

**MULTI FAMILY
INVESTMENTS**
2022 YEAR IN REVIEW

LANDLORD REPORT
SOUTHWESTERN ONTARIO

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PRINCIPAL INTEREST
MULTI FAMILY INVESTMENTS

 **ROYAL LEPAGE
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MULTI FAMILY MARKET COMMENTARY

Resilient Multi Family Market Holds "Strong-ish" Despite Increased Borrowing Costs - By Kyle Church, Broker

The past twelve months have been a slower yet interesting time for the real estate market. From a single family housing perspective, we have seen home prices decline by 20% or so, depending on the local market. Apartments, however, have held their value for the most part, while deal volume has dropped off considerably.

The markets of 2021 and 2022 could not have been any more different, yet despite this reality, owner/sellers generally have their expectations set to the incredible valuations we saw in 2021. Listings that in the past would have had multiple offers, now sit on the market for 30 or 60 days, and in some instances, do not sell. Properties must be considered on a case by case basis for the opportunity that they present and the type of buyers they will attract. Many buyers who were previously active in 2021 remain on the sidelines - some hopeful there will be better buying opportunities in the months ahead. Listings that would previously sell with firm unconditional offers are now accepting offers with 30 to 60 day long conditional periods.

This was the story of 2022 and the beginning of 2023. Throughout this time, the Bank of Canada was aggressively increasing rates and have now signaled that we could be at the end of this tightening cycle. Will Buyers come back to the table and will they be able to digest still significantly higher interest rates from the incredible low of 2021? Time will tell but I feel that if interest rates start to come down at the end of 2023, even just a little bit - we will see deal volume increase again. Some sellers are holding off right now and will eventually need to sell. Investors sitting on cash and waiting for the market to drop may reenter the market and put more cash down if it appears we are going to have a "soft" landing.

In my opinion, it is unlikely that we will see a decrease in average per unit sale prices. It is more likely that we will see a gradual increase over time with capitalization rates climbing from the 3% range up towards the lower range of 4%. Keep in mind that owners can still force appreciation on their properties with increased rental revenue and finding operating efficiencies.

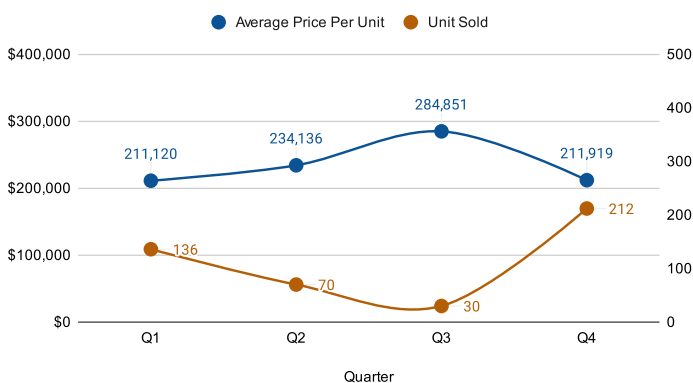
One thing is for sure - the market is evolving and adapting to the impacts of higher interest rates. It is more important now than ever to work with an experienced and connected real estate broker if you are considering transacting in this market. If you plan to buy or sell in the year ahead - I hope we can chat in the coming weeks and months about your plans and if we may be able to help you achieve your goals.

Feel free to call, email or text message if you have any questions or would like to discuss further.

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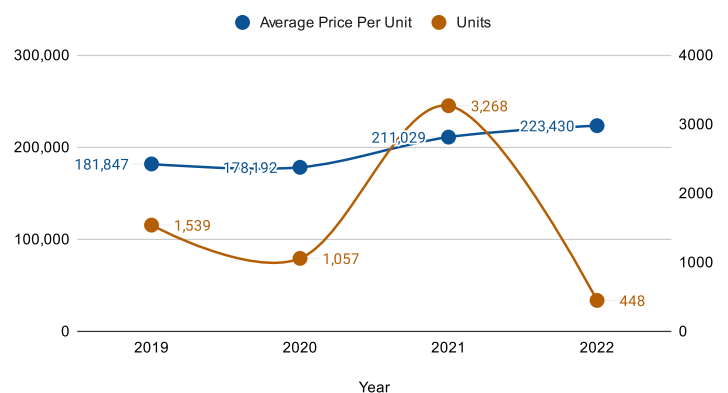
MULTI FAMILY MARKET INSIGHTS WATERLOO REGION

AVERAGE PRICE vs UNITS SOLD BY QUARTER



The first quarter of 2022 started strong but was rapidly slowed down by the increase in interest rates in Q2 and Q3. Although, there was no significant drop on the average price when comparing Q1 to Q4, we did see a sharp reduction in units sold from Q2 to Q3.

AVERAGE PRICE vs UNITS SOLD YoY



With interest rates rising rapidly in 2022, many buyers and sellers of multi family properties decided to put their decisions on hold. Despite this, the average sales price per unit has not been significantly impacted.

2022 WATERLOO REGION NUMBERS

UNITS SOLD

448 ↓

SALES VOLUME

\$103M+ ↓

AVERAGE PRICE PER UNIT

\$223,430 ↑

AVERAGE PRICE PER UNIT Q4

\$211,919

AVERAGE CAP RATE

3.0%

2022 TRANSACTIONS WATERLOO REGION

Location	Sale Month	Sale Price	Units	Building Details	Cap Rate	Price per Unit
Clover Place, Kitchener	January	\$3,225,000	15	Concrete, 15 x 2 Bedrooms	3.1%	\$215,000
Second Ave, Kitchener	January	\$3,000,000	16	Concrete, Off market transaction		\$187,500
MacGregor Crt, Waterloo	January	\$2,355,000	11	Concrete, 11 x 2 Bedrooms		\$214,090
Dixon St, Kitchener	January	\$1,501,000	6	4x2BR, 2x1BR, Wood construction	3.2%	\$250,167
Prospect Ave, Kitchener	February	\$1,675,000	8	Wood, 2BRs, MLS	2.9%	\$209,375
East Ave, Kitchener	March	\$1,350,000	8	8 x Bachelors	2.9%	\$168,750
Oak St, Cambridge	March	\$1,175,000	6	Non purpose built	3.2%	\$195,833
👑 Winston Blvd, Cambridge	March	\$1,350,000	8	7x2BR, 1x1BR	2.7%	\$168,750
Dixon St, Kitchener	March	\$1,500,000	6	4x2BR, 2x1BR	3.1%	\$250,000
👑 Hoffman St, Kitchener	March	\$1,250,000	8	8x2BR	1.9%	\$156,250
Heins Ave, Kitchener	March	\$1,653,000	8	3x1BR, 5xBach	2.0%	\$206,625
Hilltop Dr, Cambridge	April	\$2,000,000	9	6x2BR, 2x1BR, 1xBach		\$222,222
👑 Doon Rd, Kitchener	April	\$1,420,000	6	4x2BR, 2x1BR	3.5%	\$236,667
👑 Meinzinger Ave, Kitchener	April	\$1,300,000	6	5x1BR, 1xBach	3.1%	\$216,667
Highland Rd W, Kitchener	May	\$1,850,000	8	5x2BR, 2x2BR, 1xBach	3.5%	\$231,250
👑 Garden St, Cambridge	June	\$2,280,000	12	6x1BR, 5x2BR, 1xBach	2.8%	\$190,000
👑 Strange St, Cambridge	June	\$1,925,000	10	4x1BR, 2x2BR, 4xBach	2.6%	\$160,416
Lancaster St W, Kitchener	June	\$1,225,000	7	5x1BR, 2xBach	2.6%	\$175,000
Brookhaven Crs, Waterloo	June	\$2,262,000	6	Townhomes		\$377,000
Hamilton St, Cambridge	June	\$1,788,000	6	Renovated, MLS, 5x2BR, 1X1BR	3.7%	\$298,000
Kehl St, Kitchener	August	\$3,200,000	9	2002 Wood construction, Large suite	3.8%	\$355,556
Chandler Dr, Kitchener	August	\$2,000,000	8	Concrete const, 2 x 1BR, 5 x 2BR, 1 X 3BR		\$250,000
Benton St, Kitchener	September	\$3,625,000	13	Downtown, Sixplex + 7 x 3 BR Townhomes	3.4%	\$278,846
Lancaster St W, Kitchener	October	\$16,560,000	58	Renovated suites, 58 x 2BR	3.6%	\$285,517
Harris St, Cambridge	October	\$11,275,000	55	6 story, Concrete construction		\$205,000
Mausser Ave, Kitchener	October	\$2,375,000	12	Concrete construction, 8 x 2 BR, 4 x 3 BR	2.6%	\$197,917
👑 Parkside Dr, Waterloo	October	\$1,400,000	6	Concrete construction, 4 x 2 BR, 2 x 1 BR	3.3%	\$233,333
Belmont Ave W, Kitchener	October	\$1,715,000	8	Wood construction, 1 Townhome	3.9%	\$214,375
Blucher St, Kitchener	November	\$4,500,000	14	Downtown townhomes, Older	3.1%	\$321,429
Garden St, Cambridge	November	\$1,810,000	12	Concrete, mostly 1BR, MLS	1.3%	\$150,833
Ahrens St W, Kitchener	November	\$3,200,000	16	Downtown 12 x 2 BR, 3 x 3BR, 1 x 1 BR	3.6%	\$200,000
Walton Ave, Kitchener	December	\$1,500,000	11	Concrete construction, 2.5 storey		\$136,364
Brybeck Crt, Kitchener	December	\$1,200,000	6	Concrete, 6 x 2 BR	3.7%	\$200,000

👑 Denotes Transactions Completed by Principal Interest

2023 TRANSACTIONS WATERLOO REGION

Location	Sale Month	Sale Price	Units	Building Details	Price per Unit
Lorne Ave, Kitchener	January	\$6,500,000	30	2.5 Storey, off market	\$216,667
👑 Montgomery Rd, Kitchener	January	\$1,060,000	6	Wood construction, 1960	\$176,667
Dale Crs, Waterloo	January	\$19,850,000	101	Well located 7-Storey building	\$195,535
Esson St, Kitchener	February	\$7,850,000	38	Well located, Concrete walkup	\$206,579

Source: Realnet, Personal Database. Recent transactions list from Waterloo Region does not include Students Housing and Seniors Housing. Includes properties with 6+ units.

SALES VOLUME YoY WATERLOO REGION

2019

\$273M+

2020

\$206M+

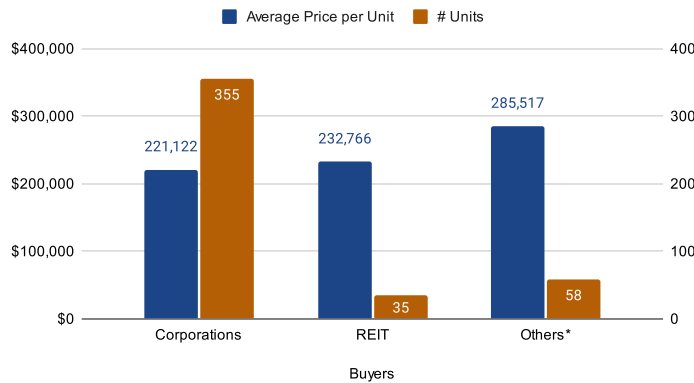
2021

\$791M+

2022

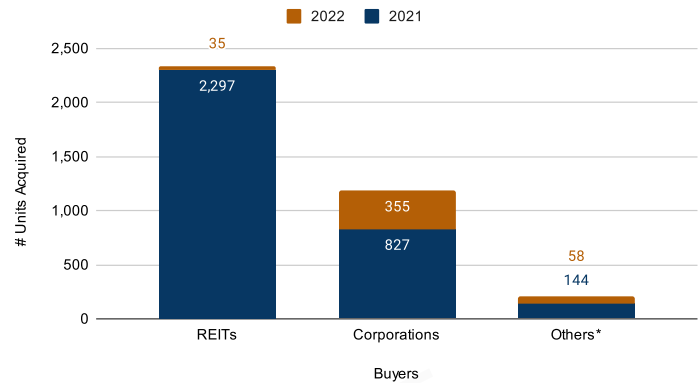
\$103M+

AVERAGE PRICE vs UNITS SOLD (BY BUYERS PROFILE 2022)



In 2022, corporations were the most prominent buyers in the real estate market. On the other hand, the group "Others," which consists of individuals and cooperatives, paid the highest average price per unit. Meanwhile, Real Estate Investment Trusts (REITs) had relatively low activity in the market.

2021 vs 2022 BUYER PROFILE



Although many properties were bought in 2021 by both Real Estate Investment Trusts (REITs) and corporations, the following year saw a noticeable drop in the number of acquisitions made by these groups. *Denotes Individuals and Cooperatives.

2022 GUELPH NUMBERS

UNITS SOLD

438

SALES VOLUME

\$132M+

AVERAGE PRICE PER UNIT

\$268,989

2022 TRANSACTIONS GUELPH

Location	Sale Month	Sale Price	# of Units	Building Details	Cap Rate	Price per Unit
Woodlawn Rd East, Guelph	May	\$6,480,023	30	Concrete, Value add, Mostly 2BR		\$209,033
Glenbrook Dr, Guelph	September	\$3,825,000	15	Concrete, Well maintained, 14 x 2BR, 1 x 3BR	4.2%	\$255,000
Huron St, Guelph	November	\$1,650,000	6	Wood construction, 6 x 2BR, MLS		\$275,000

Source: Realnet, Personal Database. Does not include Student Housing and Seniors Housing



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