CANADIAN APARTMENT INVESTMENT CONFERENCE 2015

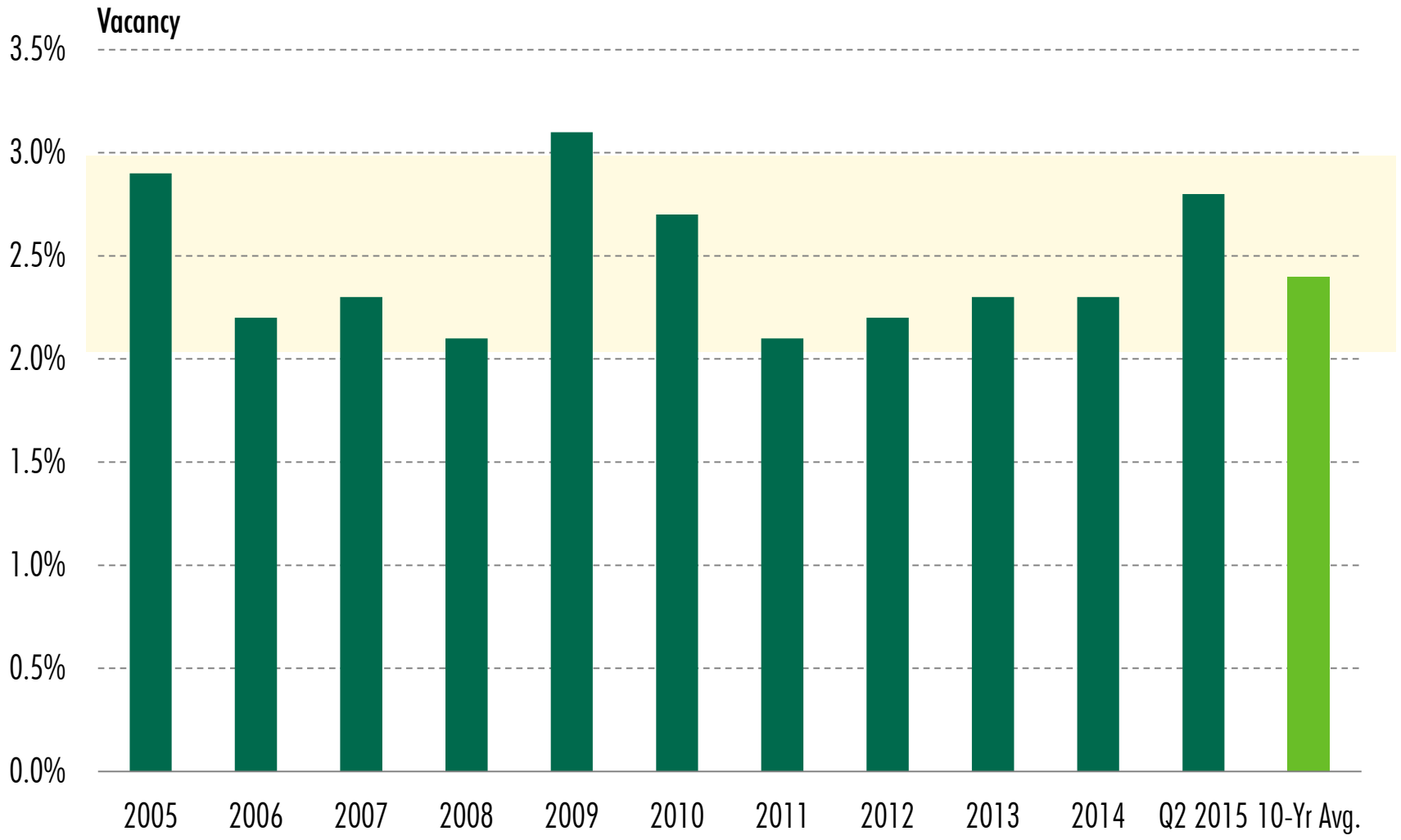
Ross Moore

September 10th 2015

CBRE

CBRE Limited

WELCOME TO CANADA'S MOST DULL/STABLE MARKET!



Source: Canada Mortgage and Housing Corporation, 2015.

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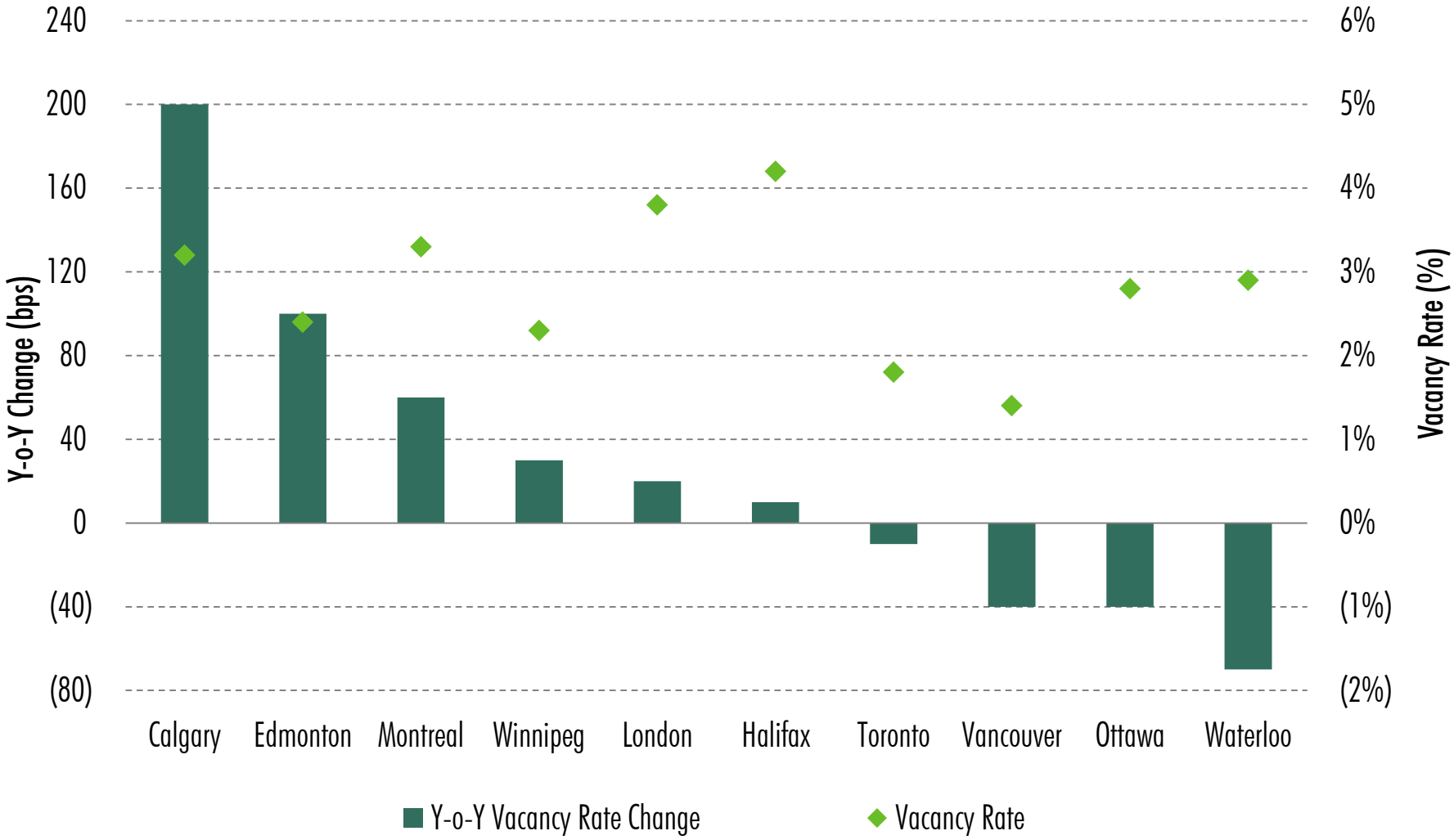
MULTI-FAMILY VACANCY, MID-YEAR 2015



Source: CBRE Research, Canada Mortgage and Housing Corporation, 2015.

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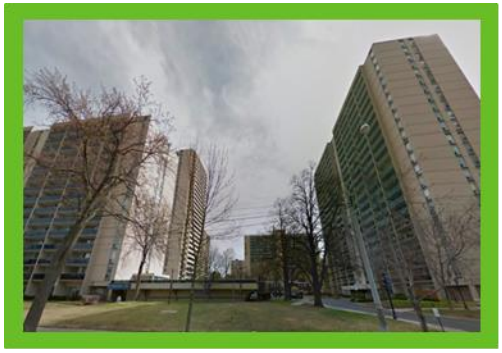

Boardwalk Windsor Portfolio Skyline Apartment REIT	
Market:	Windsor
Price:	$136,200,000
Number of Units:	1,625
Price Per Unit:	$83,815
Projected Transaction Date:	September 10, 2015

High Park Village Buildings 1, 3, 5 & 7 GWL Realty Advisors (50%)	
Market:	Toronto
Price:	$124,654,198
Number of Units:	990
Price Per Unit:	$251,826
Transaction Date:	April 30, 2015

High Park Village Buildings 2, 4 & 6 CPPIB (60%)	
Market:	Toronto
Price:	$104,574,797
Number of Units:	750
Price Per Unit:	$232,388
Transaction Date:	June 30, 2015

Source: RealNet, Q2 2015.

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Langara Gardens Concert Properties Ltd.	
Market:	Vancouver
Price:	$101,857,500
Number of Units:	621
Price Per Unit:	$328,043
Transaction Date:	Jan. 9, 2015

Airdrie Place Apartments Private Investor	
Market:	Calgary
Price:	$64,285,000
Number of Units:	300
Price Per Unit:	$214,283
Transaction Date:	Jan. 6, 2015

Kingsclub (33%) CAPREIT	
Market:	Toronto
Price:	$60,300,000
Number of Units:	506
Price Per Unit:	$322,978
Announced Date:	July 2015

Source: RealNet, Q2 2015.

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50 Spadina Rd. & 35 Walmer Rd. Starlight Properties	
Market:	Toronto
Price:	$59,000,000
Number of Units:	229
Price Per Unit:	$257,642
Transaction Date:	Jan. 12, 2015

The Laurier Minto Inc.	
Market:	Calgary
Price:	$50,000,000
Number of Units:	144
Price Per Unit:	$347,222
Transaction Date:	March 25, 2015

111 Lawton Boulevard Akelius Canada Ltd.	
Market:	Toronto
Price:	$46,000,000
Number of Units:	152
Price Per Unit:	$302,961
Transaction Date:	August 10, 2015

Source: RealNet, Q2 2015.

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King's Heights Apartments Skyline Apartment REIT	
Market:	Calgary
Price:	$41,000,000
Number of Units:	192
Price Per Unit:	$213,542
Transaction Date:	Feb. 17, 2015

The Brock Homestead Land Holdings Ltd.	
Market:	Burlington
Price:	$39,850,000
Number of Units:	115
Price Per Unit:	$346,552
Transaction Date:	June 11, 2015

Hamilton House InterRent REIT	
Market:	Montreal
Price:	$32,400,000
Number of Units:	280
Price Per Unit:	$116,129
Transaction Date:	March 11, 2015

Source: RealNet, Q2 2015.

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CANADIAN MULTI-RESIDENTIAL INVESTMENT VOLUME ($M) – BY MARKET

Market	2007	2008	2009	2010	2011	2012	2013	2014	H1 2015
Vancouver	640.3	288.6	647.0	414.5	450.1	815.1	440.9	533.0	361.0
Calgary	556.0	269.3	90.5	112.1	125.8	486.3	184.4	202.4	137.5
Edmonton	659.0	202.0	139.0	160.4	157.0	121.7	317.8	269.5	191.6
Toronto	832.0	873.9	453.1	774.0	1,066.8	1,563.3	1,585.2	1,176.5	847.2
Ottawa	240.0	163.0	228.0	154.0	226.2	768.3	397.5	397.3	183.3
Montreal	846.2	946.0	605.0	836.1	900.0	1,354.9	829.1	813.4	341.2
Halifax	161.0	41.0	44.0	50.2	210.1	161.3	44.3	121.0	6.3
National	**4,404.3**	**3,178.8**	**2,430.6**	**2,887.3**	**3,569.9**	**6,023.3**	**4,166.8**	**3,666.8**	**2,173.7**

Source: CBRE Limited, RealNet Canada, Collette Plante, JLR Land Titles Solutions, Q2 2015.

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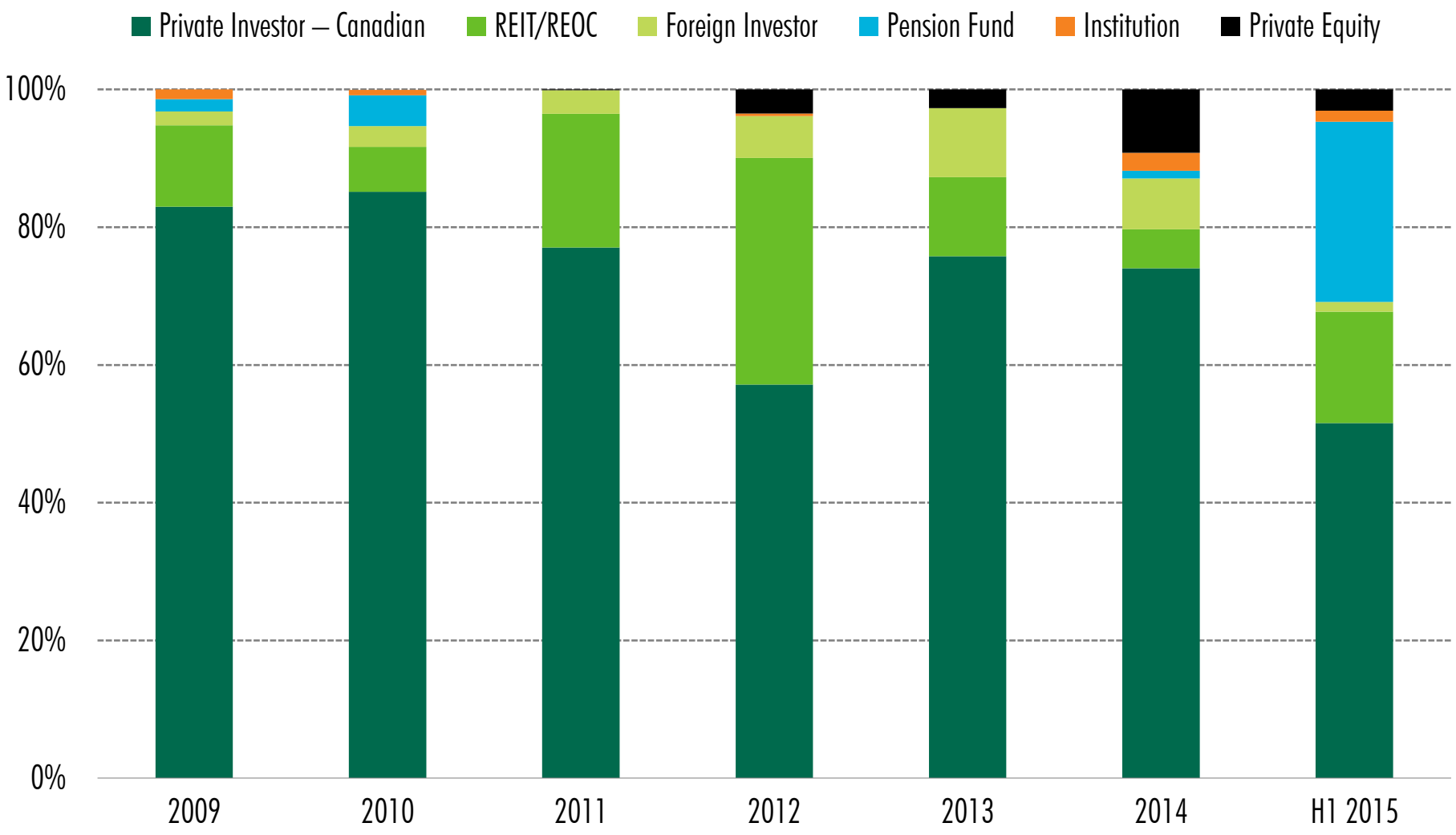
CANADIAN MULTI-RESIDENTIAL PURCHASER PROFILE – ALL TRANSACTIONS



Source: CBRE Limited, RealNet Canada, Collette Plante, JLR Land Titles Solutions, Q2 2015.

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CANADA'S ACTIVE PENSION FUNDS IN REAL ESTATE

Select Canadian Pension Funds

Pension Fund	Net Assets CAD (Billion)	Real Estate Assets CAD (Billion)
CPPIB - Canadian Pension Plan Investment Board	$264.6	$30.3
Caisse de Dépôt et Placement du Québec /Ivanhoe Cambridge	$225.9	$22.9
Ontario Teachers' Pension Plan/Cadillac Fairview Corp.	$154.5	$26.6
bcIMC - British Columbia Investment Management Corporation	$114.0	$16.3
PSP - Public Sector Pension Investment Board	$93.7	$12.8
OMERS/Oxford Properties Group	$72.1	$12.0
AIMco - Alberta Investment Management Corporation	$74.7	$9.2
HOOPP - Healthcare of Ontario Pension Plan	$60.8	$7.7

Source: Various Annual Reports, 2015.

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FOR CONSIDERATION…….

- **Demand drivers**
  - **Immigration**
  - **“We’re becoming a multi-housing society”**
  - **And we’re becoming more urban**
  - **Housing affordability**
  - **Demographics**

- **Make-up of the Canadian Apartment market**
  - **Where and what**

- **And now for some construction**

- **And rents**

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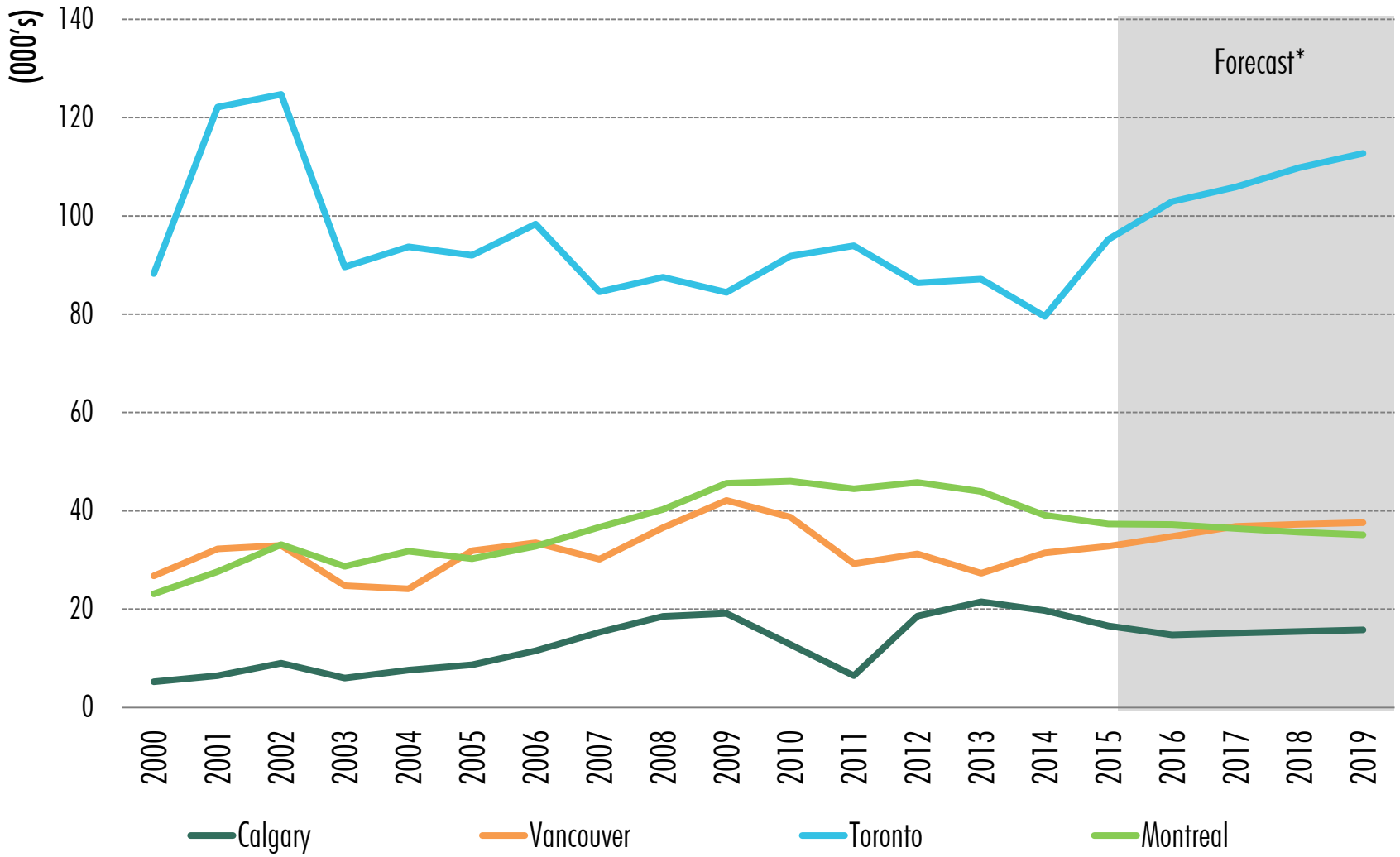
IMMIGRATION: FUELS DEMAND



Source: Conference Board of Canada, Q2 2015.

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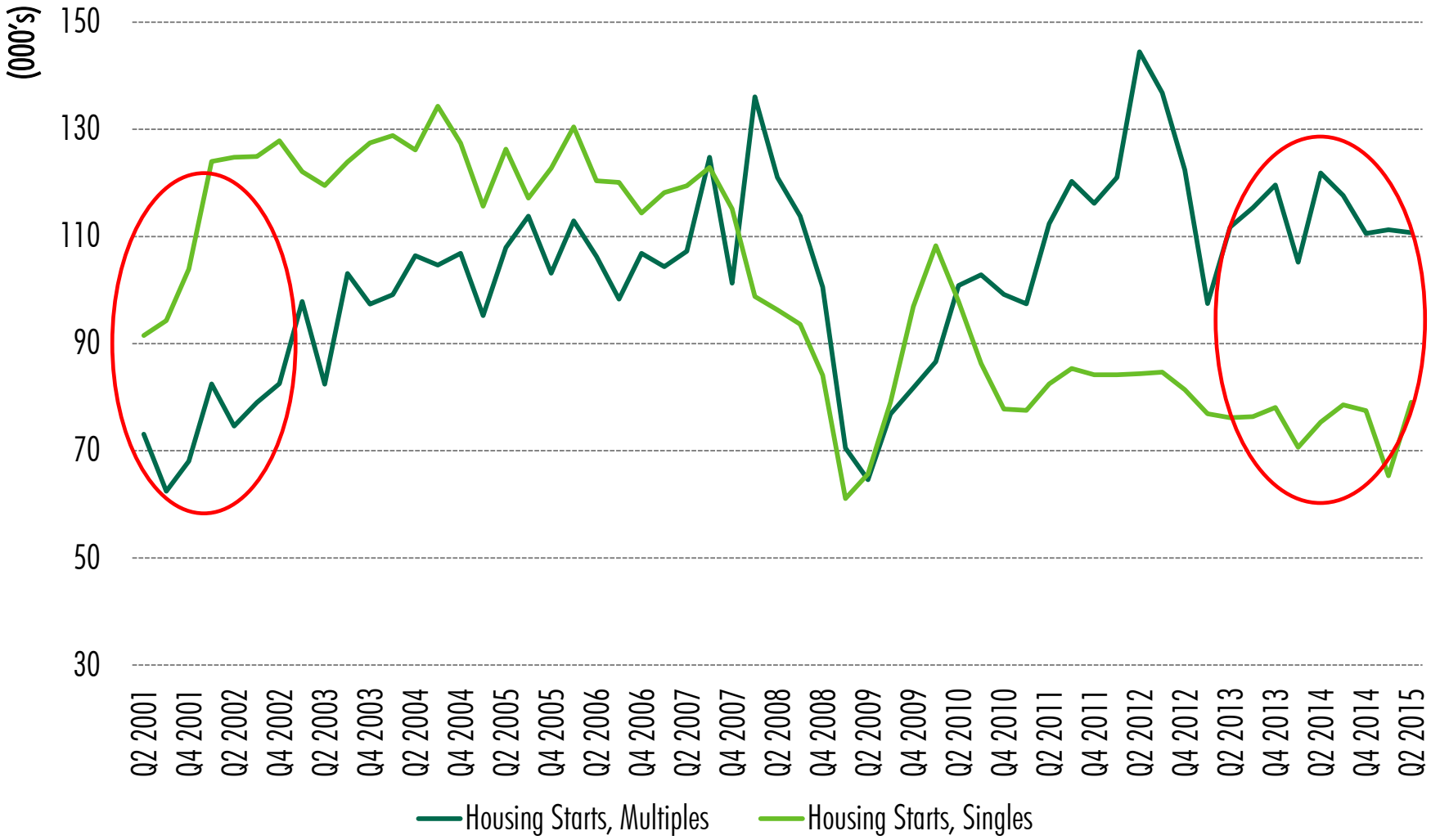
CANADA MOVING TOWARDS MULTI-RESIDENTIAL LIVING



Source: The Conference Board of Canada, Q2 2015.

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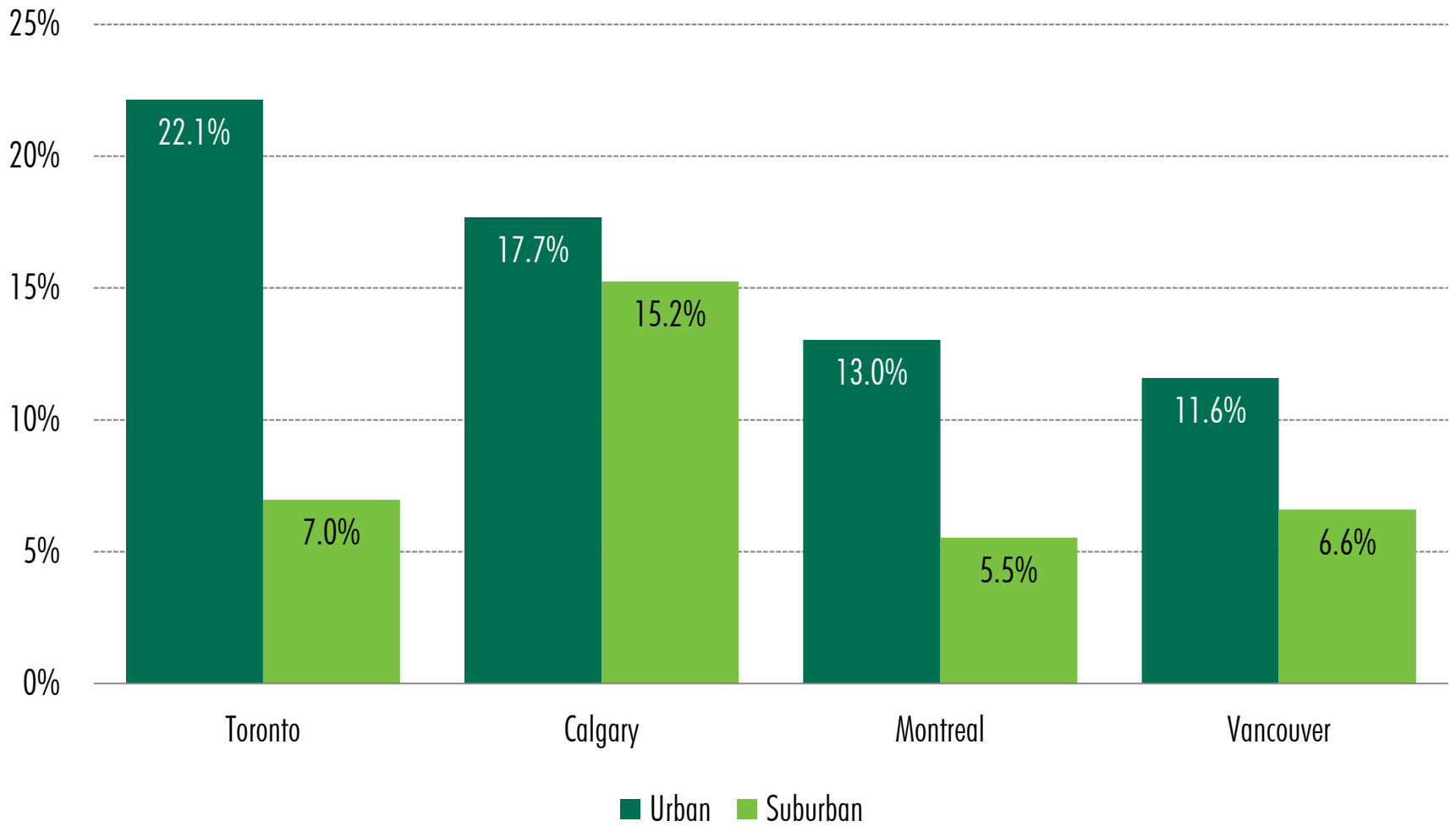
URBAN & SUBURBAN GROWTH

2010-2015 Population Change



* Urban defined as 2 km radius from city centre.

Source: Environics Analytics, 2015.

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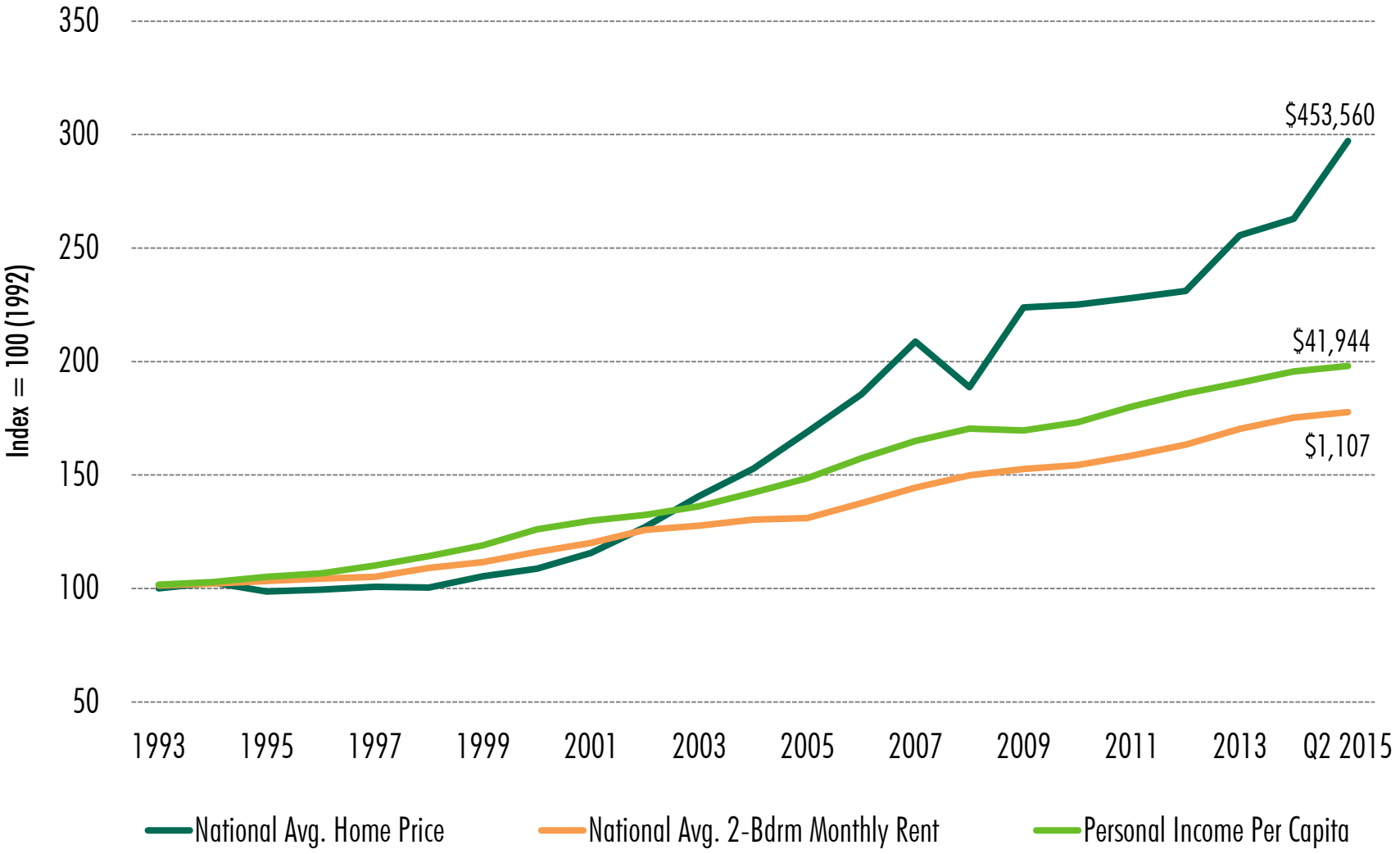
AFFORDABILITY GAP CONTINUES TO WIDEN



Source: Canadian Real Estate Association, Canadian Mortgage and Housing Corporation, Conference Board of Canada, Q2 2015.

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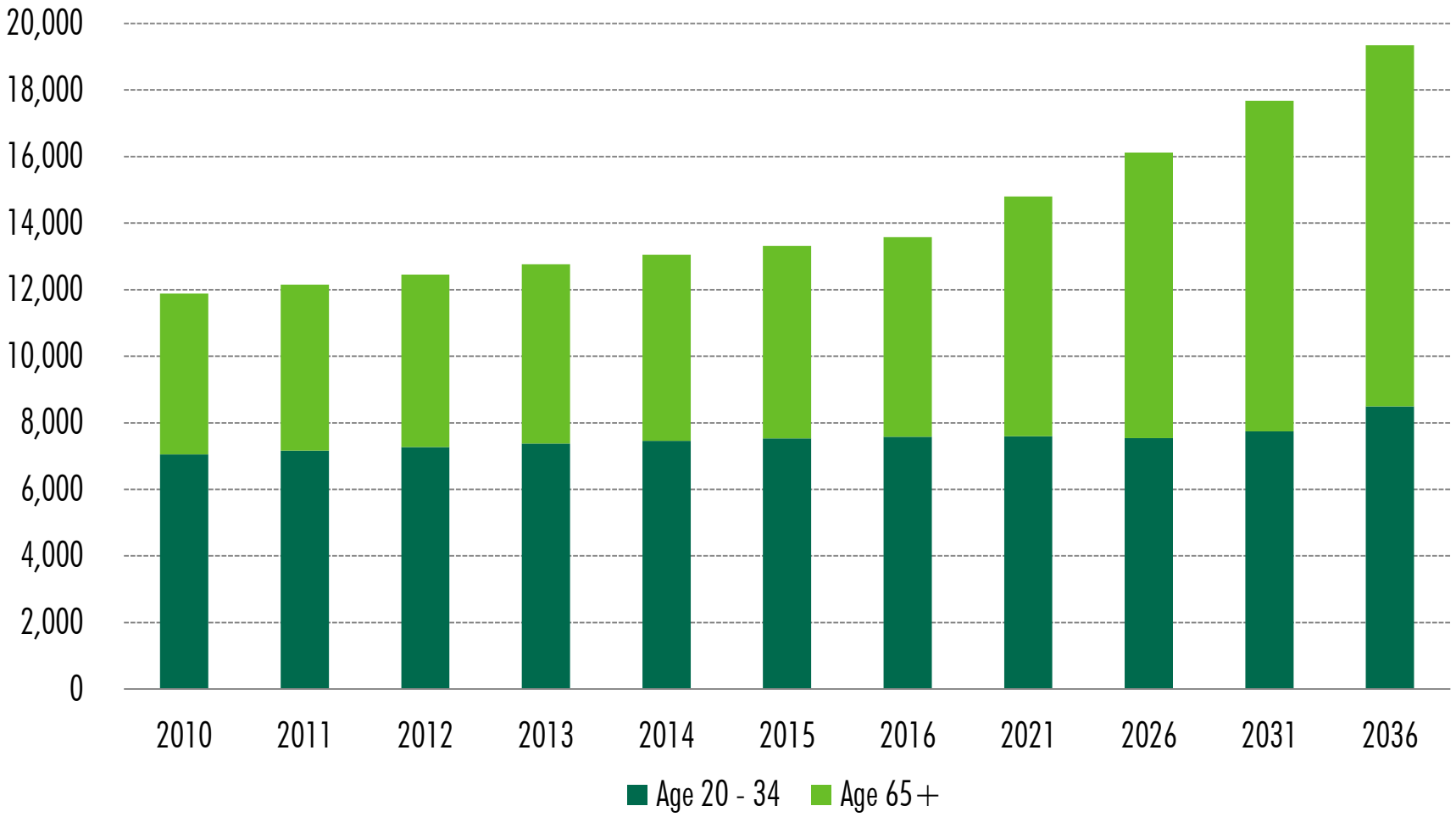
DEMOGRAPHIC TRENDS IN CANADA

Population Growth (000's)



Source: CBRE Research, Statistics Canada, 2015.

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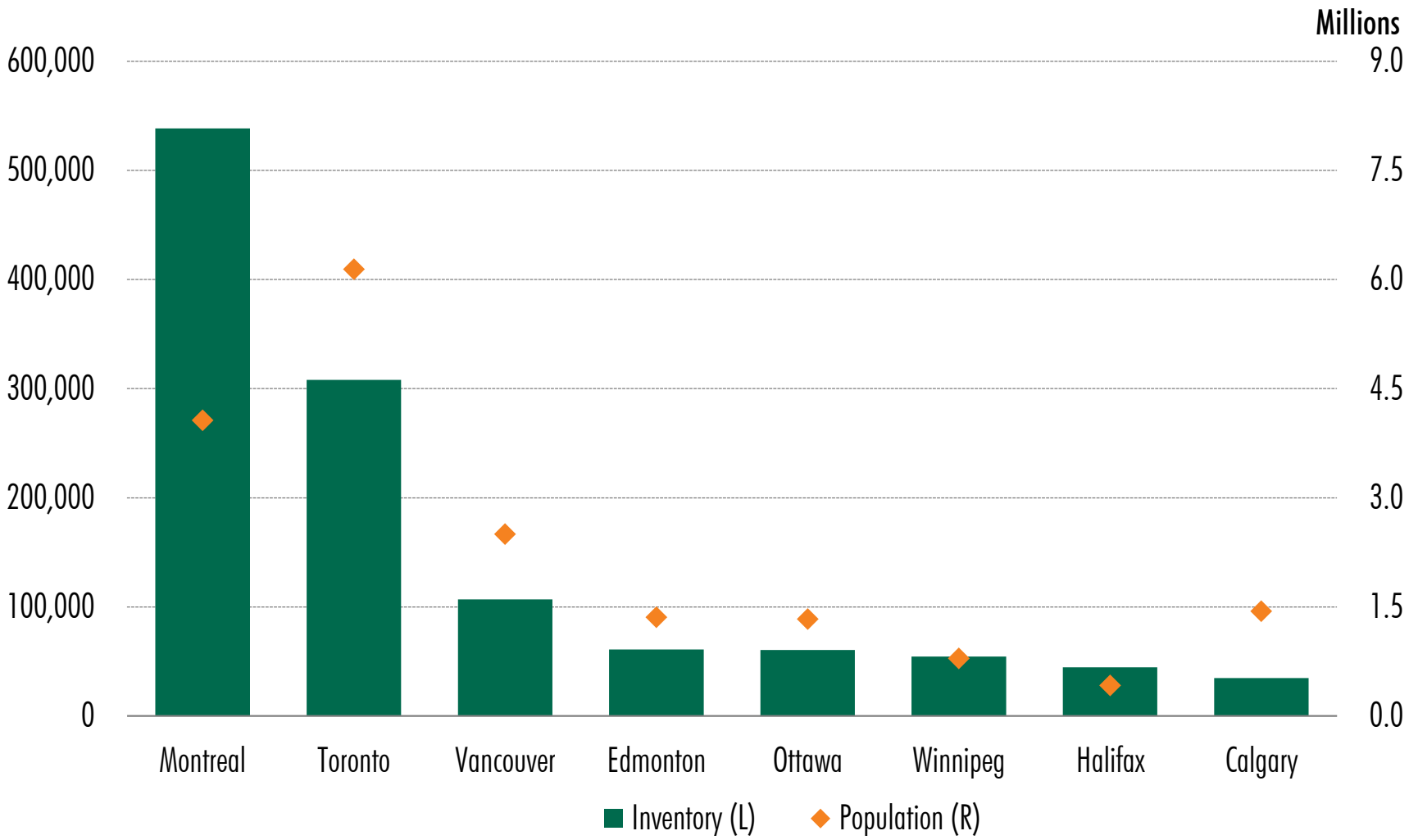
CANADIAN APARTMENT DISTRIBUTION (UNITS)



Source: Canadian Mortgage and Housing Corporation, Conference Board of Canada, 2015.

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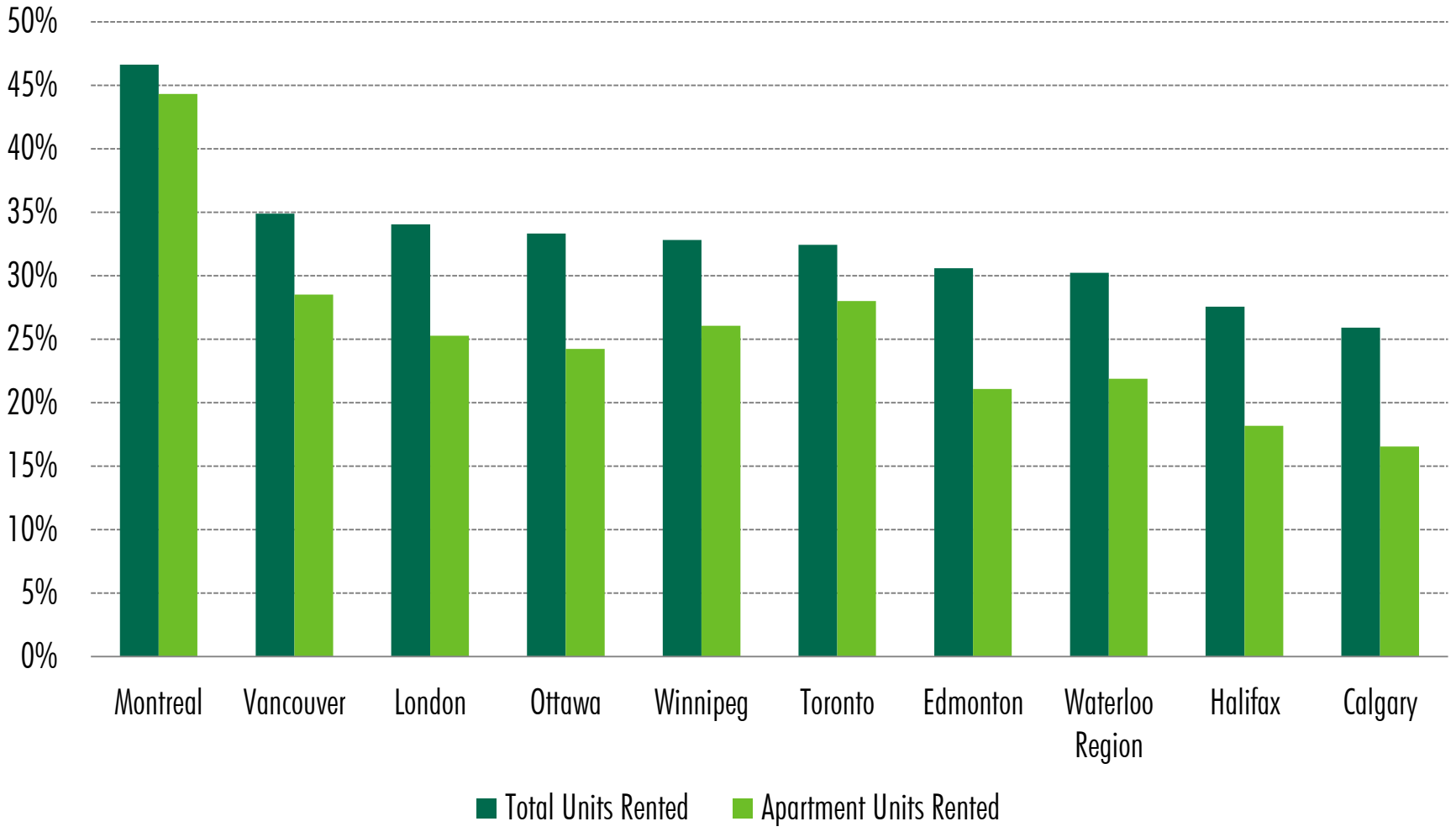
PERCENTAGE OF UNITS RENTED – CMA'S



Source: Canadian Mortgage and Housing Corporation, Statistics Canada, 2015.

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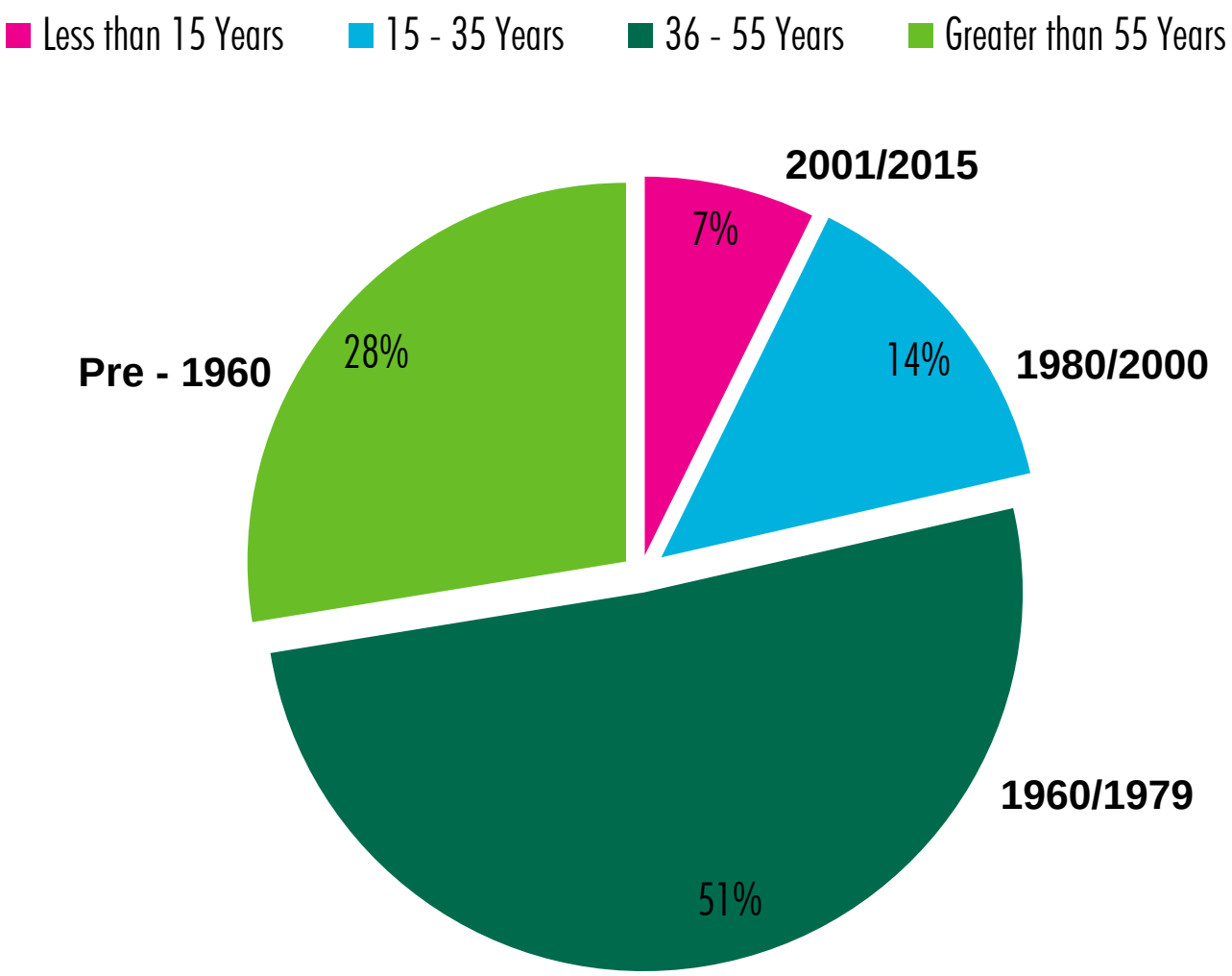
CANADIAN APARTMENT INVENTORY BY AGE



Source: Canadian Mortgage and Housing Corporation, June 2015.

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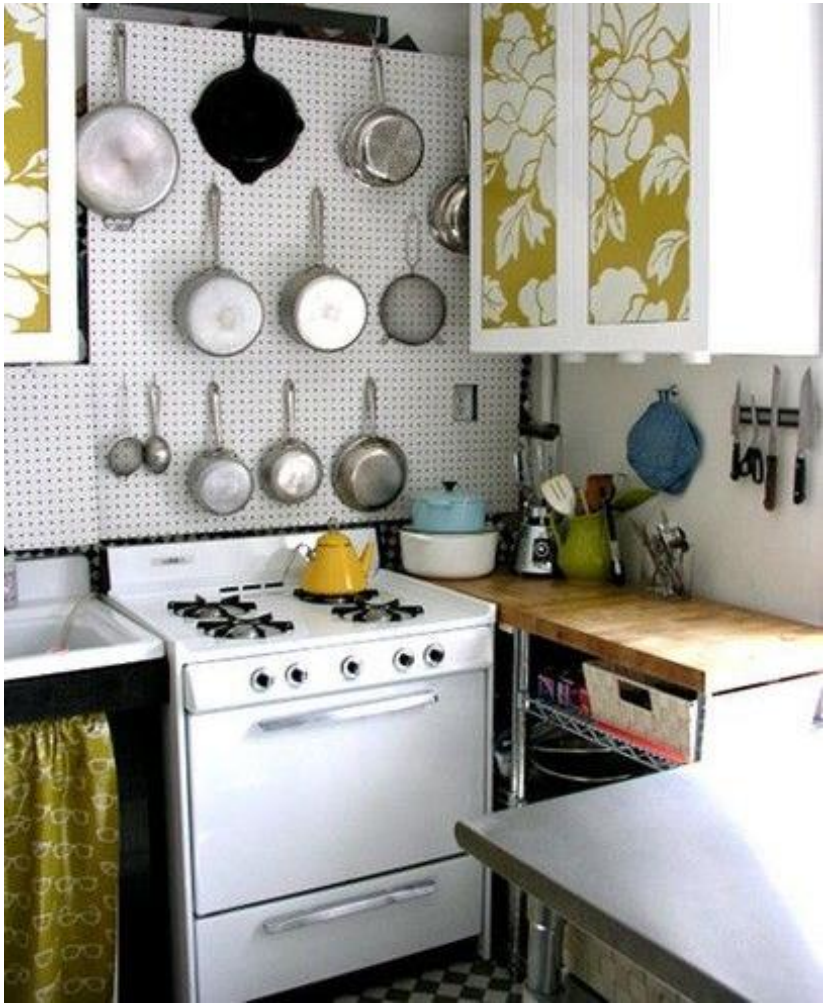

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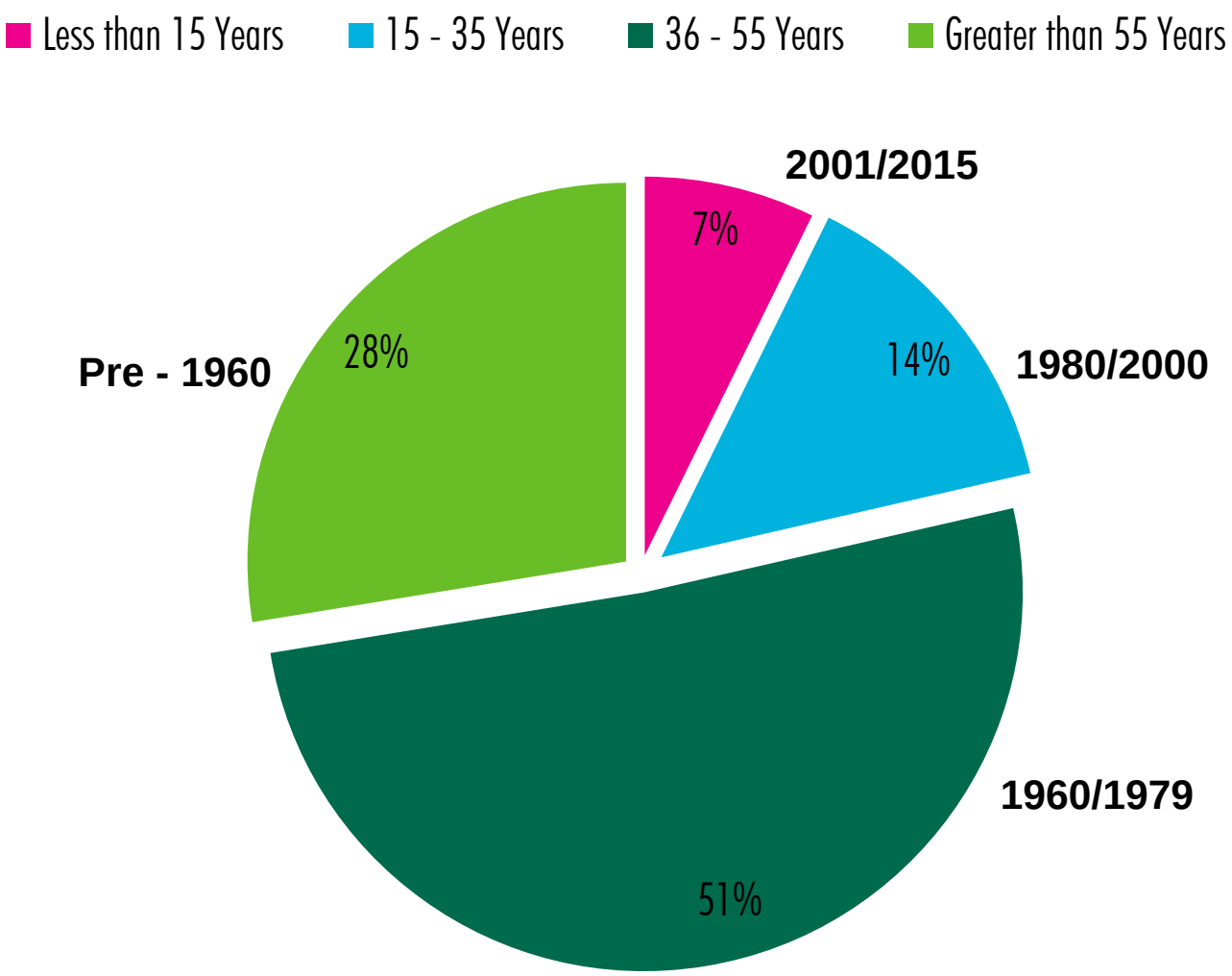
CANADIAN APARTMENT INVENTORY BY AGE



Source: Canadian Mortgage and Housing Corporation, June 2015.

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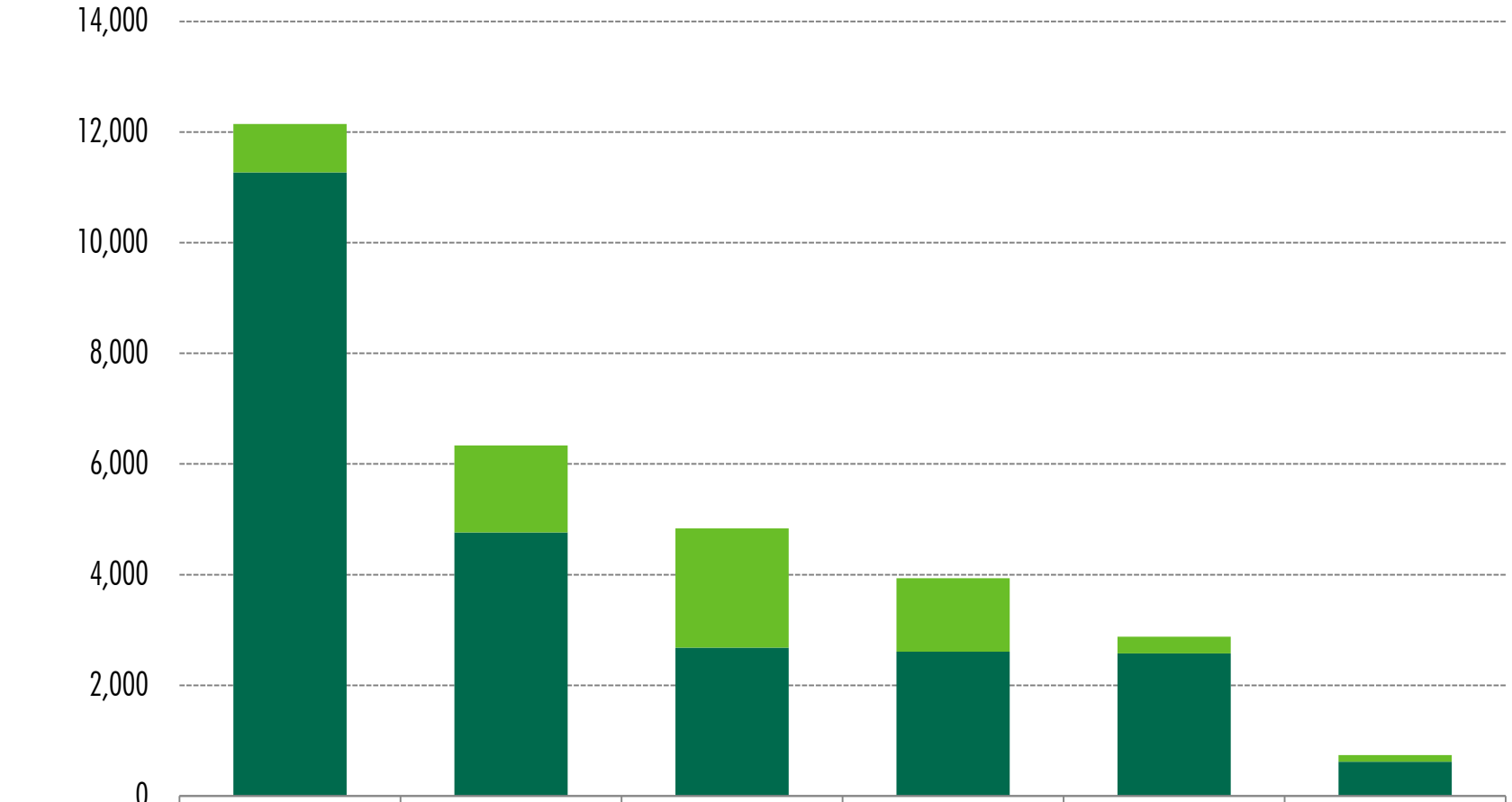
MULTI-FAMILY UNIT STARTS 2015-YTD JUNE



	Toronto	Vancouver	Montreal	Edmonton	Calgary	Ottawa
Rental	875	1,571	2,155	1,329	300	121
Condominium	11,269	4,764	2,681	2,607	2,577	620

Source: Canada Mortgage and Housing Corporation, June 2015.

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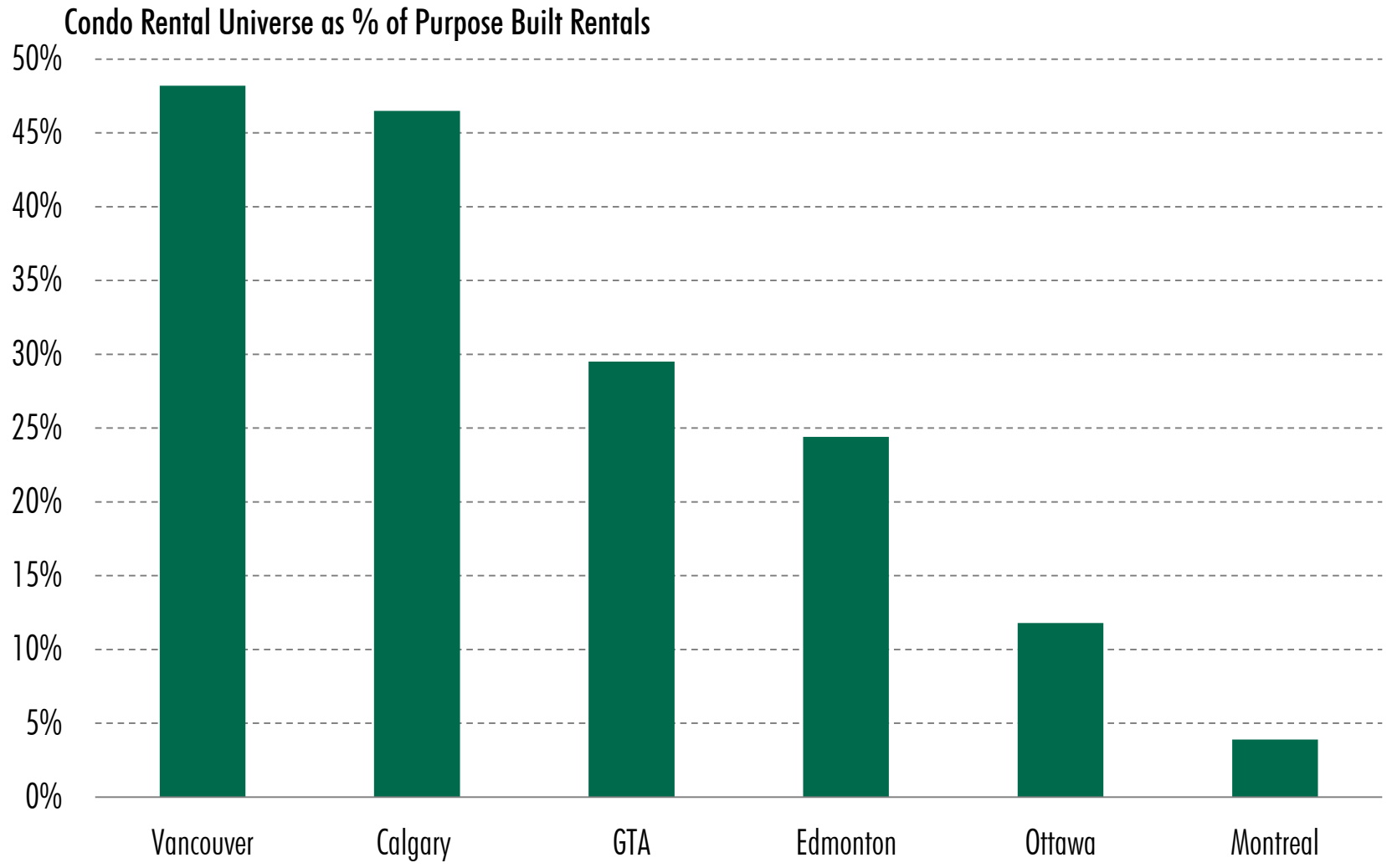
JUST HOW BIG IS THE CONDO RENTAL UNIVERSE?



Source: Canada Mortgage and Housing Corporation, 2015.

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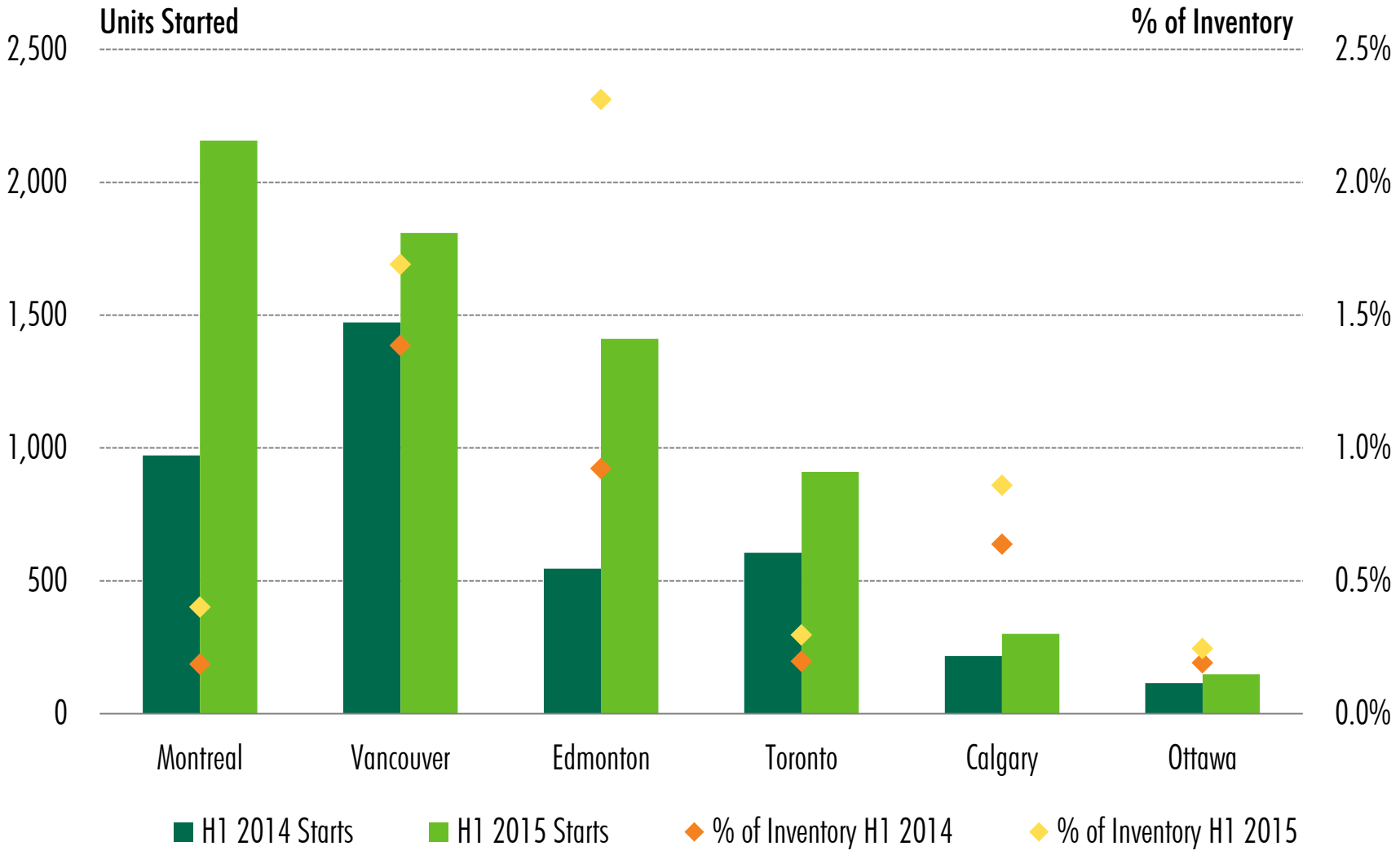
PURPOSE-BUILT RENTAL CONSTRUCTION



Source: Canadian Mortgage and Housing Corporation, H1 2015.

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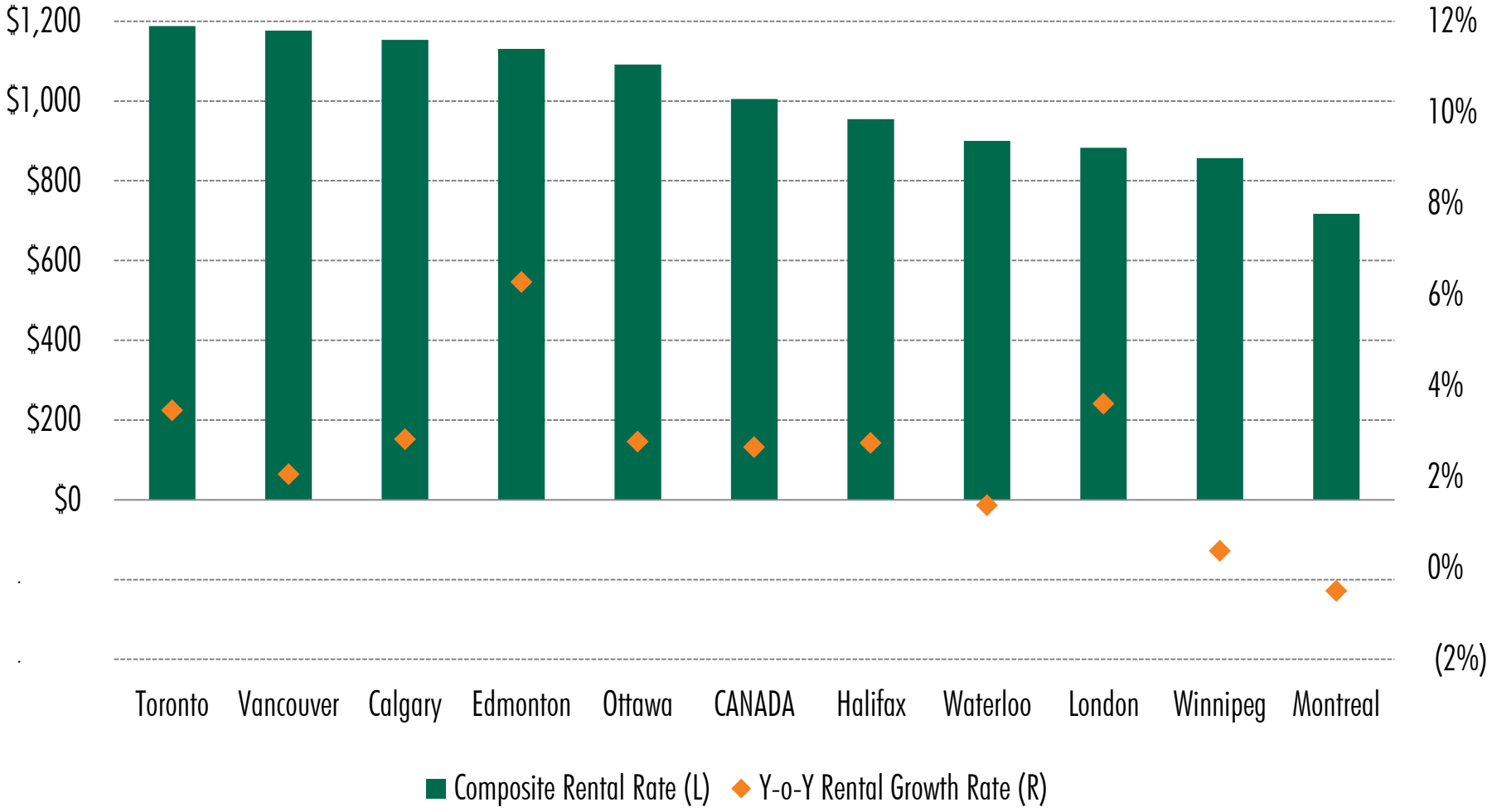
APARTMENT RENTS



Source: CBRE Research, Canada Mortgage and Housing Corporation, H1 2015.

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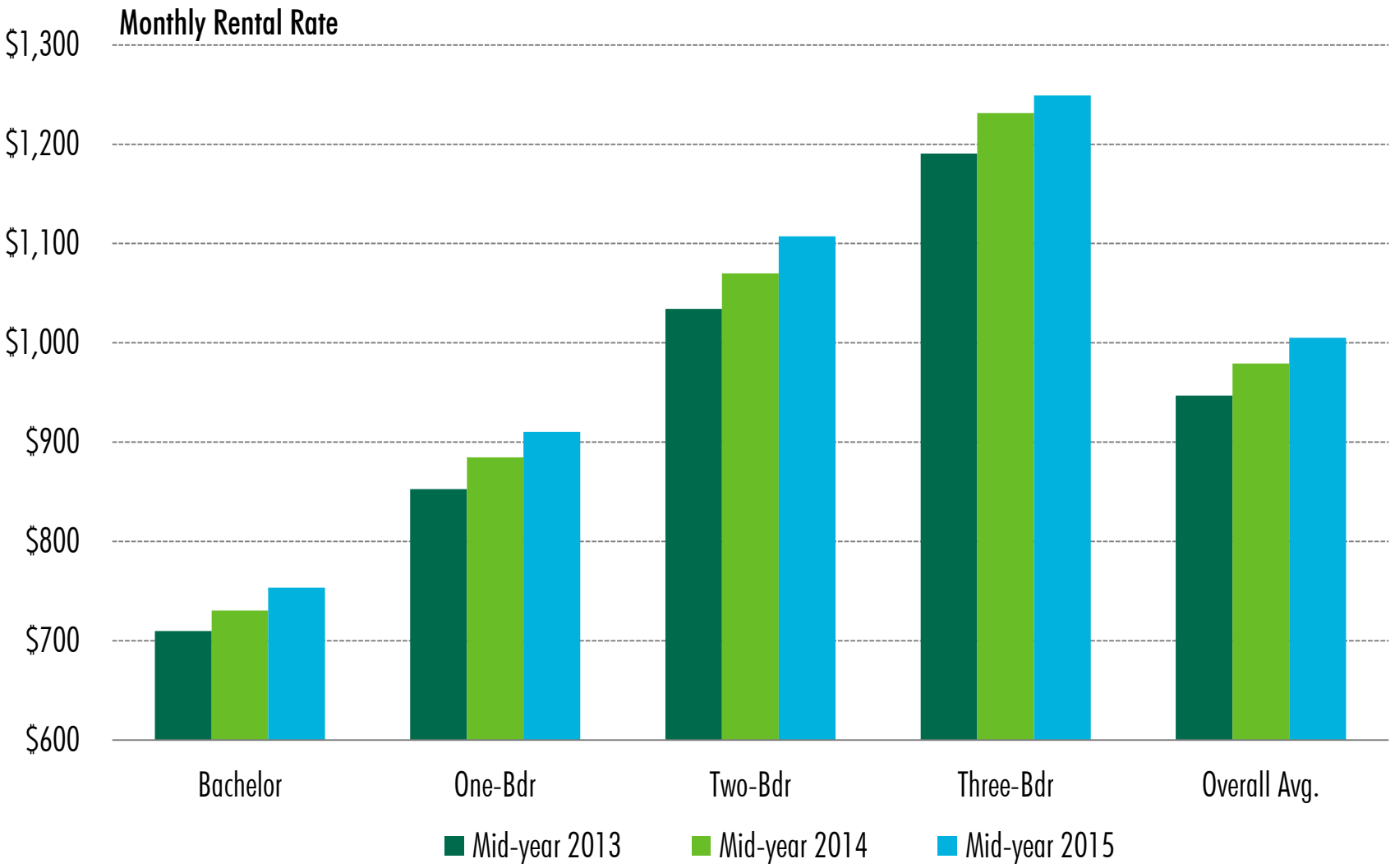
RENTAL RATE BY UNIT TYPE



Source: CBRE Research, H1 2015.

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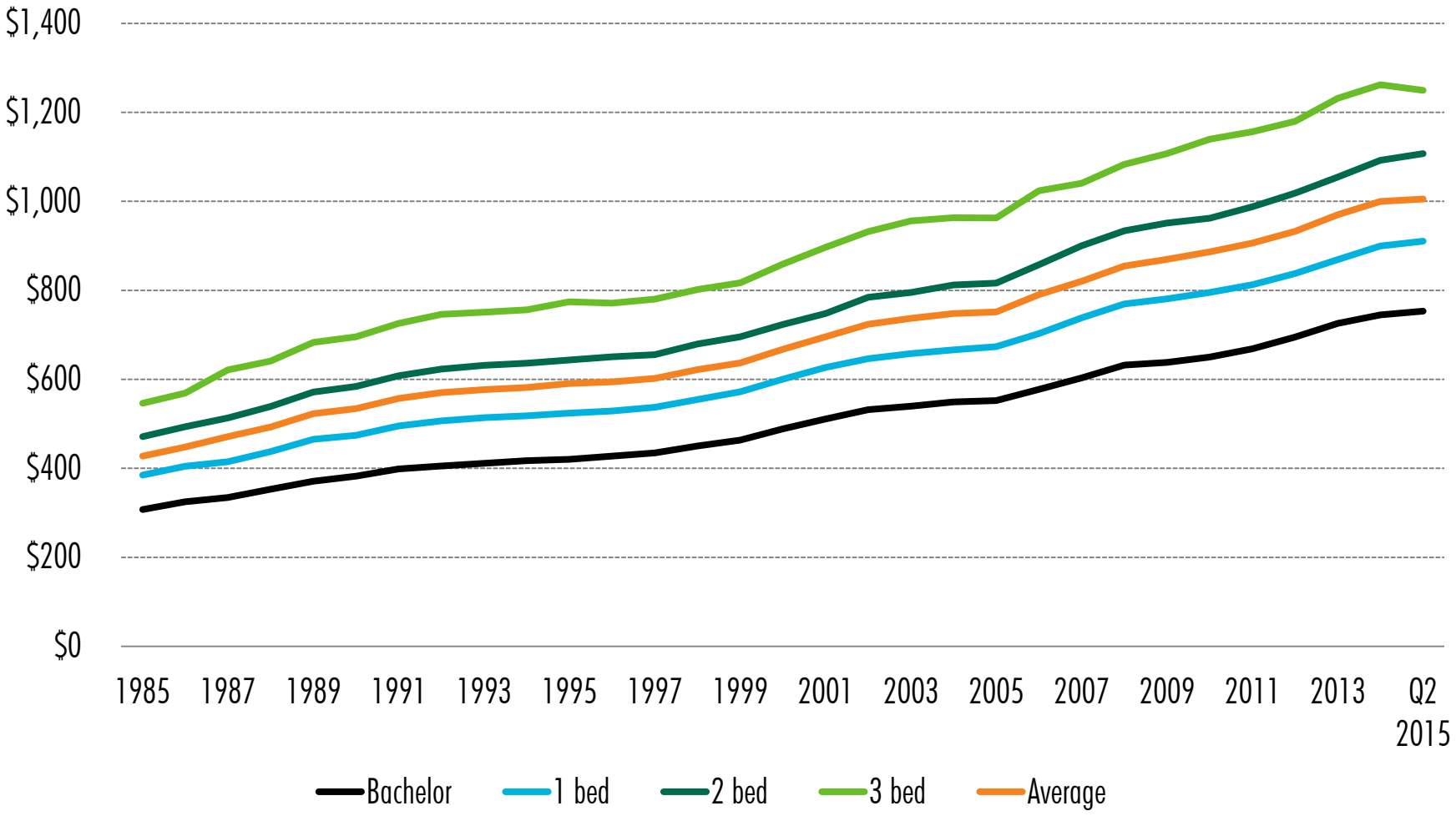
MULTI-FAMILY RENTAL RATES



Source: Canada Mortgage and Housing Corporation, CBRE Research, Q2 2015.

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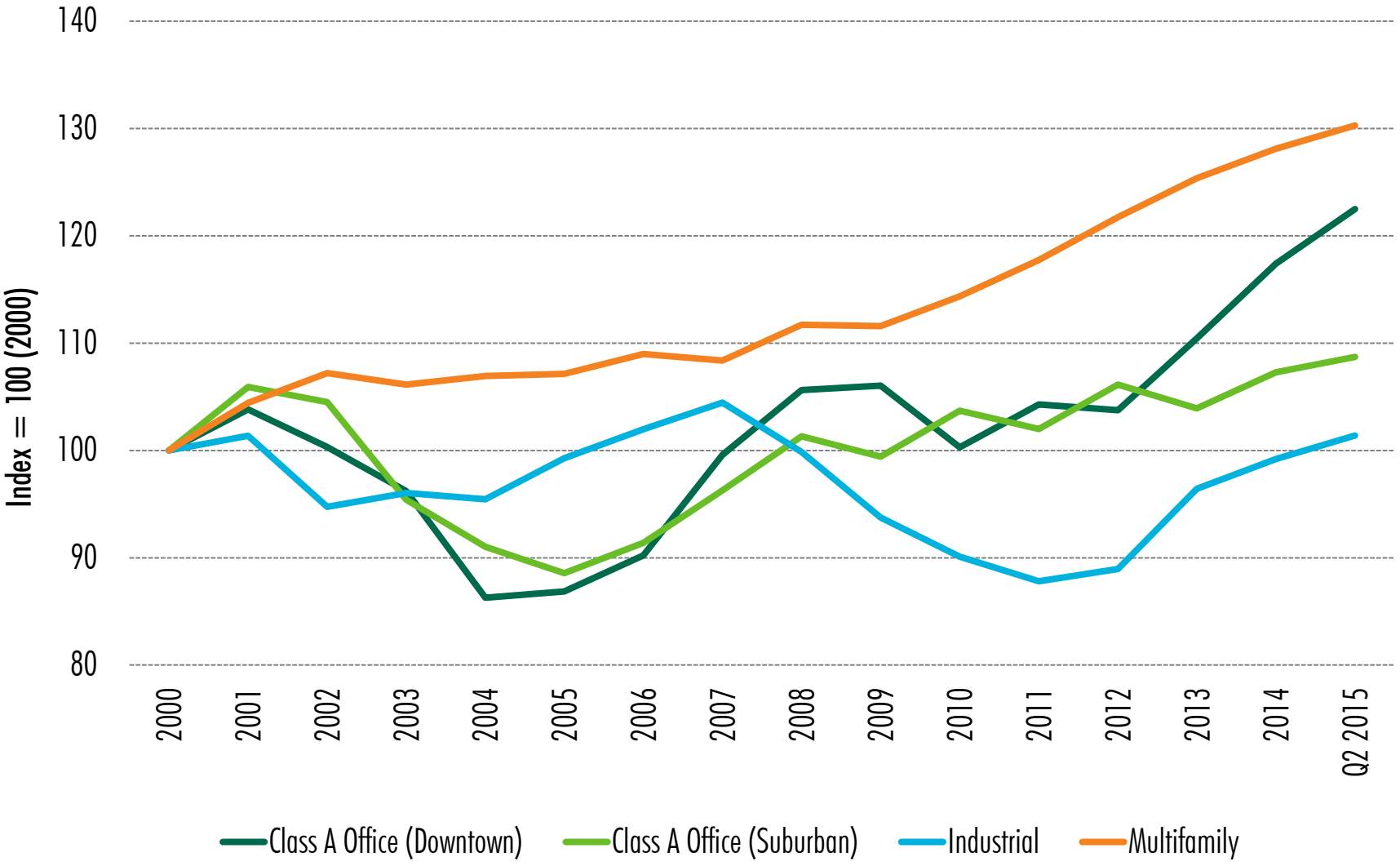
AVERAGE RENTAL RATE GROWTH - TORONTO



Source: CBRE Research, Q2 2015.

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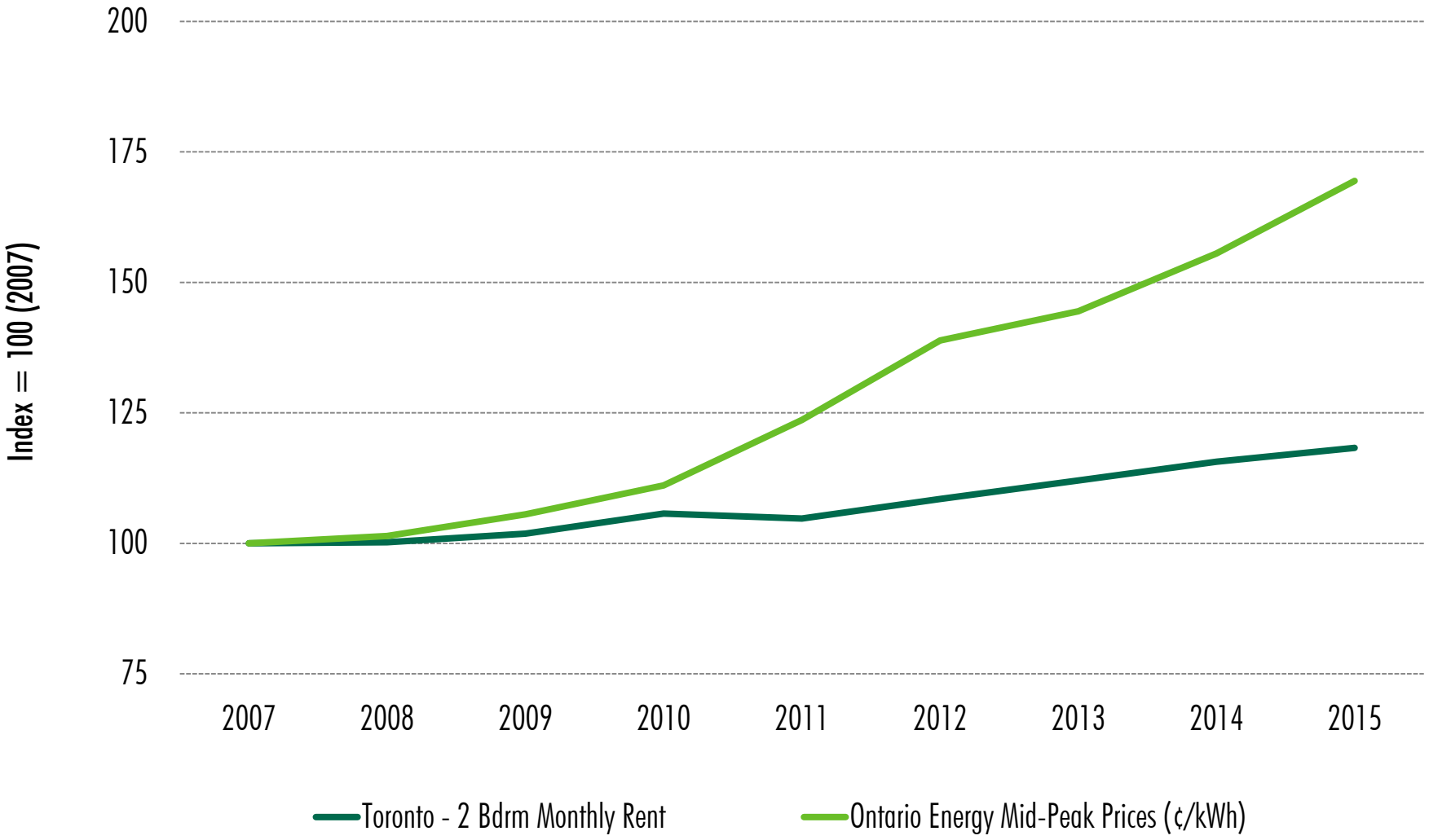
ELECTRICITY PRICES (¢/KWH) VS. 2 BEDROOM MONTHLY RENT



Source: Ontario Energy Board, Canadian Mortgage and Housing Corporation, & CBRE Research, 2015.

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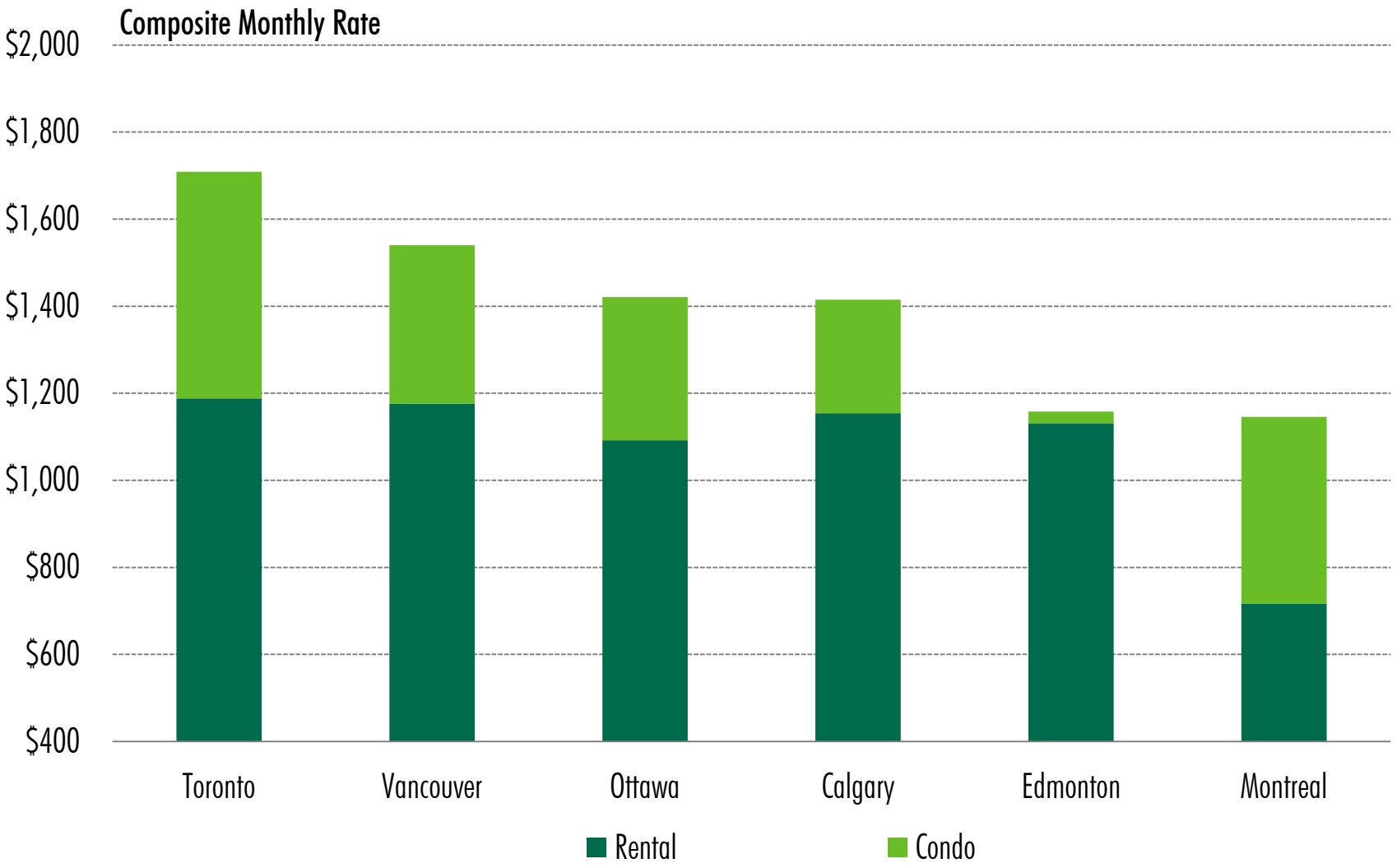
RENTAL RATE: CONDO VS. RENTAL



Source: Canada Mortgage and Housing Corporation, CBRE Research, H1 2015.

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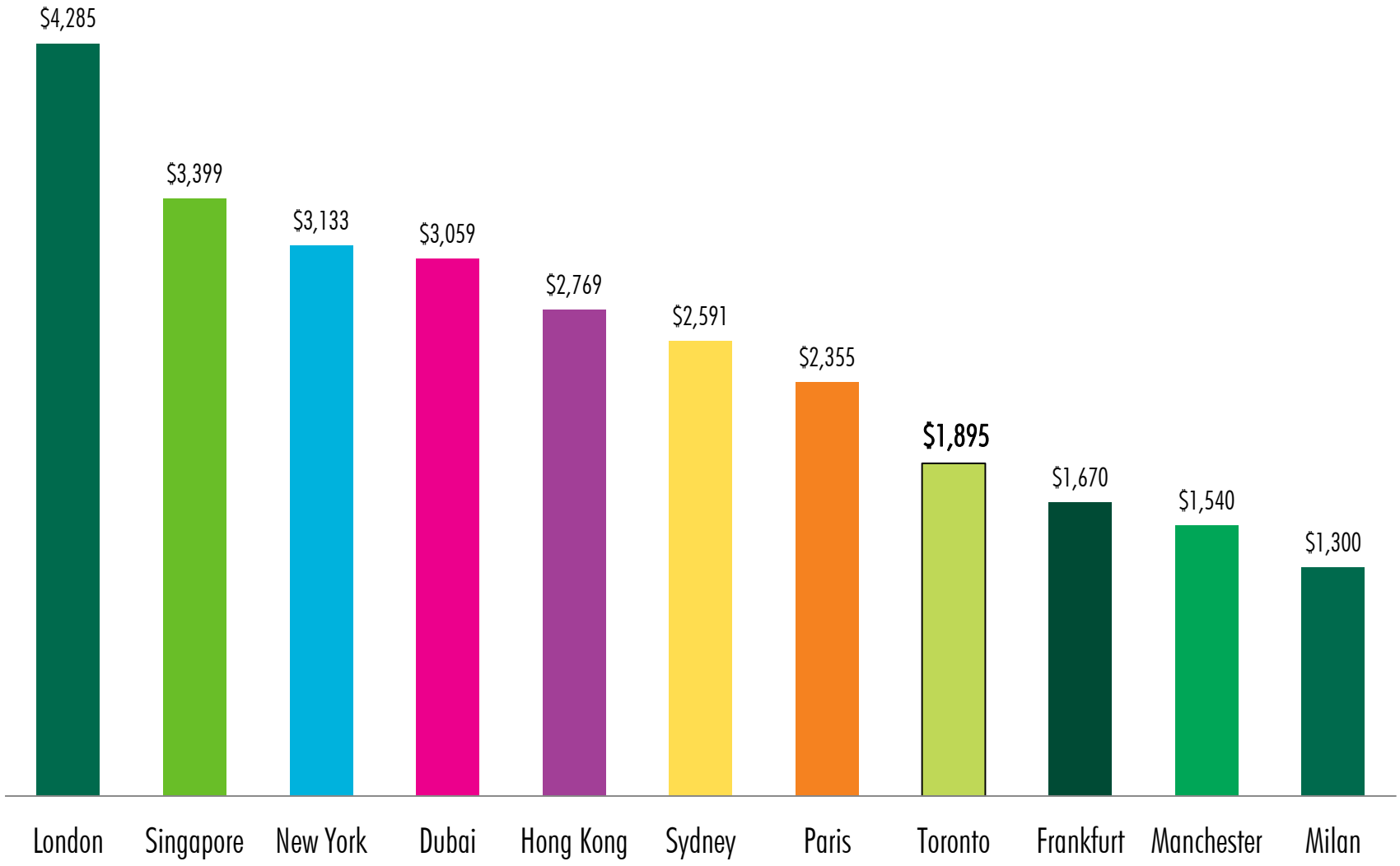
AVERAGE MONTHLY RENT PER CITY (CAD)



Source: CBRE Research, Q2 2015.

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NEW CONSTRUCTION - DOES IT MAKE SENSE?

LAND		CONSTRUCTION		SOFT		TOTAL
$75.00/ $100.00	+	$250.00	+	$50.00	=	$375.00

$$\text{NOI} = \frac{\$1.60/\text{SF/MO}}{\$415.00} = 4.6\%$$

COST

CAP RATE?

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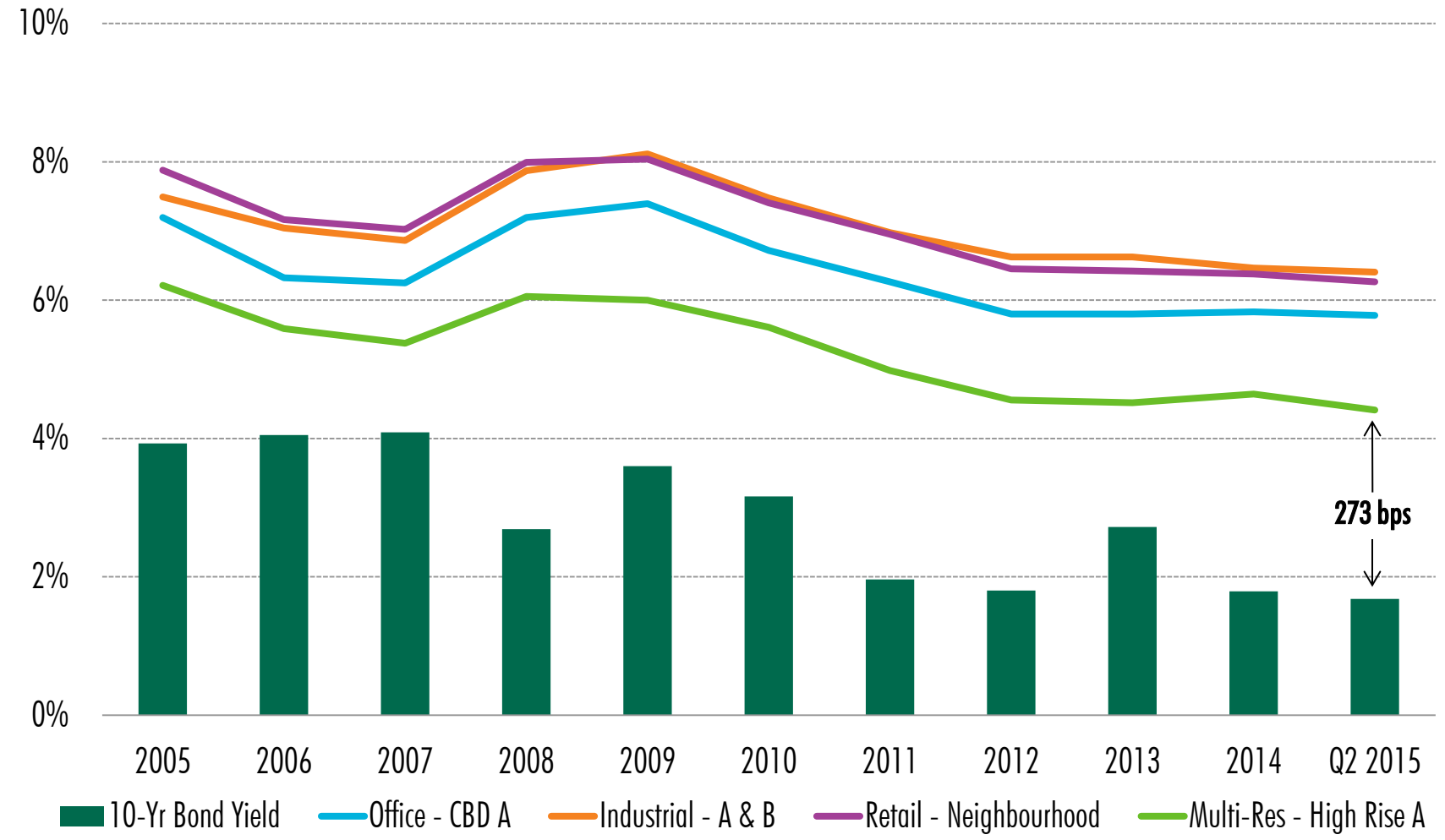
NATIONAL CAP RATES VS. 10-YR BOND YIELD



Source: CBRE Research, Bank of Canada, Q2 2015.

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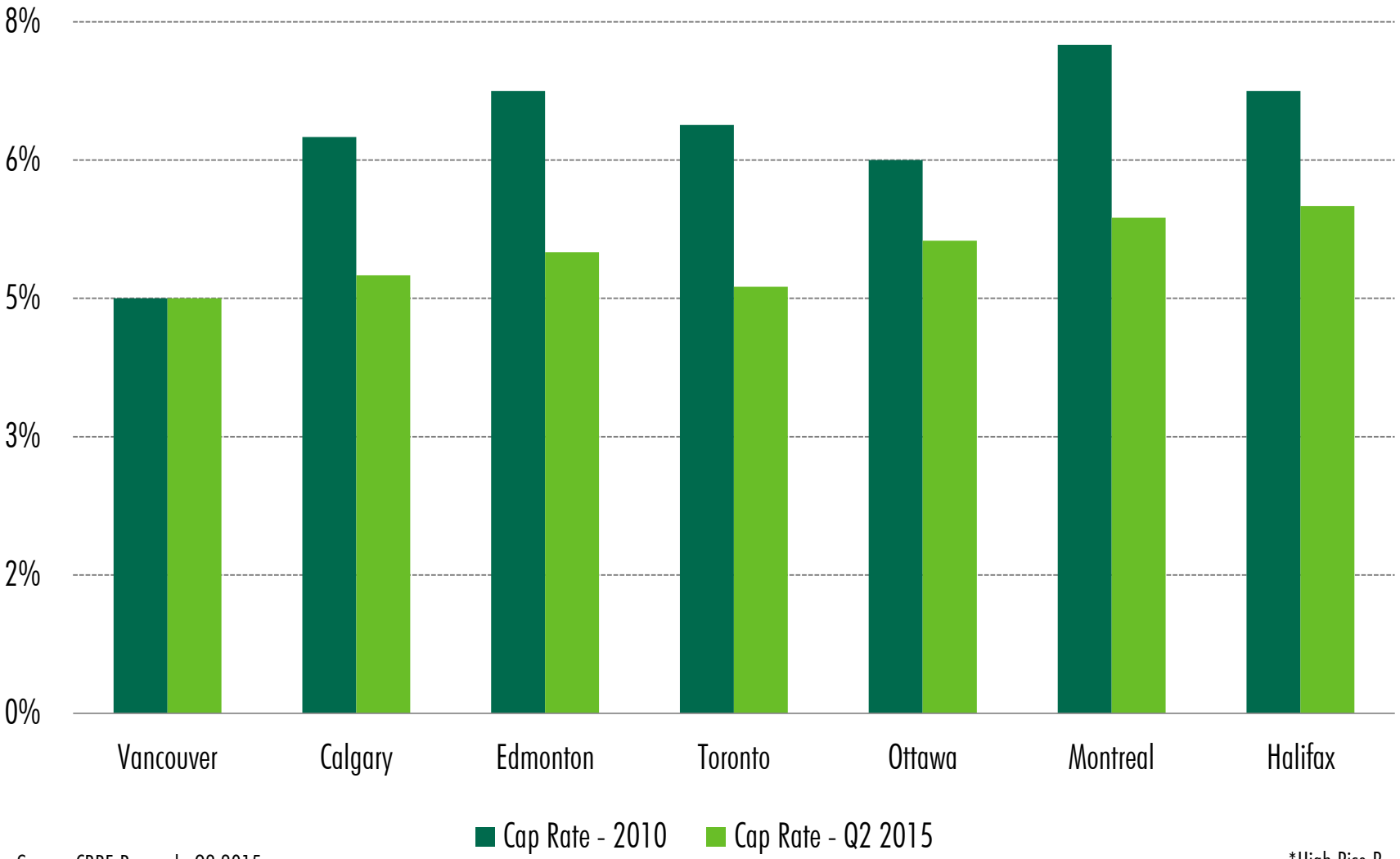
MULTI-FAMILY CAP RATES* BY MARKET



Source: CBRE Research, Q2 2015.

*High Rise B

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CONCLUDING COMMENTS

- Demand going forward will be more nuanced
- Construction is far from a permanent feature, but…
- Record setting pricing will drive new construction
- The *yin and yang* relationship with the ownership market

THANK YOU

Ross Moore, Director, CBRE Canada Research

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