



## Multi-Residential Investment Real Estate Report

The residential rental market is expected to remain strong over the next 3 years, with upward pressure on rental rates, as a result of some of the lowest vacancy rates experienced in Toronto over the past 20 years. This is the conclusion that Urbanation Inc., a research company focusing on Real Estate in the GTA, put forth at a presentation I attended last month. Most of Urbanation's clients are condo developers, skewing their data towards the condominium market, however the same trends can be seen throughout all rental markets in Toronto including smaller multi-residential properties.

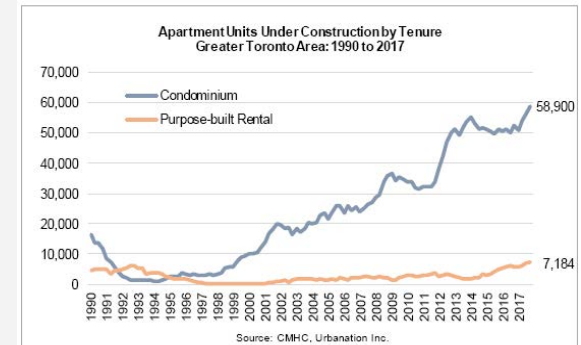
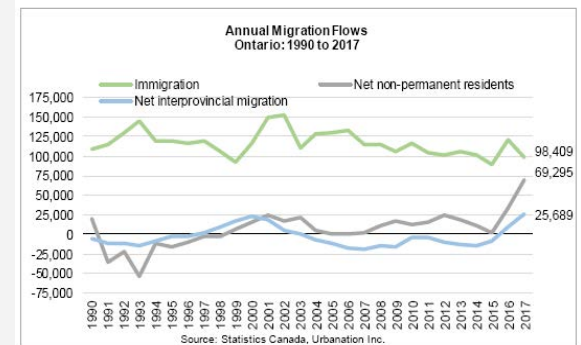
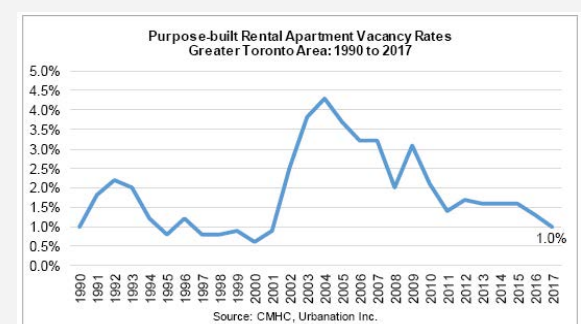
Vacancy rates for residential rental units in the GTA are now 1% and I would guess less than that in the central regions of Toronto (graph 1). These low levels of vacancy have not been experienced in the city since 2000 and are expected to go even lower.

Urbanation pointed out a number of factors which are aligning to keep upward pressure on rental rates. On the demand side, Toronto has been a destination of choice for many immigrants coming to Canada. Migration from immigration remains steady, however recently migration has increased from both those moving from other provinces and non-permanent residence fueled mainly by students attending college or university in the city (graph 2).

On the supply side, there are just not enough rental units being built to meet anywhere close to the demand. In 2017 just over 7,000 purpose built rental units were constructed in the GTA compared to almost 60,000 condo units (graph 3). Although almost a third of the condo units are used for rental purposes this still falls short of meeting demand by about 10,000 units a year. To exacerbate the problem, recent governmental interventions including the removal of the exemption of rental units built after 1998 from rental increase guidelines have acted as a disincentive for developers to build purpose built rental buildings. I know of a number of proposed new luxury rental building that have now switched to condos. In order to entice developers to build rental, they need an incentive or else they will continue to build what has been proven a success.

Urbanation research shows a 9% increase in condo apartment rental rates over the past year. Rental rates per square foot in the GTA are now almost \$3.00 per square foot a month (graph 4). It's interesting to note that these are GTA numbers, rental rates in central regions of Toronto would be higher.

There are many challenges facing Investment property owners these days. Bank regulators are tightening financing requirements and more mortgage rate increases are on the horizon. In addition, recent municipal and provincial interventions favour Tenants not Landlords. Still, the continued strong demand for rental housing should insure a strong market for multi-residential properties over the coming year.



There have been a number of changes to the Residential Tenancies Act (RTA) which have recently come in to effect. Some of these changes, like the introduction of a standard form, have been implemented in other provinces and should help to avoid some of the confusion that arises between Tenant and Landlord. Some governmental interventions, however, are likely to decrease the amount of rental units, especially secondary units, in owner occupied buildings as some owners will simply keep units for their own use to avoid fines and confrontation with Tenants.

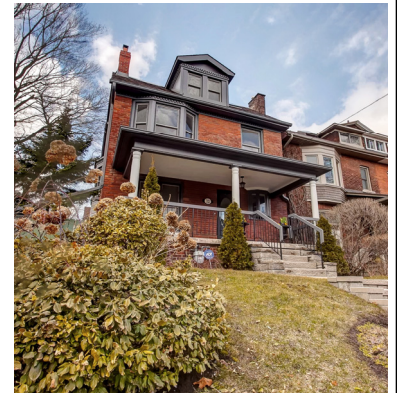
Here are some the recent changes:

**Standard Form of Lease** - The Province of Ontario has mandated that as of April 30, 2018 all new Residential Lease Agreements must be on a new standard form. The new 14 page lease also addresses many of the responsibilities of both parties concerning such issues as rental deposits, when the Landlord or Tenant can end a tenancy, rent increases, etc. It should be noted that additions can be made to the standard lease agreement such as the prohibition of smoking or the growing of cannabis plants, which are not spelled out in the government literature. There are serious consequences for not using the standard form, and if the lease agreement is not provided to the tenant within 21 days of commencement the tenant can request that one be provided. If it isn't delivered within 30 days, the Tenant can terminate the lease with 60 days notice. A link to the new lease agreement can be found on my website under the resources section.

**Terminating a Tenancy** - Recent rules make it harder for Landlords to evict Tenants. In the event that a Landlord wants units for their own use, they must now pay a Tenant a month's rent in order to get vacant possession. The Landlord must now 'in good faith' occupy the unit for a period of at least 1 year. The RTA now contains a list of actions that will lead a presumption of 'bad faith where, within one year: the Landlord advertises the unit for rent; enters a tenancy agreement; advertises the unit or building for sale; or takes steps

### SOLD - 32 Havelock Avenue, Toronto

- Sold Price: \$2,015,000
- (Over 10% above asking price).
- Located in Dufferin Grove on sunny, secluded corner lot.
- 4 units - 3 are owner occupied.
- Potential Gross Income of over \$90K.
- Garage finished as Office.
- Wide 34' lot, 2,700 sf above grade.



to convert the unit to another use. The consequences of been convicted of 'bad faith actions can result in the LTB levying fines of up to \$50,000 and compensation to the Tenant. In the event that they proceed to rent out the building to another tenant or sell the property within a year after terminating a tenancy for personal use, there are now hefty fines of up to \$25,000 against of the Landlord.

**Rental Increases** - The previous exemption of rental units built after 1998 has now been removed. The guideline increase for 2018 has been set at 1.7%. In addition, the Landlord Tenant Board will no longer consider utilities cost increases when determining when to allow above the guideline increases. It is therefore a good idea to avoid all-inclusive rents which include utilities. Ideally Tenant's should pay separately metered utilities or when this option is not available, utility costs can be paid on a proportionate basis.

**Other Changes** - landlord's are now prohibited to attempt to collect rent for a period after termination of a tenancy - for instance when a Tenant has been evicted for cause and there is still rent owing until the end of a fixed term.

These changes can have an impact both on how Realtors market multi-residential properties and property values. If you would like to discuss how these changes can have an effect on your property, please give me a call.

## Thinking of Selling ...?

Please give me a call or drop me a line to arrange a free, no-obligation, evaluation of your property.

### To Owners of Residential Multi-Unit Properties:

I invite you to take part in a Survey designed for Multi-Unit Residential property owners. This survey offers a chance for owners to voice their concerns about recent rent control measures and other government interventions that effect multi-residential property owners. The survey can be accessed at: [www.DonMulholland.com/Survey](http://www.DonMulholland.com/Survey)

Results will be available on my website and shared in my next newsletter.