



Federation of Rental-housing
Providers of Ontario

URBANATION

Ontario Rental Market Study Results:

Measuring the Supply Gap /

Renovation Investment and the Role of Vacancy Decontrol



AGENDA

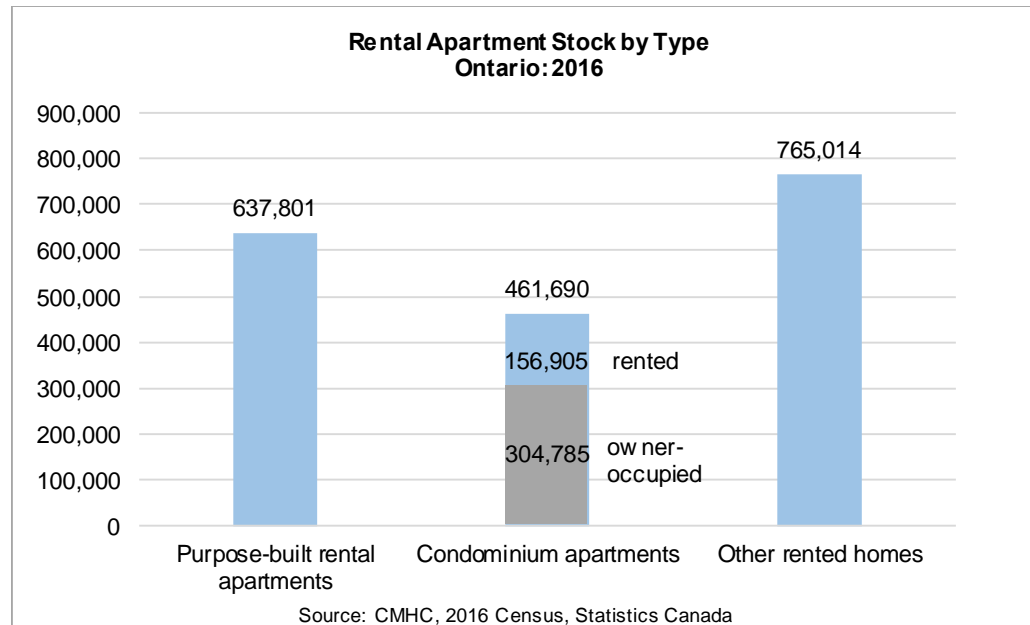
Measuring the Supply Gap

- “ Estimating Current Rental Demand in Ontario
- “ Drivers of Demand and Projections
- “ Supply Outlook: Purpose-built and Condo
- “ Demand-Supply Gap

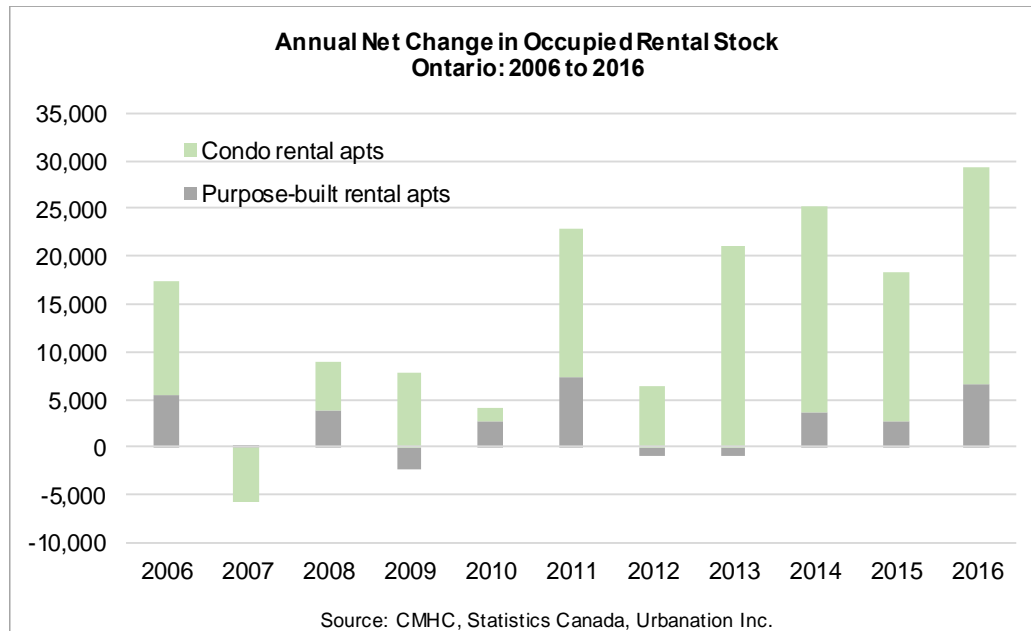
Survey of Purpose-built Renovation Expenditures

- “ Estimating Total Value Invested Since 2012
- “ Contribution to Ontario Economy
- “ Amounts Spent Per Unit on Upgrades
- “ Reasons for Investing in Renovations
- “ Importance of Vacancy Decontrol

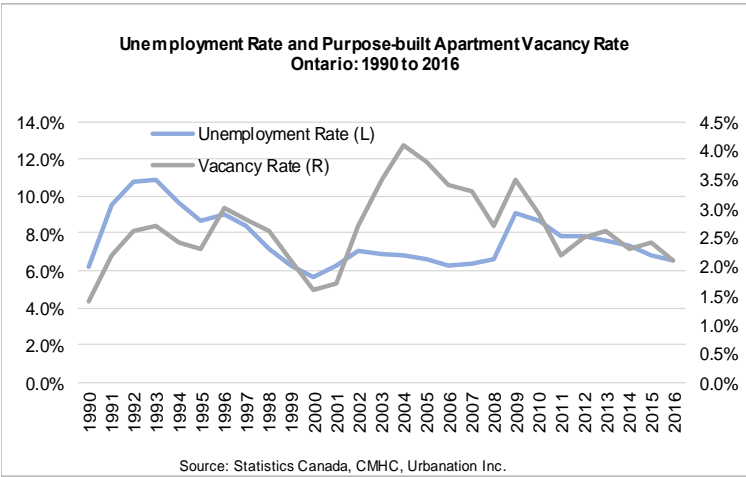
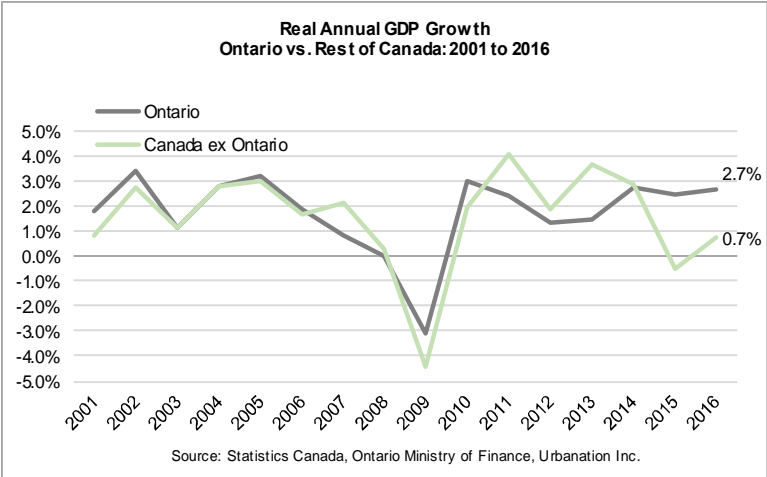
THE ONTARIO RENTAL MARKET UNIVERSE



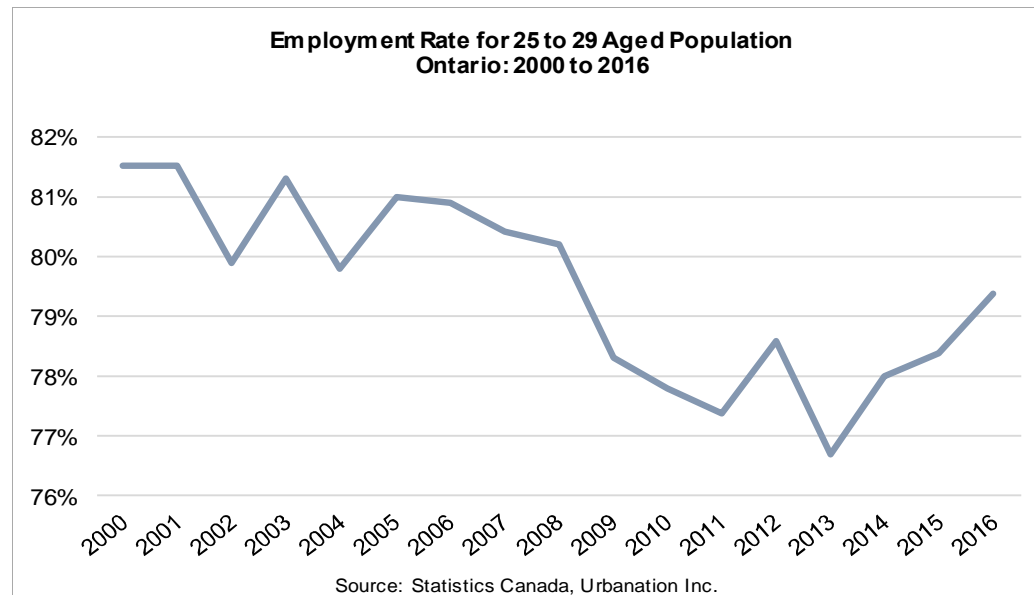
RENTAL DEMAND EXCEEDING 20K UNITS PER YEAR



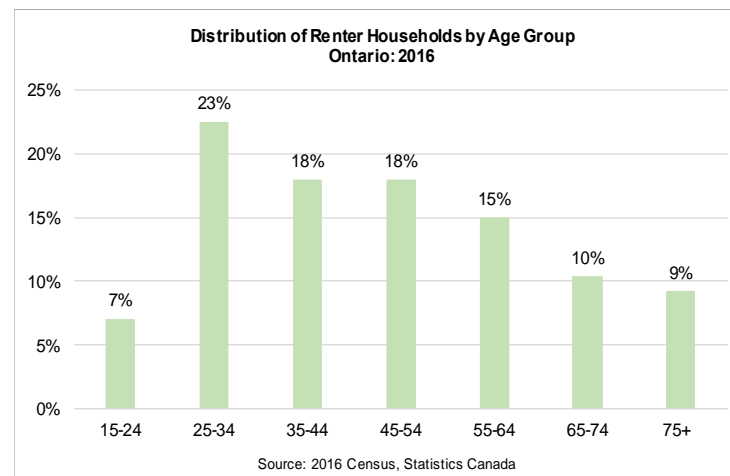
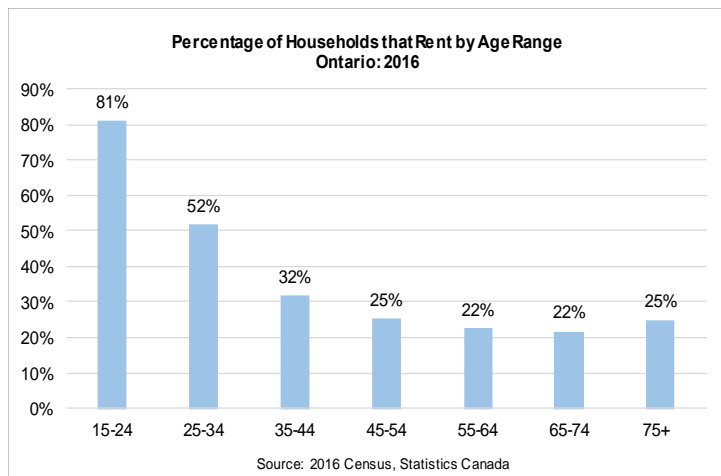
ECONOMIC FUNDAMENTALS SUPPORTING GROWTH IN RENTAL DEMAND



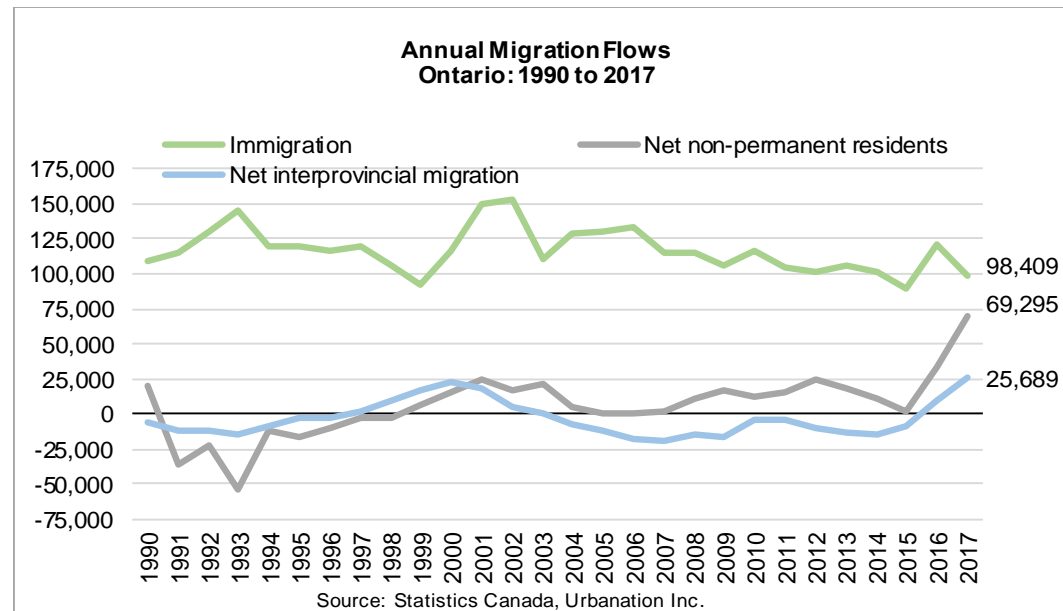
JOB MARKET FOR NEW GRADS STILL IN RECOVERY



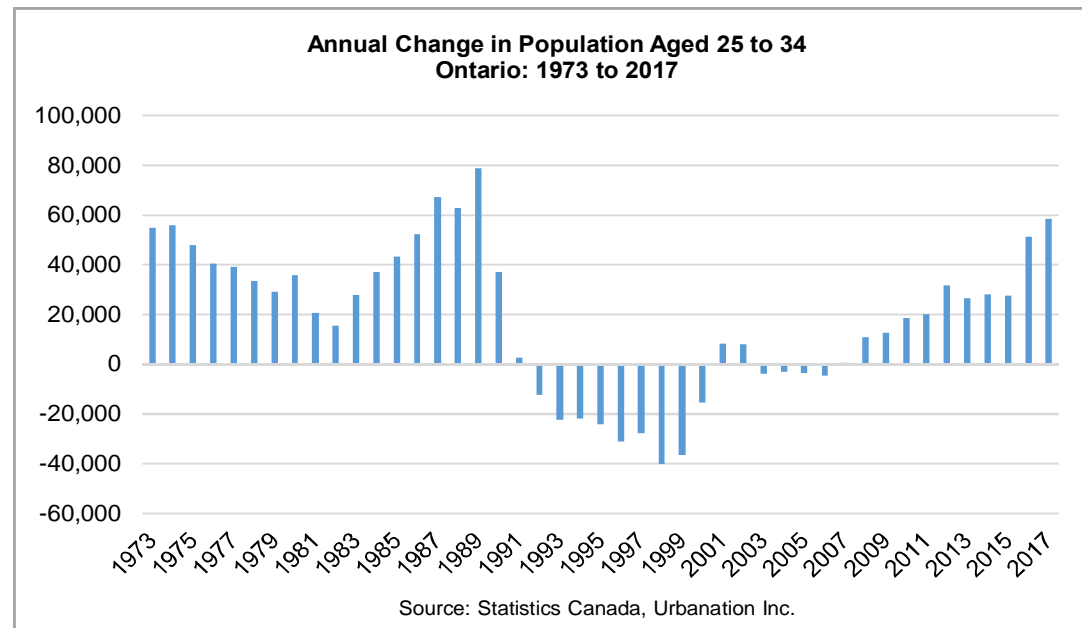
RENTER HOUSEHOLD FORMATION DRIVEN BY UNDER 35 AGE GROUP



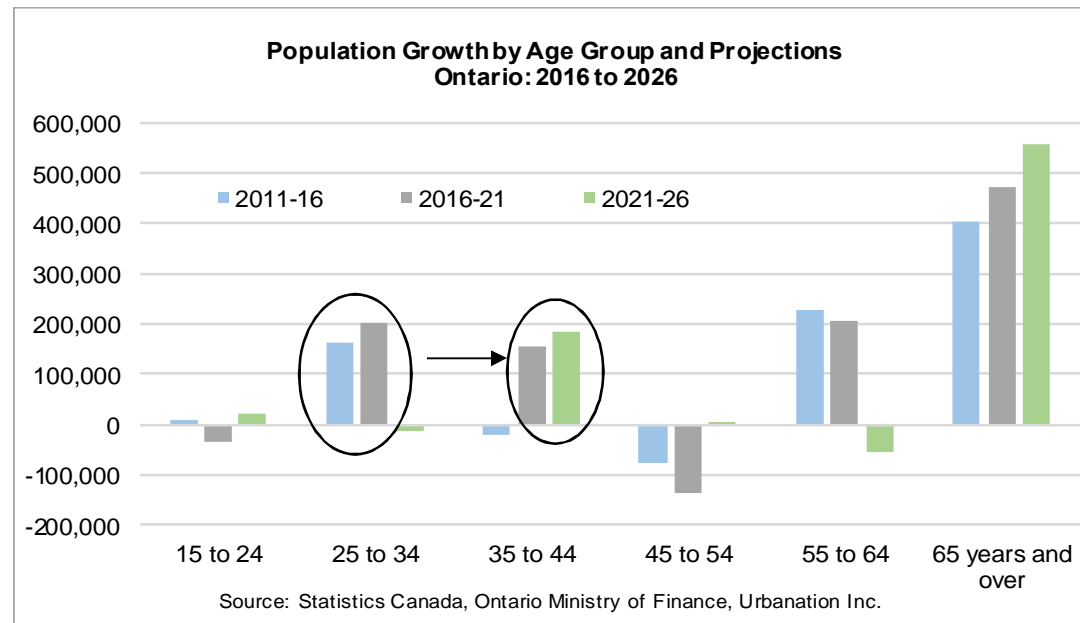
POPULATION INFLOWS HIGHEST IN AT LEAST 25 YEARS



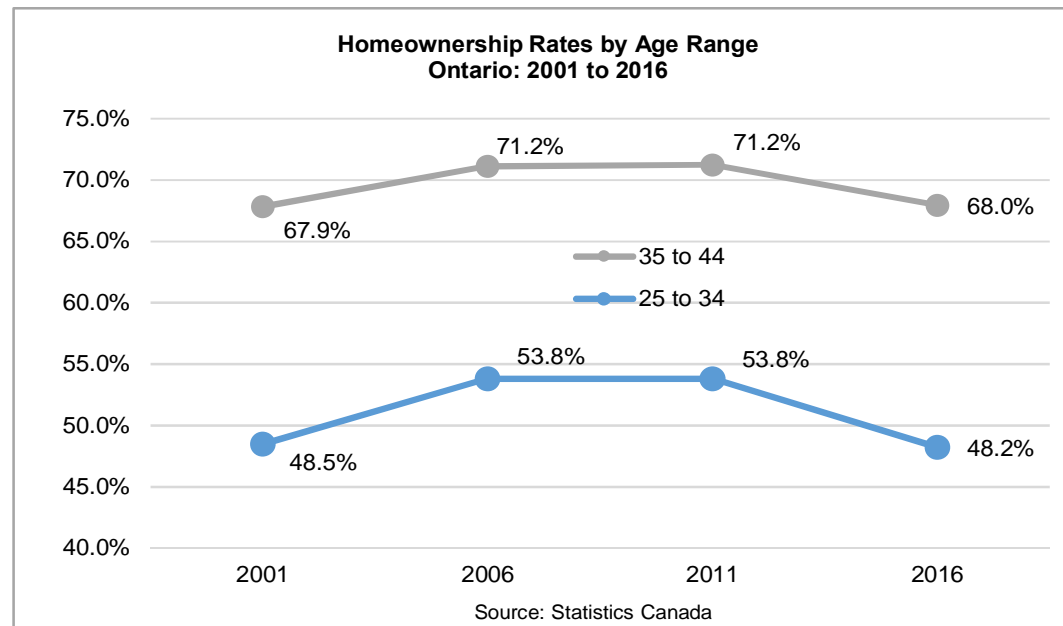
POP. GROWTH IN 25-34 AGE GROUP COMPOUNDED BY AGING OF MILLENNIALS



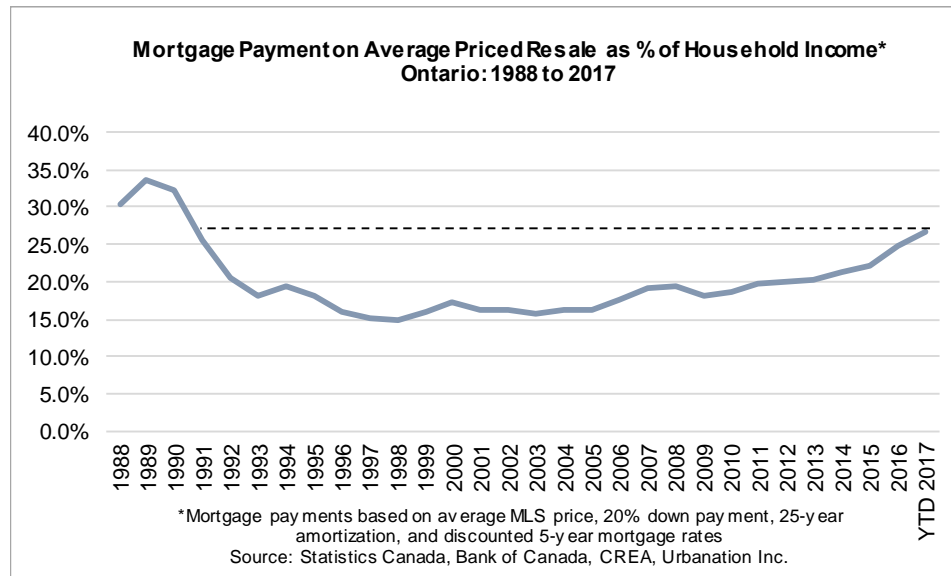
IN 10 YEARS, POP. AGED 35 TO 44 COULD BECOME HIGHEST SHARE OF RENTERS



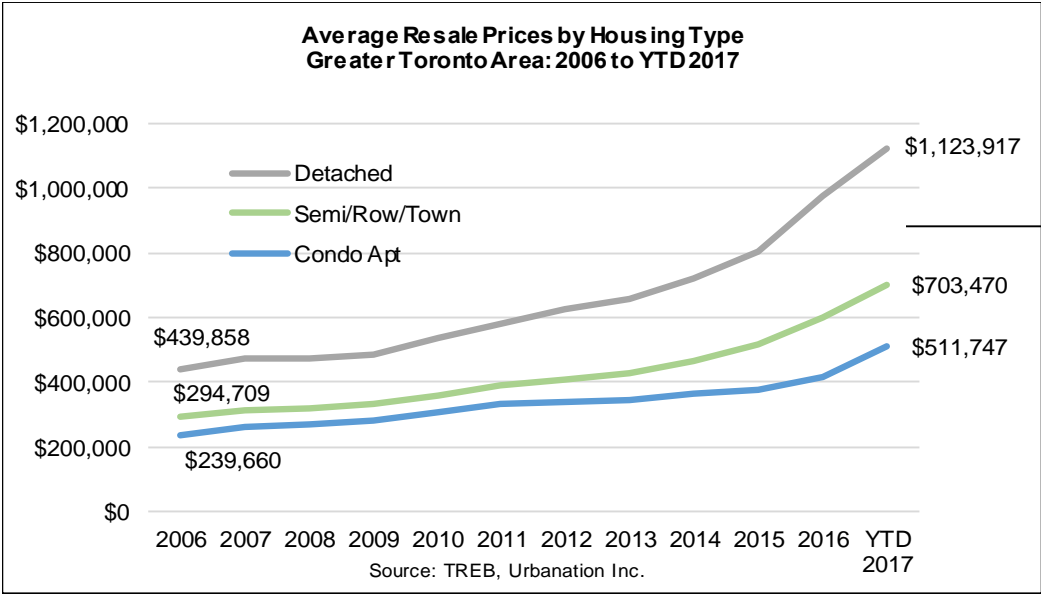
OWNERSHIP RATE DROPS TO 15-YEAR LOW FOR HOUSEHOLDS UNDER 45



OWNERSHIP AFFORDABILITY AT LOWEST SINCE 1991



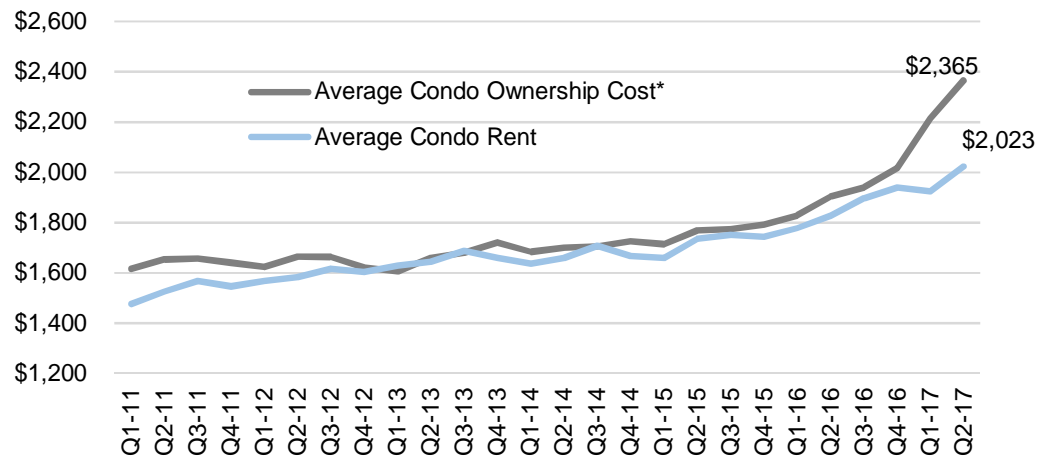
HOUSING DEMAND HAS SHIFTED TO CONDOS – OWNING & RENTING



Avg. home price:
\$839,192

AFFORDABILITY ADVANTAGE EMERGES FOR RENTING OVER BUYING CONDOS

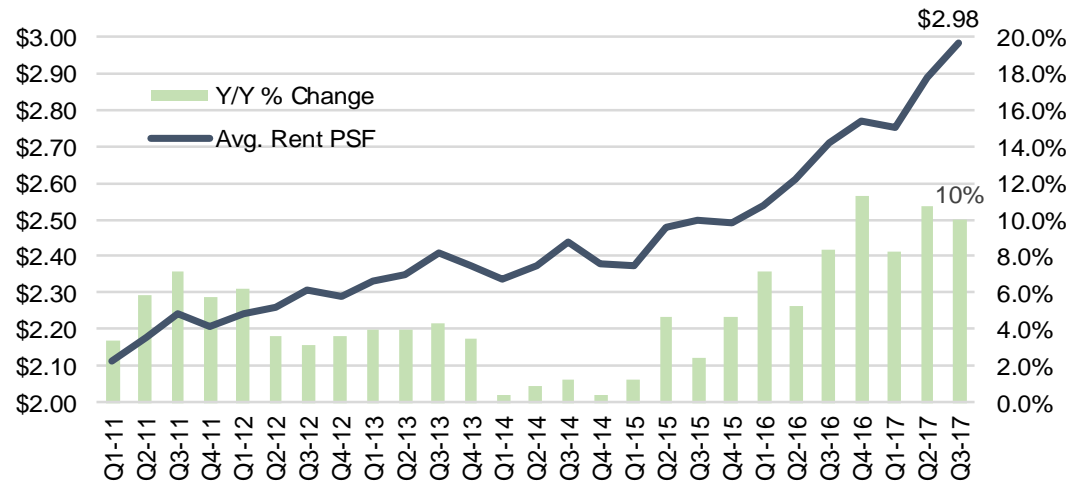
Average Condo Ownership Cost versus Rent
Greater Toronto Area: Q1-2011 to Q2-2017



*Based on 700 sf unit, average condo resale prices psf, 20% down payment, five-year discounted mortgage rates, 25-year amortization, includes condo fees and property taxes
Source: Urbanation, TREB, Bank of Canada

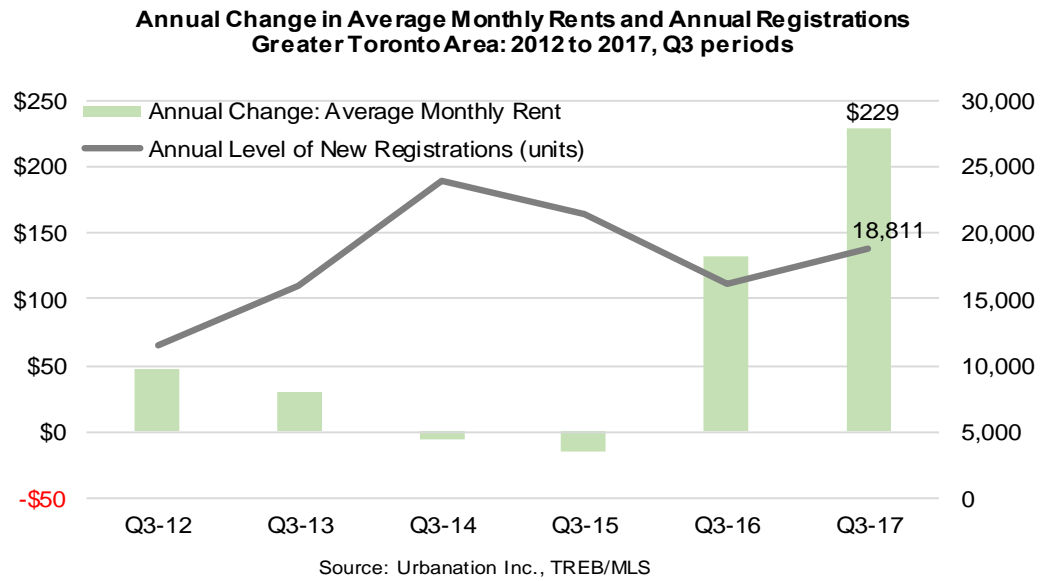
CONDO RENT GROWTH RISES INTO DOUBLE-DIGITS

Average Condo Apartment Rents PSF and Annual Change
Greater Toronto Area: Q1-2011 to Q2-2017

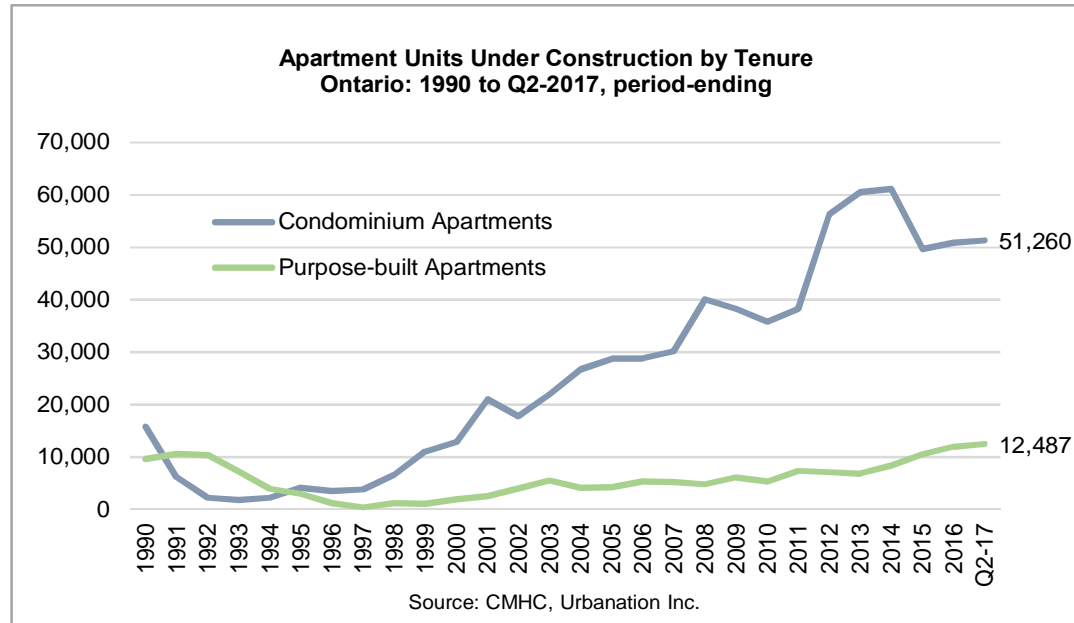


Source: Urbanation Inc., TREB

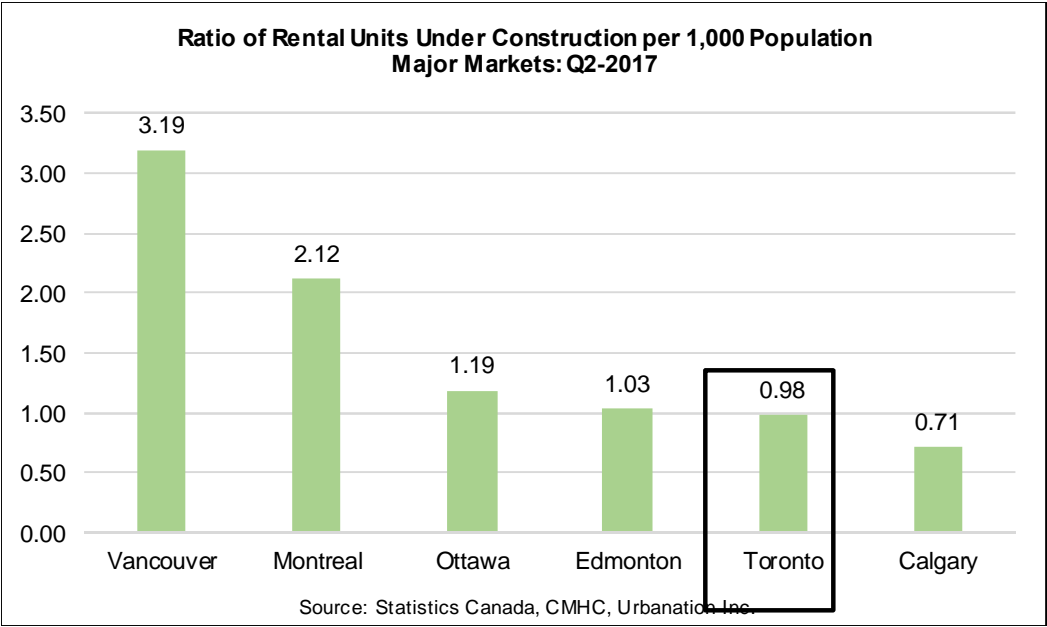
CONDO RENTAL COSTS JUMP BY OVER \$200 AMID LOW SUPPLY



CONDO DEVELOPMENT IS 4X RENTAL

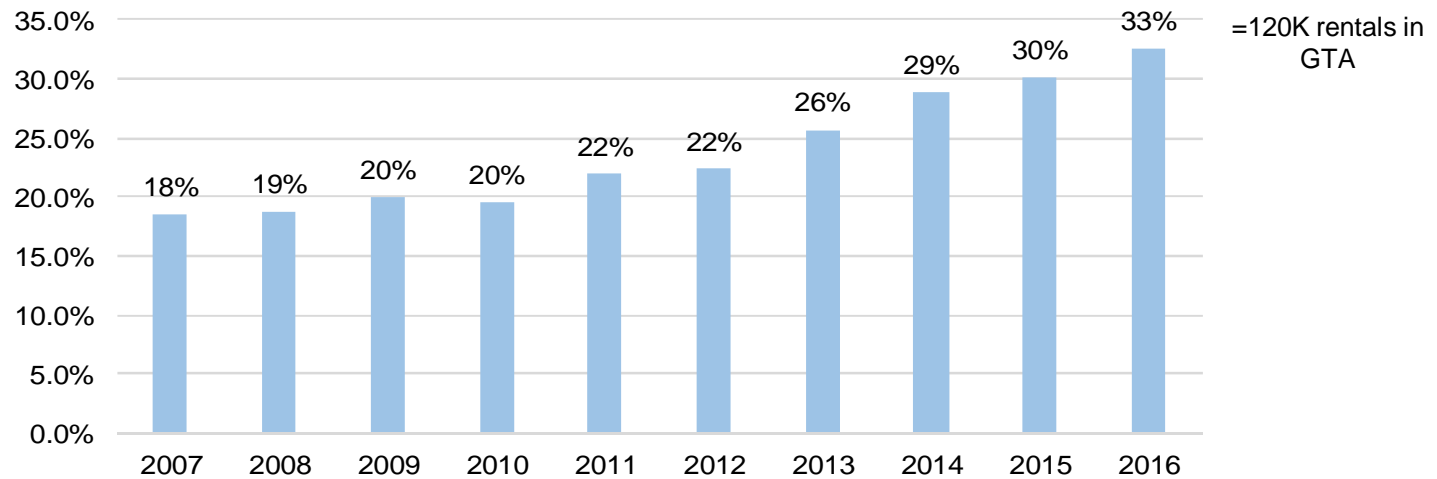


PER CAPITA RENTAL CONSTRUCTION IN TORONTO IS ONE OF LOWEST IN CANADA



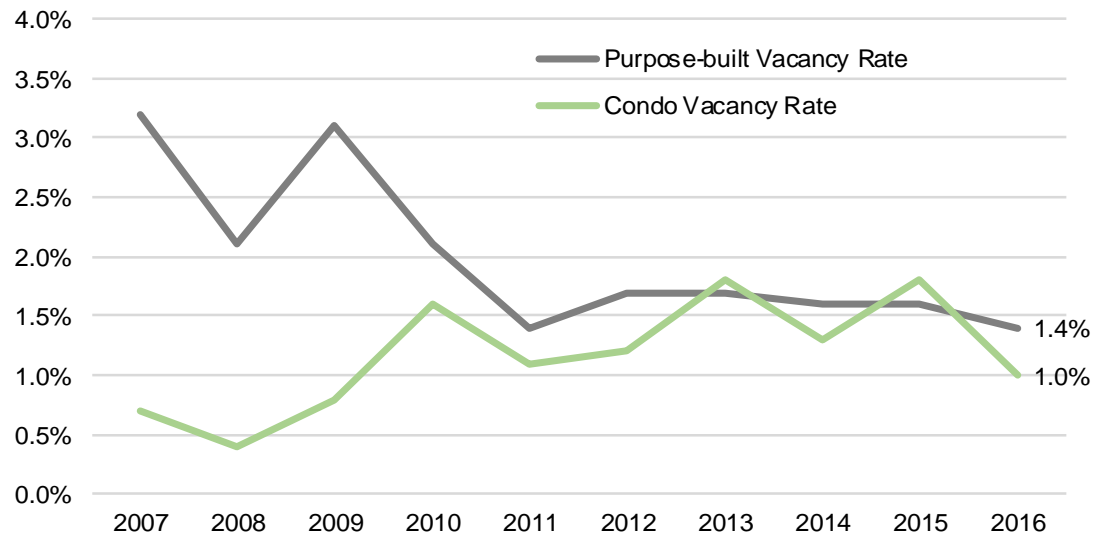
RISING % OF CONDOS USED AS RENTALS

Share of Condo Apartments Used as Rentals
Greater Toronto Area: 2008 to 2016



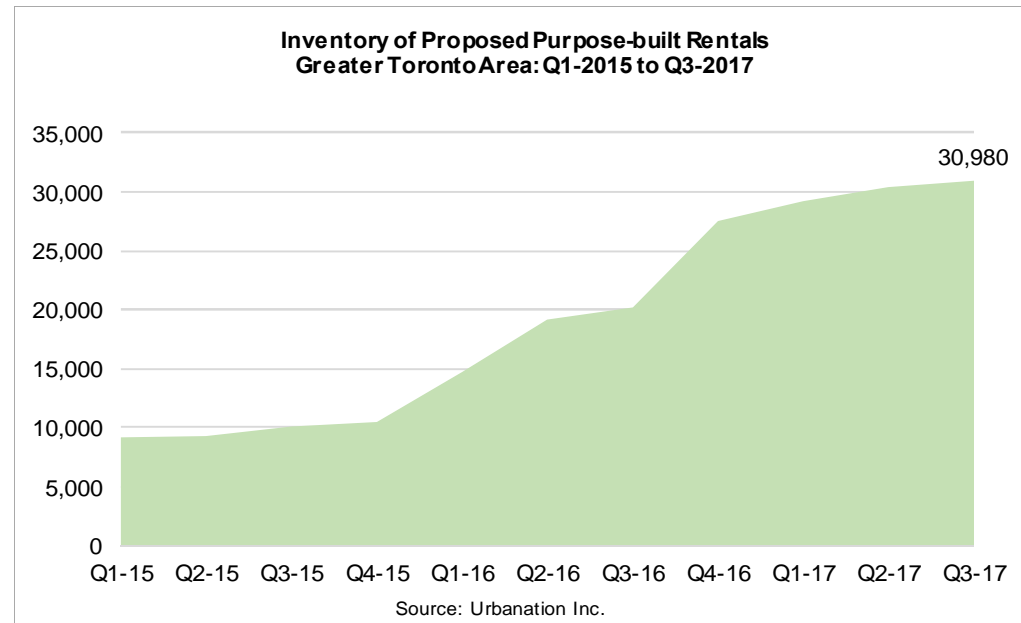
Source: CMHC, Urbanation Inc.

VACANCY RATES HEADING BELOW 1%



Source: CMHC, Urbanation Inc.

INVENTORY OF RENTAL PROPOSALS LEVELLING OFF



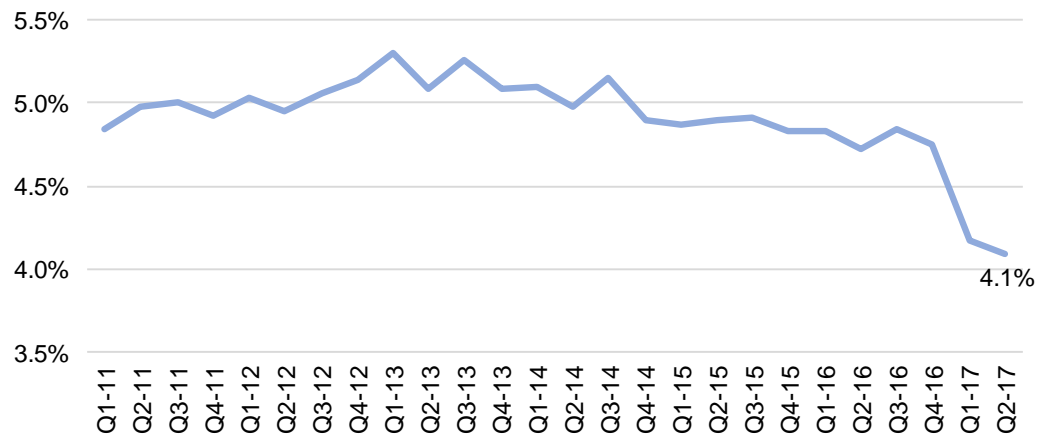
CONDO DELIVERIES TO BEGIN RISING NEXT YEAR



Source: Urbanation Inc.

SHARP DROP IN CAP RATES SHOULD SLOW CONDO INVESTMENT

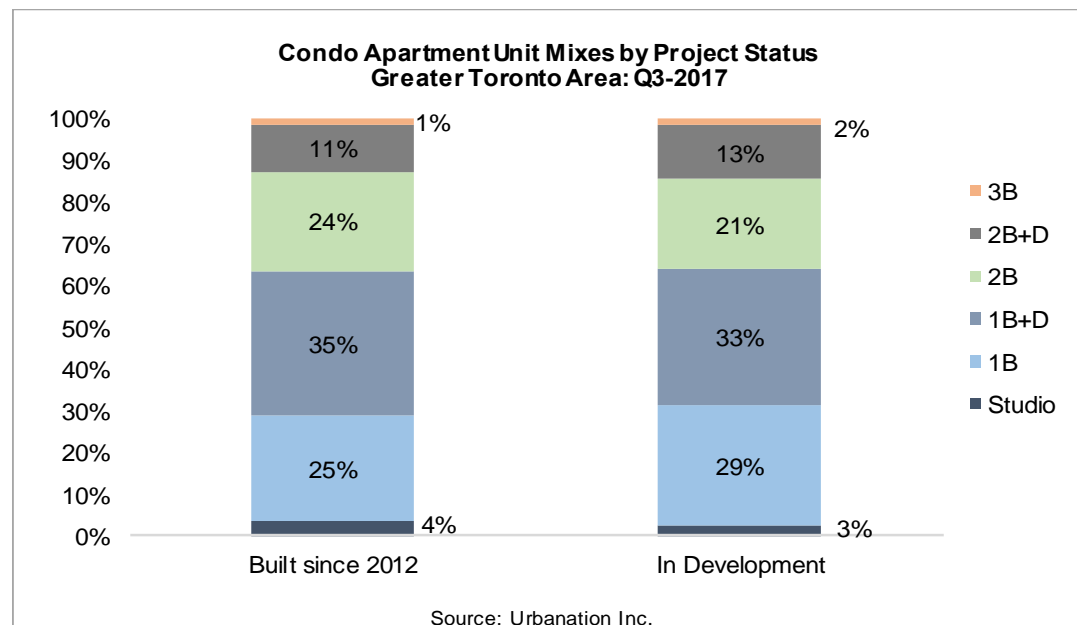
Condo Apartment Cap Rates*
Greater Toronto Area: Q2-2011 to Q2-2017



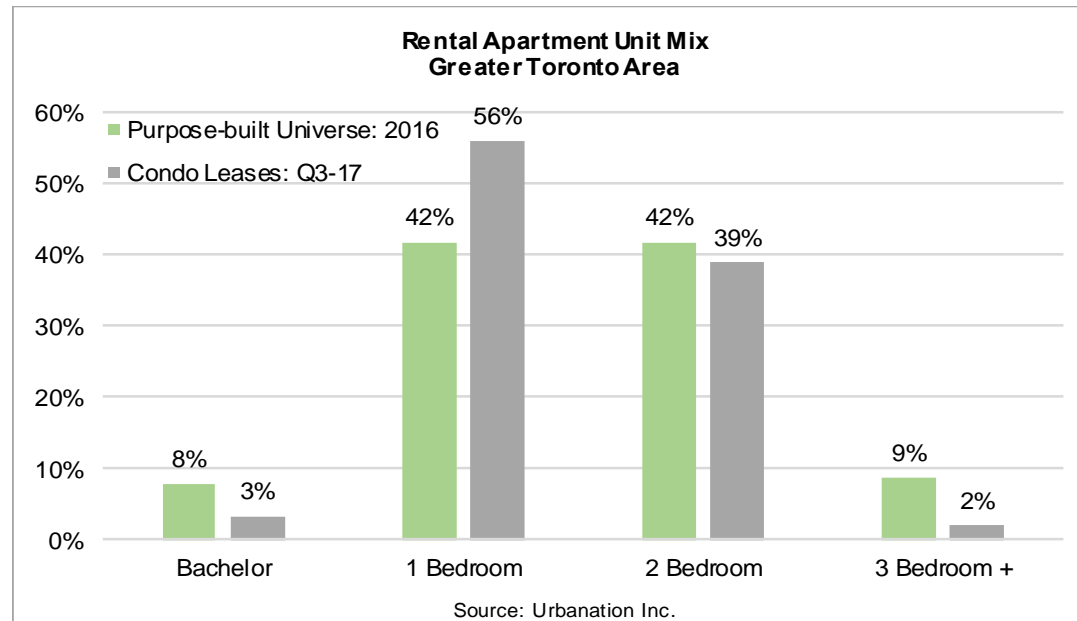
Source: Urbanation Inc., TREB/MLS

*Calculated as average rents net of condo fees divided by average resale prices

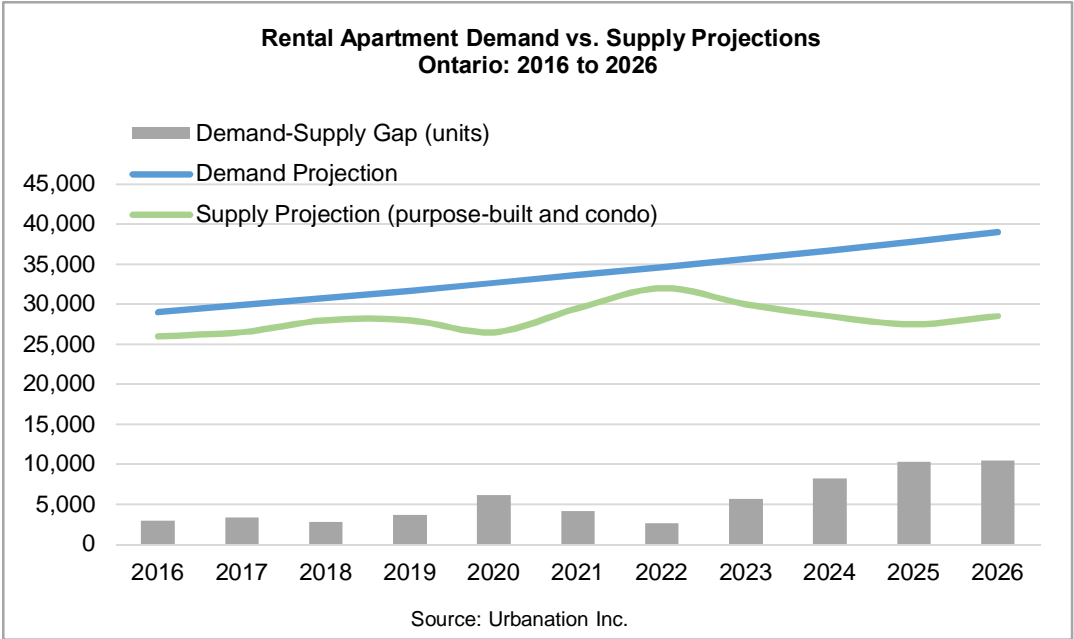
UNIT MIX OF NEW CONDO SUPPLY STILL HEAVILY WEIGHTED IN 1B UNITS



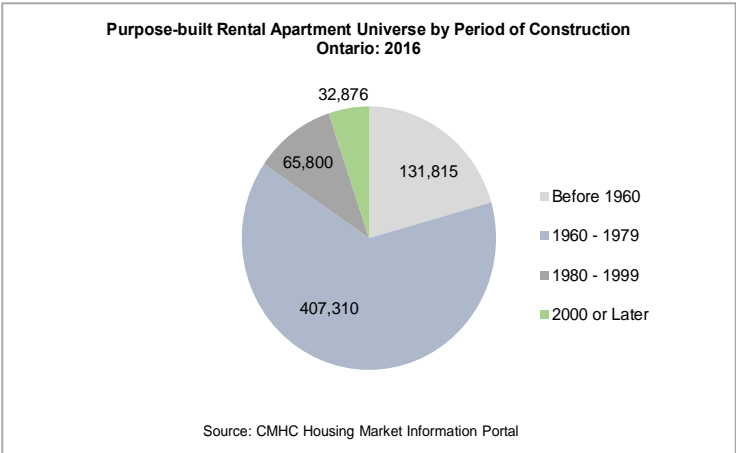
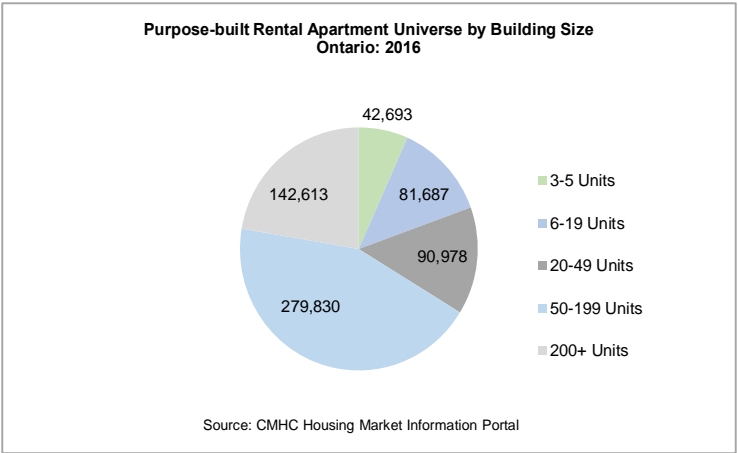
PURPOSE-BUILT PROJECTS OFFER MORE DIVERSITY FOR SHIFTING DEMOGRAPHICS



RENTAL SUPPLY SHORTFALL OF 6K UNITS PER YEAR PROJECTED FOR ONTARIO



MEASURING RENOVATION INVESTMENT: PURPOSE-BUILT RENTAL UNIVERSE IN ONTARIO



OVER \$5 BILLION INVESTED IN RENOVATION UPGRADES SINCE 2012

Total Estimated Value of Renovations of \$5,000 Plus for Purpose-built Apartments		
Ontario: 2012 to 2016		
Average Value of Units (all)	\$177,716	←
Average Value of Units Built Pre 1992	\$135,294	←
Total Estimated Value of Units Surveyed	\$86,539,972,730	←
Total Estimated Value of Units Built Pre 1992 Surveyed	\$62,096,250,636	←
Percentage of Units Renovated at \$5,000 or more since 2012	77%	←
Estimated Total Surveyed Units Renovated at \$5,000 plus since 2012	375,875	←
Estimated Total Surveyed Units Built Pre 1992 Renovated at \$5,000 plus since 2012	354,275	←
Average Value of Renovations per Unit Since 2012	\$13,745	←
Estimated Total Value of Renovations at \$5,000 plus since 2012	\$5,166,551,016	←
Estimated Total Value of Renovations at \$5,000 plus since 2012 for Units Built Pre 1992	\$4,869,646,751	←
Source: Urbanation Inc., FRPO, CMHC		

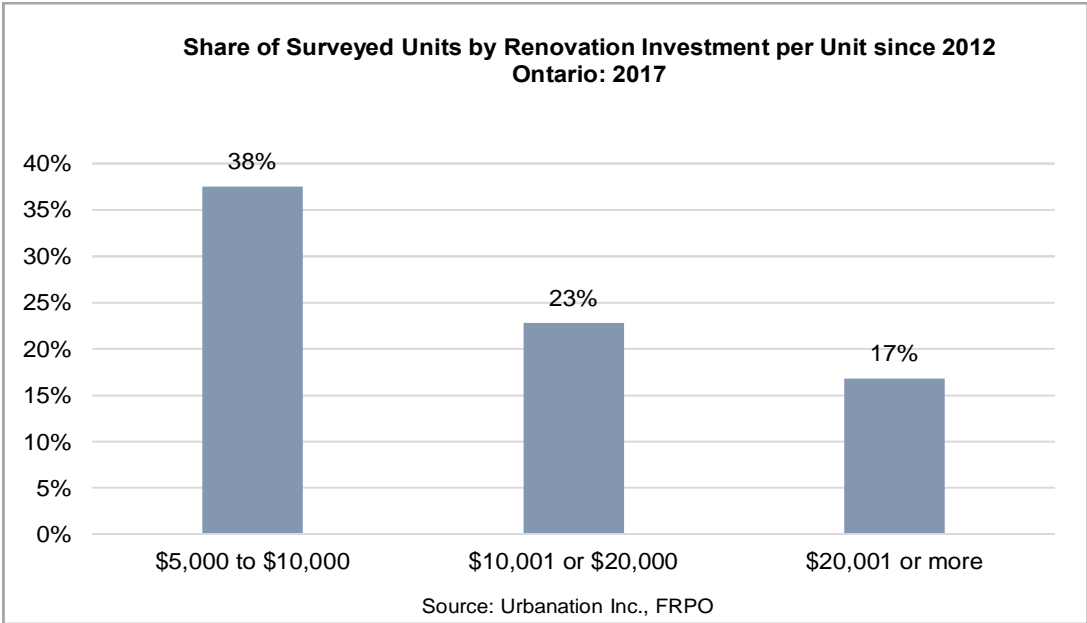
PURPOSE-BUILT RENTAL INVESTMENT A SIGNIFICANT CONTRIBUTOR TO ONTARIO ECONOMY

Ontario Nominal Gross Domestic Product, Expenditure Based		
In billions of dollars		
	2016	2011-2016 Change
Gross domestic product at market prices	\$798.5	\$138.7
Gross fixed capital formation in residential structures	\$66.3	\$20.3
Renovation expenditures*	\$24.4	\$6.6

*Data not released for Ontario. Estimated using national share.

Source: Ontario Ministry of Finance Urbanation, FRPO

MOST INVESTMENTS ARE OVER \$10K PER UNIT

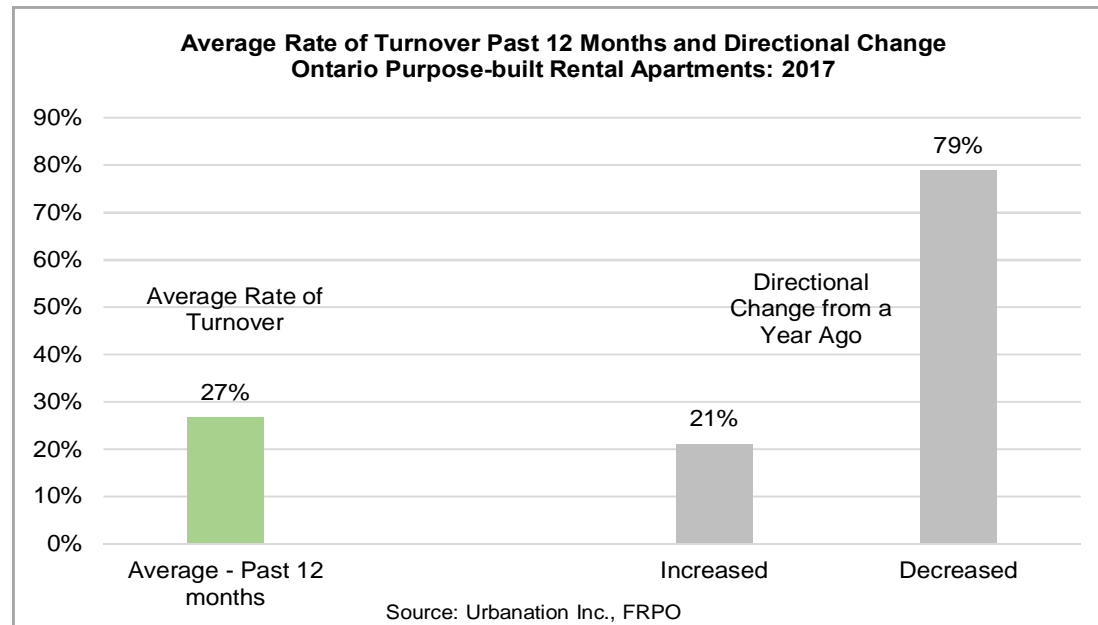


REASONS FOR INVESTING IN UNIT UPGRADES

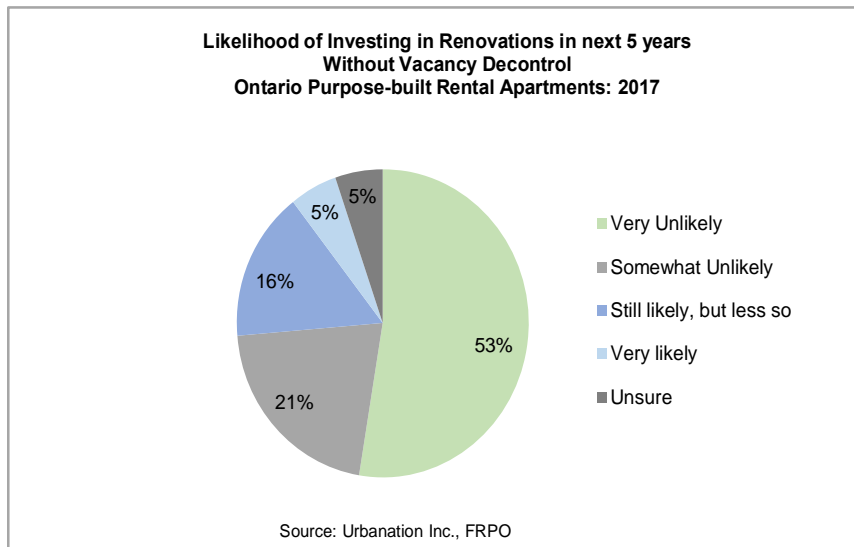
Factors Impacting Decision to Invest in Renovation Expenditures Purpose-built Rental Apartments in Ontario		
Rank	Factor	Average Score (1= highest 5= lowest)
1	Age/deteriorating quality	1.94
2	Rising achievable market rents at turnover	2.28
3	Competitive pressure: falling behind market standards	2.63
4	Low cost of borrowing	3.94
5	Other	4.25

Source: Urbanation Inc., FRPO

RENTAL TURNOVER IS DECLINING



IMPORTANCE OF VACANCY DECONTROL



“Vacancy decontrol is vital. It is like the hole in the lid of the kettle, it helps relieve the pressure put on us by aging buildings”

--FRPO member

SUMMARY

- “ Rental demand is projected to continue strengthening in years ahead
- “ Supply will face headwinds due to policy changes, condo investors ability/willingness to hold
- “ More pressure to be put on existing rental stock
- “ Renovation expenditures will increase in importance