Top 10 Real

INSIGHTS

2019 Canadian Apartment Investment Conference

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1. GROWTH IN DEMAND FOR RENTAL HOUSING CONTINUES TO PUSH RENTS HIGHER

Average vacancy nears all time low while rents rise faster than inflation.

In 2018, growth in demand for purpose-built rental apartment units outpaced the increase in supply across the country, causing the vacancy rate to drop to 2.4%— down significantly from 3.0% in 2017.

CMHC cites increased international migration, an increase in youth employment, and an aging population as reasons for the declining vacancy.

In addition, many millennials are choosing to rent over purchasing a home.

“They like the flexibility to live wherever they want, to be able to move and not worry about selling,” said Ben Meyers of Bullpen Research & Consulting.

However, Matt Danison, CEO of Rentals.ca, said the new mortgage stress test, higher interest rates and home prices have dramatically increased the number of people looking for rental accommodation this year.

“With near record-high immigration in Canada and record-low unemployment, demand for housing is high, but flat or declining resale house prices due to current and expected future credit tightening has deterred many would-be first-time buyers from entering the ownership market. That demand overflow is being felt in the rental market, where very few Canadian markets are offsetting demand with new rental supply,” added Danison.

Bob Dhillon, CEO of Mainstreet Equity, adds that rising interest rates and the new federal mortgage stress test have made it more difficult for prospective buyers to purchase homes, pushing them into the rental market instead.

In 2018, average rents grew by **3.4%** in Canada— higher than the rate of inflation —

to an average of **$987,** CMHC reported.

The average property listed on Rentals.ca in the first quarter of 2019 was offered for $1,869 per month, an increase of 4.3% from Q4 2018. The median rental rate was $1,764 per month, which represents a more significant jump of 6.9% quarter-over-quarter.

Per-square-foot rents for various housing types across Canada, according to Ben Myers, are: $3.33 for condo units; $1.83 for purpose-built rental units; $1.75 for basement apartments; $1.56 for single-family homes; and $1.34 for townhomes.

Average lease prices in purpose-built rental buildings completed since 2005 in Toronto grew 17% to $3.09 per sq. ft. as higher-rent properties were completed in the past year, Bloomberg reports.

According to Urbanation, the growth in condo rents rose a record-breaking 9.3% in 2018 in the GTA. The average rental rate of a condo in the GTA hit $2,310 in Q4. Average rents in the suburban areas of the City of Toronto at $2,192 were 13% lower than in Downtown Toronto ($2,520), Urbanation states.

2. HOUSING SUB SECTORS ARE GAINING TRACTION

Developers are finding that there is growing demand and big opportunities in niche markets.

Co-living

Co-living is a type of housing where two or more unrelated people live together. Each person signs their own lease for a private bedroom and often bathroom within a residence and share common living areas such as a family room, dining area, kitchen. Typically, co-living includes fully furnished apartments, down to bedding and kitchen utensils and may include such amenities as housekeeping, laundry, Wi-Fi and planned social activities.

Co-living has become attractive, especially among young renters. As cities become denser and more expensive, co-living addresses some of the issues around urban living.

This type of housing is attracting big names in real estate and big money.

WeWork opened two locations under the shared-living brand WeLive in the United States. Its apartments in New York City range from studios to four-bedroom units, and typically cost less than similar buildings in the neighbourhood.

In March 2019, Common announced a US $100 M expansion in southern California with Proper Development, an LA real estate development company, making the two companies the largest co-living operator and developer in Southern California. In 2017, Common raised US $40 M of series C venture funding, led by Norwest Venture Partners, a venture and growth equity investment firm, according to the *Wall Street Journal.*

Medici Living Group raised US $300 M in January 2019, as part of a joint venture with investment firm W5 Group, to develop 1,500 units across the US under its co-living brand, Quarters, according to The Real Deal.

Ollie has raised US $15 M in financing from Aviva Investors Real Estate Capital Global Co-Investment Fund, according to *TechCrunch.*

Homeshare has raised US $5.7 M led by Lightspeed Venture Partners in 2018, according to Axios.

Roam, which has raised US $3.4 M in seed funding, is poised to open more locations this year in New York City and London. It already has spaces operating in Miami, San Francisco and Tokyo.

ALTA LIC, a high rise development located in Queens, NY, opened in May 2018 with 466 apartments. Of those, Ollie is operating 169 as furnished co-living suites with a total of 422 bedrooms. Rents range from US $1260 to $2200 per month. The cost of a bedroom also includes wi-fi and weekly housekeeping services, including bed linen, towels and toilet paper, along with shampoo and hand soap.

According to Christopher Bledsoe, Co-Founder and CEO of Ollie, the company managing the ALTA's co-living apartments, these co-living suites earn an average of 44% more income in rent per sq. ft. than the conventional 297 luxury apartments at the 43-story tower. The net operating income from these units is 30% more per sq. ft., even with the extra cost of co-living amenities.

Student Housing

Once considered a niche subset of the rental housing sector, purpose-built student housing has matured into an institutionally acceptable asset class. An increase in college enrolment and a lack of investment in on-campus housing have together created a housing shortage for college students in many markets, writes Paula Poskon, Founder, STOV Advisory Services. Developers have been seeking to fill this with off-campus student housing.

The student housing sector has been attracting more interest and capital. Over 1.5 M students are enrolled in Canadian post-secondary institutions and generate a huge demand for housing.

A recent report in the Economist revealed that student housing attracted US $16 B worldwide investment in 2016, as sovereign wealth funds increasingly target the sector.

Since 2016, CPPIB along with its partners, GIC and The Scion Group LLC, have invested over US $40 B in student housing properties in the US.

"Currently, only about 3% of Canadian university students live in off-campus purpose-built student accommodation compared to 10% in the US and 12% in the UK,"

said Sanjil Shah, ASH REIT Managing Partner.

"We are 10 to 15 years behind those markets, even though our student population is growing at a much higher rate fuelled by both domestic enrolment and our increasing share of international students."

ASH REIT, which focuses on student housing, launched in July 2018. Since then, the private REIT has acquired seven properties across Ontario containing more than 3,300 beds. Included in this total is a four-building portfolio which was purchased at the end of Q1 of this year.

Former professor Chris Galea, Founder and President of Micro Boutique Living, has two apartment buildings in Wolfville and Antigonish, with a third in Charlottetown under development. The buildings offer fully-furnished units that are 300 sq.ft. in size with a full kitchen and bathroom. Depending on the location, the apartments start at about $800 per month for a school-year lease, with a full-year lease starting at $695 per month.

Seniors Housing

An important factor in driving demand for facilities that cater to seniors' needs is the growth in the population aged 85 and older. Canadians in this age group also show a strong tendency toward collective dwellings, with 31% living in this type of housing in 2017, according to the PwC Emerging Trends reports.

In its May 2019 regional reports for the asset class, CMHC reported that the vacancy rate for seniors' residences went up over the past year in British Columbia, Nova Scotia, Quebec, and Saskatchewan. Vacancy went down in Alberta, Manitoba, Ontario, New Brunswick, Prince Edward Island, and Newfoundland.

In Ontario, the vacancy rate for standard spaces remained relatively unchanged, dropping to 10.3% from 10.4%. The average rent for a standard space increased by 3.9% to $3,759.

The vacancy rate for standard spaces in Quebec stood at 7.2% in 2019, compared to 6.9% last year. The average monthly rent for standard spaces was $1,788.

The overall vacancy rate for independent living spaces in seniors' residence across British Columbia increased for the first time since 2012, from 3% in 2018 to 4.2% in 2019. Average rent for independent living space in BC increased by 5.4% to $3,275 in 2019.

At the end of 2018, Revera has announced a JV with Edmonton-based ONE Properties to develop new retirement communities in key Canadian urban markets.

The first project the two companies will build together is Clifton Place, a 290-unit community in Edmonton with a range of age-in-place options for independent living, assisted living and memory care.

Ventas announced in June that it had acquired a Class A portfolio of 31 purpose-built seniors housing communities and four in-progress developments in the Quebec market by investing through an 85/15 percent equity partnership with Le Groupe Maurice. The portfolio is valued at C$2.4 B, including construction in progress.

3. THE CREATION OF AFFORDABLE HOUSING IS A TOP PRIORITY ACROSS ALL LEVELS OF GOVERNMENT

Over 1.6 M Canadian households are considered in "core housing need," meaning that people live in places that are too expensive or unsuitable.

In November 2017, the federal government unveiled its 10-year, $40 B National Housing Strategy (NHS), which is being administered by CMHC.

Part of the National Housing Strategy (NHS), the Rental Construction Financing Initiative provides low-cost loans to encourage the construction of rental housing, which is affordable to middle-class Canadians across the country. The initiative has a total of $3.75 B in loans available to encourage the construction of more than 14,000 new rental housing units.

The federal government has promised to pour more funds into its low-cost loan fund to support the construction of rental housing. A top-up was announced in the 2019 budget which would amount to $10 B over nine years.

Regions across Canada have begun to unveil their latest initiatives aimed at boosting local affordable housing supplies.

Details of Ontario's new Housing Supply Action Plan were announced in May and proposed to put in place the following key measures:

- Preserve rent control for existing tenants;
- Encourage developers to build more rental housing by exempting new rental units from rent control;
- Cancel the Development Charges Rebate Program, which it calls "expensive and ineffective," estimating it will create **a savings of approximately $100 M over four years**.

The new plan has received the endorsement of both BILD and REALPAC.

As part of its Housing Vancouver strategy, the city has implemented the Moderate Income Rental Pilot Program as well as Rental 100 strategies to help it reach its goal of creating 20,000 new units of market rental housing by 2027.

The Moderate Income Rental Housing Pilot Program encourages development proposals for new buildings where:

- 100% of the residential floor area is secured rental housing
- At least 20% of the residential floor area is made available to moderate-income households earning $30,000 to $80,000 per year

The pilot program will select up to 20 proposals for submission of rezoning applications between January 1, 2018 and July 1, 2019. Developer incentives include increased density, development charge waivers and expedited processing.

Rental 100 encourages projects where 100% of the residential rental housing units are secured for 60 years or life of the building, whichever is greater. Similar incentives are provided and also include the relaxation of unit size to 320 sq. ft. (provided the design and location meet the city's liveability criteria).

The theory is that more market rental housing gives higher-earning residents more options to choose from, lowering the pressure on demand for lower-priced rental units.

Action Ottawa is the city's primary program for increasing the supply of low-income affordable housing in Ottawa. Action Ottawa combines city incentives with funding from all three levels of government to help private and non-profit developers build new affordable rental housing for moderate and low-income households.

Ottawa Community Housing acquired 933 Gladstone Avenue along the O-Train corridor. The 7.4-acre site was bought from the Canada Lands Corp. for $7 M in May 2017. The OHC is planning a mixed-income community for the "Gladstone Village" made up of subsidized housing and market-value housing.

Montreal will be tabling a bylaw in June requiring condo developers to build a certain number of off-market units for every new residential tower they build. In October of last year, the city announced a plan to create 12,000 social and affordable housing units on the island by 2021.

As part of the plan, the city would also pass a bylaw approving a $50 M loan over 10 years to buy buildings or land that comes up for sale in order to develop community and social housing. Montreal is in the process of acquiring 3,000 housing units and has started building 300 homes.

Edmonton is tackling the affordability by launching a 'missing middle' infill design competition. The 'missing middle' refers to low rise multi-unit housing which is the type of housing the city says is essential to creating complete communities with a variety of housing options for people at every stage of life and income level.

The city is soliciting proposals to design a multi-unit, medium-density, or 'missing middle', housing development on five City of Edmonton owned parcels of land at the northeast corner of 112 Avenue and 106 Street in the Spruce Avenue neighbourhood. The winning team will be given the opportunity to purchase the site and build their winning design.

4. CONSTRUCTION COSTS KEEP RISING

Developers are shortening the time period between unit sales and construction start to minimize unforeseen construction cost increases.

Real estate projects across Canada totalled $210 B in construction costs last year, led by $87 B in 1,550 residential projects. Approximately 210,000 new homes are expected for 2019, with an additional $85 B in residential renovations projects in the pipeline.

Construction cost increases are projected to average 6% to 8% in 2019, according to BTY Group's annual Market Intelligence Report.

A high-quality 2,000 sq. ft. detached house would cost up to $500,000 in hard construction costs to build in Vancouver. In Toronto, this house would cost $430,000 and in Ottawa, Calgary or Edmonton, the cost would run around $360,000, according to the Altus Group's Canadian Construction Cost Guide 2019.

Construction costs have jumped 23.6% since 2004 in the US, according to "What's Up With Construction Costs?" a report by BuildZoom Economist Issi Romem. The housing cost spike that started in the mid-2000s at the tail end of the pre-Recession building boom was initially caused by increases in material costs; the continued rise is now mostly a factor of rising labour costs.

Romem notes that the key drivers of construction costs are still "lots and local regulations," the combination of high land prices and restrictive land-use policy. But in especially expensive metros, labour costs have also vastly accelerated the cost of construction.

In fact, a study commissioned by Altus concluded that rising construction costs would be one of the biggest challenges facing developers globally over the next 5 years.

Increasing construction costs are being felt most heavily in the high-rise sector in Toronto, says Paul De Berardis, Director of Building Science and Innovation for the Residential Construction Council of Ontario (RESCON).

De Berardis points to the RLB Crane Index, which tracks the number of cranes towering above 13 cities across North America. The latest index counted more cranes in Toronto than in New York, LA and Chicago combined. With a limited pool of skilled trades and developers competing for both access to that labour as well as materials — including cranes — to get projects underway, contractors have been able to charge more and more.

"Everyone's competing for these limited resources," De Berardis continues.

Indeed, a skilled labour shortage in Ontario in the past three years has slowed the growth of construction companies, prompting some to turn down work and others to decline to bid on projects, according to the 2019 Contractor Survey, by the Ontario Construction Secretariat. Of those surveryed, 59% said the shortages led to significant increases in project costs.

Labour shortages are expected to worsen. In the next 10 years, about 91,000 construction workers are expected to retire, 40,000 of whom are in the GTA, says Katherine Jacobs, Director of Research at the Secretariat.

The recently removed US tariff on Canadian steel and aluminum will provide some relief to costs, given that steel is a main structural component of condos. However, HVAC costs are up about 30% while rebar and glazing have jumped about 20% in the past three years, reports Phil Pavitt, Director, BTY Group.

Niall Finnegan, co-founder of a cost consultancy company, Finnegan Marshall Inc., says that rising soft costs are a big factor in the highrise sector. Increases in city development charges, land costs, school board levies and commissions have all increased soft costs to about 75% of hard costs and all contribute to higher sales prices.

According to BILD, government fees, taxes and charges have been adding as much as 25% the cost of an average new home in the region.

5. AMENITY REQUIREMENTS SHIFTING ALONG WITH DEMOGRAPHICS

The growth of the Boomer and Millennial age groups across North America is forcing landlords to pay closer attention to the demand of these cohorts.

The millennial generation made up 22% of Canada's population and surpassed 37 million as of July 1, 2018.

The age group that now encompasses the boomer generation makes up 27% of the population, compared with 18% in that age group two decades ago.

According to Environics Analytics, millennial households account for 19% of all households, approximately half the number of households headed by baby boomers. However, over the next 10 years, as mortality shrinks the baby boom generation, the number of households headed by millennials will start to exceed those headed by baby boomers.

These two divergent generations are primary drivers of demand in the apartment market. Millennials preferring the flexibility that renting affords while boomers are downsizing and are choosing the convenience of maintenance-free living.

"The American dream has been redefined and ... I think it comes in that aspect of homeownership and the white picket fence ... I think that white picket fence moving forward might be a Starbucks and a gym," Altus Group US Director of Research Chuck DiRocco said.

An increasing number of baby boomers are choosing renting over buying because there are fewer financial strings attached and less hassle related to property upkeep. Moreover, renting puts people in prime locations, within walking distance to jobs, shops, and entertainment, which would perhaps be hard to get in otherwise, according to US rental search company RentCafé.

Community and neighbourhood amenities are the focus of the latest trends. Having a recreational center on site and planned activities to engage in with neighbours are some of the most sought-after amenities for the Boomer age group. Living in a neighbourhood that provides easy access to public transportation or walkable communities that have grocery stores, restaurants, and healthcare facilities within walking distance is high on the list of demands.

While smart apartments are resonating with millennials, technology is also appealing to older renters. In a recent US survey, 80% of Boomers are interested in new technologies to reduce their home expenses, such as smart thermostats or apps to control appliances. 76% are interested in technologies to monitor their health at home, such as sensors, alerts, or medication reminder apps, Multifamily Executive reports.

Millennials are choosing to live in smaller units than boomers and with smaller apartment units come larger common areas. Bisnow reports that "having access to quality common areas and co-working spaces has become paramount for apartments built in the metros millennials are flocking to."

A recent survey of 1,000 US multifamily renters conducted by lock manufacturer Schlage and Wakefield Research shows that millennials are overwhelmingly willing to pay more for an apartment equipped with automated or connected devices. The survey indicated that millennials are even willing to sacrifice other amenities, such as a parking space, to live in a smart apartment.

Landlords are discovering that today's renters are looking for a community that offers more than a pool and a gym.

"As technology gets more advanced, so do amenities," says Caitlin Walter, Vice President of Research at the National Multifamily Housing Council. "The old fitness center with treadmills and weights isn't going to cut it. Now, renters want a Peloton."

Developers are cautioned to look at overarching trends and determine how to apply them to their specific development.

Some landlords are turning to companies like Amenify to assist them with providing amenities to the residents. Amenify is a resident experience platform which provides a turnkey solution for amenity services. Amenify handles all the work for services such as pet care, fitness, cleaning, ride sharing and concierge support. In March, Amenify raised US $2.7 M led by RET Ventures.

6. REPOSITIONING OLDER ASSETS TO REMAIN COMPETITIVE

Older buildings are vying for tenants against brand new builds and condos in Canada's major cities.

Older apartment buildings are competing for tenants alongside newly built apartments and condos. Landlords are finding ways to reposition their buildings to stay competitive by adding high demand amenities and by making cost-saving retrofits.

Building owners are upgrading their amenity packages to include smart devices. The next generation of smart devices, such as energy-efficient lighting controls and intelligent thermostats gives tenants the ultimate control over their own environment. These amenities can generate substantial efficiencies in energy use that can help control operating costs while appealing to environmentally conscious and tech-savvy tenants.

Redevelopment is also focused on creating collaborative group space, like gathering and community space in common areas. "Tenants are looking for gathering spaces and common areas that promote interaction, such as dog runs, outdoor grills and eating areas, and recreation spaces such as putting greens, nature trails, and bocce-ball courts," says Tim Lee, Principal at Olive Hill Group. "It's important to incorporate these spaces in modern multifamily renovations."

"We've started putting fitness centers into our older buildings, because people really do expect it," said Laurie Zucker, the Vice Chair of Manhattan Skyline, which owns and manages several thousand apartments. The conversion from oil to gas heating freed up rooms that had housed mechanicals, enabling them to repurpose the space.

Manhattan Skyline has also tweaked the offerings at West River House on West End Avenue at 81st Street, a 1983 apartment house where the "amenities floor" included three racquetball courts and a fitness center. Both to address the changing demographics of the building and to compete with new properties, two of the racquetball courts were sacrificed to expand the workout facility and to build a playroom for younger children, as well as a multipurpose room with a Ping-Pong table for teenagers, according to an article in the *New York Times.*

Mike Mulqueen, Lead, CDM Business Development (MURB) at Toronto Hydro says that the most popular retrofit that apartment buildings are undergoing is lighting upgrades which accounts for 70% of the projects that he sees.

More apartment owners are making mechanical replacements and realizing significant savings. "Increasingly we're starting to look at some of the smaller motors in buildings such as fan coil replacements," said Mulqueen. "These are fractional horsepower motors but collectively consume a lot of energy. There are new, highly efficient Electronically Commutated Motors (ECM) in the market now that for a small increase in cost can save between 30-40% of the energy consumed by these units."

To improve the efficiency of older buildings, the tightening of the building envelope during renovations is important in terms of energy efficiency and cost savings. In both older mid- and high-rise residential buildings, replacing conventional double-glazed windows with triple-glazed units can improve various aspects of the building envelope's performance, reports John Losak, Principal of Kasol Building Sciences Ltd.

At the Harvard Business Review, Dell and Intel co-sponsored a piece that states "the rapid introduction of new IoT solutions allows building operators to make their properties smarter without having to undergo costly retrofits."

Wi-Fi is being used to bring intelligent building systems to older apartments. "We are looking more and more into wireless technologies and putting infrastructure into the cloud as much as possible for storage and data management," said Anil Ahuja, President of CCJM. "Wireless technologies are also the key to making the built environment of 'dumb buildings' more smart [because] we don't have to open up the floors and the walls [to update infrastructure]."

7. MANY NEW RESIDENTIAL DEVELOPMENTS ARE UNDERWAY ACROSS CANADA

In response to huge demand, developers are building purpose-built rentals at rates unseen in decades.

With 1,849 new rental units beginning occupancy since in the first quarter of 2019, GTA rental completions have reached a 25 year high according to a report from Urbanation. A total of 42,841 purpose-built rental apartments were proposed for development but had not yet started construction as of Q1 2019. The number of purpose-built rentals under construction in Q1 2019 was 10,694.

As part of the Well development, RioCan and Woodbourne have partnered to deliver more than 900 purpose-built rental suites in three buildings. "The residential apartments we're building encompass a mix of one-, two- and much-needed three-bedroom suites," said Woodbourne president Jake Herman. "The state-of-the-art amenity space will include a fitness centre and wonderful outdoor living spaces."

Two new market rental buildings have been proposed for the site of Sunnybrook Plaza in Leaside. RioCan REIT has teamed up with Concert Properties and has revised the original plan and will include a 16 and 11 storey development containing a total of 417 rental units. The buildings will contain retail and office components.

In February, Zahlco Developments announced it had purchased two Brantford properties for the development of a nine storey, 205 unit rental apartment with ground floor retail space and adjacent townhomes. Brantford has one of the lowest vacancy rates in Canada.

In October 2018, Habitations Trigone and its partner, Fonds immobilier de solidarité FTQ, broke ground on a new rental project, Viva-Cité Saint-Constant. Phase 1 will consist of 154 apartments and construction on Phase 2, which will consist of 174 units, will begin in the summer. The apartments are geared to the over 55 age group and will feature many condo-like amenities.

Groupe Mach's redevelopment of the CBC tower and the land located west of the site is a 4.5 M sq. ft. mixed-use project that will see the construction of approximately 15 new buildings. The Quartier des Lumières will include more than 3,000 residential units comprised of condos and rental apartments. Construction is expected to begin in 2020.

Brivia Group plans to build Montreal's tallest residential tower, the $400 M, 61-storey 1 Phillips Square, as part of a phased billion-dollar development in the city's downtown. The first tower will contain more than 500 units. Amenities include about 10,000 sq. ft. of common areas on the 50th floor, including an outdoor patio. There will be lockers for Amazon-type parcels (some refrigerated), a pool, water features, spa, gym, yoga studio, lounge and juice bar.

In Ottawa, this fall, Timberbank will deliver three midrise rental buildings containing almost 350 units as part of its Heron Gate multi-billion dollar development. The development, once fully built out, will contain approximately 5,500 units in 57 buildings. Up to 20% of the units will be deemed affordable.

At the beginning of the year, Colliers reported that in Edmonton alone, there were seven residential projects underway, which were slated to add approximately 1,540 units to the downtown market. An additional seven residential projects with a total of 3,200 units were in preliminary stages. CMHC estimates that 38% of condos are investor-owned in Edmonton.

Battistella Developments is building a 19-storey tower in Calgary's Beltline. The 177 condos are being marketed to the investor market. The building "Nude" sold 20 condos in the first month of marketing. It is slated for completion in 2021.

"We are bullish on the Calgary rental market," Chris Pollen, Battistella's Director of Sales and Marketing, told *Western Investor* in November. He explained that the rental vacancy rate in the Beltline is closer to 3% and that recent new concrete rental towers in the zone are fully tenanted. Unlike BC, Alberta has no foreign-buyer tax, no speculation tax and no rent controls.

Early this year, GWL Realty Advisors broke ground on a 21-storey market rental tower at 1500 Robson Street in Vancouver's West End. One-third of the building will be made up of 2 & 3 bedroom units suitable for families.

The building has both indoor and outdoor amenities such as fitness, yoga and lounge rooms as well as a rooftop patio with an outdoor fireplace, seating area and dining space being incorporated into the building's design. The penthouse floor of the tower has been set aside as a common area for all tenants, and the building will be pet and cyclist friendly.

8. LRTS = TODS

Major transit investment in Canada's largest cities is presenting new opportunities for developers.

Ottawa's new LRT is set to open sometime in 2019 and development has started to sprout up around the new lines.

Trinity Group Inc. is building a group of three towers ranging in height from 50 to 59 storeys near the planned Bayview light rail station.

Developments in Lebreton Flats and in Little Italy will also benefit from the new light rail transit system.

"With the graduation of transit service to rail, you're seeing a new generation of buildings that are a notch up in sophistication," says Alain Miguelez, a Project Manager for Community Planning with the City of Ottawa. An example is the newly built 45 storey Icon development located at the Carling Station.

In Toronto, thousands of residential units are in various stages of development along the Eglinton Crosstown, which is still under construction.

Contributing to this number will be the redevelopment of Celestica's 60.5-acre campus at Don Mills. Aspen Ridge acquired the site for $347 M earlier this year.

The master plan for the site includes 18 condominium buildings, 30 townhome buildings, 300,000 sq. ft. of office space and retail, more than five acres of parks and playgrounds, and a large community centre complete with two hockey rinks, a basketball court and a full gym.

Brookfield, InterRent REIT and CLV Group have entered into a JV to develop three sites totalling 8.5 acres at the Burlington GO station. The three parcels are located on Fairview Street and were acquired for approximately $65 M.

The multi-phase mixed-use development features access to the GO train and the 403/QEW highways.

A significant mixed-use redevelopment is coming to a 5.1-acre property at the southwest corner of No. 3 Road and Alderbridge Way in Richmond BC – across the street from the Canada Line's Lansdowne Station. The 'Atmosphere' complex will contain seven buildings totalling 932,000 sq. ft., including 650,000 sq. ft. of residential space, with a mix of market, rental, and affordable housing options. Over 600 residential units will be built.

Owners Westbank and QuadReal are planning a multi-phased redevelopment of Oakridge Centre located at West 41 Street and Cambie. The 29-acre redevelopment will include a renovated Oakridge Centre Shopping mall and once complete will contain a million sq. ft. of retail space, 500,000 sq. ft. of office and approximately 2,600 homes. It is located by Canada Line's Oakridge - 41st Avenue Station, which is getting major upgrades.

Cadillac Fairview will be developing a new suburban downtown area around its CF Fairview Pointe-Claire mall in Pointe-Claire, on Montreal's West Island.

The project will include a mix of condos, townhomes, hotels and other uses on land surrounding CF Fairview Pointe-Claire. A new REM LRT station will service the site.

In Edmonton, the City has partnered with Brookfield to prepare a 7.5-acre former lumberyard for sale to developers. The site is located along the northeastern light rail line.

9. GOVERNMENT POLICIES HELPING TO GET APARTMENTS BUILT

Despite slow approval processes, new government initiatives appear to be aiding in the construction of new apartment buildings.

A new white paper published by the Ontario Building Officials Association reports that current approval processes hamper the development of affordable housing in Ontario. The paper estimates that

it takes 8 to 10 years to complete the planning needed to issue building permits for new communities.

"Premier Ford announced $1 B in funding for affordable housing last month, and the Prime Minister committed another $1.3 B before that, but cumbersome processes are going to delay making that housing available to the people who so desperately need it," says OBOA President, Matt Farrell. "We applaud this commitment to funding and are encouraged by current efforts to review the development process for efficiencies that can save government, businesses and residents, time and money."

As part of its National Housing Strategy, the federal government envisions 42,500 units of new rental supply will be built Canada-wide for tenants with modest to low incomes, leveraging the Rental Construction Financing Initiative. Almost two years since the program was launched, only five projects encompassing 500 units have been approved under the program launched in 2017, but the 2019 budget reports "more than 50 projects have been prioritized to receive a loan."

A massive LPAT appeals backlog is holding up the construction of as many as 28,000 housing units in Toronto, according to the Toronto Region Board of Trade.

Despite these delays, Urbanation reports that 10,694 apartments units were under construction at the end of the first quarter.

In addition, Greenwin Inc. and Choice Properties REIT completed the acquisition of the 0.9-acre parcel of land located at 26 Grenville St. and 27 Grosvenor St. in downtown Toronto, in April of this year. The two-tower development will contain 700 purpose-built rental units, 30% of which will be maintained as affordable rental housing for a period of 40 years.

The purchasers acquired the property as part of the Provincial Affordable Housing Lands Program, established to leverage provincial land assets for development of market and affordable housing across Ontario.

In Vancouver, the Moderate Income Rental Housing Pilot Program aimed to approve up to 20 projects by its closing date of July 1. So far, applications have included proposals for 14-storey high-rises on East Hastings St. and five-storey low-rise projects in Kitsilano and at Renfrew and Broadway, Postmedia reported in May. In total, 7 of the 20 proposals have begun the rezoning process.

Under this program, PCI Developments has proposed two buildings on East Hastings that would produce 212 rental apartments, 43 of which would be rented at non-market rental rates.

In Coquitlam alone, there are three new non-market rental projects are about to break ground, with help from provincial funds, money from the city's affordable housing reserve and incentives, such as reduced parking and higher density.

- The Concert Properties will get $10 M in provincial funding for their 551 Emerson Street development. The rental project will see the construction of 100 affordable units in a 200 unit tower, with rents tied to income for seniors, families and people with disabilities. The remaining units will be rented at market rates.
- At 2905 Glen Dr., the Community Land Trust, the real estate arm of the Co-operative Housing Federation of B.C., will receive $13.1 M to build 131 units for families at the site of the Hoy Creek Housing Co-op.
- At 3100 Ozada Ave., the Affordable Housing Societies has received $7 M to build 70 units of affordable housing in an apartment building on the side of the site, which has a number of rental townhomes on the property.
- Coquitlam has 4,000 purpose-built rental units in the works, approximately a quarter of which are earmarked as non-market rentals.

10. CANNABIS LEGALIZATION - LANDLORDS NAVIGATE NEW TERRITORY

In Year One of the legalization of pot, balancing the rights of tenants has become a challenge for some landlords.

The *Smoke Free Ontario Act* says that you may not smoke in elevators, stairwells, hallways, parking garages, laundry facilities, lobbies, exercise areas and party or entertainment rooms. This applies to both condos and apartment buildings.

The Act restricts cannabis smoking to wherever tobacco smoking is allowed, and this can be further limited by municipalities or property owners. Landlords can also add terms to new lease agreements prohibiting cannabis use in rental units. However, landlords generally cannot change the terms of existing leases.

Apartment owners and condo corporations are free to set restrictions in rental agreements, leases and bylaws, including making individual apartment units, wings, or entire buildings smoke-free.

Condos must amend their by-laws if they want to create non-smoking buildings.

Apartment buildings can include provisions in their leases to restrict smoking, however, it is not entirely clear whether this will be upheld by the Landlord and Tenant Board, Shira Kalfa of Kalfa Law writes.

Whether a tenant can have a disability-related right to grow medical cannabis in a rental unit is still an unanswered question. Home cultivation is a concern for many landlords because the best conditions for cannabis growth include warm temperatures, extensive lighting and high humidity, thus creating the potential for property damage or fire risks.

The right to consume medical cannabis is protected by provincial human rights legislation, but this may not be the case for cannabis growth.

An amendment to the Residential Tenancy Act, Bill 30, which was introduced by the BC government in April 2018 now grants landlords the right to retroactively prohibit both smoking and growing cannabis in all residential units. This means landlords can update current leases to ensure their “smoke-free” designation isn’t just limited to tobacco. Tenancies with agreements that do not address the smoking of tobacco will also be considered cannabis-friendly.

In Ontario, the province’s tenancy laws currently make it illegal to modify a rental lease before that lease comes due. Landlords will be unable to regulate cannabis consumption in their apartment buildings with existing tenants—only with those who apply for tenancy after legalization takes effect.

Similarly, in Alberta, renters living in multi-family dwellings may be restricted from smoking and growing cannabis based on rules established in rental agreements moving forward, but not retroactively.

According to a new survey of BC multi-unit housing residents commissioned by the Clean Air Coalition of BC, the majority of residents said they would support government measures to increase BC’s stock of 100% smoke-free multi-unit housing.

David Hutniak, CEO of LandlordBC, states, “second-hand smoke grievances are a key source of tenant complaints.”

This Summer, non-profit developer Options for Homes is launching its latest development, The Humber. It will be Toronto’s first smoke-free condo building, limiting the consumption of tobacco and cannabis to vaporizers. As well as being family-friendly, this eliminates the problem of smoke pollution, smoke transfer between suites and balcony fires in multi-unit residences.

The Humber, which will be located in Toronto’s west end will rise 22 storeys and feature 232 suites in a mix sizes, including five townhome-style suites, with two-thirds of suites in two- and three-bedroom configurations suitable for families.

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