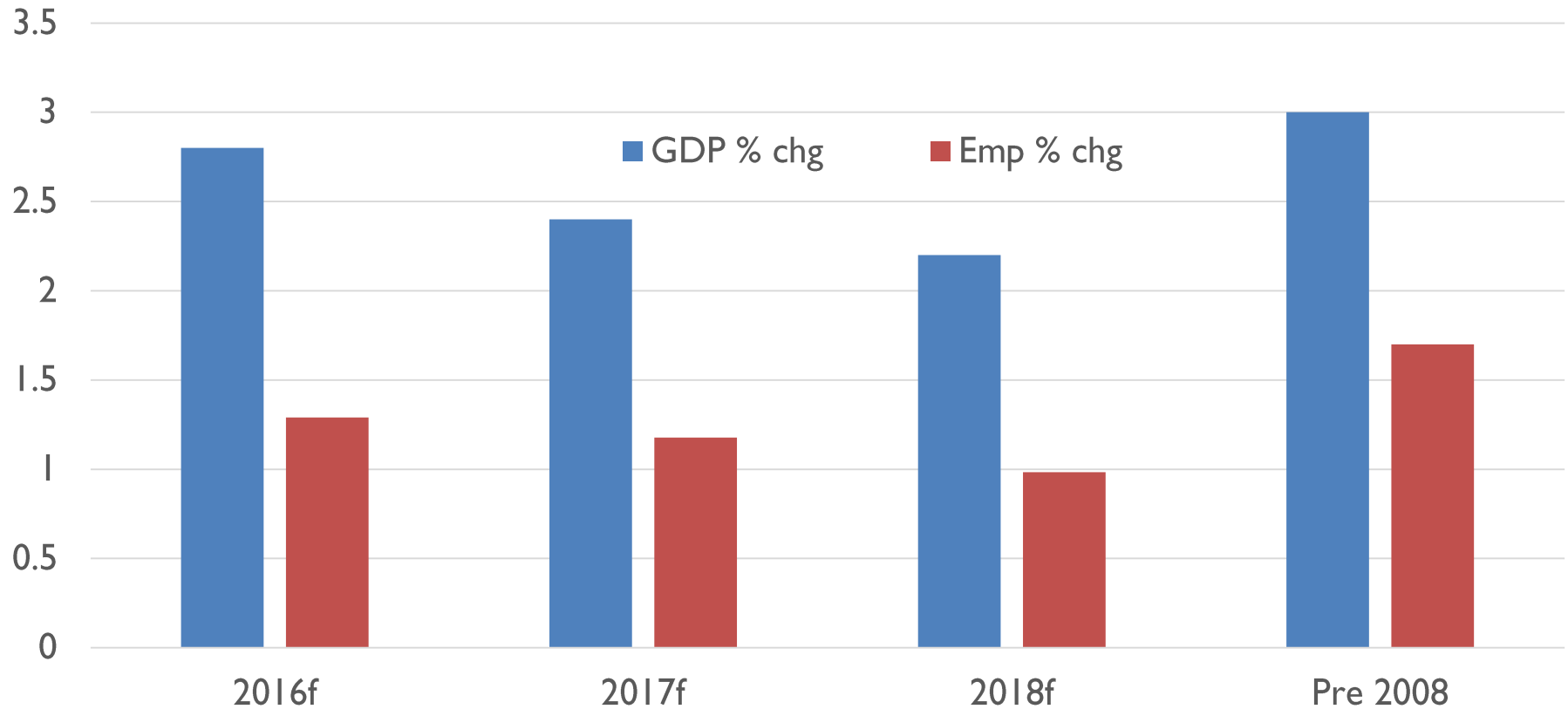
Ontario Economy Will Be Among Growth Leaders But...



Source: Statistics Canada Economic Accounts, Statistics Canada LFS, CMHC Mean Forecast (F) 2016-18



...Will Grow At Slower Rate Especially vs Pre 2008



Source: Statistics Canada Economic Accounts, Statistics Canada LFS, CMHC Forecast (f) 2016-18

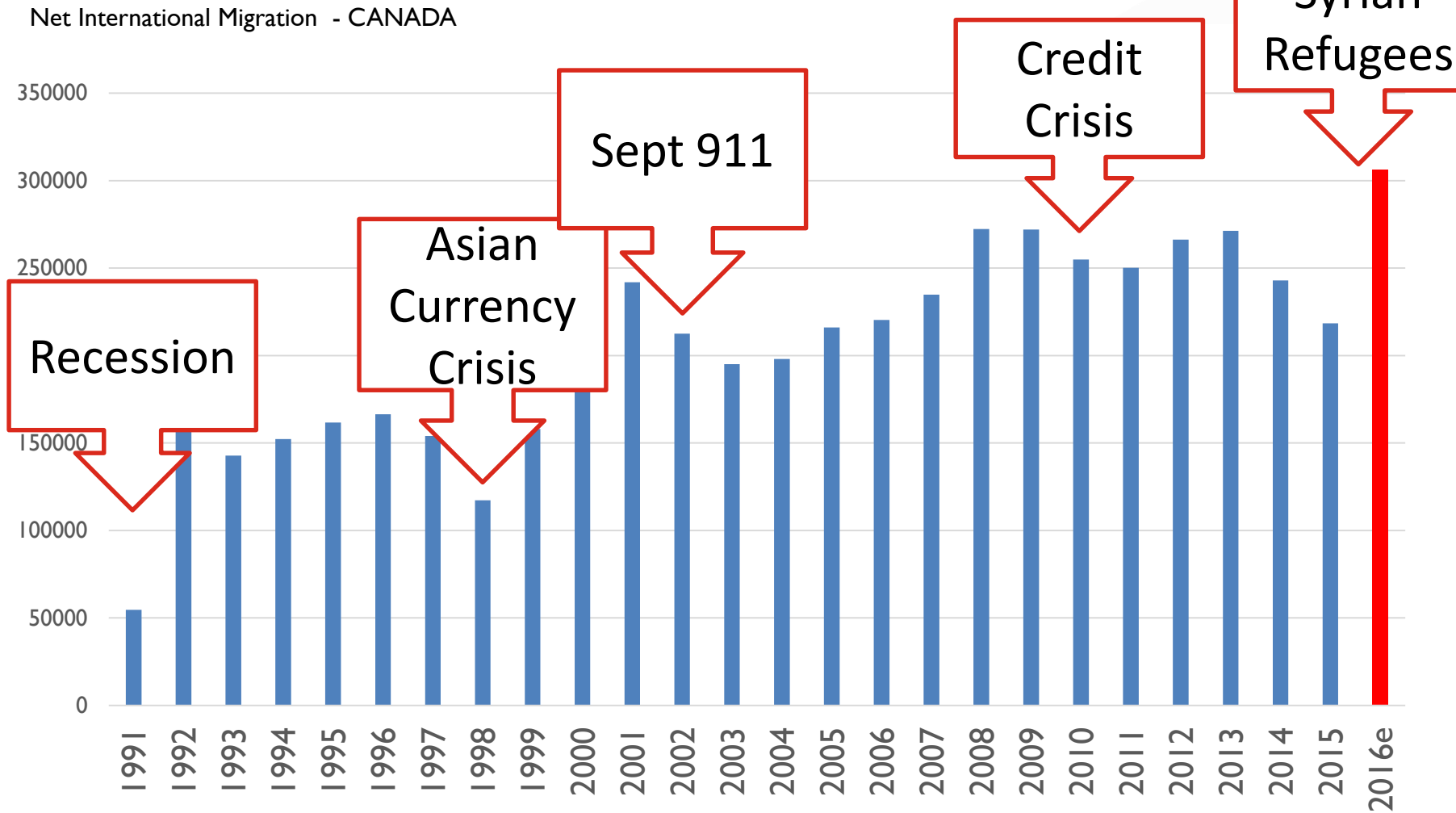


Lower Paying Jobs Leading – More Supportive of Rental Demand

Year 2016	Job Growth	% of Ontario Avg Earnings
Part Time	1.5	
Full Time	0.97	
Total Services	2.1	98
Total Goods	1.6	110

Source: Statistics Canada

International Migration Impacted By Global Factors

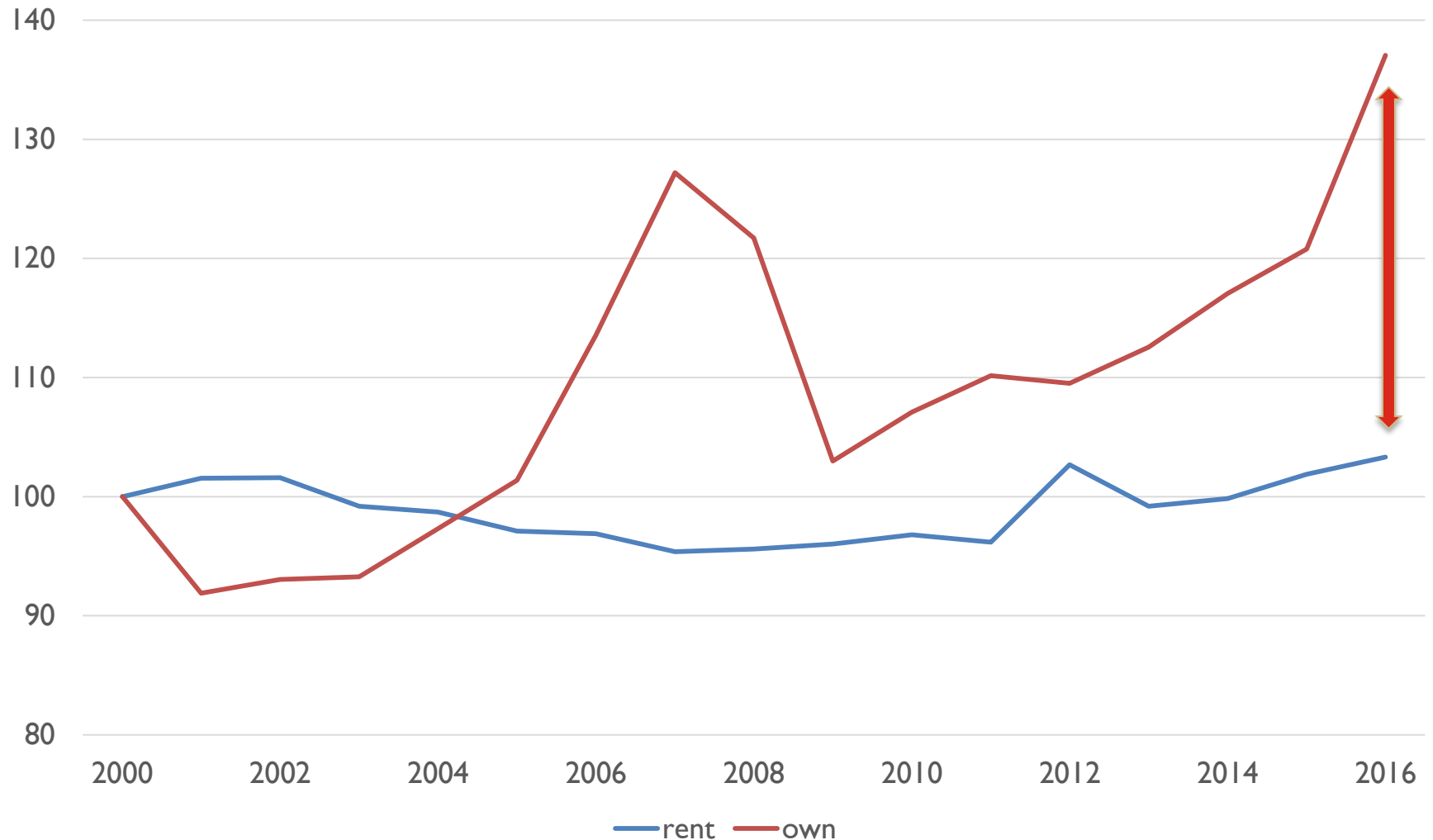


Source: Statistics Canada, CMHC Estimate(e)



Some Millennial Finding Ownership Option Prohibitive

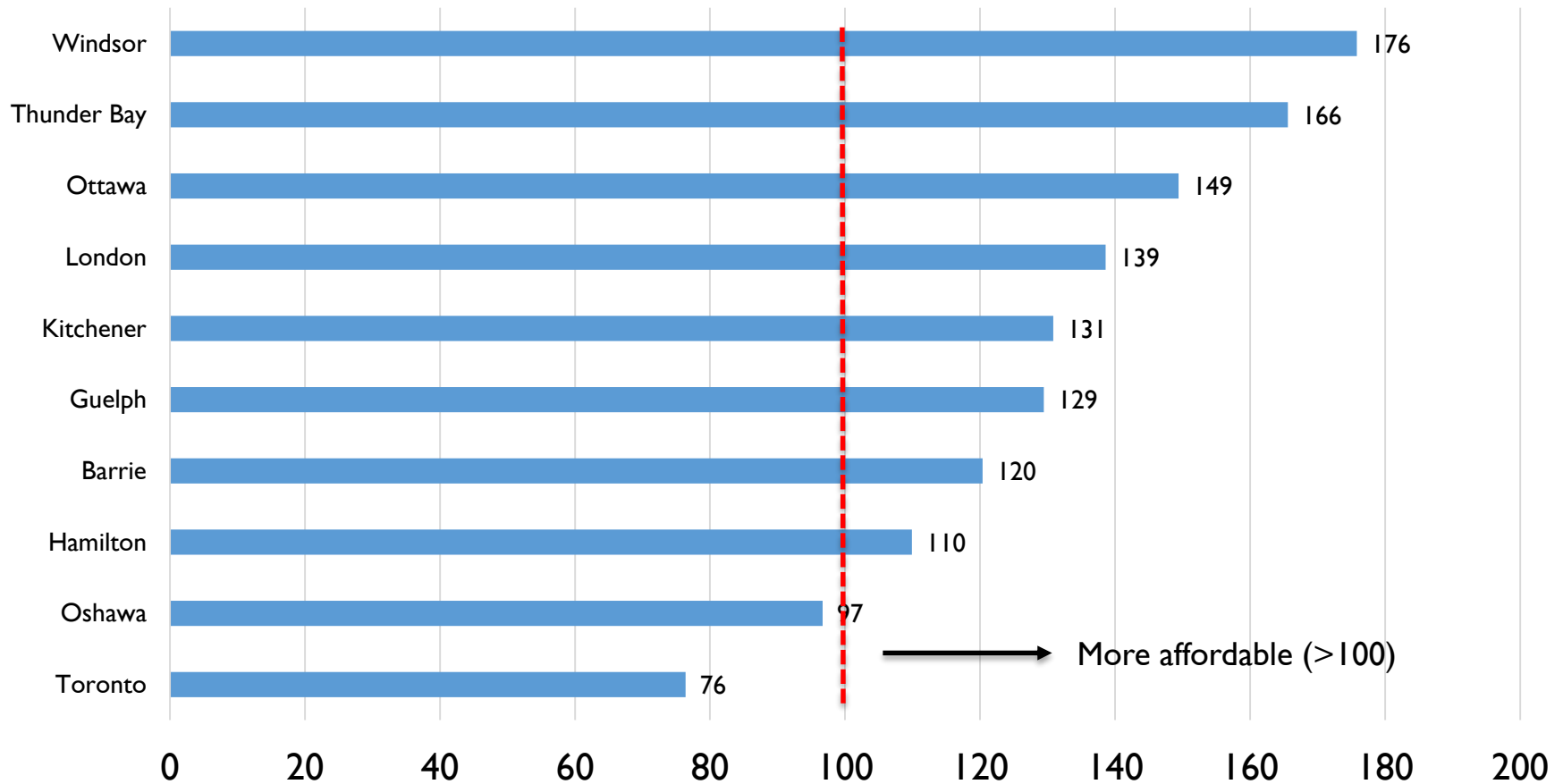
Inflation adjusted rent and home ownership index (Year 2000=100) - ONTARIO



Source: Statistics Canada, Bank of Canada, CMHC

Especially in Less Affordable Markets in Ontario

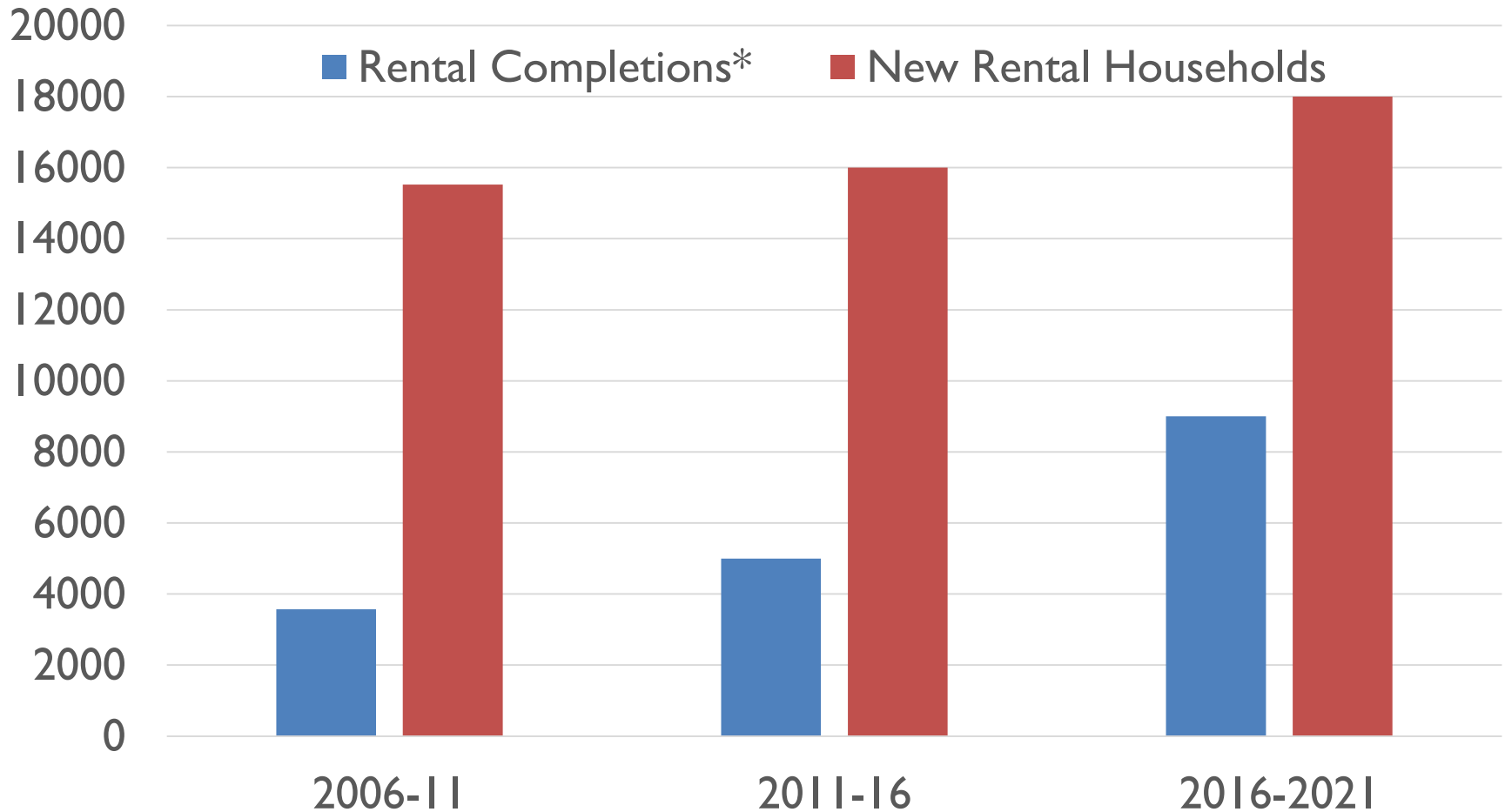
Actual Income as % of Required Income to Purchase Average Resale Home – 2016



Source: Statistics Canada, CMHC calculation & estimates(e) based on 5yr mtg, 10% dp, 25 yr amortization



Demand/Supply Balance Favours More Rental Investment



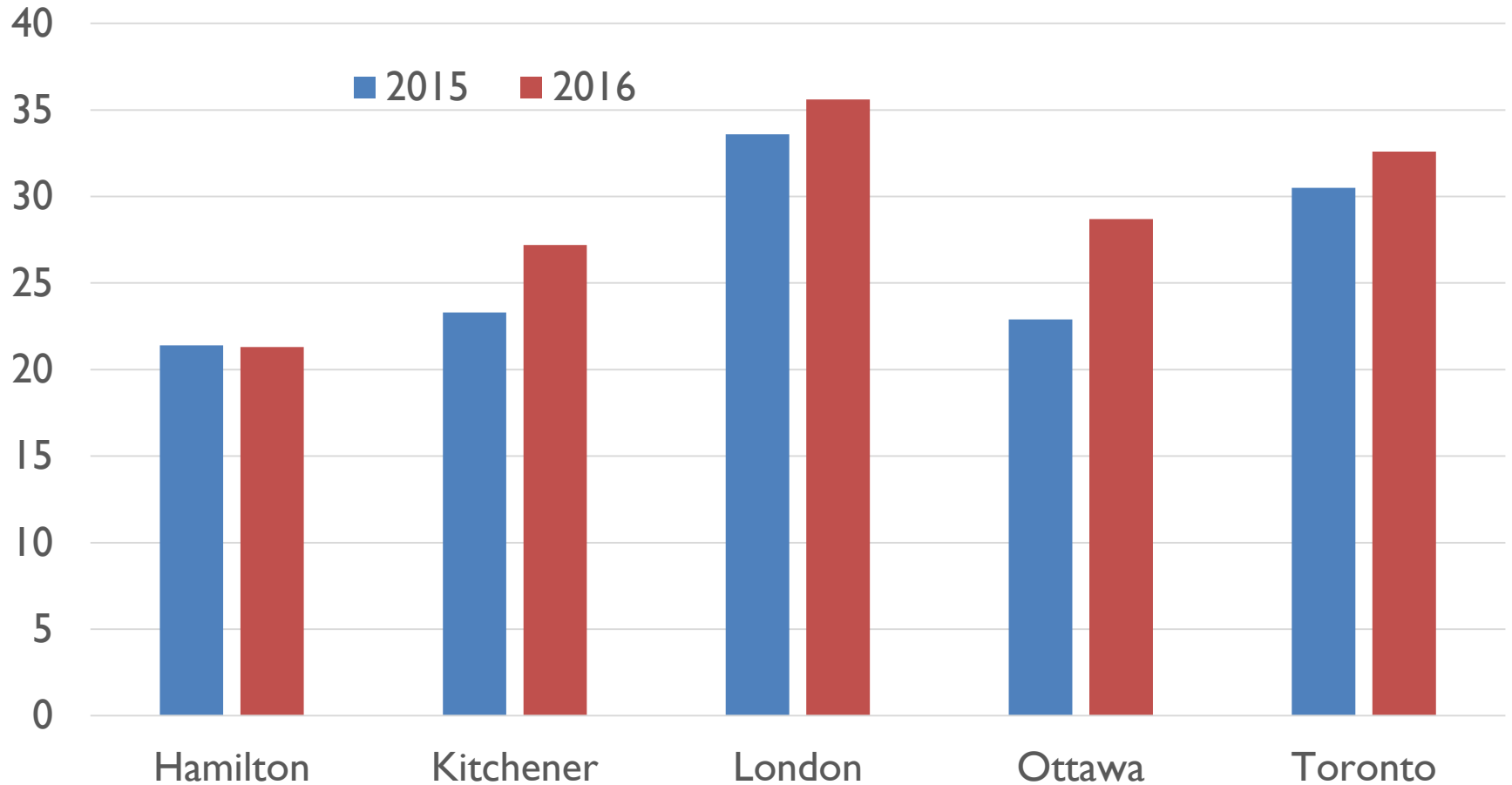
Source: CMHC Ontario Estimate 2011-21, Statistics Canada

*Does not include condominiums completed and available for rent



Condominium Rentals – Biggest Source of New Rental

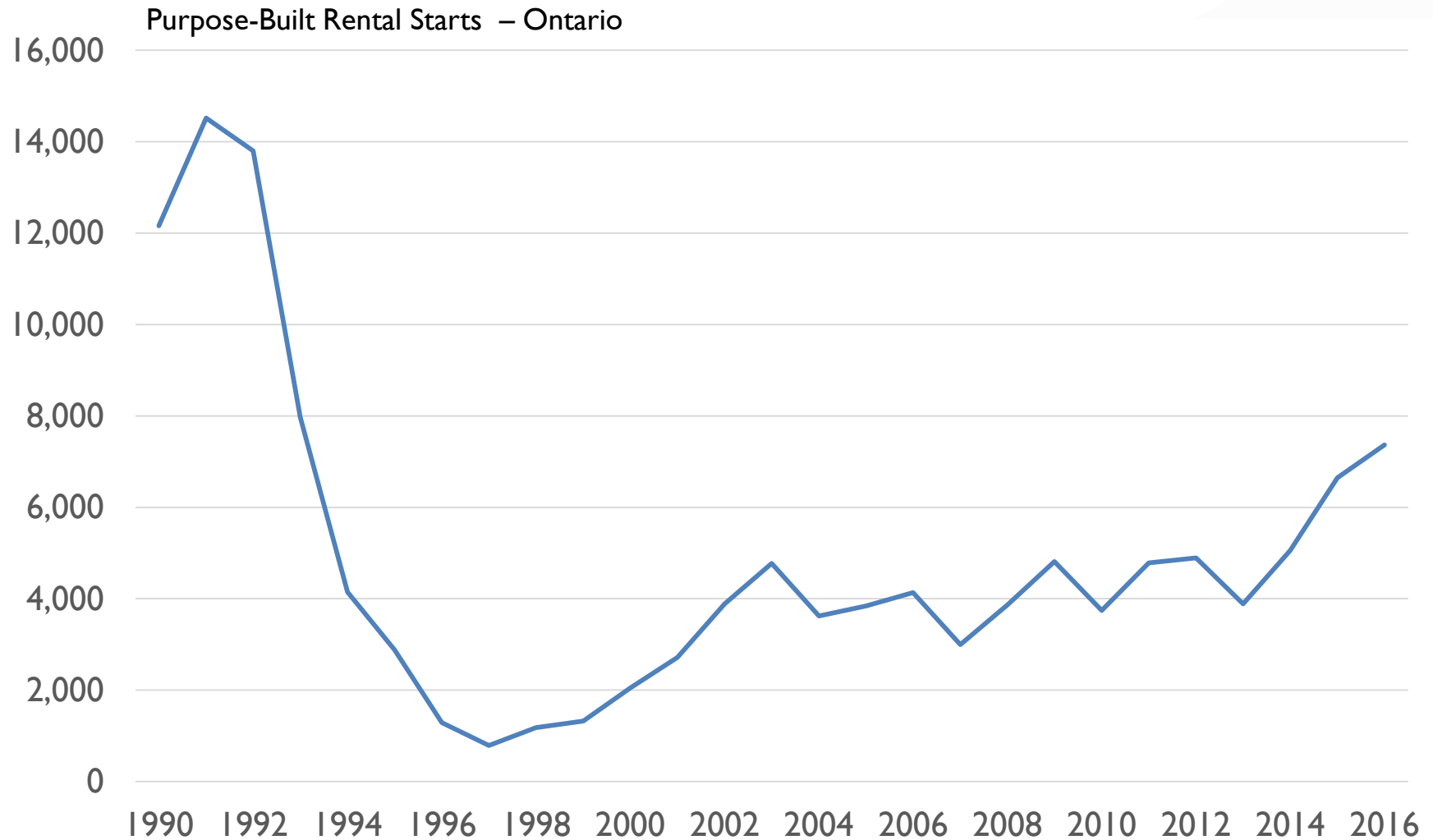
Percentage of Condominium Universe Held By Investors – Ontario



Source: CMHC Rental Market Survey



Growing Appetite for More Primary Rental Investment

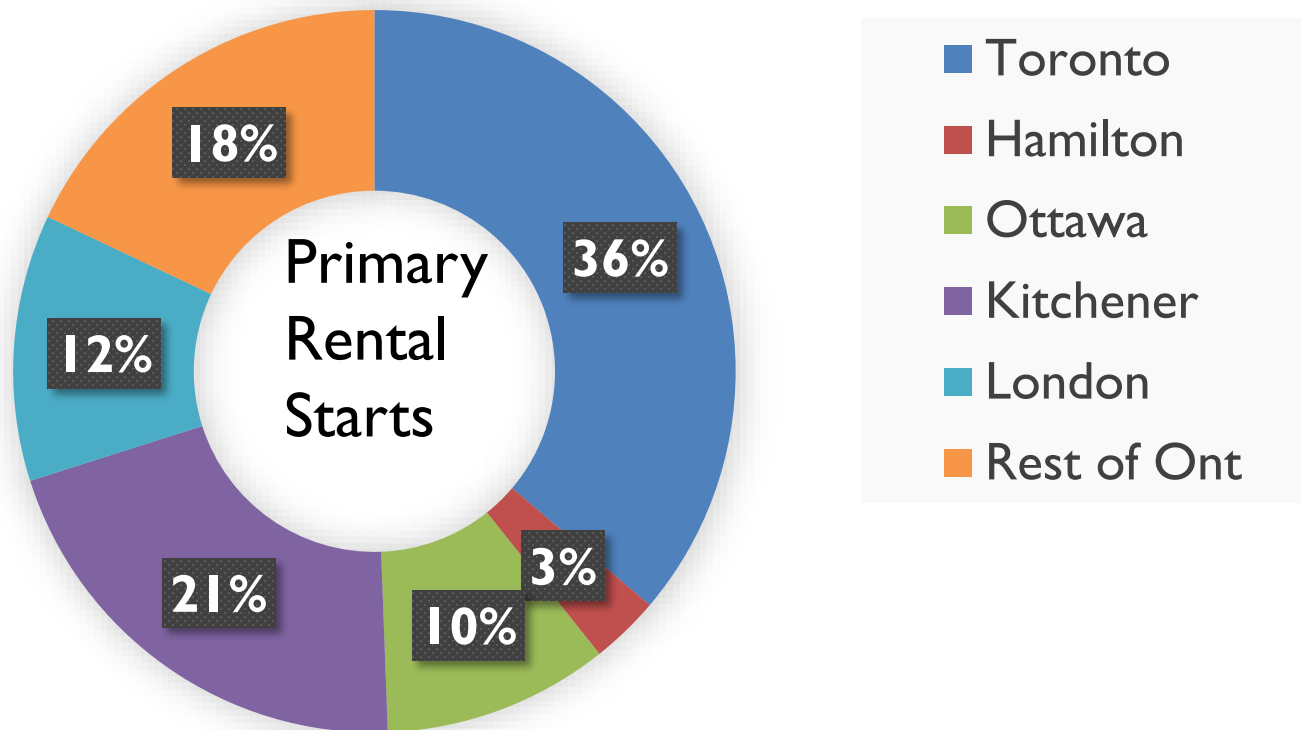


Source: CMHC Starts & Completions Survey



Purpose-Built Rental Starts Occurring Across The Province

% Share Distribution* of Rental Starts By CMA - 2016

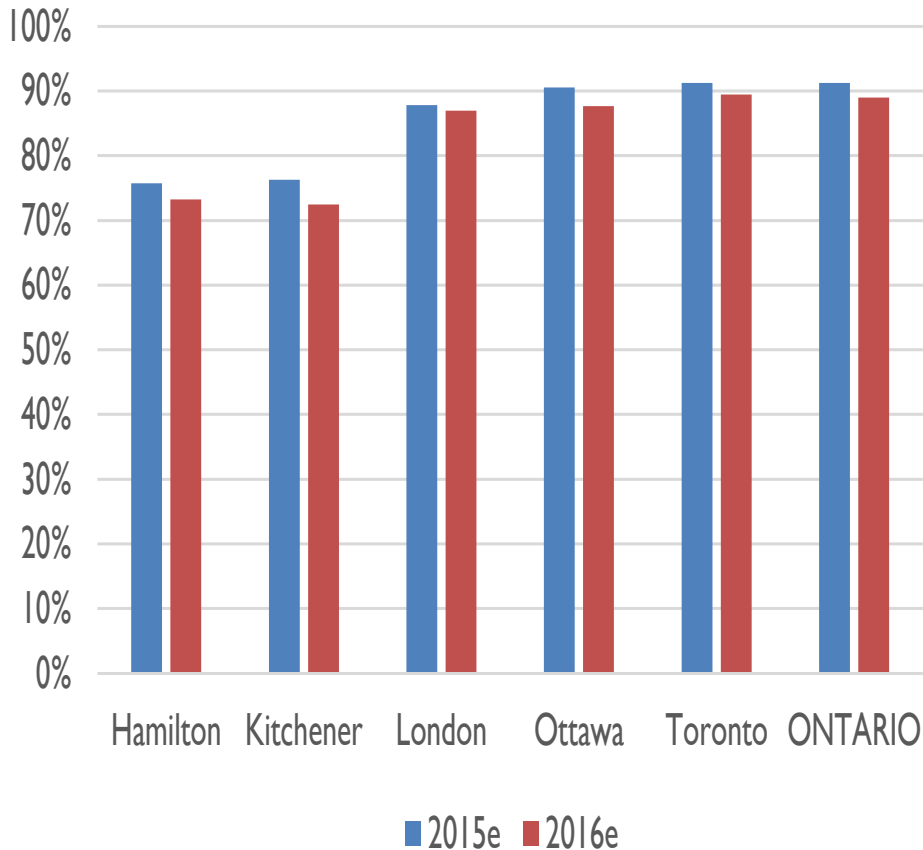


Source: CMHC Rental Market Survey

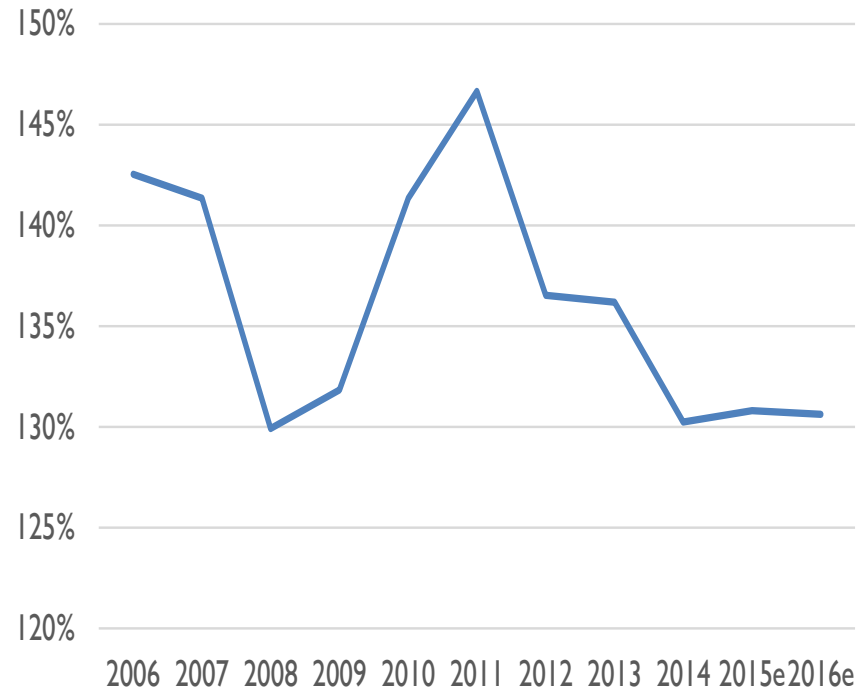
*may not add up to 100% due to rounding

Will These New Investments Be Absorbed?

Required* median income to rent as % of actual median income - ALL UNITS



Required* median income to rent as % of actual median income - NEW UNITS Completed - ONTARIO



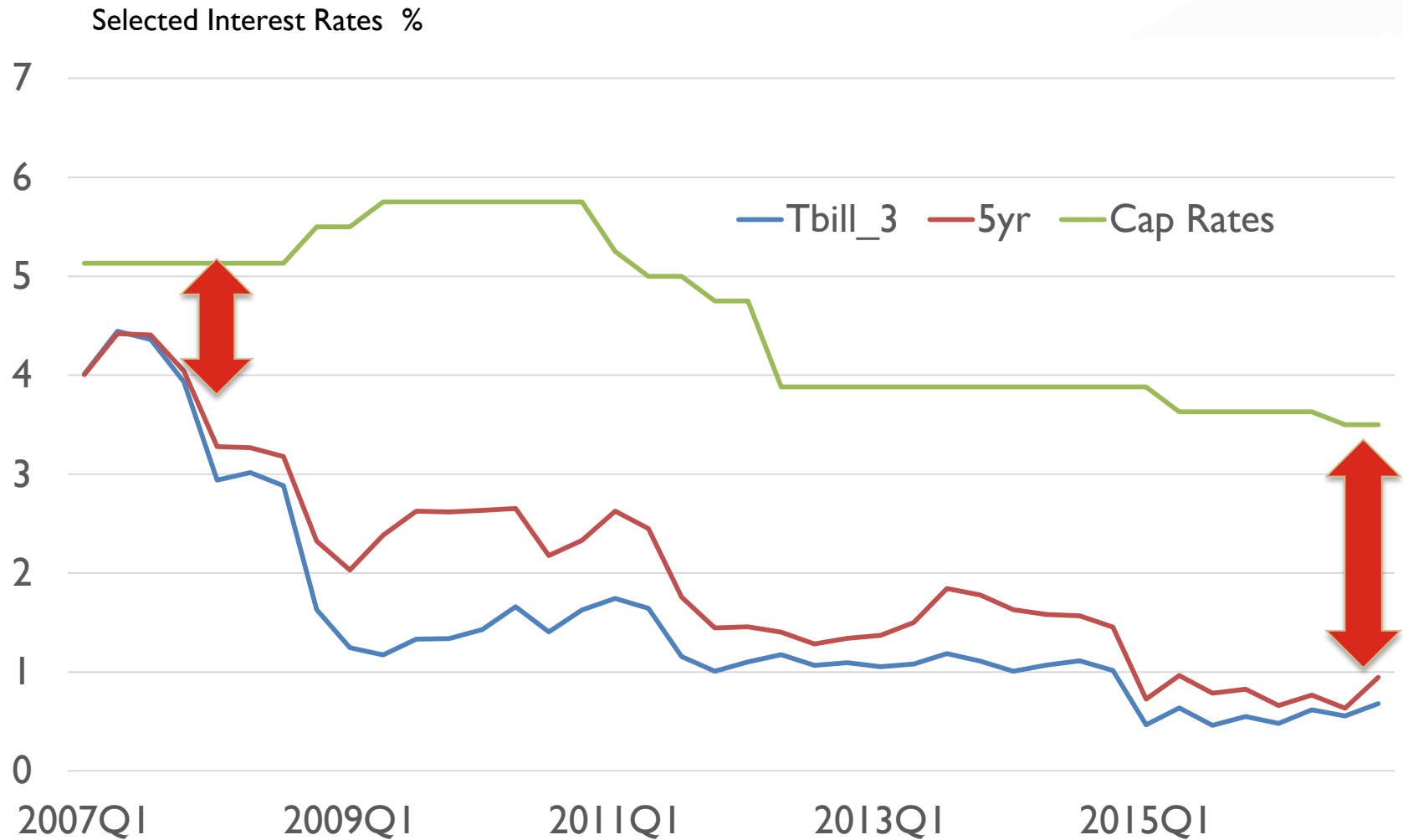
Source: CMHC RMS Survey, CMHC median renter income estimates(e), Statistics Canada

• Assumes 32% affordability ratio for renters, 2bed apt units

• Ratios <100=affordable, >100=unaffordable

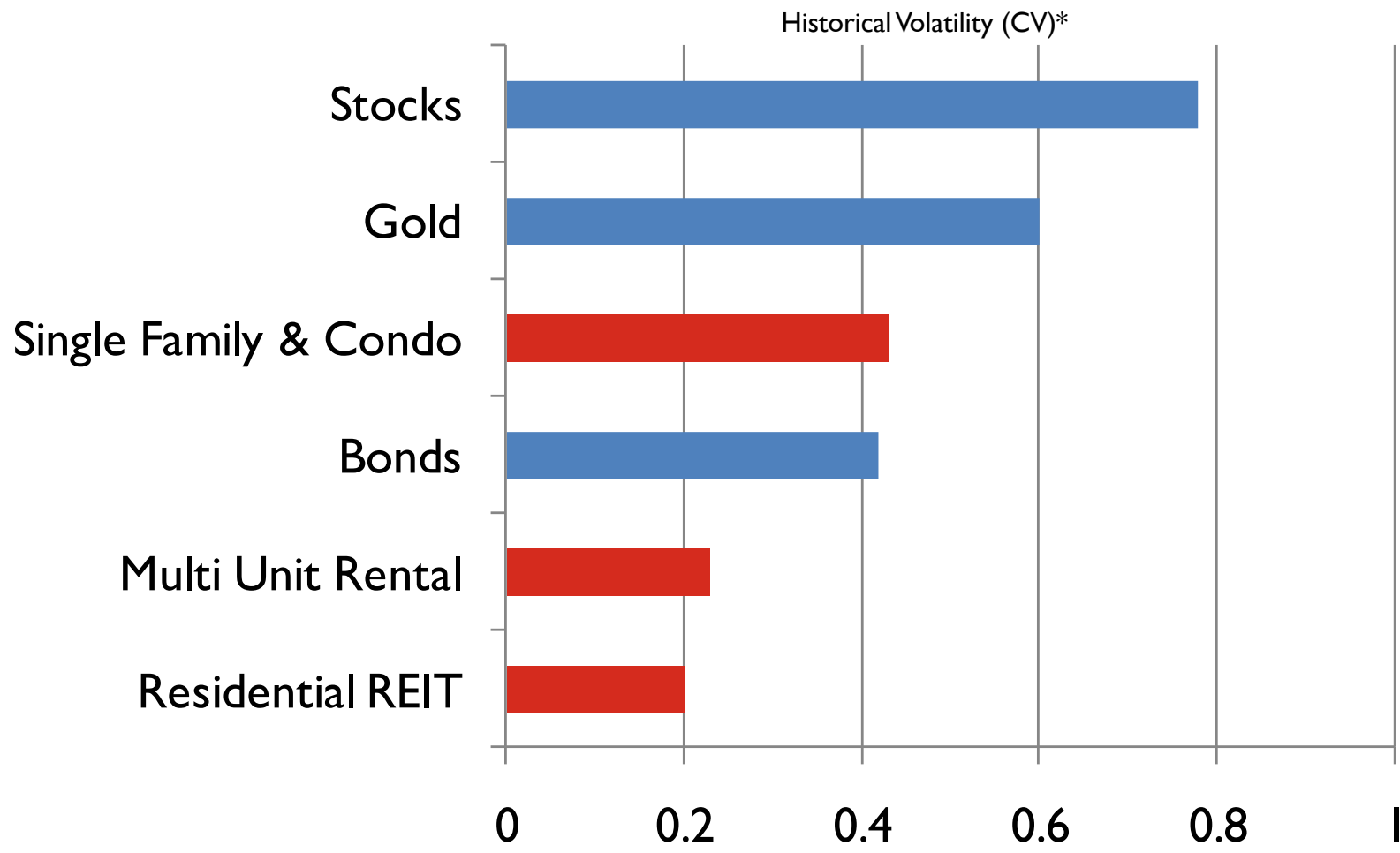


Multi Unit Cap Rates Still Attractive in Low Interest Rate World



Source: Bank of Canada, CBRE (Class A Toronto Properties)

Not Just About Returns – Real Estate Offers Stability



Source: Altus, CREA, Bloomberg, CMHC calculation, Statistics Canada

*CV = Coefficient of Variation; CV close to 0 = low volatility; CV close to 1 = high volatility



Risks Exerting Upward Pressure

- Policy Uncertainty and/or Slower Global Growth
- Elevated Household Debt
- A Rental Supply Shock @ High End

Risks Exerting Downward Pressure

- Stronger US Growth
- Further Erosion of Affordability
- Housing Imbalances Continue Growing
- Stronger International Migration