

# Rental Market Overview 2010 & Beyond

FRPO & GTAA Rental Market Update  
*January - 2011*

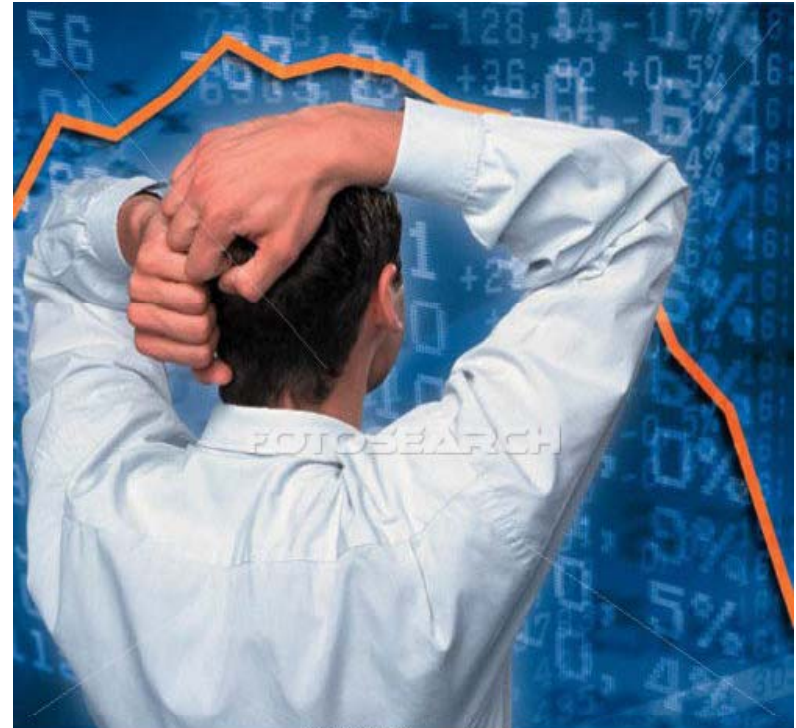
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*Housing market intelligence you can count on*

# Economic Shocks and Global Interest Rate Policy

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





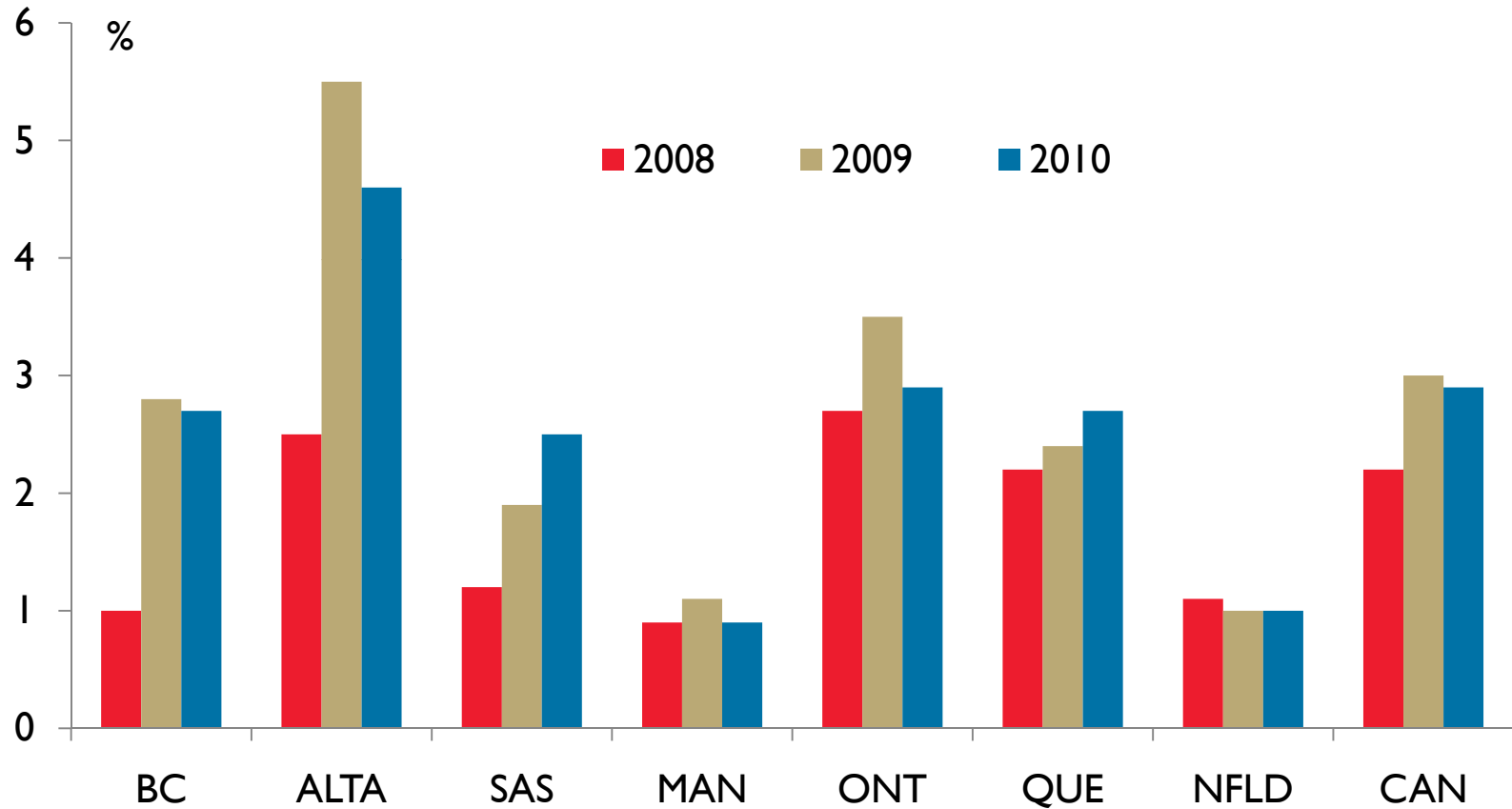
## Rental Market Key Stories: 2010/11

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- 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

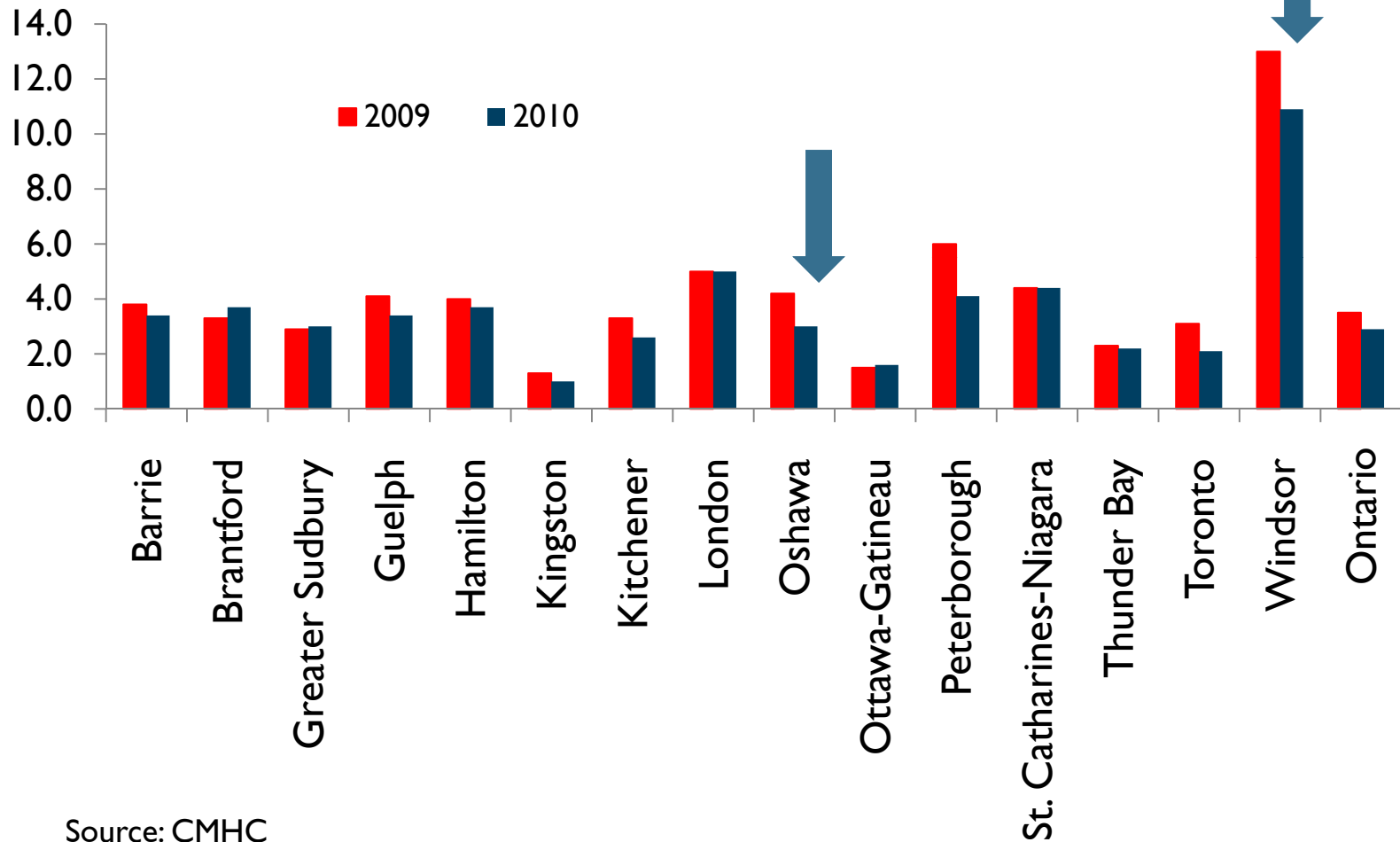


# Apartment Vacancy Rates by Region



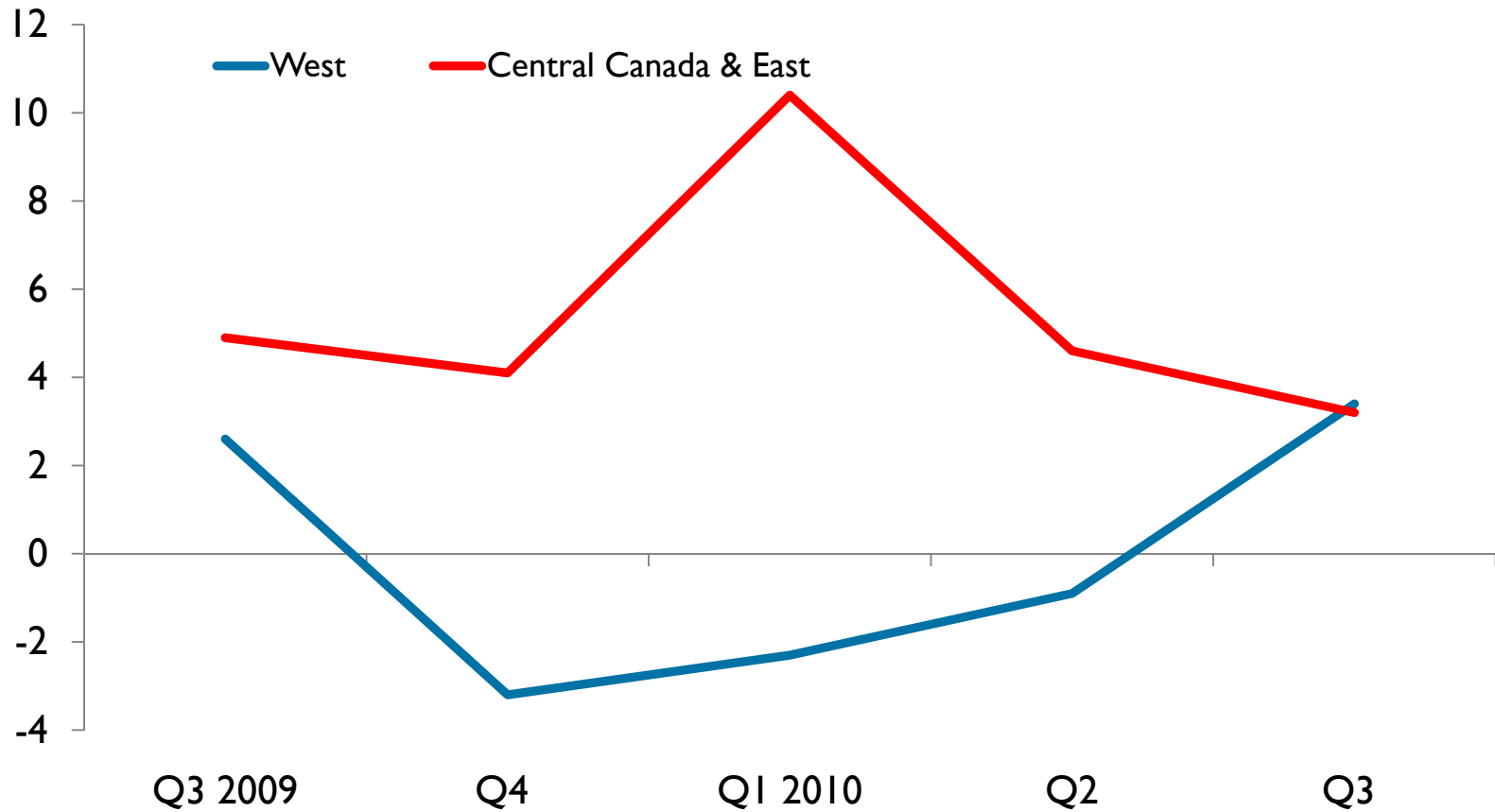
Source: CMHC

# Apartment Vacancy Rates in Ontario



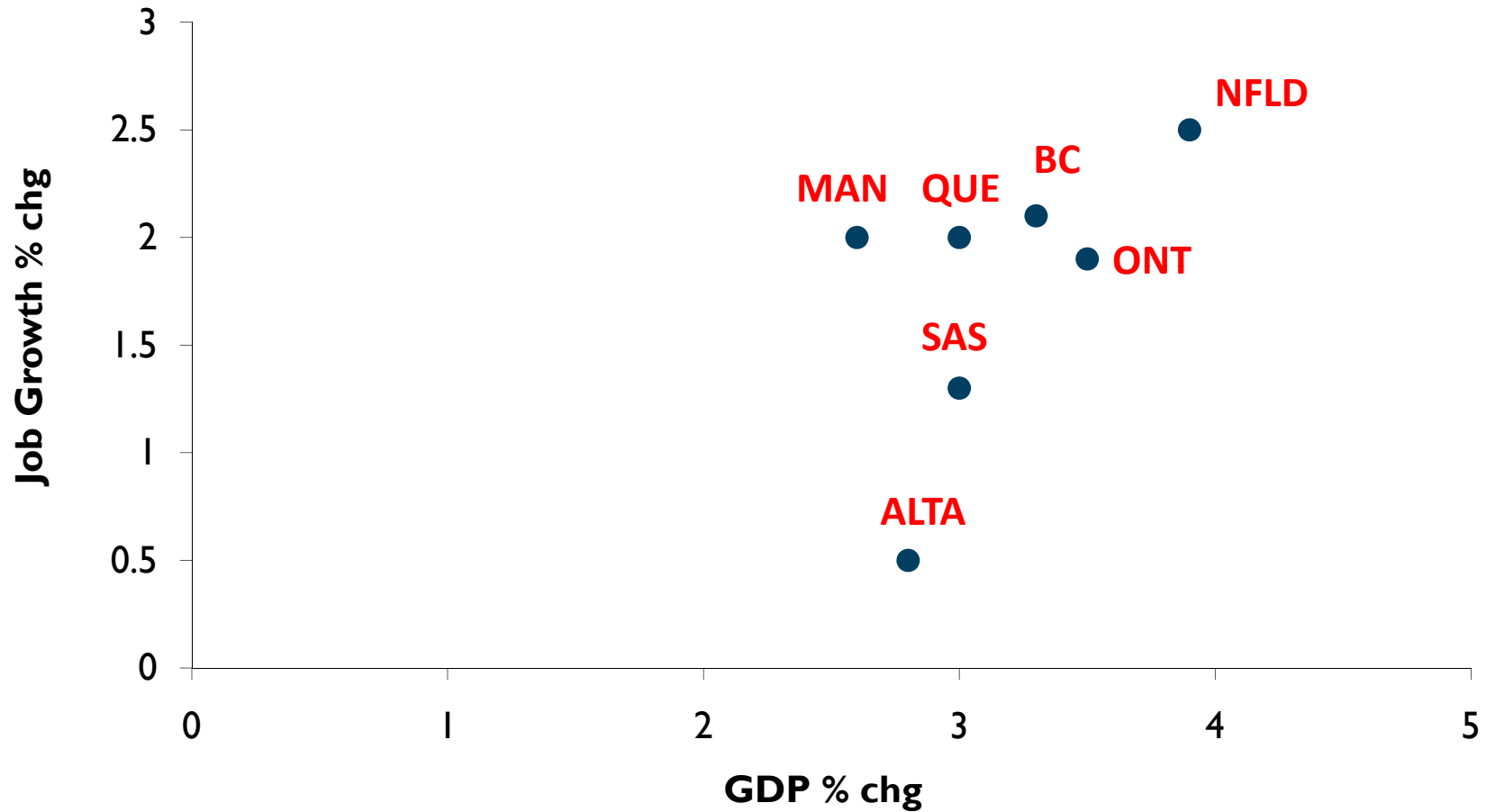
Source: CMHC

# Net Operating Income of Multi-Residential REITS



Source: NBF, Bloomberg

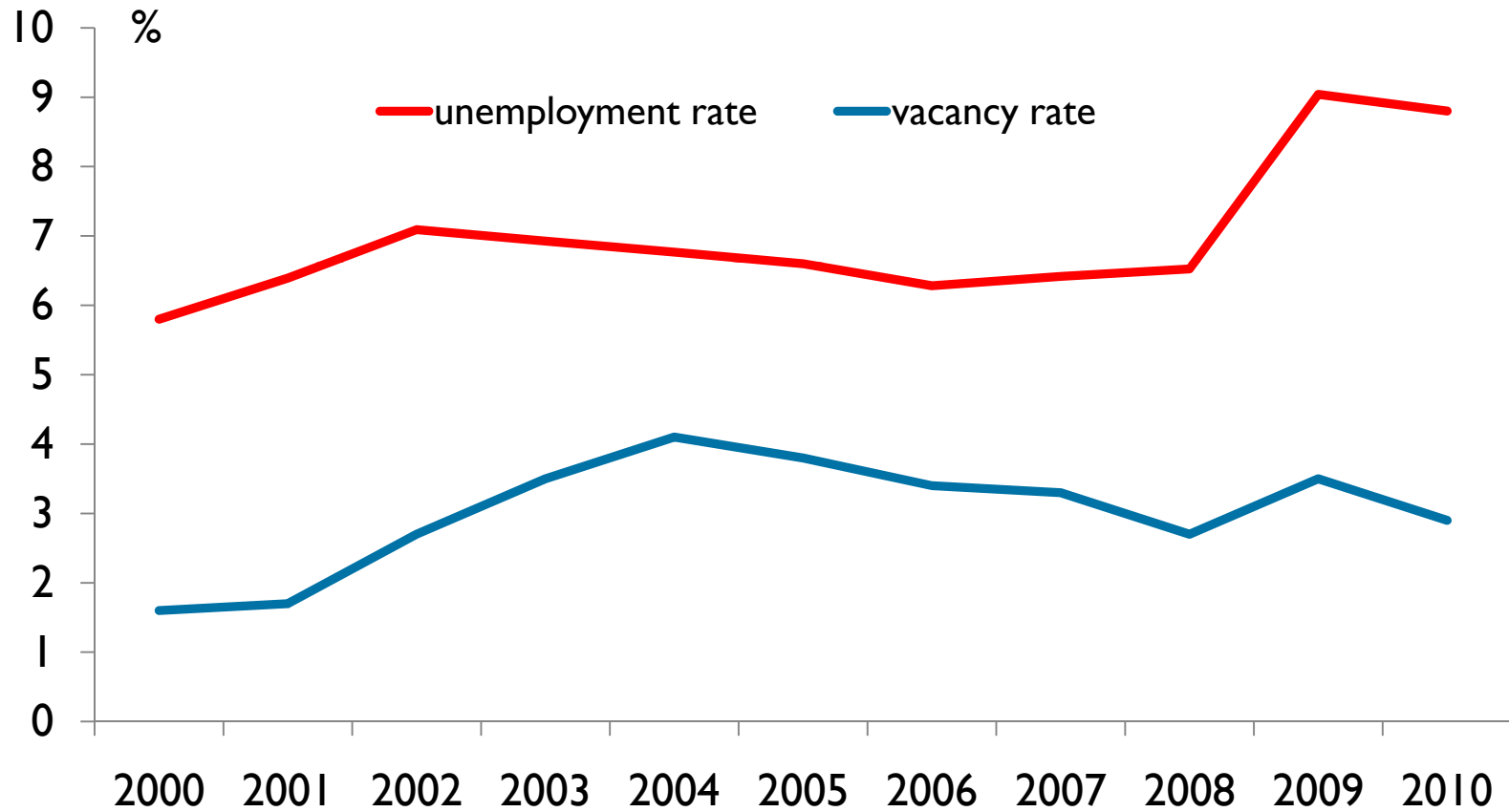
# GDP and Job Growth by Province – 2010



Source: Statistics Canada, CMHC forecast



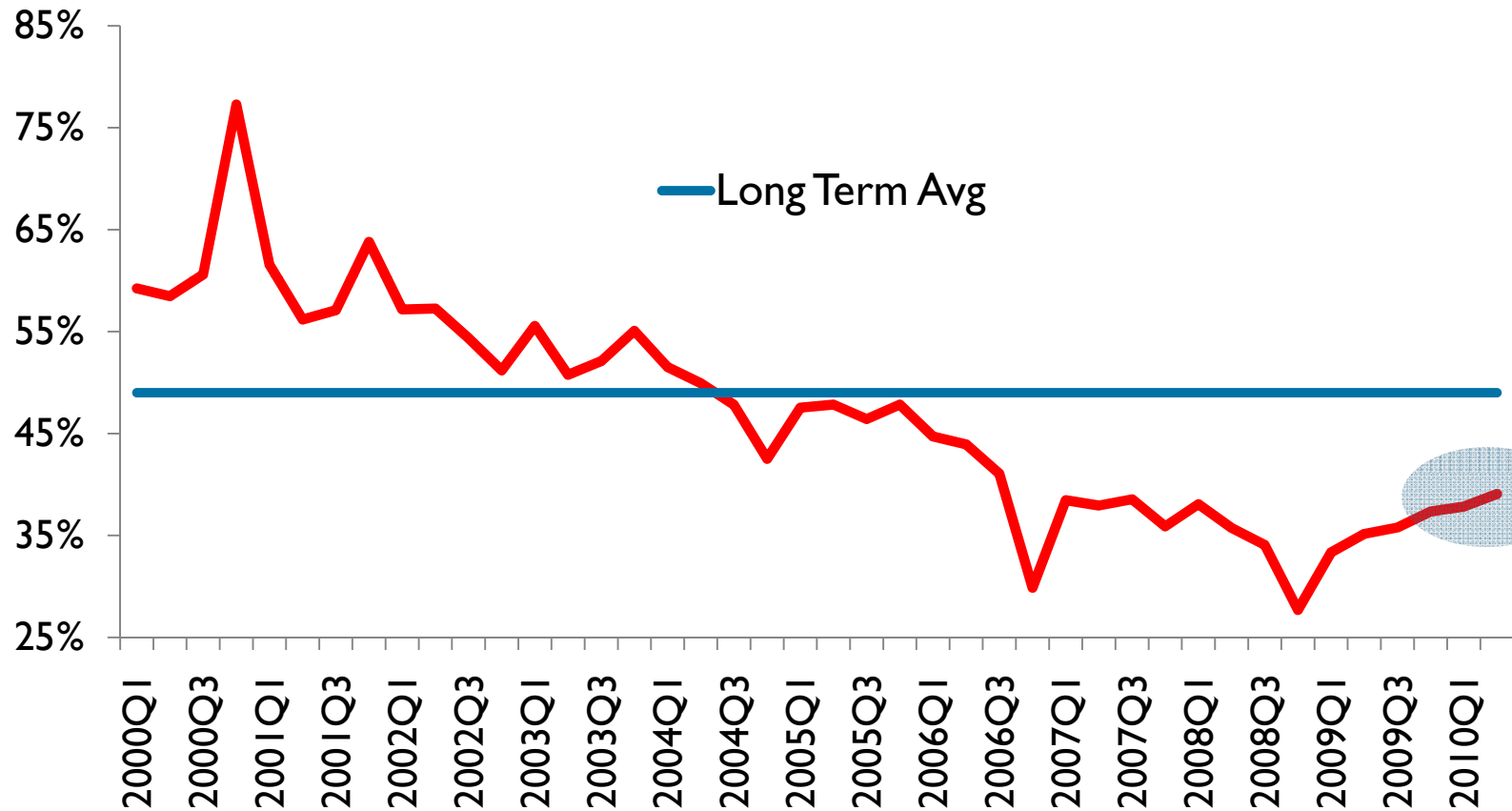
# Vacancy Rate vs. Unemployment Rate



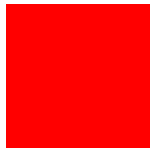
Source: Statistics Canada, CMHC forecast



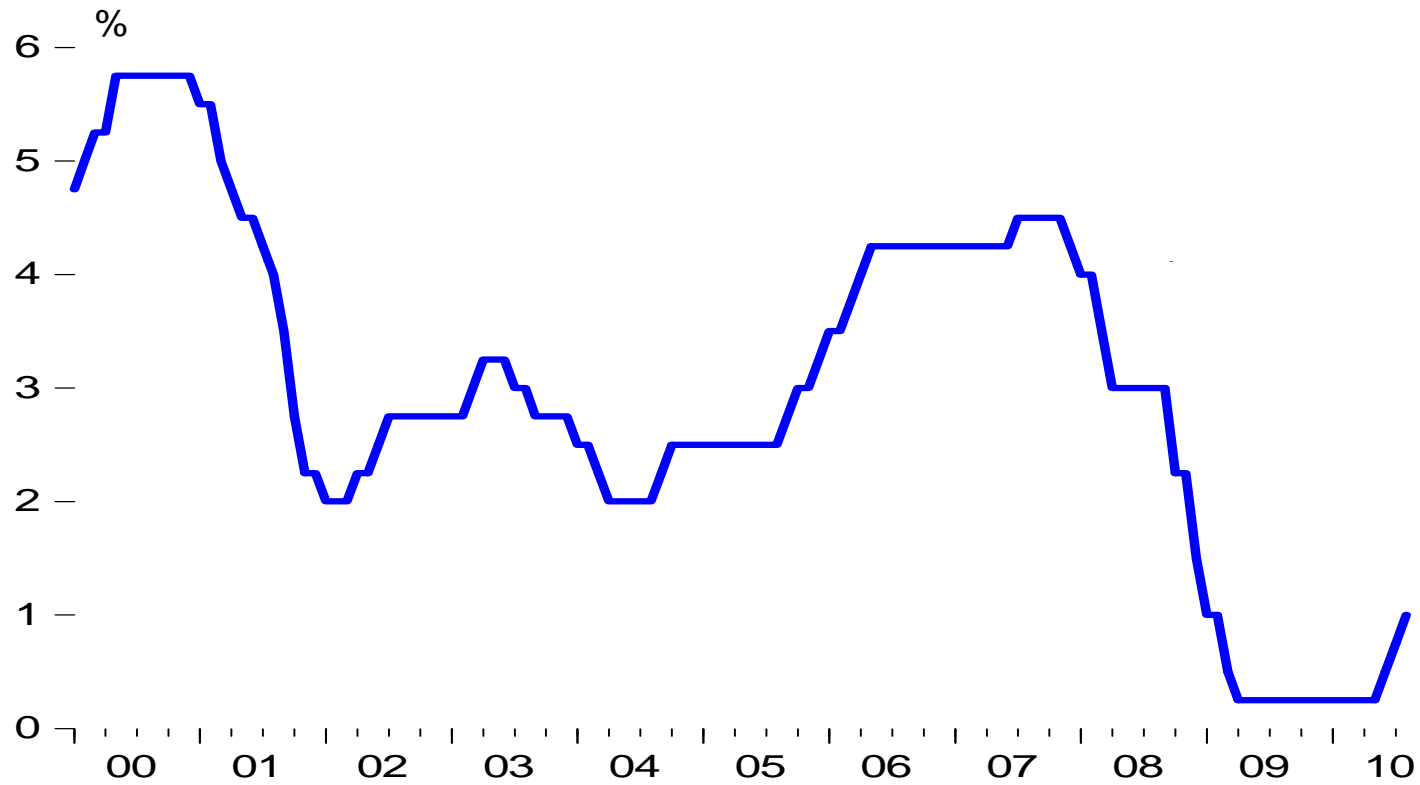
# Ontario Share of International Migration



Source: Statistics Canada

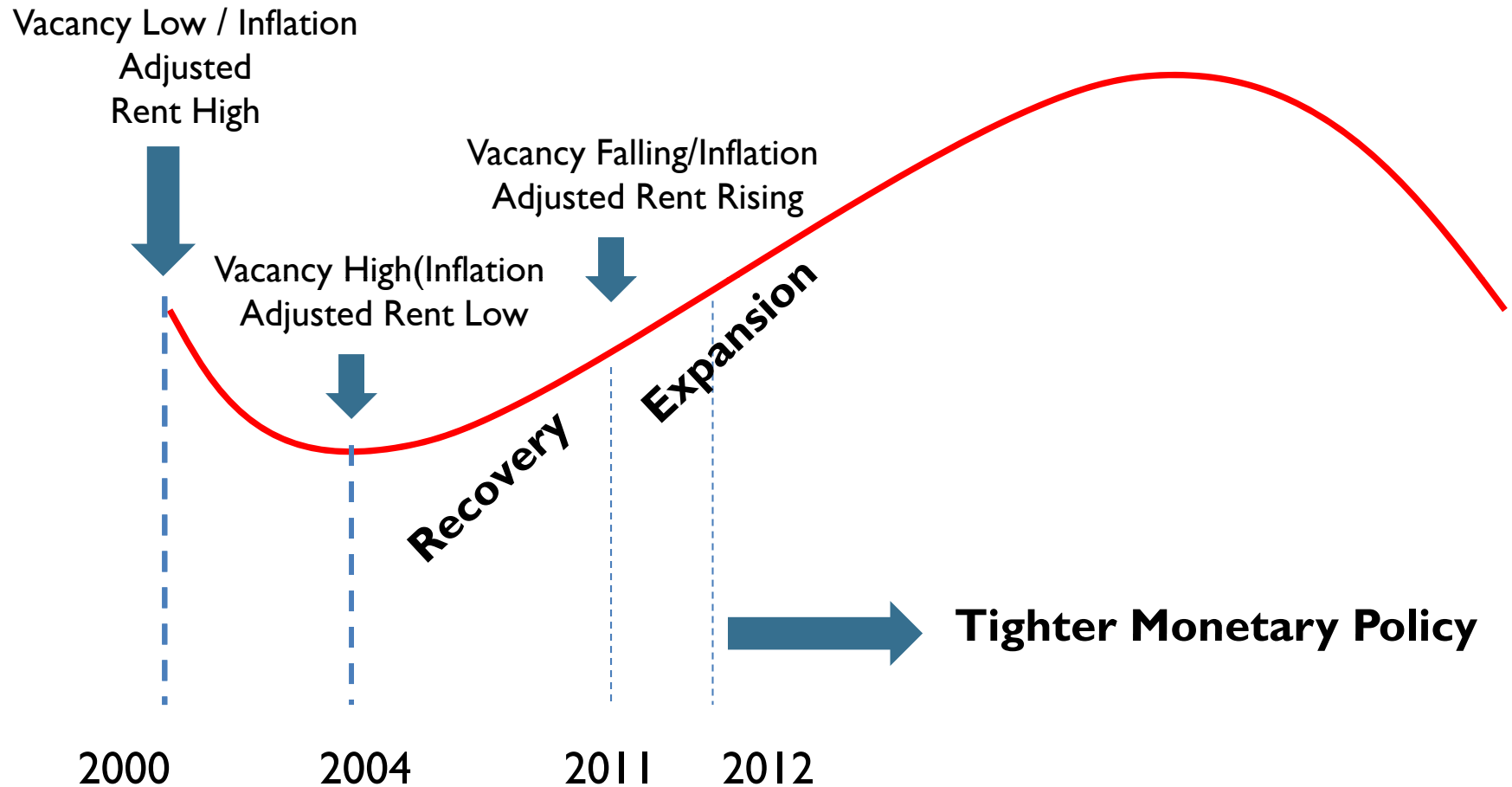


# Bank of Canada Overnight Rate



Source: Bank of Canada

# Real Estate Cycle and Rental Demand Outlook



Source: CMHC



# Canada's Economic Story

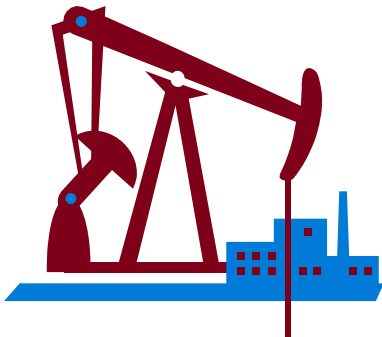
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## MANUFACTURING INVESTMENTS



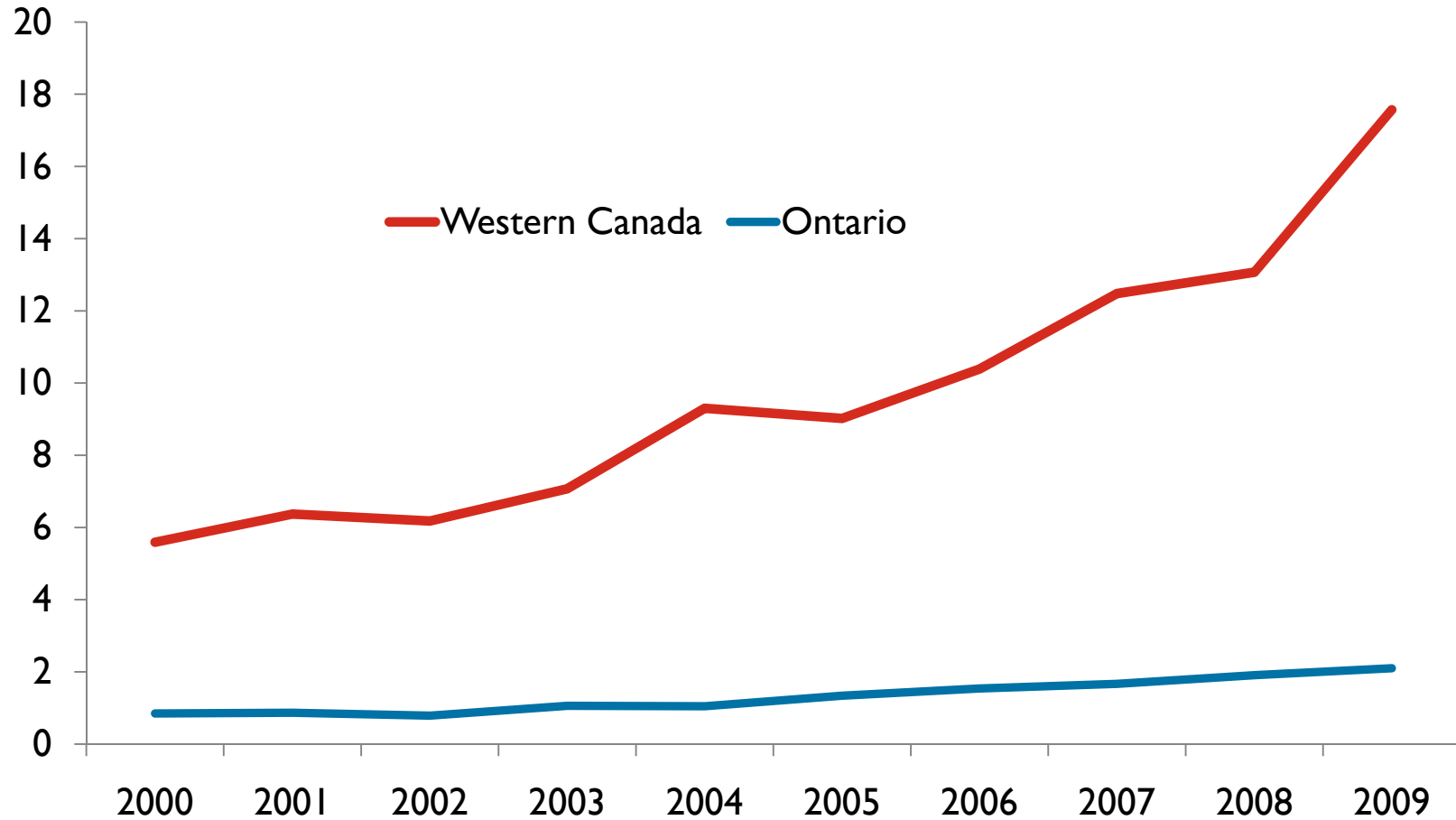
2010 story

## ENERGY/NON ENERGY INVESTMENTS



2011 story

# Share % of Exports to Emerging Markets



Source: Industry Canada

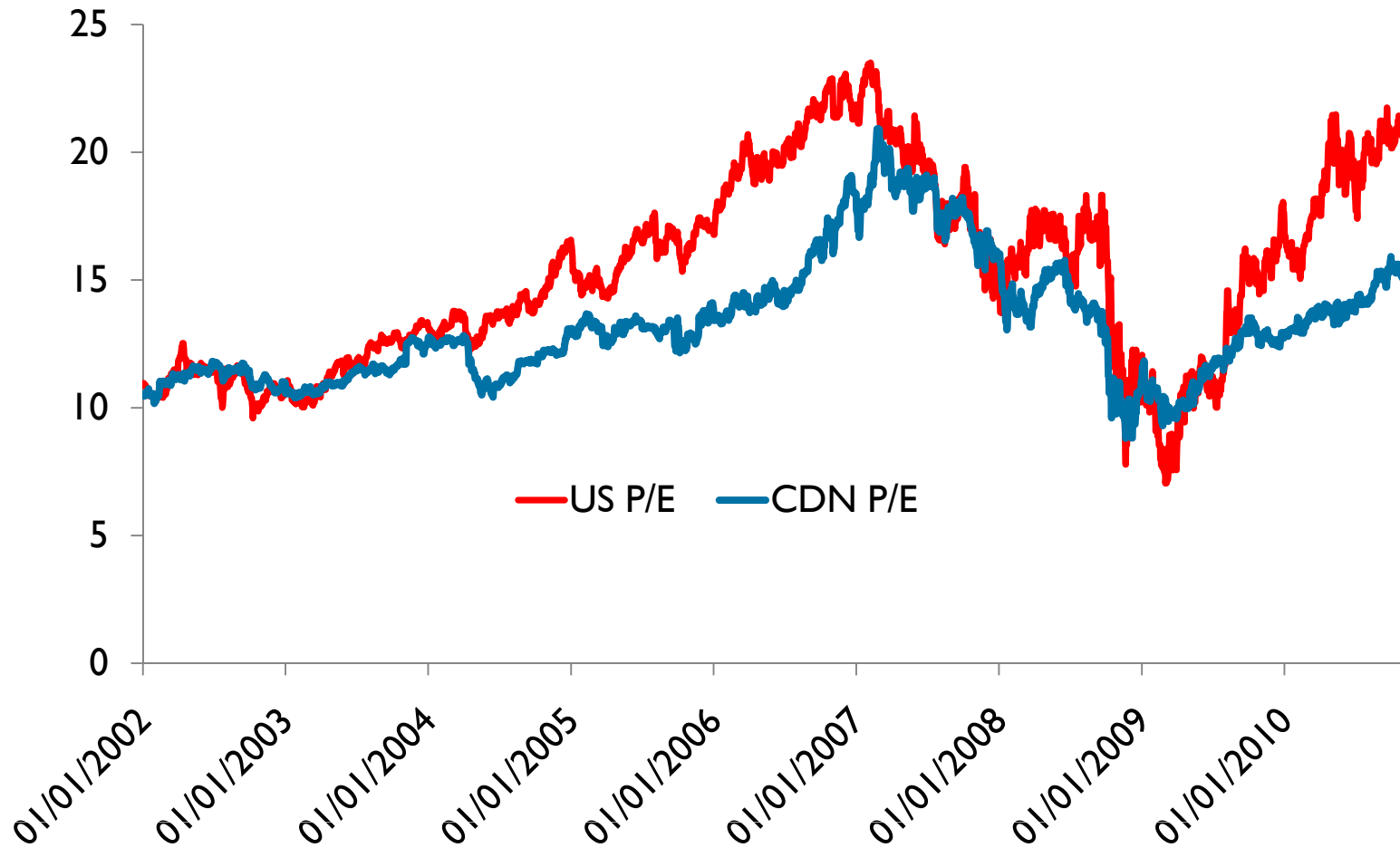


# Economic Indicators Pointing to Gradual US Recovery

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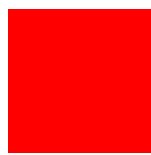
- Soft US consumer confidence levels
- High US unemployment rates & growing duration
- High private and public sector debts
- **US RENTAL MARKET PROSPECTS**

# REIT Price to Earnings Multiples – Multi Family Sector



Source: NBF, Bloomberg

CANADA MORTGAGE AND HOUSING CORPORATION



# Factors Creating Vacancy Pressures +/-

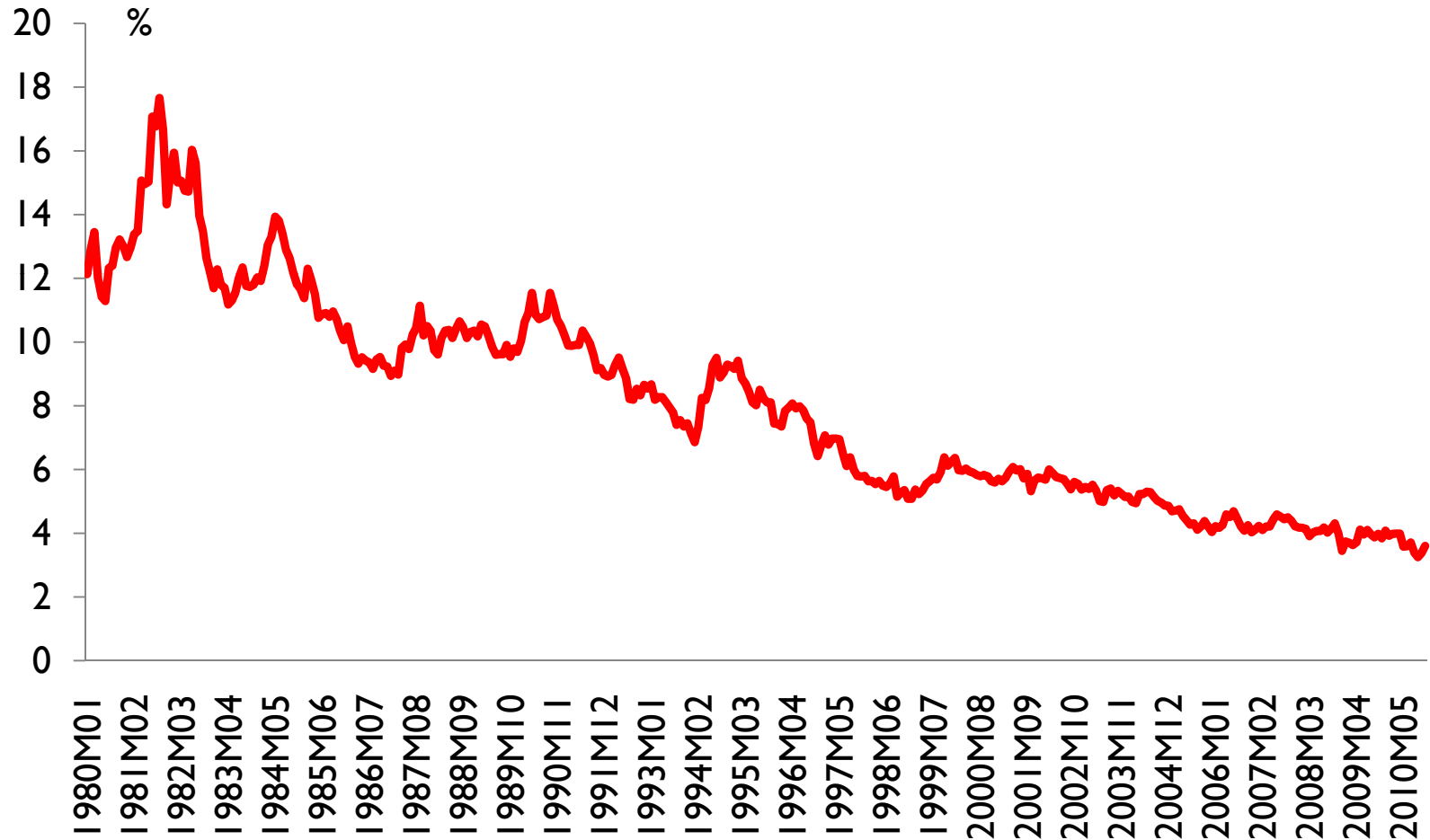
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<b>Ontario Region</b>	<b>Factor</b>	<b>Vacancy +/-</b>
<b>Southwestern Ontario</b>	Manufacturing	Neutral
<b>Nothern Ontario</b>	Mining	Downward
<b>Southern Ontario</b>	Pull Forward Demand Effect & Immigration	Downward
<b>Technology Triangle</b>	Business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

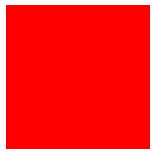
Source: CMHC



# Canadian Long-Term Bond Yields

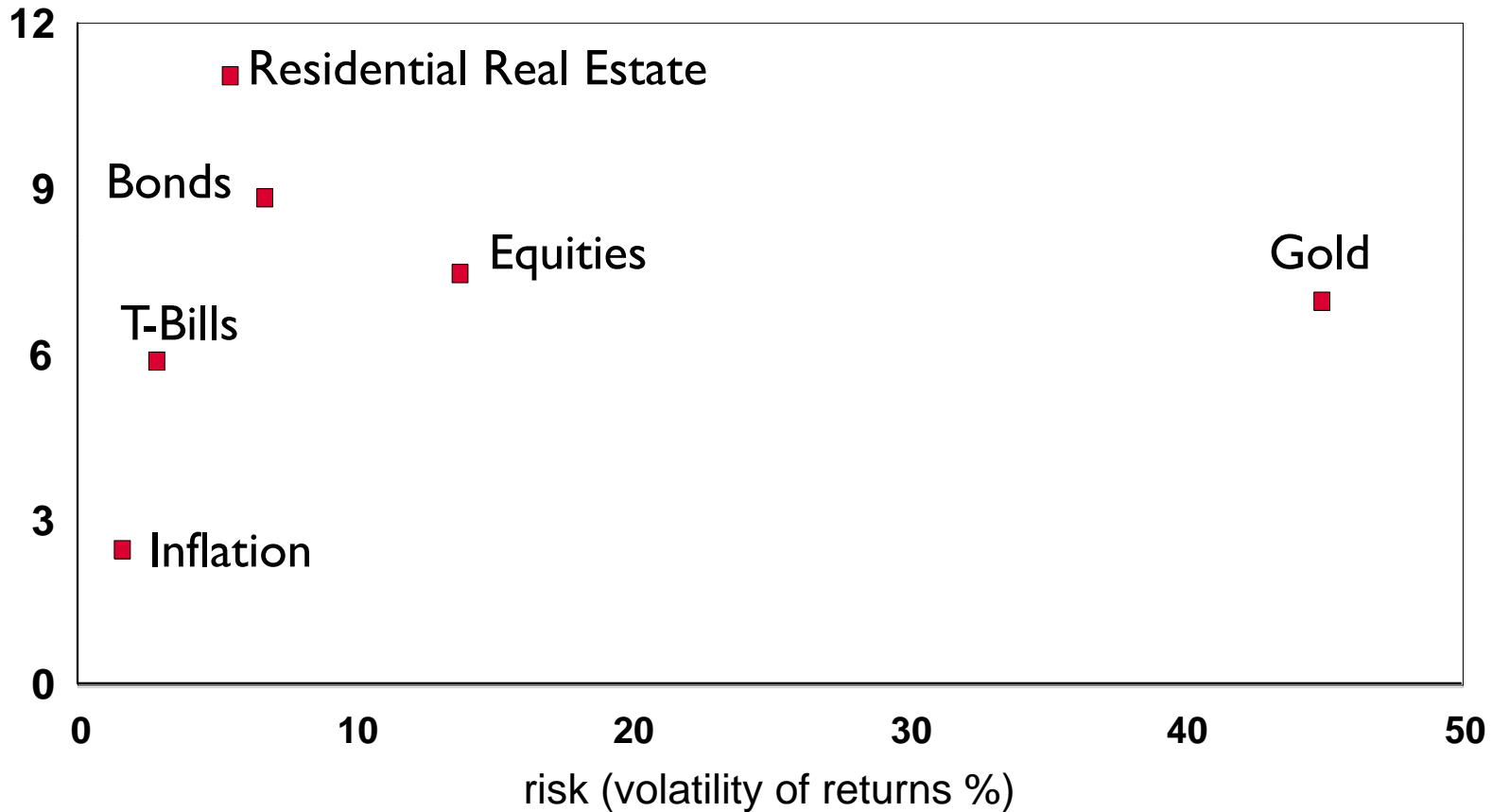


Source: Bank of Canada



# 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

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<b>CMAAs</b>	<b>2010</b>	<b>2011f</b>
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
<b>Ontario CMA Avg</b>	<b>3.7</b>	<b>3.5</b>

Source: CMHC forecast (f)



## FINAL THOUGHTS

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- 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