



INVESTMENT *Report*

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NOVA SCOTIA

HALIFAX-DARTMOUTH



Investor demand for income properties has gained serious momentum in Halifax-Dartmouth over the past 24 months. Sales of duplexes, triplexes, and four-plexes remained relatively steady until 2004 when they increased a substantial 50 per cent. The familiarity of real estate has drawn many small investors into the marketplace. Escalating real estate values in recent years have only served to further entice purchasers. The relative security of real estate compared to riskier investment vehicles with higher returns appears to appeal to more conservative Haligonians. Typically, investors are between 30 – 50 years of age and financially stable. Many already own one or two investment properties. Location is a key factor in the overall decision. Many buyers look to areas like the Peninsula where vacancy rates are considerably lower than other areas of the city because of the demand for student housing. Starting prices for a duplex in the desirable Peninsula area will run about \$200,000 to \$250,000 while more suburban properties will cost \$150,000 to \$175,000. Two and three unit income properties are available throughout the city. Over the next 12 to 24 months, the completion of the Nova Scotia College of Art and Design will create investment opportunities in the Dartmouth area. In fact, there has already been a notable upswing in sales of multi-unit residential properties in anticipation of the opening.

ONTARIO

OTTAWA

Historically low interest rates and a vibrant housing market grabbed investor attention early in the new millennium in Ottawa. Disillusioned and bitter about losses suffered in the stock market, investors turned to the security of bricks and mortar. Demand for multi-unit residential began to climb, driven in large part by smaller investors, aged 35 to 55 years, with secure jobs and retirement in mind. Today, demand for duplexes, triplexes, and condominium units exist across the board. Location and price are the primary factors driving the purchase. A modest duplex or triplex, built in the 1930s and 1940s, typically starts at \$250,000 while a condominium apartment or townhouse can be priced as low as \$140,000. Limited inventory levels have created heated demand for duplexes and triplexes. Those located in good areas that are priced attractively may even experience multiple offers. With vacancy rates at higher than normal levels, most investors tend to favour duplexes and triplexes because they are traditionally easier to rent. Low maintenance condominiums also appeal to investors, while single-detached homes are not as popular. Most investors are prepared to hold onto their properties for the long-term – ten years and more in some instances. The desire to maximize profits and reduce costs has the vast majority of small investors in Ottawa opting to manage their own properties. The recent lull in the market has created some unique opportunities for investors in the area. After several years of tight supply levels and fierce competition, pressure in the marketplace has actually eased, making the timing ideal for investors.

TORONTO

As the lynchpin of Ontario's strong economic engine, Toronto has experienced solid growth in recent years. The city's residential real estate market has posted record-breaking activity year-after-year, attracting the attention of domestic and offshore investors alike. Many have been active in the market for investment properties over the past four to five years. However, with average price in the GTA hovering at \$335,000, and Toronto now the third most expensive city in the country, smaller investors are looking at duplexes, tri-plexes and homes with basement apartments in less expensive peripheral areas. The objective is to find good quality property in a rentable location, with adequate parking, that is mechanically sound and adheres to code. Today's younger investors tend to use the equity in their existing home to purchase properties, often with only five per cent down. If the intention is to purchase and generate cash flow from tenancy, rather than renovate and sell, a long-term hold is the norm. Small investors with one or two properties will more likely self manage, while investors with more than two properties will hire property managers.

BARRIE

With Barrie's economy running on all cylinders, investors are eager participants in the city's real estate market. Investment activity has accelerated in the last two to three years in tandem with Toronto's building boom and overall growth. Availability of good product is a problem considering the strong competition that exists between local and Toronto investors. An added constraint to supply is the fact that City Council takes a stringent approach to legalizing in-law apartments. Consequently, when an income property such as a tri or six-plex is listed for sale, it sells quickly. A favored location is the area surrounding Georgian

College, as well as properties close to the city centre. Parents purchasing townhomes and condominiums for children attending the college are common investors, as are professionals in their mid-thirties to late forties. Properties that command the most attention are those in the \$300,000 – \$450,000 range. Investors in the area tend to hold their properties for long periods of time; ten years or more. In fact, many of the properties purchased in the late 1980s are still held by the original purchasers. Given the supply and demand dynamics in the Barrie property investment market, the prevailing wisdom is ‘if you can find a property that breaks even or better, seize the opportunity’ and hold onto it for long-term gains.

MANITOBA

WINNIPEG

Upward movement of real estate prices, low vacancy rates and a strong local economy are key factors attracting real estate investors to Winnipeg. While characterized by relatively stable housing prices in recent years, price appreciation began to advance noticeably in 2003. By year-end 2005, prices grew by an impressive 14 per cent, a record performance and one of the highest percentage increases in the country, next to Victoria and Kelowna. Looking forward, prices are expected to continue to rise over the next two years in Winnipeg. The expectation of further gains has buoyed consumer confidence and served to build investor momentum. Most investors are in their 30s and 40s and live in Winnipeg. There are, however, an increasing number of out-of-town investors coming into the marketplace. Properties in greatest demand are modest, single-family homes and link or semi-detached homes in the \$90,000 – \$150,000 range. Investment is taking place in most, if not all, city neighbourhoods.

Good advice to the novice investor would be to focus on community stability and potential for long-term tenancy rather than high monthly cash flow. If investors hold one to five properties, they tend to self-manage. With more properties in their portfolio, they typically hire property managers. With investors expecting on-going price appreciation, the majority of properties (50-70 per cent) are purchased with a long-term hold (ten years or more) in mind.

ALBERTA

EDMONTON

As housing values in Edmonton trend upward, more and more investors are setting their sights on real estate. Returns in recent years have been quite impressive, hovering at close to 10 per cent annually, since 2000. With housing forecasts calling for continued appreciation in coming years, thanks to a thriving provincial economy, investors both small and large are capitalizing on real estate in Edmonton. Demand for income properties has been building since 2003. Spin-off from Ft. McMurray’s red-hot real estate market prompted some shrewd investors to park their dollars in income properties as early as 2003. Parents of university-age children seeking housing have also taken advantage of the upward momentum in the real estate market in recent years. Today’s investor is between 40 to 50 years of age, financially savvy and likely falls into the “baby boomer” demographic. Many have existing real estate holdings. Although a minute percentage will hire management companies, the vast majority will choose to maximize profits and self-manage. Smaller investors have found that condominiums offer an excellent starting point, with units in older, walk-up buildings starting at under \$100,000. Newer units generally start at \$125,000 to \$150,000. The prover-

bial, single-detached 'handyman's special' in an established, central neighbourhood can be purchased for as little as \$150,000. Multi-unit residential properties are highly sought- after, but listings are few and far between. Because of limited inventory, duplexes, four-plexes and six-plexes that become available are quickly snapped-up. These properties generally start at about \$250,000, but because they have more than one unit, the income potential is greater and the risk factor reduced. Despite growing demand for income properties, purchasers remain price-sensitive to all types of properties and those that are over-priced continue to stagnate.

CALGARY

Unprecedented demand and a limited supply of real estate in Calgary has propelled the price of virtually all types of property - from single-detached homes and condominiums to multi-unit residential and properties that offer future development opportunities - to new record levels. Multiple offers are occurring with great frequency as buyers and investors vie for ideal properties. No home goes unnoticed. A 50 ft. development lot in the central core now starts at between \$300,000 to \$350,000, but listings are scarce. As provincial prosperity abounds, the likelihood of continued price appreciation has investors lining up. More seasoned investors are banking on rapid price escalation to offset the erosion of their return on investment, as cap rates that once ranged between 11 and 12 per cent are a distant memory. First-time investors are entering the market en masse, with most simply seeking product priced under \$500,000. Given the city's traffic problems, properties located closer to the central core tend to be more desirable. Most small investors are prepared to hold onto their properties for the long term. However, if they realize a solid profit in a short period of time, they may sell and move onto the next income property.

Unlike the 1980s, Calgary's housing market is buoyed by sound economic fundamentals.

BRITISH COLUMBIA

GREATER VANCOUVER

Strong economic and employment growth, a business-friendly provincial government and the advent of the 2010 Olympics, have all served to seriously bolster Vancouver's residential real estate market. The resulting impact on property values has been impressive, with the average house price escalating to \$420,000, the highest in the country. Economic success and the impact this has had on the real estate market can create challenges for all purchasers, including investors. In addition to having to cope with high prices and the spectre of impending interest rate hikes, buyers seeking investment properties continue to be faced with a limited supply of product. Despite these challenges, the investor activity Vancouver has witnessed over the past four to five years remains unabated. Current investors include locals, out-of-province investors, Americans and Europeans. Asian investors are active, but not as prevalent as in the 90s. Investors largely fall in three categories: small investors (incomes of less than \$200,000) purchasing new condominiums, resale apartments, townhomes and homes in outlying areas; builders/renovators speculating on new home construction; and, sophisticated investors purchasing multi-unit buildings and condominiums. Competition for multi-unit buildings is particularly strong, with investors facing limited supply. Price ranges are \$300,000 - \$600,000 for condominiums, \$650,000 - \$900,000 for single-detached homes in outlying areas

and \$1.4 – \$2.5 million for multi-unit commercial or residential buildings. Local investors largely manage their own properties. Reasonably sophisticated investors, with three or four properties, may do their own management or hire management companies. Investors who purchase homes for renovation and sale are active in the west side of the city and on the North Shore. A new city bylaw change legalizing one rental suite complying with city requirements in any home with single-family zoning is an added plus for investors targeting single-family homes. For most of the investor market, buyers are holding for the longer-term. New condominium construction, on the other hand, has a high incidence of speculation.

VICTORIA

Low interest rates and a vibrant economy have fuelled Victoria's thriving residential real estate market, drawing investors from far and wide to the area. Over the past three years, average price appreciation has approached 12 per cent annually, making real estate in Victoria an asset in any financial portfolio. Smaller, local investors have been spooked by stock market volatility in recent years – Nortel is still fresh in mind – and confidence has been building in bricks and mortar. Condominiums have been the popular choice for many investors to date, thanks to an affordable price point and ease of management. Small investors purchase with the intent to rent out their investment over a five to eight year period and eventually, move back into the unit when the time comes to retire. This is a particularly common retirement strategy amongst baby boomers. Starting at \$250,000, newer condominiums located in the downtown core are most desirable, although there are a few in outlying areas that are attracting some attention. Some are just breaking ground while others are in the early planning stages. Investors are generally prepared to wait two to three years for

finished product. Many have realized significant equity in their existing homes and are now capitalizing on those gains by creating a real estate portfolio. Single-detached homes starting at \$400,000 are usually out of reach for smaller investors, who typically hold one or two properties. Out-of-town investors, on the other hand, those from other parts of the province, Alberta, and the United States are fuelling activity in the upper end of the market, driving demand for properties priced at \$700,000 and up.

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