



### PURPOSE BUILT APARTMENT DEVELOPMENT IS HERE TO STAY WITH NEW EXCITING PROJECTS FOR 2020

- Development is everywhere – what does the market need in terms of supply and type?
- Some of the exciting projects include:
  - i. Le Rocabella: two 40-storey buildings consisting of residential units, a shopping complex, and underground parking.
  - ii. L'Avenue: 50-storey building, 325 residential units with shops.
  - iii. La Tour des Canadiens-de-Montréal: 48-storey hotel and condo-complex combo, will offer 534 housing units.
- What are developers building and how are they making sense of the numbers?
- What type and layout attract the best value for tenants and landlords alike?

### SENIORS' HOUSING IS POISED TO GROW AND INNOVATE AS CANADIAN AGE AND TECHNOLOGY SHIFTS

- In 2016 Kevin Hughes, Regional Economist at CMHC was quoted as saying that "The downward trend in the Québec retirement home vacancy rate reflects the progressive acceleration of population aging in our province," he went onto highlight that "Going forward, population growth in the 75 year and over age group will accelerate, and likely lead to increased demand in the coming years."
- Seniors housing is still increasing and reinventing itself year over year. From technology to government impacts the sector is positioned to have great positive momentum in the years to come.

### STUDENT HOUSING AND THE USER EXPERIENCE HAS IMPLICATIONS ON THE TRADITIONAL RENTAL MARKET

- Student housing in Québec has been on the rise with hotel conversions and increased inventory over the recent years. What are the major trends in the sector that are impacting the market today and tomorrow?
- When owners and investors look to the USA, there is evidence of a more competitive and customer serviced market. Technology, amenities and layouts seem to be more progressive and notable compared to the Canadian properties. Learning how to incorporate some new and innovative ideas into our current stock will provide greater experiences for students, but what does it do to them as they convert to traditional renters at the end of their education and deal with a more traditional stock, especially in the Montréal market?

### SUBSIDISED HOUSING IN QUÉBEC IS RECEIVING NATIONAL ATTENTION

- When landlords are looking at improving, renovating and repurposing existing buildings leveraging subsidies can impact that decision but there is still a gap in the market for affordable and acceptable living accommodations.
- As of November 2017, there was a shortage of affordable housing units in Montréal, with an estimated 25,000 families on the waiting list for subsidized housing. A large issue that adds a layer of complication is that many of the existing properties are in poor condition and that new developments have focused on the luxury market with little addition of family sized units. This issue is now attracting Federal attention with a call for more subsidized housing across the entire country in Canada's gateway cities. The liberal government of Canada has plans to build 80,000 new affordable housing units over 10 years. More than \$10bn has already been earmarked for this strategy, a strategy that has Montréal on the radar.
- There is a profit gap between private development and ownership and public needs that the industry is actively looking to solve in the near term.

### MIXED USE DEVELOPMENTS ARE IMPACTING THE RESIDENTIAL MARKET AND COMMUNITIES

- Mixed-use development in theory is a project that combines residential, commercial, cultural, institutional, and where appropriate, industrial uses. When a project manages to get the financial equation right and allow for greater housing variety and density, reduce commute time, encourage strong neighbourhoods and promote pedestrian and bicycle friendly environments there is a strong case for successes.
- When done with proper consideration, a mixed-use development can essentially rebalance an existing property by eliminating outdated and surplus commercial space and replacing it with contributing housing and businesses.
- Mixed-use developments have been on the rise over the past several years and will continue to offer superior tax/service cost ratios with shared amenities, reduction of public infrastructure requirements and a community feel, when done right. With the need for increased family housing, perhaps this model will allow government and private companies to realize both their end goals of creating profitable and equally socially conscious communities.

### CANNABIS LEGISLATION AND SERIOUS RENTAL MARKET CONSIDERATIONS

- As the legalization of cannabis enters the Canadian landscape, conversations in the industry regarding tenant rights, landlord and ownership responsibilities and the balance of the two are at the forefront of everyone's mind.
- How do you allow tenants their rights under the new cannabis legislations and still protect the buildings and other tenants from the effects of second hand smoke? Is smoke even a consideration for landlords with so many other ways to ingest while receiving the same outcome?
- Are owners and managers allowed to designate a property smoke free and will that include cannabis?
- What are you allowed to do as a property owner when you have cannabis issues onsite with tenants?

### BUILDING SECURITY AND SAFETY IS PARAMOUNT BUT WHAT ABOUT THE BUDGETS?

- New upgrading and inspection requirements have been mandated over the past several years in relation to: building facades, cooling towers, elevated parking structures, elevators, emergency lighting, fire alarm systems, fire separations etc.
- Making sure properties are safe and secure for both tenants and the public are focused within the industry.
- Owners and managers are concerned with costs that arise that are not factored into the typical property capital reserve structure and cannot be offset by rents.

### TECHNOLOGY IS CHANGING THE INDUSTRY FROM TOP TO BOTTOM

- Technology is causing major disruptions within the multifamily market from property management to package delivery.
- The Canadian Multi-Family Tenant Rental Survey, that looked at some 10,000 tenants across Canada, highlights several issues and solutions tenants are dealing with.
- From payments to service requests, technology is changing the ways we interact with our tenants.
- Uber designated drop off zones, amazon apartment access and package delivery locations are among a few of the technology impacts that landlords of existing and future buildings need to contemplate if they want to stay current and ahead of the curve.
- We have not even contemplated the formal short-term rental space of WeLive, autonomous cars requirements including electric car and Artificial Intelligence affects on the industry.

### MONTRÉAL IS DEALING WITH THE IMPACT OF AIRBNB

- Airbnb has been in Montréal since early 2009. Recently, Montréal has emerged as Canada's largest Airbnb's destination which raises several issues and opportunities across the market.
- There is a Québec law requiring people who rent out accommodations for no more than 31 consecutive days to have a permit and pay a hotel tax. Those that violate the law are subject to potential fines of \$2,500 and \$25,000 a day and corporations can realize penalties between \$5,000 and \$50,000/day. Tourism Québec noted that it issued 967 permits for rental hosts out of the total 2,244 applications in the first year from when the law initially took effect, April 15, 2016.
- Per Airbnb there were 19,400 Québec Airbnb hosts in 2016 and that does not consider other rental web sites such as VRBO and the like. These numbers suggest a 2016 compliance rate of under 5% if you account for only Airbnb hosts.
- Per a report by the Urban Politics and Governance Lab in McGill's School of Urban Planning, Airbnb has removed as many as 14,000 units of housing from rental markets in Montréal, Toronto and Vancouver. In some neighbourhoods that represents around 3% of the total housing stock. There has also been substantial money generated from this activity, not only on the tourism impact but also for the hosts. It has been reported that Airbnb hosts in Vancouver, Toronto and Montréal earned \$430 million in 2016 with the top 10% earning most that income. In 2016, the top 1 per cent of hosts earned \$51.7 million each. The top five revenue generating listings in each of the three cities were also identified with each being booked on average 236 nights a year and generated \$145,000 for each host. "There aren't many places that go for \$20,000 a month in Toronto," the author David Wachsmuth, of McGill's Urban Politics and Governance Lab said.

### CONDOMINIUMS KEEPS GOING UP AND THUS SO DOES THE SHADOW RENTAL MARKET

- Rental condominiums across Vancouver, Toronto and Montréal are now a real consideration when one talks about the multi-family rental market.
- Significant construction and buyers market considerations mean that there is an abundance of condominium units being leased out for rent. From developers needing to create revenue on unsold units to investors who are renting to short and long term tenants the market seems to have many rental units available. CHMC reported that in 2016, 16% of all condominiums are for rental use in the Montréal census metropolitan area (CMA), up considerably from 9.4% in 2010. In the urban downtown, CHMC has reported that 1 in 4 condominium units are rental which, at the time of printing their report, equaled over 5,700 units.
- New developments are following the trend per CMHC with 1 in 2 new build condo units being slated for rental with is considerable considering the number of projects on the horizon. Some estimated anticipate as much as 20% increase will be added to the downtown condo rental market in the near term which cannot help but impact the space.
- Concerns have been voiced that with the increase of condominium units turning over to rental and the rise of purpose built rental buildings, in Montréal, will result in a larger proportion of condominium units being left vacant in the short term as rental vacancy rates push up. The jury is out on the overall impact this will have on the development space, but investors and developers alike are watching supply closely.

20<sup>th</sup> annual

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