

Research &  
Forecast Report



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# SOUTHWESTERN ONTARIO APARTMENT INVESTMENT MARKET

Spring 2020 (Pre-Covid)



# Apartment Market Update

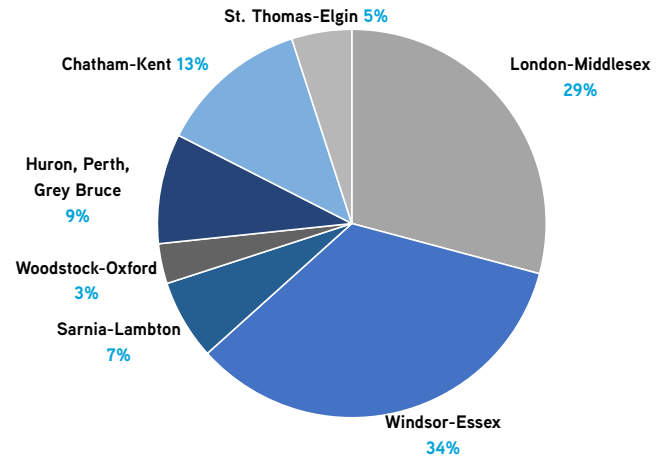
## Southwestern Ontario MARKET AT A GLANCE

Throughout 2019 a seller's market continued as buyers were keen to get into the asset class or expand their multi-family portfolios. The majority of multi-family properties that listed on MLS® sold within days of listing, with multiple offers, and generally over the asking price.

With strong demand throughout Southwestern Ontario, the price per suite continued to rise for this asset class and year over year capitalization rates dropped from 2018 to 2019. Factors such as the relatively secure investment type, continued market demand from buyers, low lending rates, and rising rental rates have all kept capitalization rates low. Continued population growth, lack of housing choice and supply, as well as low mortgage rates will maintain capitalization rates going forward.

"Value add" properties are still in demand and as of right zoning and densification are driving buyers to consider excess land as part of a purchase price, especially in urban centres. While a number of new purpose built apartments have been constructed, and a large number have been planned (both in larger municipalities and in smaller towns), increased construction and land costs and lack of supply both within the multi-family asset class and the wider housing stock will continue to generate interest for purpose built multi-family assets from a full range of investors and buyers.

## SALES BY REGION 2019



### 2019 Highlights

- Total dollar volume traded within Southwestern Ontario in 2019 was \$5.15B, representing about 4,296 suites in about 120 buildings.
- Average price per suite continues to increase, averaging \$109,597 in 2019, an increase of almost 12% year-over-year.
- The average capitalization rate in Southwestern Ontario was around 4.69% in 2019 versus 5.32% in 2018 for all asset classes. The average capitalization rate dropped from about 5.6% in 2018 to around 5.25% in 2019 for Class A buildings.

### 2019 Summary

Average Price Per Suite	\$109,597
Average Asking Capitalization Rate	4.59%
Average Selling Capitalization Rate	4.69%
Class A Capitalization Rate	5.25%

### Portfolio Sales

In London, large portfolio sales represented approximately 70% of the total dollar volume and about 75% of the number of suites traded in 2019.

In Sarnia, large portfolio sales represented approximately 45% of the total dollar volume and about 50% of the number of suites traded in 2019.

In Windsor, large portfolio sales represented approximately 55% of the total dollar volume and about 60% of the number of suites traded in 2019.

# Apartment Market Update



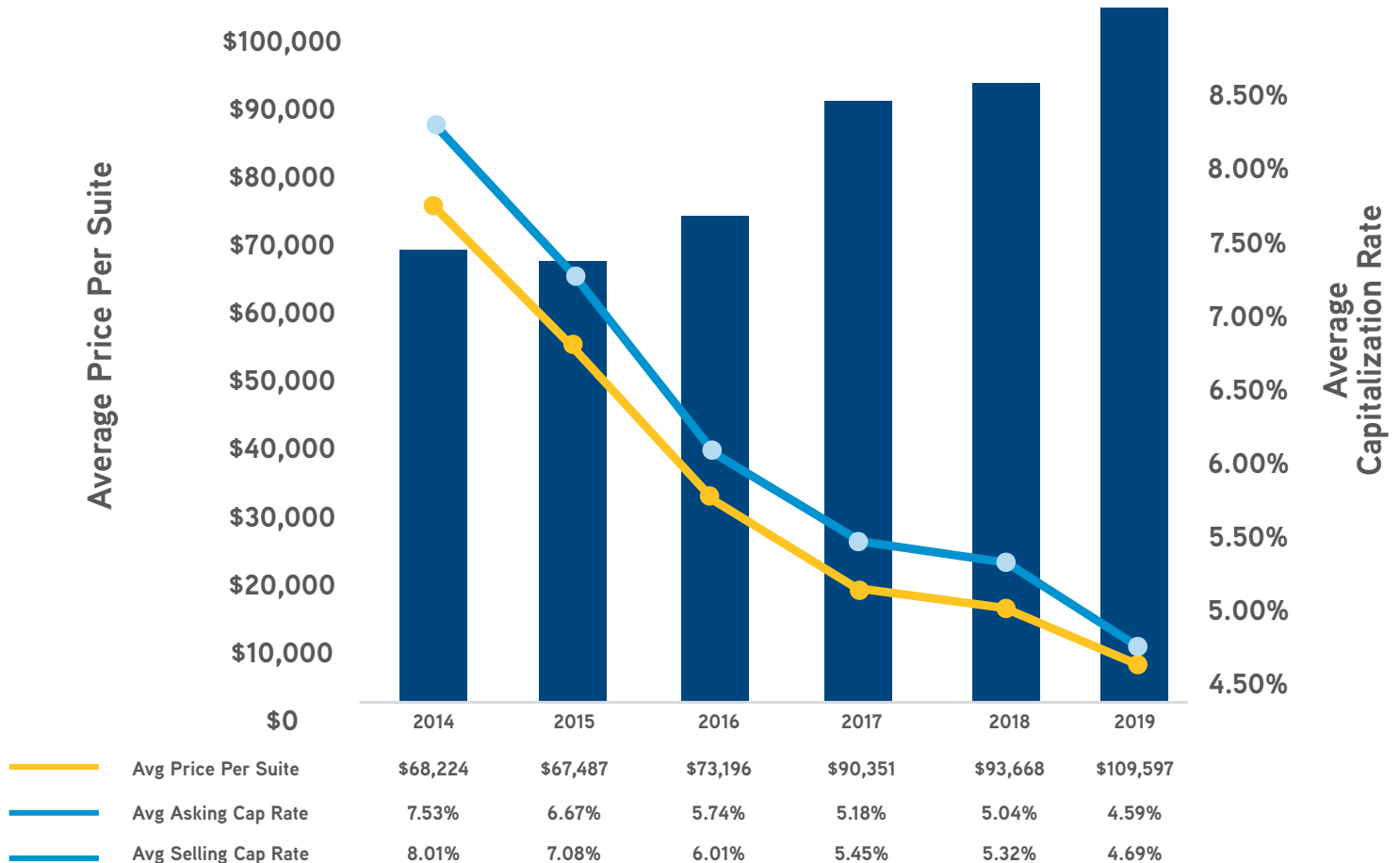
## Southwestern Ontario

### PRICE PER SUITE VS. CAP RATE

Sales in Southwestern Ontario show the average price per suite be up substantially year over year. Capitalization rates continued their compression, translating to higher sale prices. The lowest capitalization rates are in buildings with up to 12 suites, which is indicative of the number of buyers for the price point and the number of buyers trying to get into the market. Demand remains strong for all asset classes.

SWO	2018 Average Price Per Suite	2018 Selling Capitalization Rate	2019 Average Price Per Suite	2019 Selling Capitalization Rate
5 to 12 Suites	\$98,104	5.36%	\$116,384	4.58%
13 to 20 Suites	\$80,692	5.33%	\$86,587	4.79%
Over 20 Suites	\$89,833	5.62%	\$109,407	5.25%

### SOUTHWESTERN ONTARIO APARTMENT SALES 2014-2019



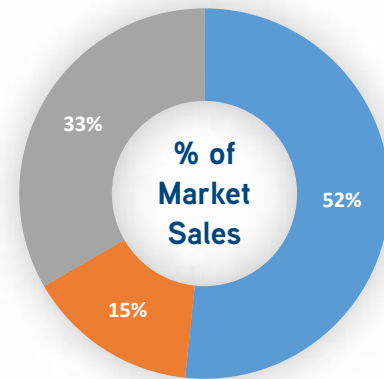
# Apartment Market Update



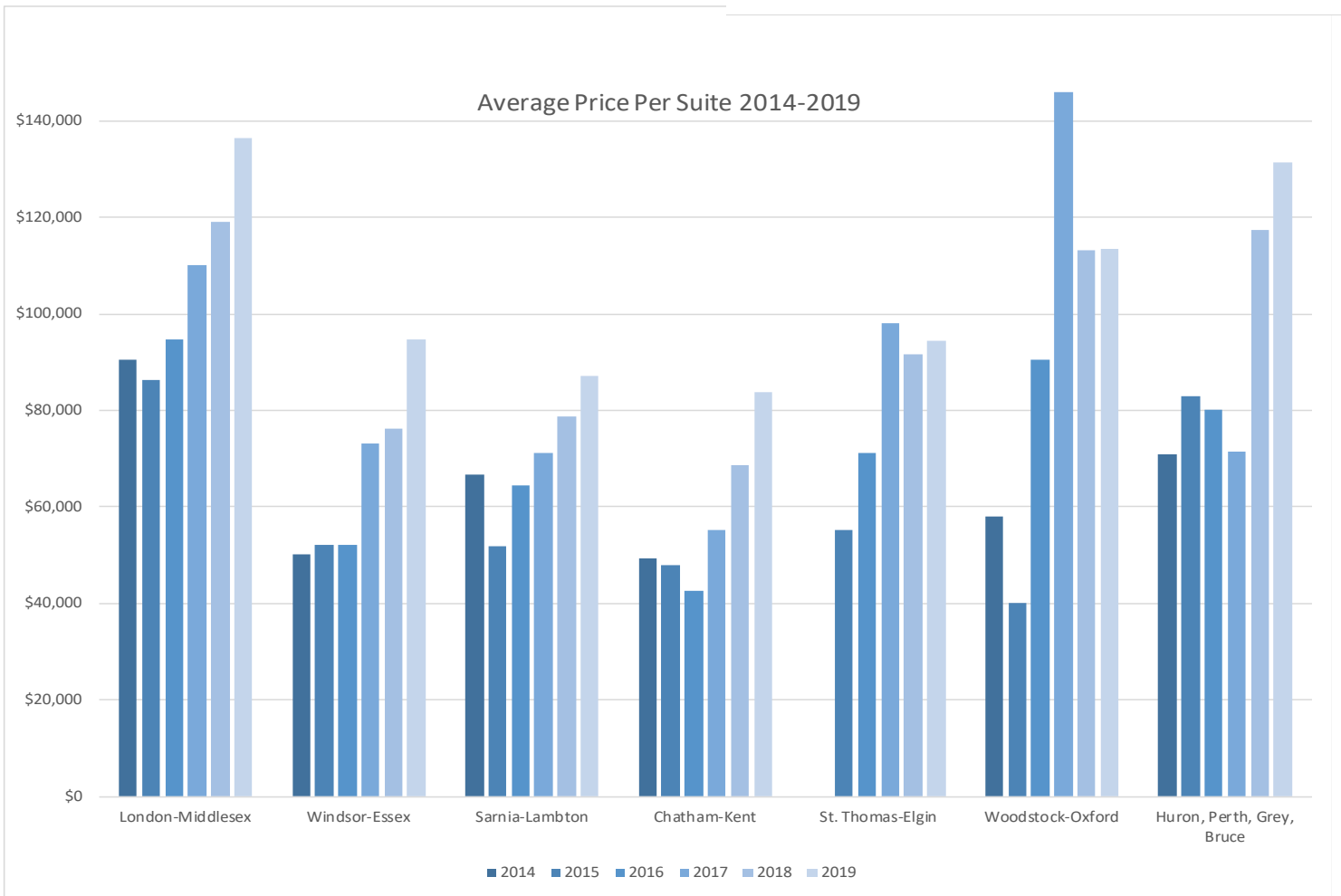
## Southwestern Ontario

### AVERAGE PRICE PER SUITE

All of Southwestern Ontario saw a per suite increase year over year from 2018 to 2019. The majority of assets sold in Southwestern Ontario were buildings with 12 or less suites, with purpose built assets representing a fraction of those building sales. Competition for product remains high in all building types and sizes. Roughly three-quarters of assets over 20 suites transacted as part of a portfolio sale.



**BUILDING SIZE**  
■ 5 to 12 Suites ■ 13 to 20 Suites ■ Over 20 Suites



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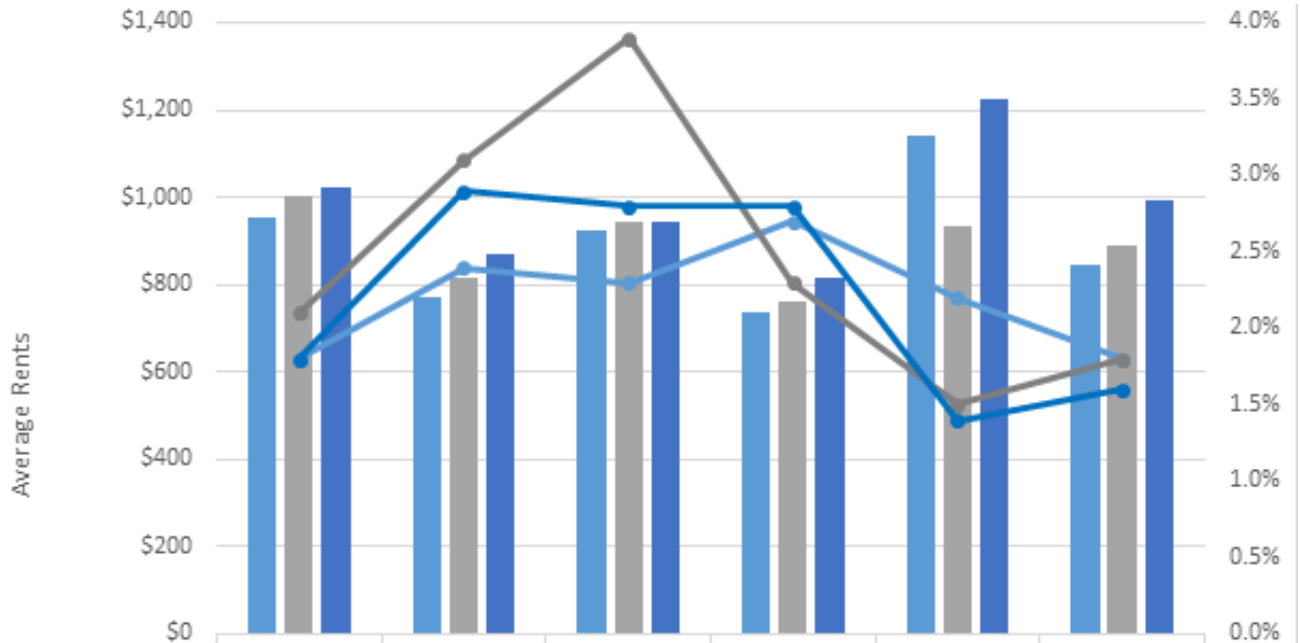


## Southwestern Ontario

### 2017-2019 VACANCY AND AVERAGE RENTS

Rents were up in 2019, having increased throughout Southwestern Ontario, year over year. Vacancy rates decreased in all regions, with the exception of Chatham-Kent where the vacancy rate increased. Woodstock has the lowest vacancy rate and the highest rental rate within Southwestern Ontario.

**AVERAGE RENTS AND VACANCY RENTS**



	London	Windsor	Sarnia	Chatham-Kent	Woodstock	Stratford
2017 Average Rent	\$952	\$772	\$923	\$735	\$1,142	\$847
2018 Average Rent	\$1,005	\$818	\$942	\$763	\$935	\$888
2019 Average Rent	\$1,024	\$870	\$945	\$817	\$1,226	\$992
2017 Average Vacancy	1.8%	2.4%	2.3%	2.7%	2.2%	1.8%
2018 Average Vacancy	2.1%	3.1%	3.9%	2.3%	1.5%	1.8%
2019 Average Vacancy	1.8%	2.9%	2.8%	2.8%	1.4%	1.6%

# Apartment Market Update

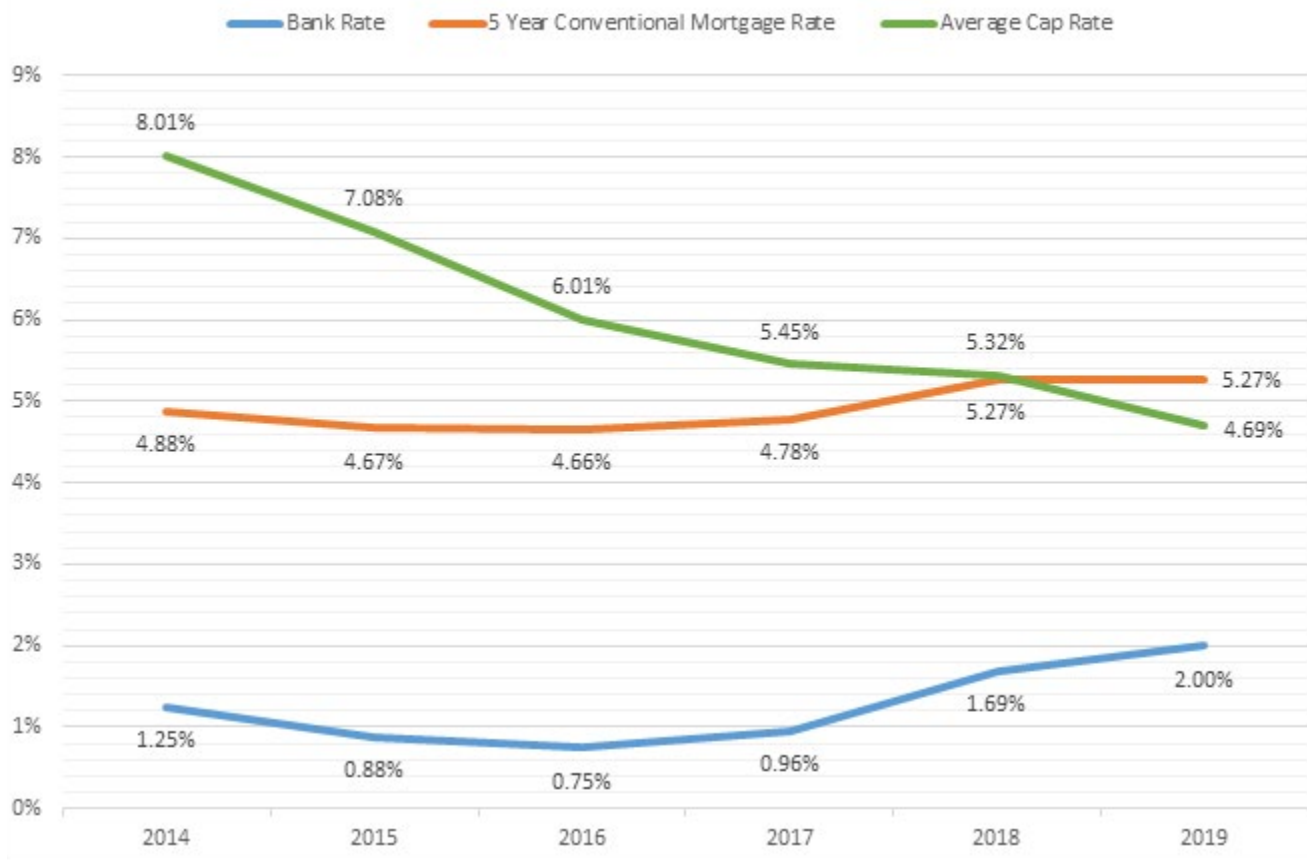


## Southwestern Ontario

### MORTGAGE VS. CAP RATES

In 2018, the Bank of Canada 5 Year Conventional Mortgage Rate and average selling capitalization rates were fairly equalized. 2019 shows the Bank of Canada 5 Year Conventional Mortgage Rate to be higher than average capitalization rates within the region, which leaves no room for error when analyzing a sale, and little room for carrying costs. However, with the number of qualified and cash buyers currently searching for assets, the strength of the asset class, and demand for income producing assets, sales are expected to remain strong through 2020.

#### CAPITALIZATION RATES VS. MORTGAGE RATE



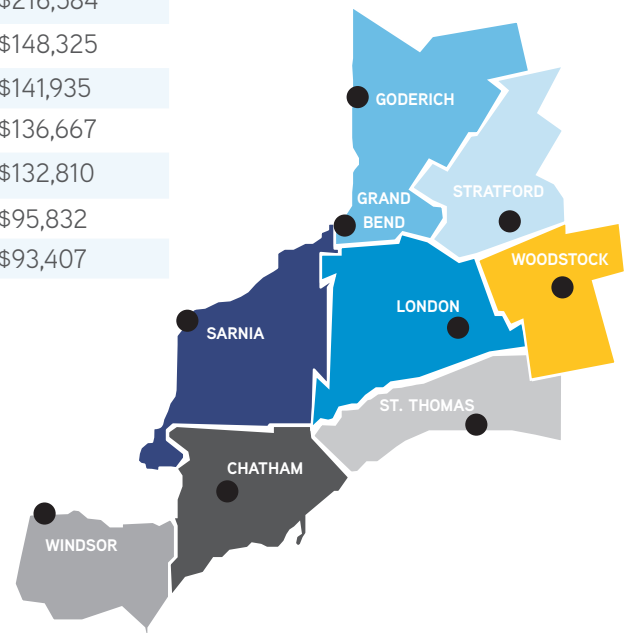
# Apartment Market Update



## Southwestern Ontario

### NOTABLE TRANSACTIONS 2018

2019 Notable Transactions	City	Suites	Sale Price	\$ per Suite
1355 Commissioners Rd W	London	51	\$17,000,000	\$333,333
45, 85 & 105 Oxford St.	Stratford	177	\$47,900,000	\$270,621
670 Garibaldi	London	101	\$21,875,000	\$216,584
520-560 Mornington	London	418	\$61,999,850	\$148,325
1126-1154 Adelaide Street North	London	558	\$79,200,000	\$141,935
727-269 Second	London	282	\$38,540,044	\$136,667
750-780 Viscount	London	116	\$15,405,981	\$132,810
160-190 Canterbury	Sarnia	155	\$14,853,975	\$95,832
Sycamore, Hawthorne and Meadowbrook	Windsor	455	\$42,500,000	\$93,407



# 400+ offices in 68 countries on 6 continents

United States: **159**

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EMEA: **114**

## \$3.5

billion US\* in  
annual revenue

## 2.0

billion square feet  
under management

## 18,000+

professionals  
and staff

\*Based on 2019 results

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