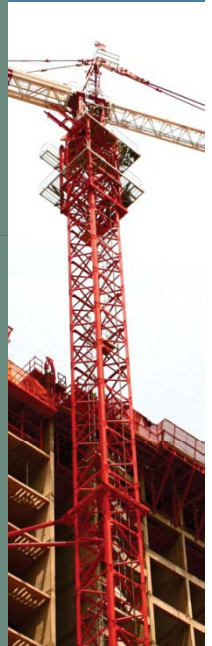


Rental Market Overview 2010 & Beyond

FRPO & GTAA Rental Market Update
January - 2011

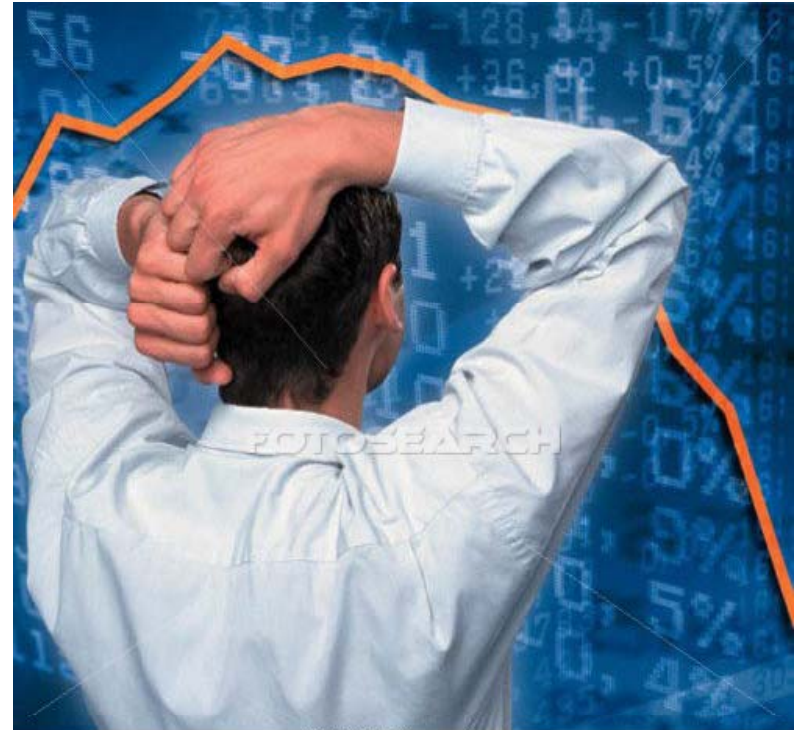
Ted Tsiakopoulos
Ontario Regional Economist
CMHC Market Analysis Centre
ttsiakop@cmhc.ca



Housing market intelligence you can count on

Economic Shocks and Global Interest Rate Policy

- IT Stock Market Crash
- September 11, 2001
- US Housing/Credit Crisis
- European Debt Crisis



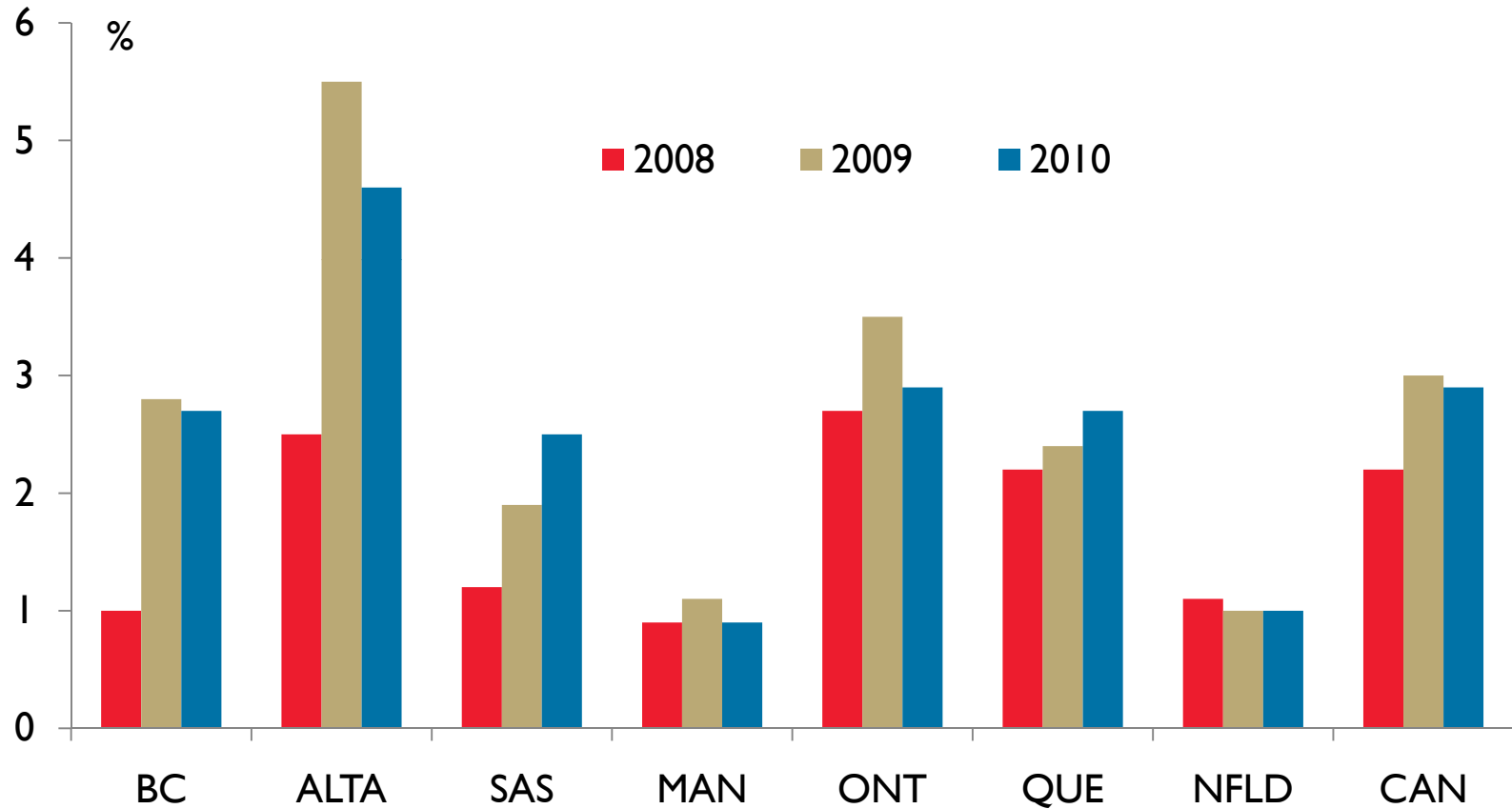


Rental Market Key Stories: 2010/11

- Canadian rental markets have tightened
- Housing hangover, improving economy, less monetary stimulus – good news for rental sector
- Bullish US rental sector – sign subdued US recovery ahead
- Investment fundamentals remain strong in Canada

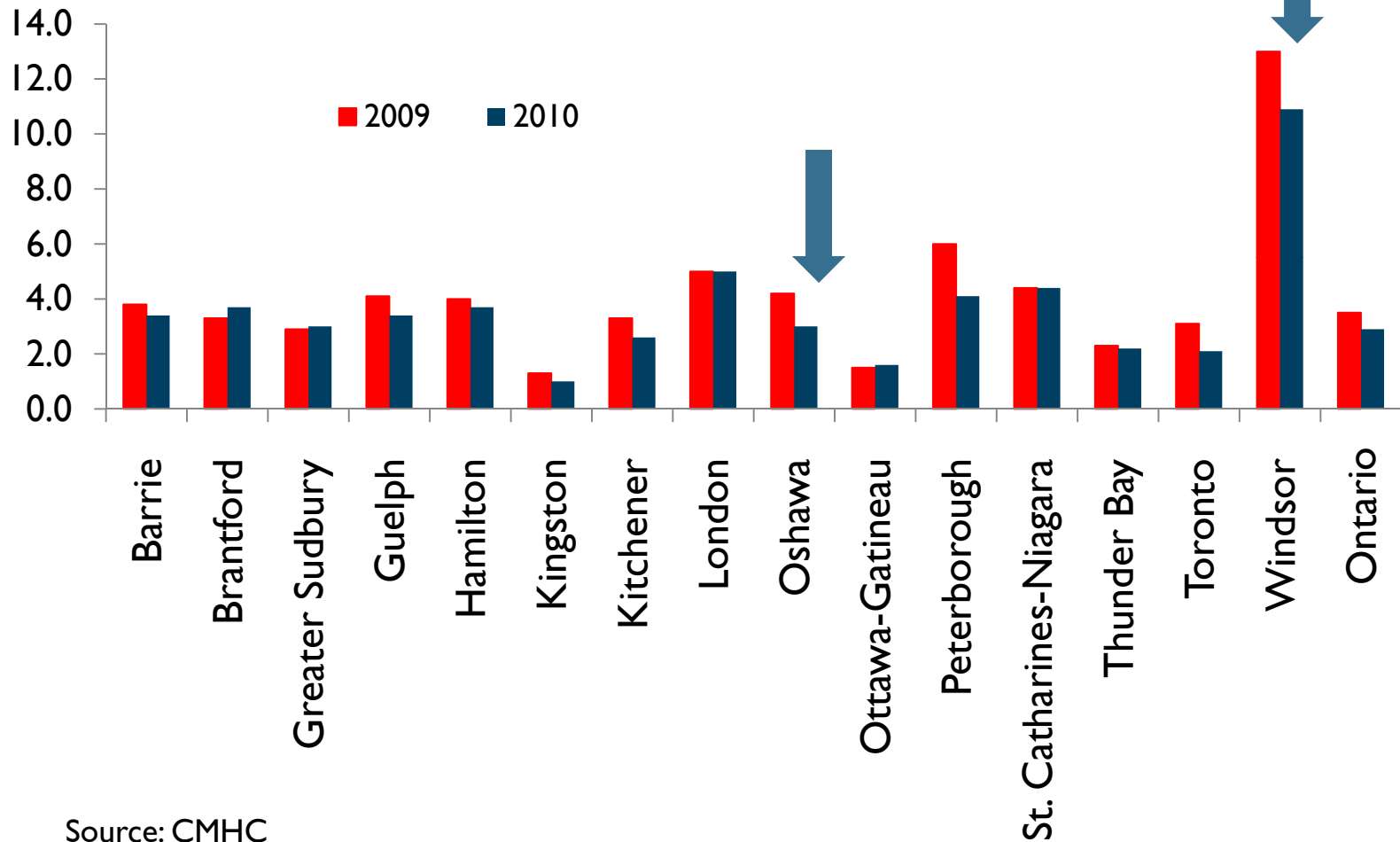


Apartment Vacancy Rates by Region



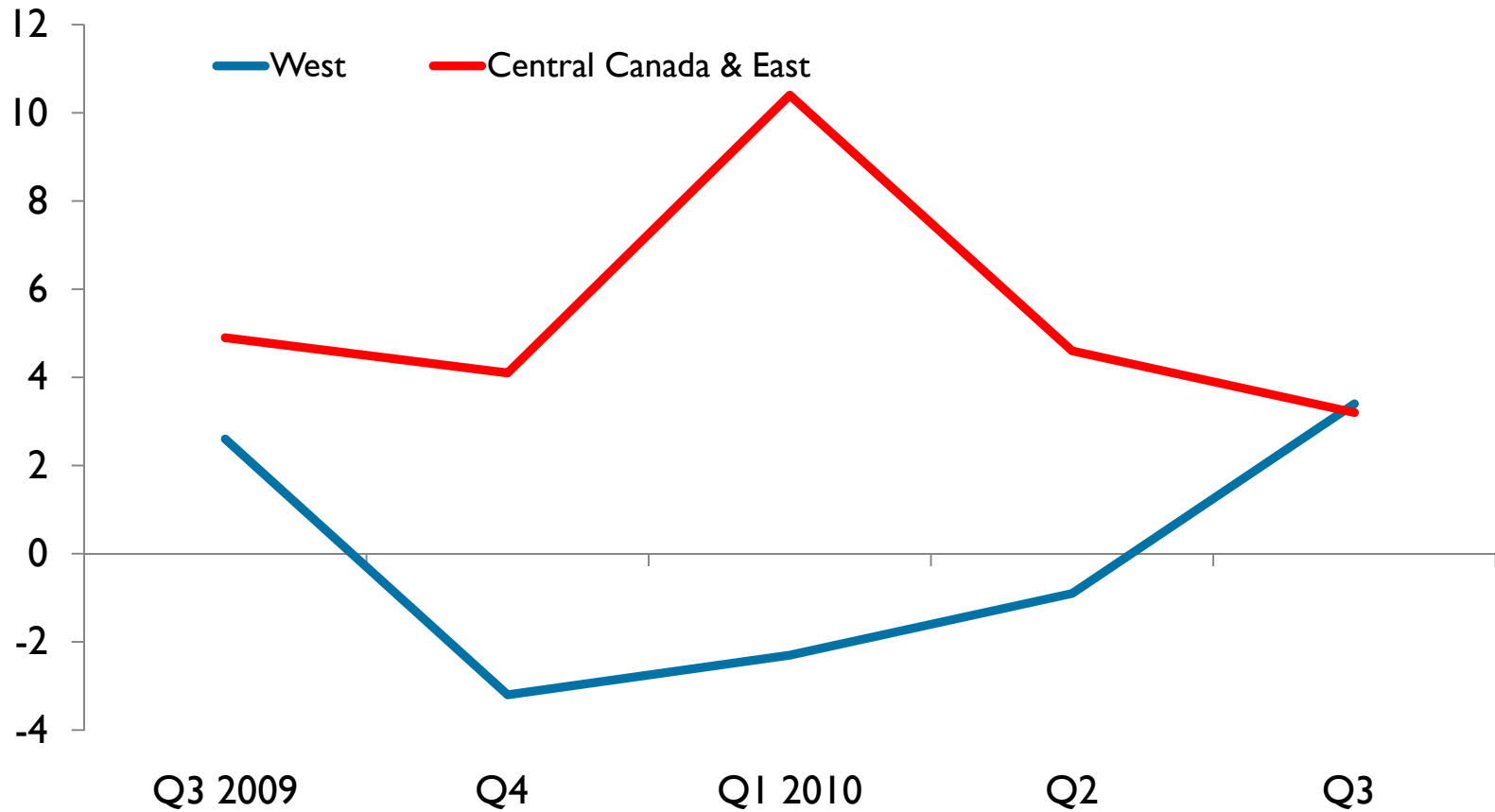
Source: CMHC

Apartment Vacancy Rates in Ontario



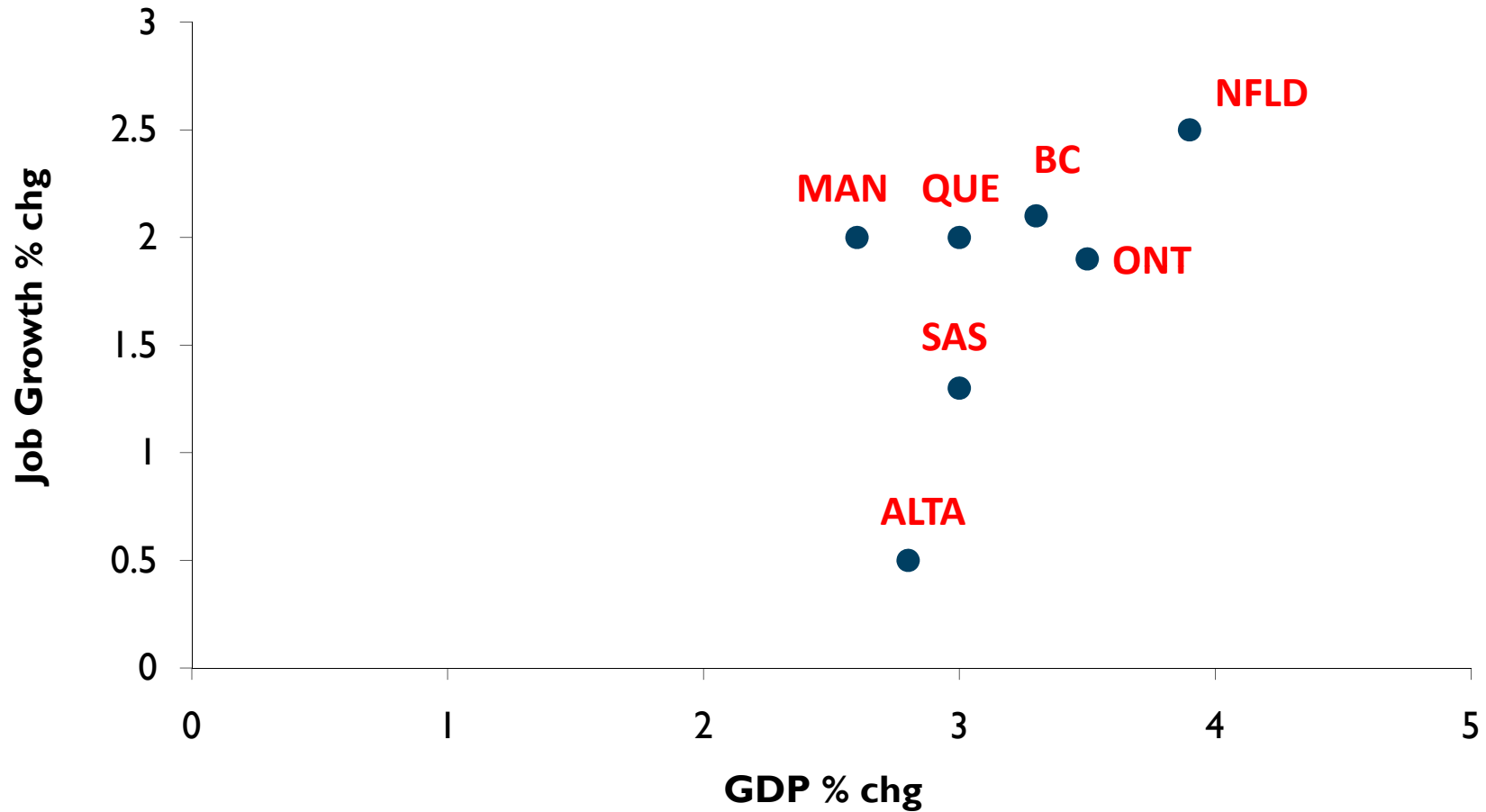
Source: CMHC

Net Operating Income of Multi-Residential REITS

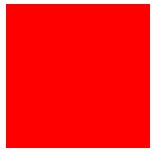


Source: NBF, Bloomberg

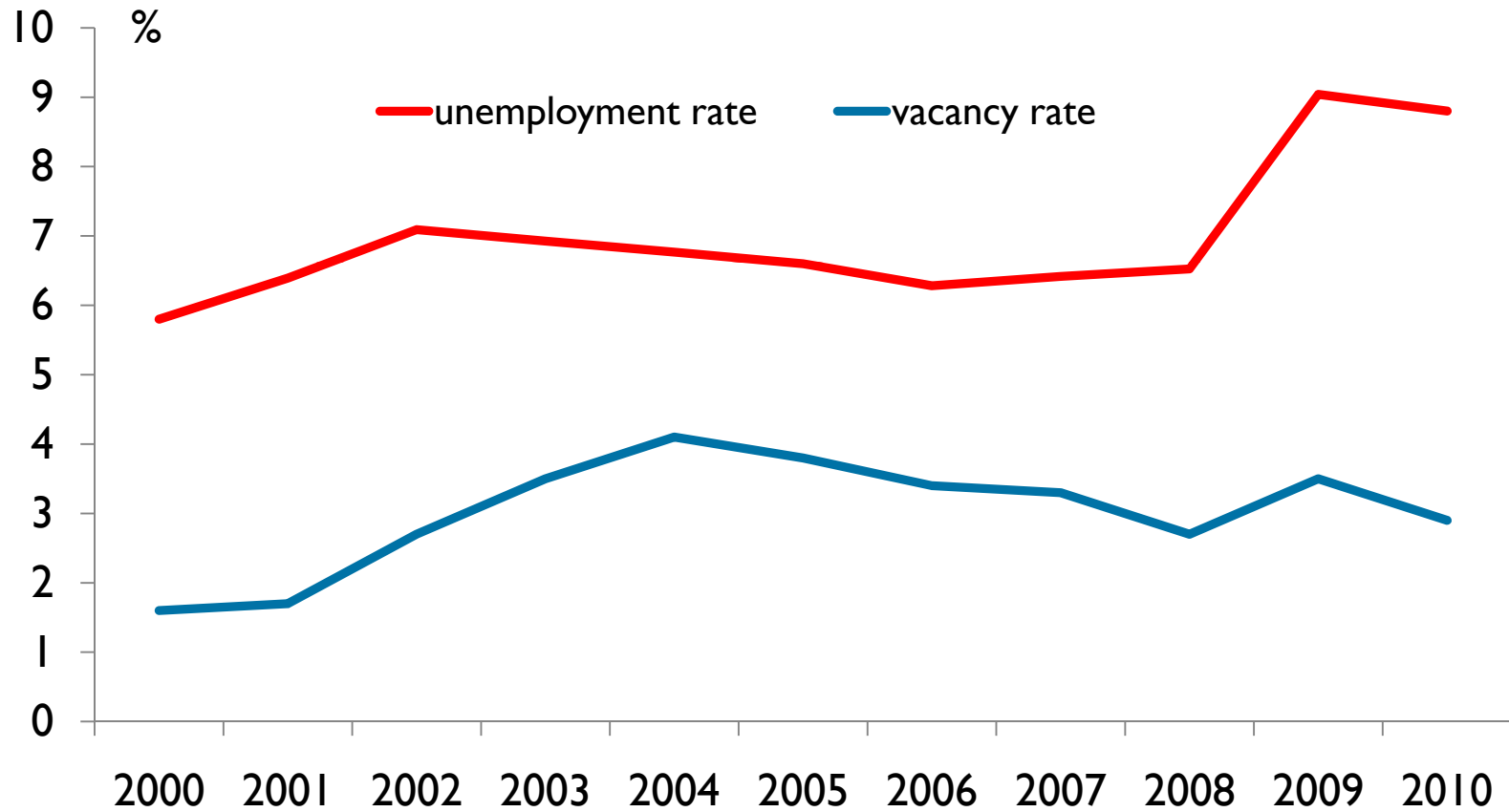
GDP and Job Growth by Province – 2010



Source: Statistics Canada, CMHC forecast

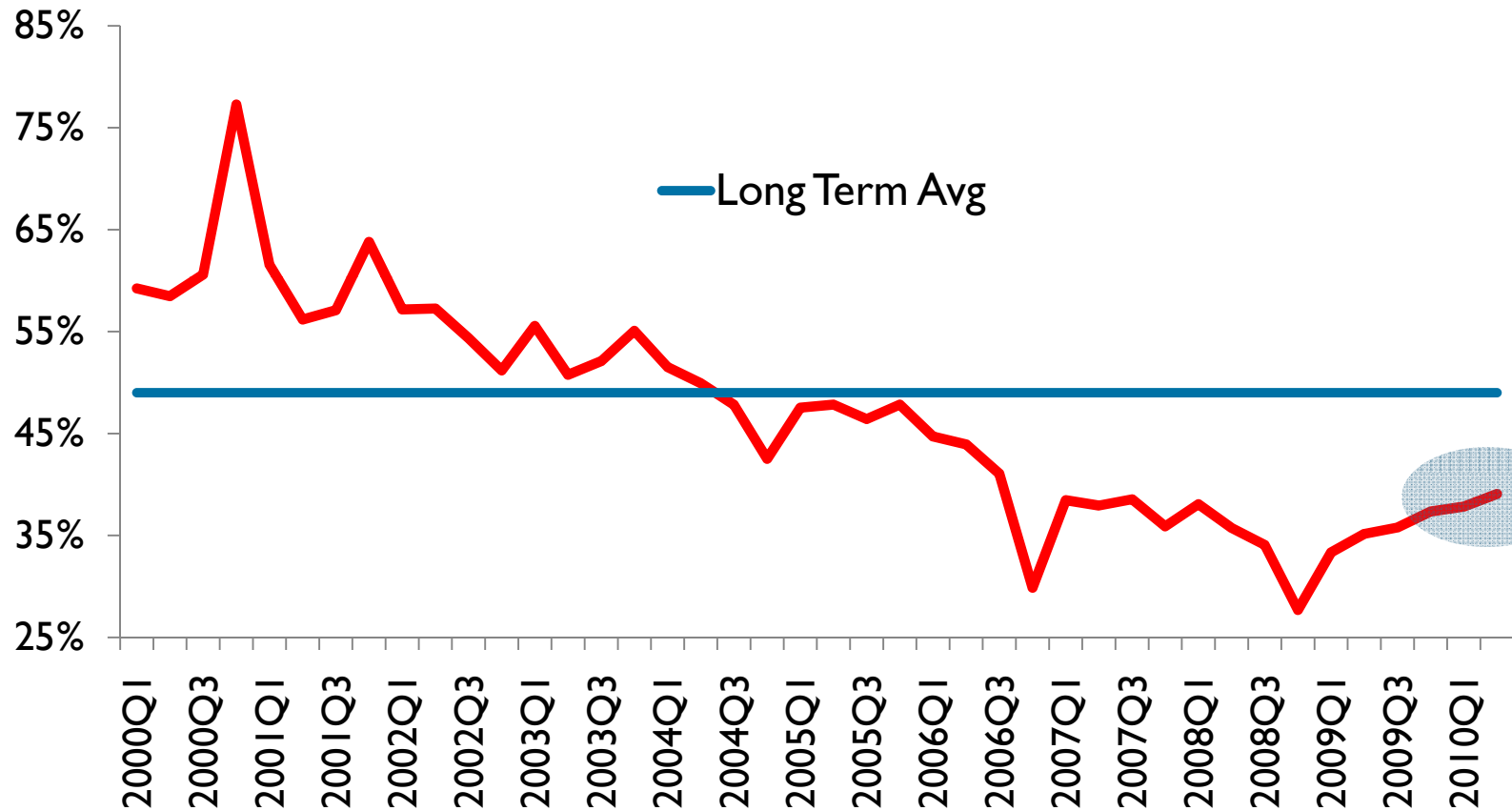


Vacancy Rate vs. Unemployment Rate

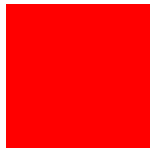


Source: Statistics Canada, CMHC forecast

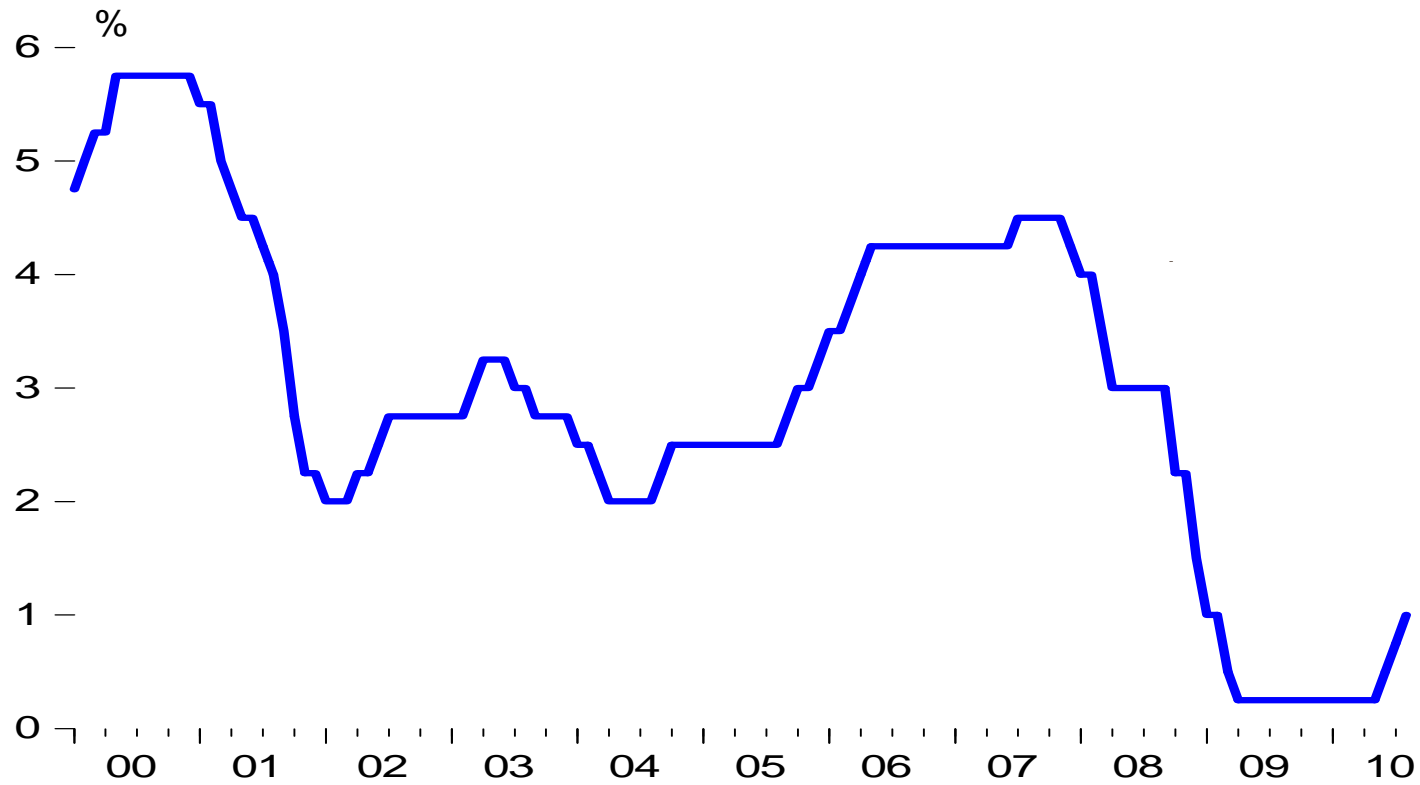
Ontario Share of International Migration



Source: Statistics Canada

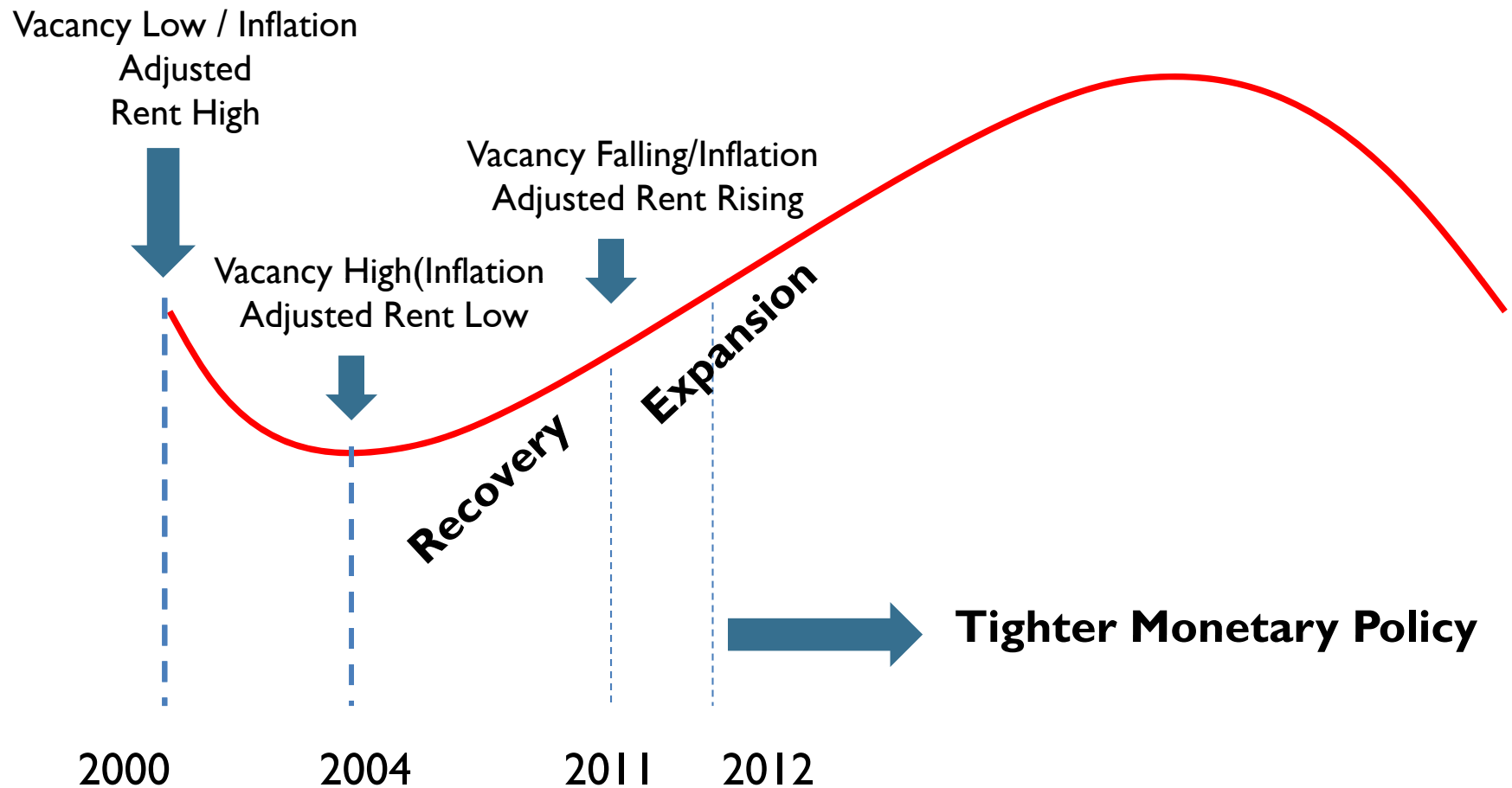


Bank of Canada Overnight Rate



Source: Bank of Canada

Real Estate Cycle and Rental Demand Outlook



Source: CMHC



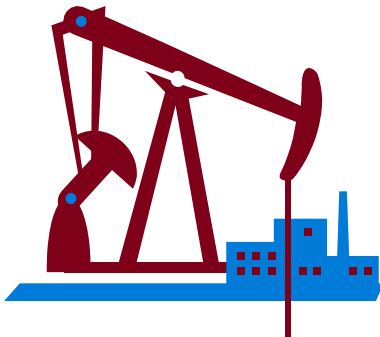
Canada's Economic Story

MANUFACTURING INVESTMENTS



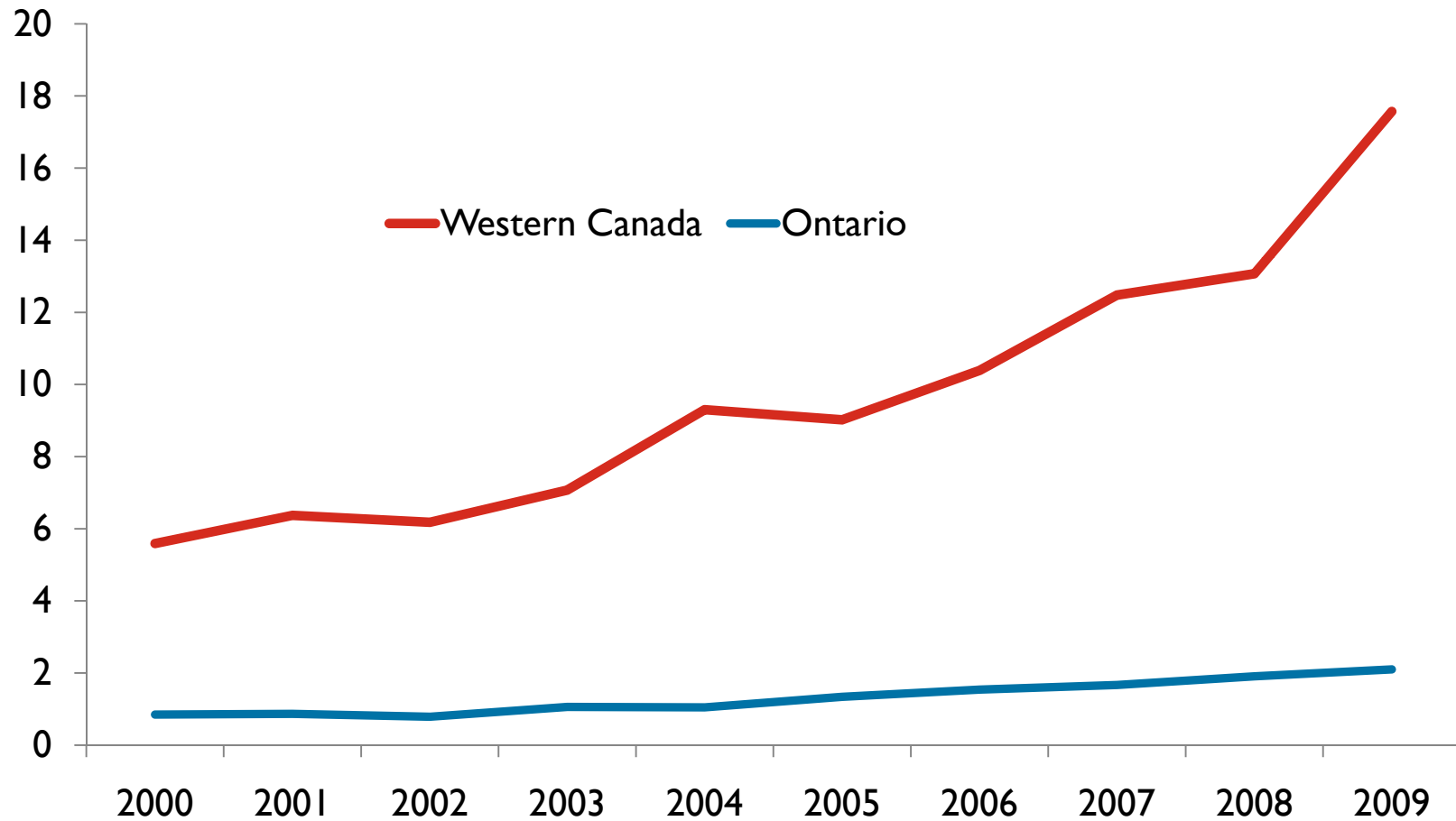
2010 story

ENERGY/NON ENERGY INVESTMENTS



2011 story

Share % of Exports to Emerging Markets



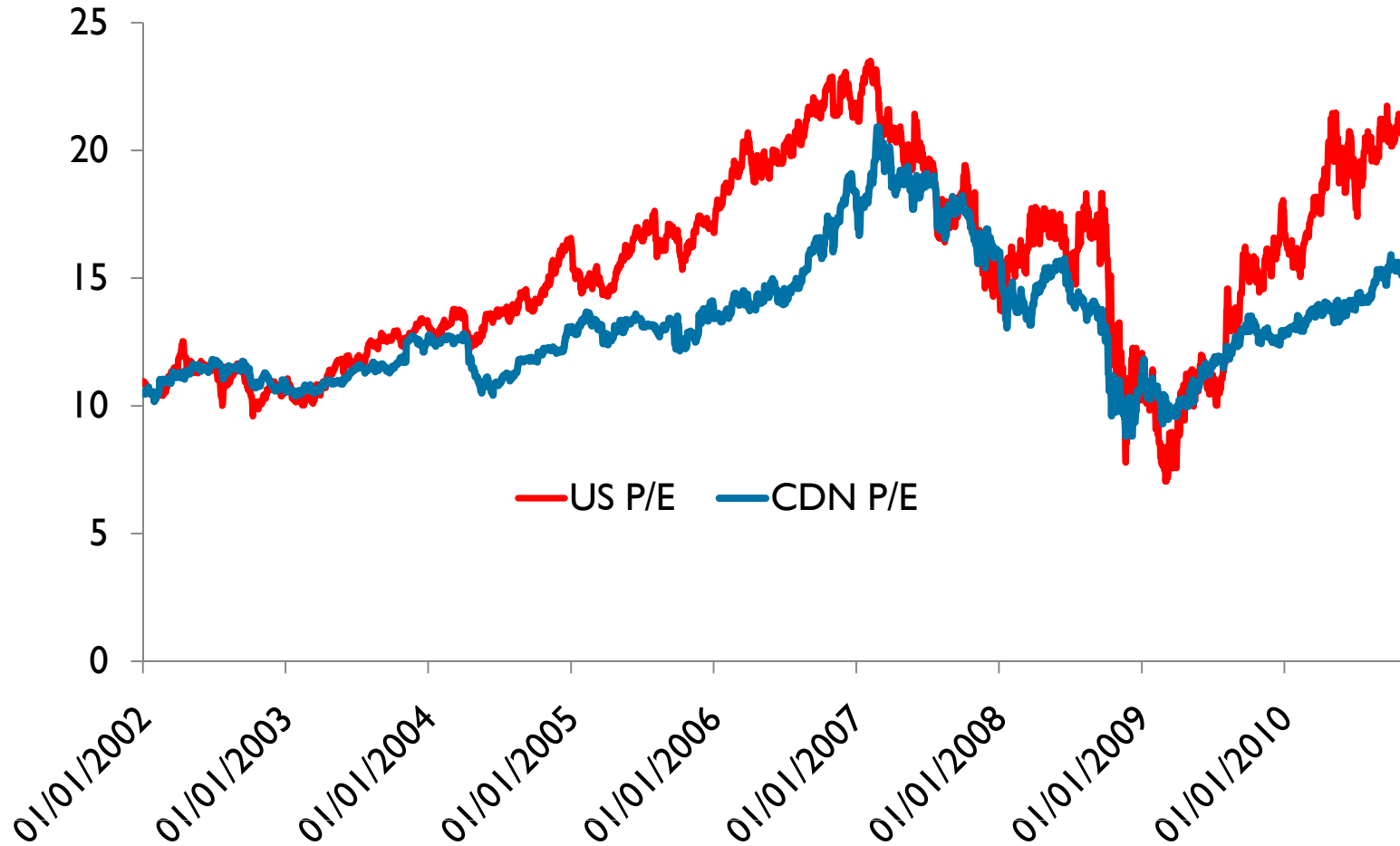
Source: Industry Canada



Economic Indicators Pointing to Gradual US Recovery

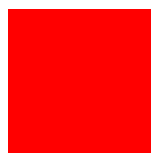
- Soft US consumer confidence levels
- High US unemployment rates & growing duration
- High private and public sector debts
- **US RENTAL MARKET PROSPECTS**

REIT Price to Earnings Multiples – Multi Family Sector



Source: NBF, Bloomberg

CANADA MORTGAGE AND HOUSING CORPORATION

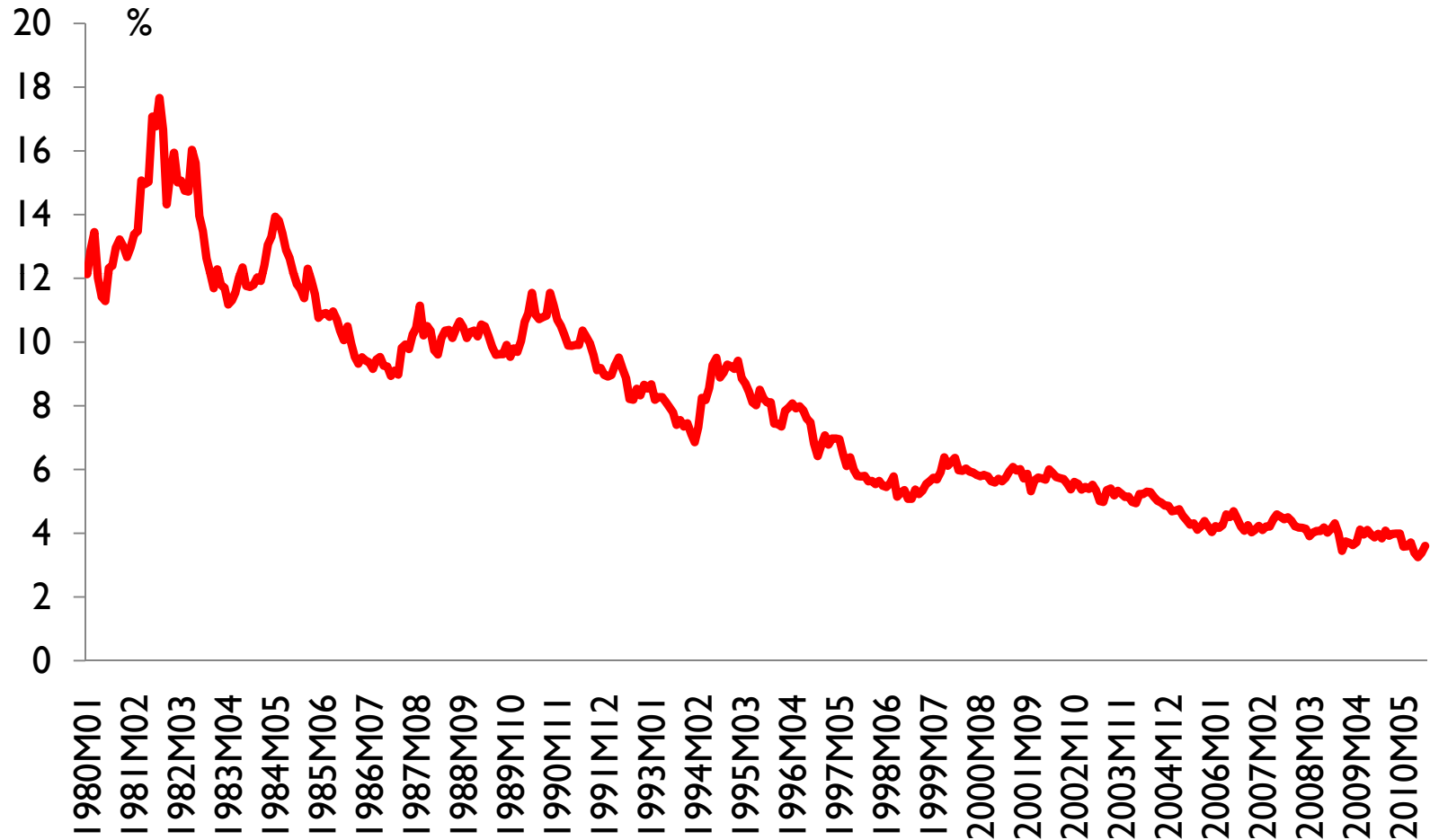


Factors Creating Vacancy Pressures +/-

Ontario Region	Factor	Vacancy +/-
Southwestern Ontario	Manufacturing	Neutral
Nothern Ontario	Mining	Downward
Southern Ontario	Pull Forward Demand Effect & Immigration	Downward
Technology Triangle	Business Spending	Downward
All	<i>Interest Rates & Economic Cycle</i>	<i>Downward</i>

Source: CMHC

Canadian Long-Term Bond Yields

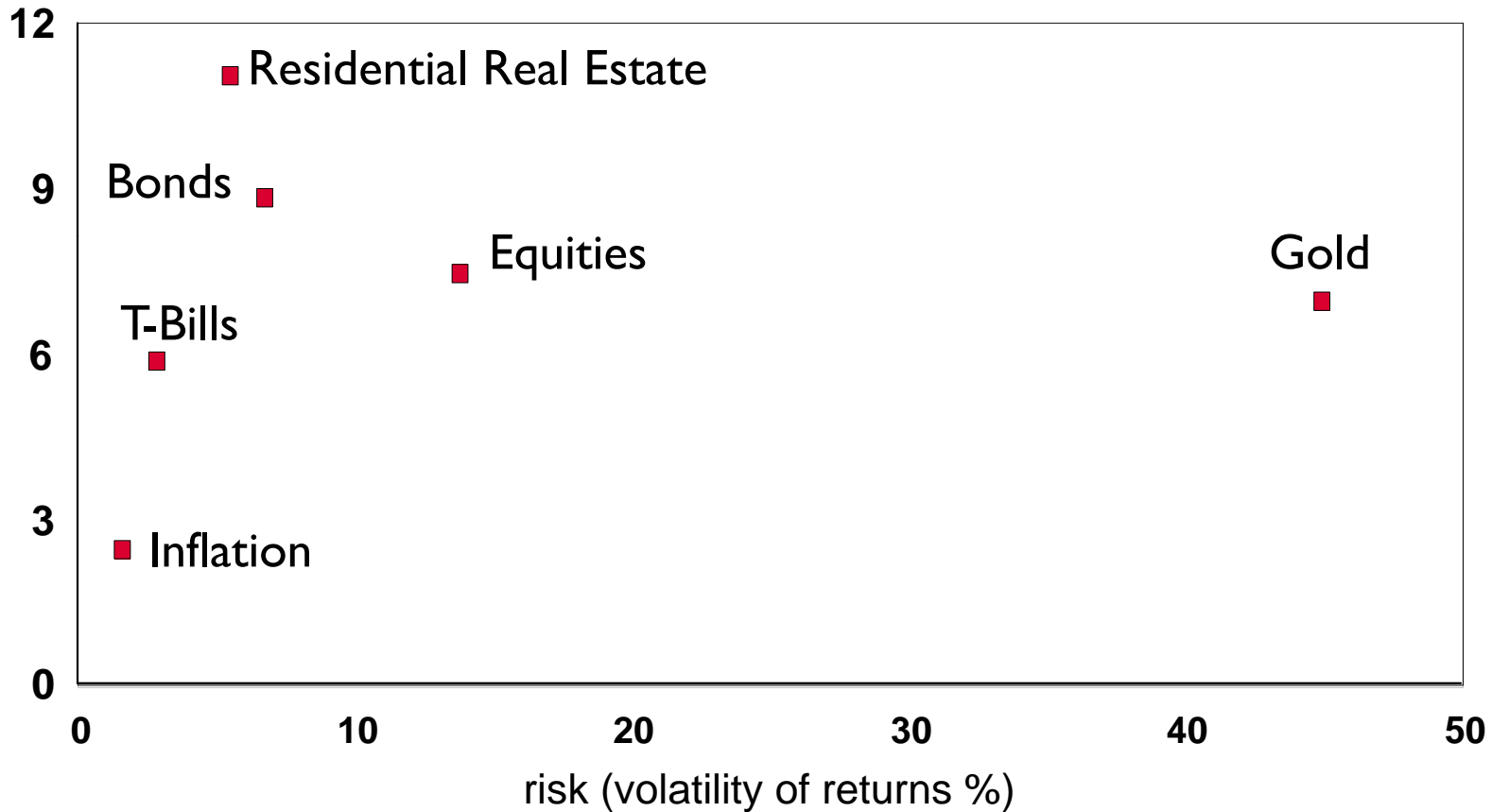


Source: Bank of Canada



Risk/Reward Trade-Off – Multi-Residential Sector

Long Term Average Returns % (left scale)



Source: ICREIM/IPD Canada Property Index Database, Statistics Canada, Bank of Canada, CMHC



Vacancy Rate Forecast Summary - Ontario

CMAAs	2010	2011f
Hamilton	3.7	3.5
Kingston	1.0	1.2
Kitchener	2.6	2.4
London	5.0	4.8
Ottawa	1.6	1.2
St. Catharines	4.4	4.2
Sudbury	3.0	2.0
Thunder Bay	2.2	2.0
GTA	2.1	2.0
Barrie	3.4	3.7
Peterborough	4.1	4.5
Brantford	3.7	3.5
Guelph	3.4	3.2
Windsor	10.9	10.5
Ontario CMA Avg	3.7	3.5

Source: CMHC forecast (f)



FINAL THOUGHTS

- Canadian rental market will tighten further, led by the west
- Monetary policy & economic cycle accommodating for rental
- Low cap rates a sign of lower long term yields but also strong buying vs. selling
- Investment outlook improving: lower vacancies & less turnover (opportunity), more supply (challenge)
- Slower rent growth, higher operating expenses, competing supply puts pressure on Ontario NOI next year