

**MULTI FAMILY
INVESTMENTS
SUMMER 2023**

LANDLORD REPORT
SOUTHWESTERN ONTARIO

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PRINCIPAL INTEREST
MULTI FAMILY INVESTMENTS

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COMMERCIAL**

MULTI FAMILY MARKET COMMENTARY

By Kyle Church, Broker

The multifamily market in Ontario continued to show its resiliency moving into the second half of 2023 despite a continued rise in interest rates.

As a broker focused on selling apartment buildings, I spend my days chatting and working with owners of apartment buildings of all shapes and sizes. From an owner of a sixplex in Kitchener, to large institutional owners that own across several provinces, I enjoy hearing different perspectives on the current state of the real estate market and future projections. Before lunch I could have several conversations about a pending crash to a bullish investor looking for significant upside opportunities.

Despite the uncertainty of the real estate market and interest rates, we have continued to see the average price per unit continue to climb higher in 2023. While some buyers sit on the sideline, properties hitting the market continue to be absorbed. Cash is King today, and Buyer's who can make clean offers continue to get Seller's attention.

So where are cap rates these days? It really depends on the property and the opportunity. As I see it, there are two types of Buyers in today's market – those looking to immediately add value through quick turnover and renovation, and those looking to acquire and effectively manage a building and add value long-term through naturally occurring turnover.

When bringing a property to the market it is important to understand the opportunity and the type of buyer it will attract. On a value add opportunity, the capitalization rate is not as relevant and prospective buyers are more concerned with the price per unit and tenancy profiles. On a stabilized property attracting long term investors, the capitalization rate is more relevant and impacted by interest rates as Buyers do not plan on making significant changes to the property in the short term. Overall, I am still seeing capitalization rates as low as 2.75% and as high as 5%, depending on the opportunity.

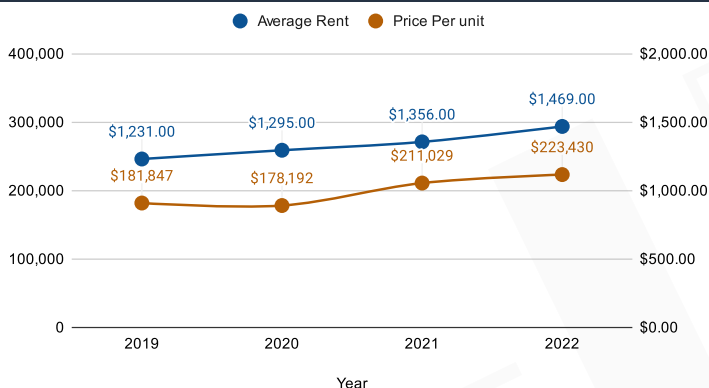
I consider myself an apartment matchmaker. I rely on my extensive relationships I have formed with apartment owners over the past decade to connect property owners with qualified and capable Buyers that have a proven track record. I am able to help owners achieve market value, while saving them time and money in the process. If you would like to discuss how I could help you sell your apartment building or you are looking to add to your portfolio, I'd love to hear from you.

Wishing you all a wonderful summer!

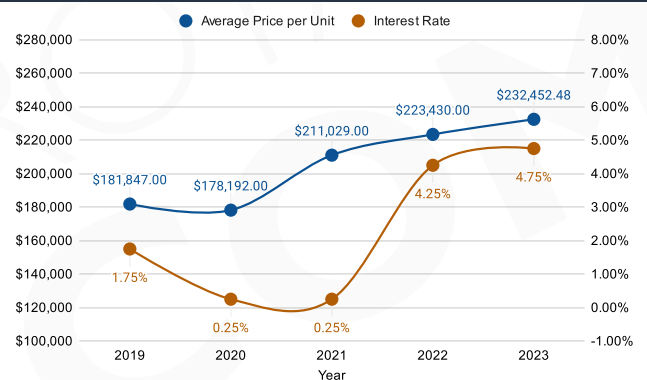
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MULTI FAMILY MARKET INSIGHTS WATERLOO REGION

CMHC AVERAGE RENT vs AVERAGE PRICE PER UNIT



AVERAGE PRICE vs INTEREST RATE YoY (to date)



The increases in average rent and price per unit demonstrate the ongoing upward trend in rental costs and housing unit prices in the Waterloo Region. These findings suggest a growing demand for housing in the region, potentially driven by factors such as population growth and economic development. From 2020 to 2021: 18.42% increase in the price per unit. From 2021 to 2022: 8.33% increase in average rent. CMHC data, reports private 2BR apartments in the Waterloo Region.

The year 2020 witnessed a significant drop in interest rates to a mere 0.25%. This reduction was a response to the economic challenges posed by the pandemic, with central banks implementing measures to stimulate economic activity and support the housing market. The significant increase in interest rates in 2022 and 2023 have dampened market activity in 2022 and contributed to a moderation in price growth, although still positive in 2023 (to date).



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FOR AN OPINION OF VALUE OF YOUR PROPERTY!



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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	\$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
Balfour Crs, Kitchener	February	\$2,800,000	15	Concrete, 2BRs, Electric heat	\$186,667
Ann St, Kitchener	March	\$1,640,000	9	MLS, 9 x 1 BR, wood	\$134,933
Onward Ave, Kitchener	March	\$6,600,000	48	Wood construction, 4 storey	\$137,500
Belmont Ave W, Kitchener	April	\$2,400,000	12	Concrete, value add project	\$200,000
Fourth Ave, Kitchener	April	\$3,425,000	18	MLS, 14 x 2BR, 4 x 1 BR	\$190,228
Second Ave, Kitchener	May	\$3,680,000	16	Concrete, 10 x 2BR, 6 x 3BR	\$230,000
Frederick St, Kitchener	June	\$2,065,000	11	Balconies, off market	\$187,727
Lancaster St W, Kitchener	June	\$10,601,000	39	Renovated apt + new stacked	\$271,821
Vanier Dr, Kitchener	June	\$38,700,000	107	Starlight to Hazelview	\$361,682
Vanier Dr, Kitchener	June	\$45,000,000	120	Starlight to Hazelview	\$375,000
Lena Crs, Cambridge	June	\$60,000,000	134	Starlight to Homestead	\$447,761
Breckenridge Dr, Kitchener	June	\$4,040,000	22	Portfolio - Average rent \$1,102.00	\$183,636
Tupper Crs, Kitchener	June	\$4,646,000	23	Portfolio - Average rent \$1,102.00	\$202,000

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

TRANSACTION PROFILE 2023 WATERLOO REGION

94%

of buyers already
owned in KWC

17

total transactions

53%

of transactions
purchased by REITs

18%

of transactions sold
on MLS

Waterloo Region

UNITS SOLD IN 2023

749 ↑

SALES VOLUME 2023

\$220M+ ↑

AVERAGE PRICE PER UNIT 2023

\$232,452 ↑

UNITS SOLD IN Q2-2023

502 ↑

SALES VOLUME Q2-2023

\$174M+ ↑

PRICE PER UNIT 2023

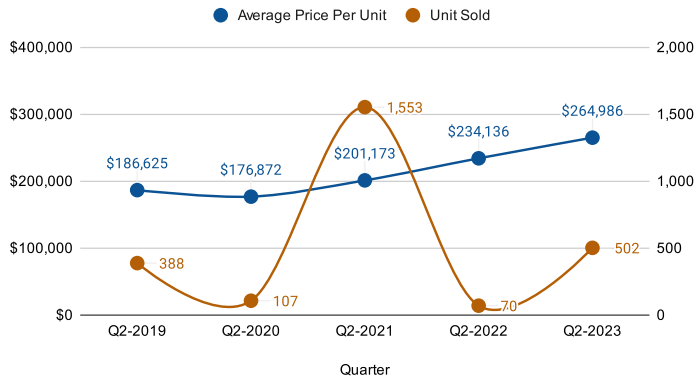
Range \$134,933 to \$447,761

CAP RATE RANGE

Range 2.5% to 5.0%

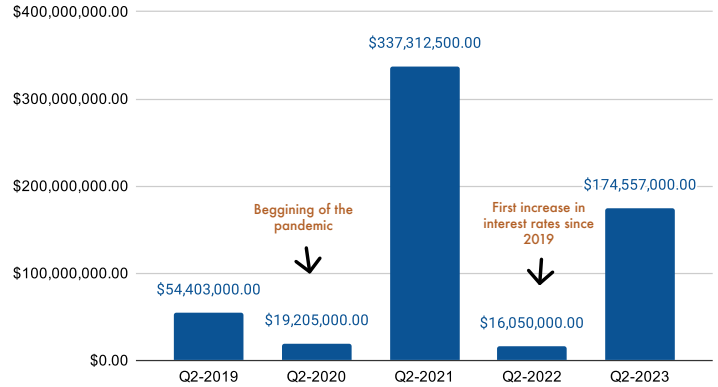
Source: Realnet, and Principal Interest's Database. Reports the units sold and located in the Waterloo Region. It does not include Student housing and Seniors Housing. Includes properties with 6+ units.

AVERAGE PRICE vs UNITS SOLD YoY



In Q2-2019, 388 units were sold, demonstrating a healthy level of activity. The following year (Q2-2020) saw a significant drop in unit sales, with only 107 units sold marking the beginning of the pandemic. In Q2-2021, we witnessed a substantial surge in demand, with 1,553 units sold which we attribute to low interest rates and buyer confidence. The market witnessed a sharp decline in Q2-2022, with only 70 units sold. This significant drop in unit sales can be attributed to changes in interest rates, which likely affected buyer affordability and borrowing costs. Q2-2023 marked a significant milestone for the Waterloo Region's multi-family market, as it continued its upward trajectory despite higher interest rates.

SALES VOLUME YoY



Continued population growth, limited supply, and a strong regional economy appear to be supporting the upward trajectory of the multi-family market in the Waterloo region despite increases in interest rates and economy changes. The Waterloo region multi family market has shown resilience and the ability to bounce back.

BIG OR SMALL WE SELL THEM ALL

SOLD

Kitchener
29 Townhomes
Sale Price \$9,500,000

SOLD

Kitchener
42 Unit Apartment
Sale Price \$8,610,000

SOLD

Kitchener
22 Unit Apartment
Sale Price \$3,520,000

SOLD

Waterloo
6 Unit Apartment
Sale Price \$1,400,000

Looking to add to your portfolio in 2023?

REACH OUT FOR A LIST OF OUR
ON AND OFF MARKET
OPPORTUNITIES.

OVER
1,000
UNITS SOLD

\$165M+
TOTAL SALES

3,000+
PROPERTIES IN
OUR DATABASE



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