



FREE

Apartment Thought Leadership Webinar #13

2020 Apartment Recap & 2021 Kick-Off Webinar

*Some Market Intel Before the Christmas Break...
It's Been a Long Year*

Thursday, December 17, 2020 at 11am EST



Poll: Pick a phrase to best describe your feelings in 2020 and going forward

- Interesting
- Overwhelming
- Getting better
- Getting worse
- Staying the same

Or type a word in the chat room.

It's Been a
Long Year...





Uncle Nobby
98 Years Old



Apartment Leasing University: **January**

**Online Professional Leasing Training
for Apartment Leasing Agents,
Owners, and Property Managers**

*Learn How to Minimize Pressure on Vacancies,
Rental Rates, and Concessions*

7 Interactive Classes


Starting January 5, 2021 at 1pm EST



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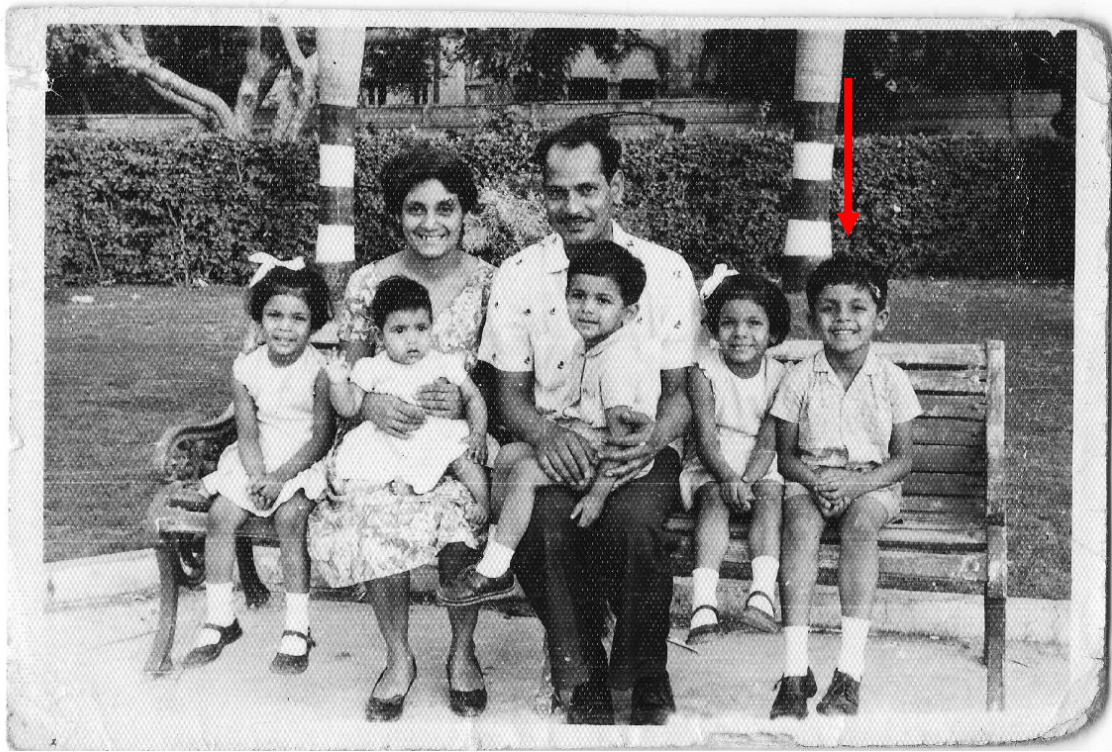
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POLL: Apartment ownership
has its challenges, which one
of these has challenged you
the most this year?

- Vacancies
- Rent Level
- Staffing Issues



Longo's
a fresh tradition™

How I Got Here: Christmas 1966

Here's where my real estate career began in 1966...



...Here's a bigger story to debut
in 2021.

AN IMMIGRANT STORY
THAT HELPED SHAPE A CITY

SHELTER

A RON CHAPMAN FILM

DIRECTOR RON CHAPMAN
EXECUTIVE PRODUCER MARK KENNEY
PRODUCED BY RON CHAPMAN, PHYLLIS ELLIS,
COLETTE JOHNSON-VOSBERG
CINEMATOGRAPHER HENRY LESS
EDITOR EUGENE WEIS
MUSIC JACK LENZ
WRITER PHYLLIS ELLIS
STORY BY RON CHAPMAN
PRODUCED BY CHAPMAN PRODUCTIONS
IN ASSOCIATION WITH ROGERS MEDIA
WITH THE PARTICIPATION OF ROGERS DOCUMENTARY FUND

CHAPMAN
PRODUCTIONS

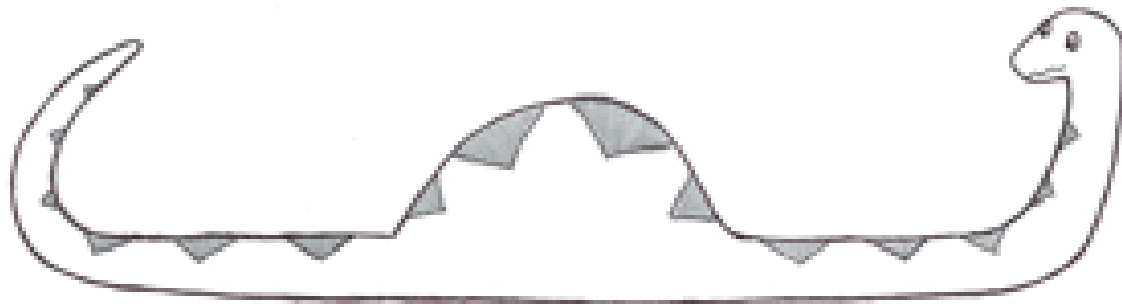
ROGERS
MEDIA

ROGERS
Documentary Fund



Strengths

- 100% of you are going to be fine
- SKILL and PLATFORM may be more important than money
- Most owners are not highly leveraged
- Few delinquencies have materialized
- Other than urban downtowns, things are settled



The Opportunities

- Money is cheap
- Reposition and convert other assets: Hotel and office
- Intensification
- Urban land prices may go down eventually
- Consider an estate freeze using a 'COVID' appraisal
- Affordable housing
- Technology will happen faster

POLL: What does “ESG” mean?

- Something they put in Chinese food
- A heart monitoring system
- Social and ethical policies
- I don't know
- None of the above

ESG



POLL: What is happening with new apartment construction?

- Urban lease ups are more challenging
- Interest in development is increasing but developers/lenders are more cautious
- Suburban and smaller centre leasing relatively unchanged
- Rents are dropping and vacancies are increasing – it varies by community
- Utility costs are increasing
- Interest rates are at historical lows
- All of the above

Pace of New Apartment Construction

- We're busy – 2020 1st half was slow, 2nd half has been busy
- Look to the US for a trend
- Suburban, secondary and tertiary markets are busier



New Apartment Construction: Update in 5 minutes

	Pre-Shutdown	Post-Shutdown
Should You Build?	Yes – Except Fort McMurray	Yes – Except Fort McMurray
What Should You Build?	Variety of Units	In the fog – smaller units
What's the Depth of the Market?	Strong	Downtown core is in the fog
How Much Can Rent Can You Charge?	Strong	Strong outside of the city core
How Much Will My Building Be Worth?	A lot	Maybe even more



The One Opportunity Every Apartment Owner Missed During the Shutdown...

... but it's not too late!

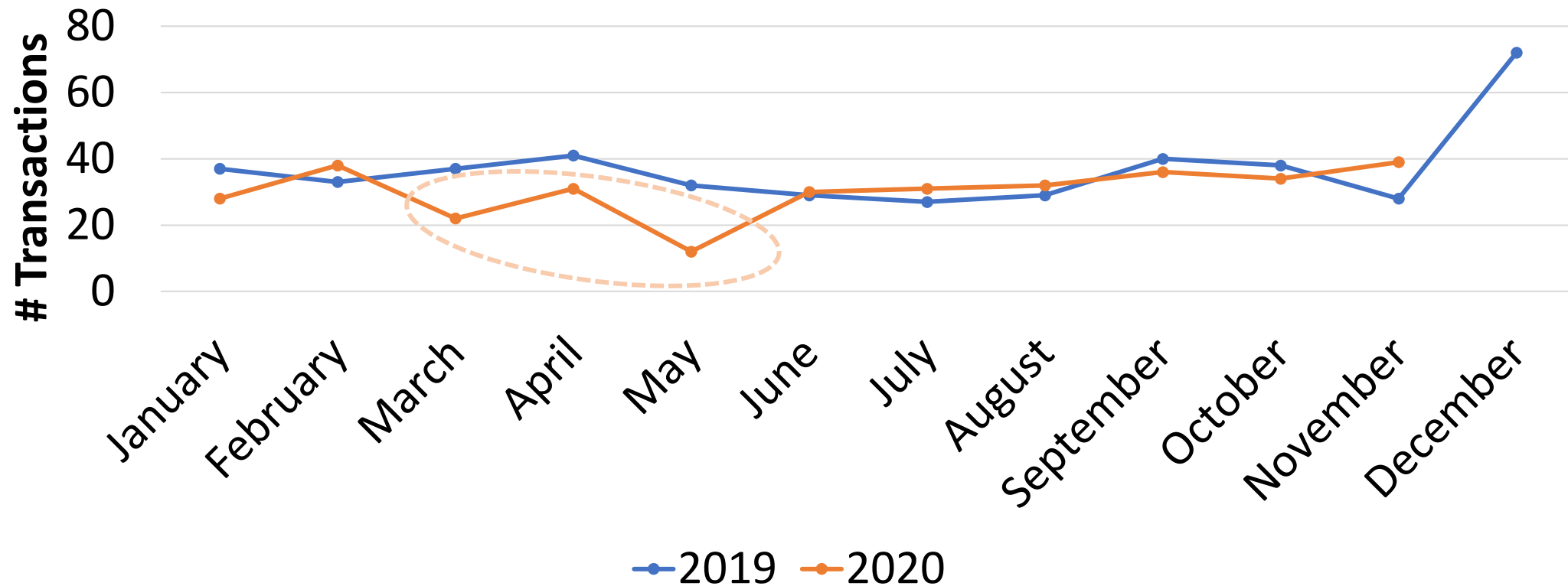
A pair of black-rimmed glasses with round lenses is resting on an open book. The book has a red bookmark visible on the left side. The background is blurred, showing more books and a wooden surface. The text "Everyone's Talking Their Book" is overlaid in the center of the image.

Everyone's Talking Their Book

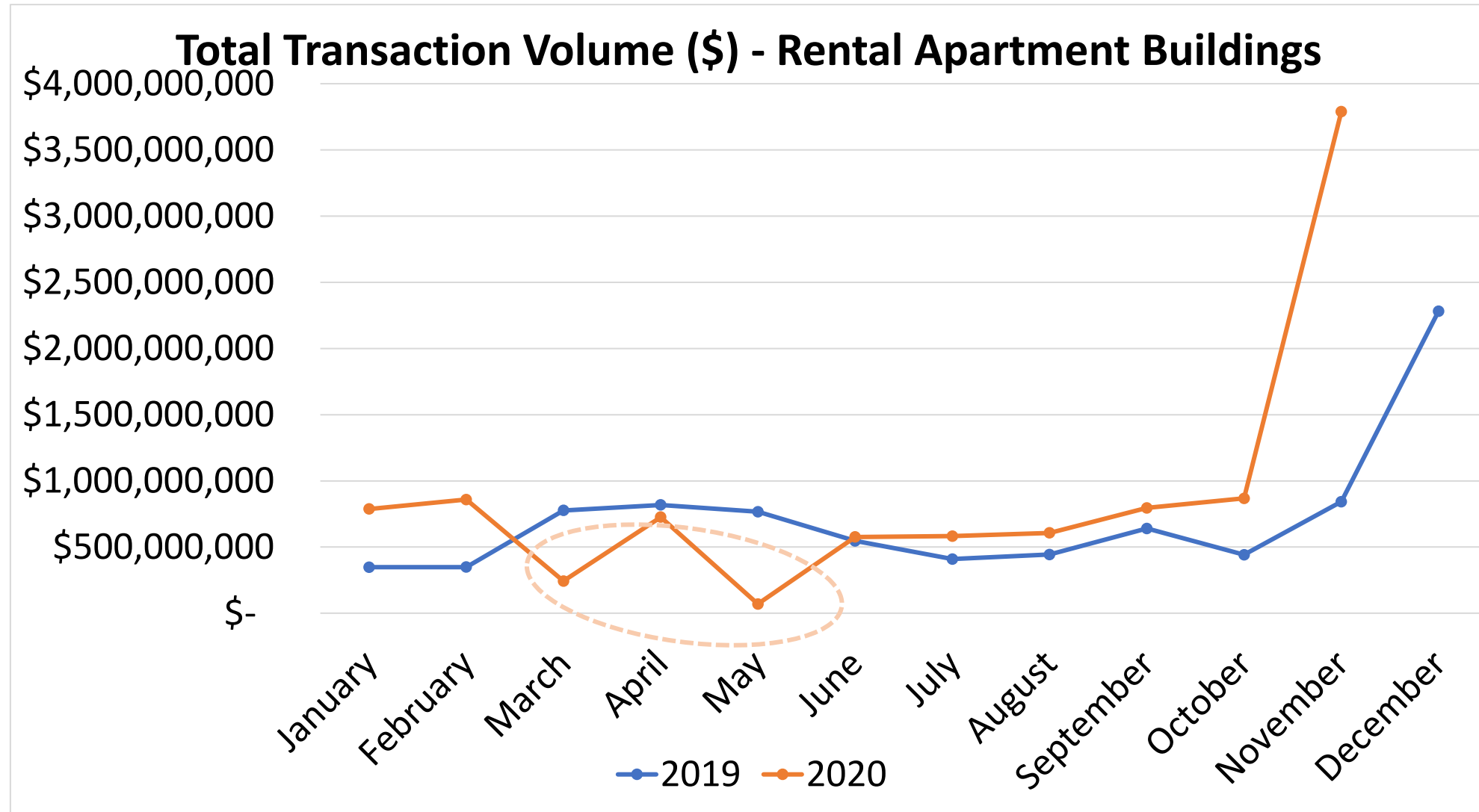
Transactions

Transactions - Rental Apartment Buildings

Monthly: 2019-2020



Transaction Volume (\$)



Transactions & Prices: 2019 vs 2020

	2019	2020
# Transactions	445	336
Total Transaction Volume (\$)	\$ 8.6B	\$ 9.6B
Avg. Transaction Price	\$ 20.9M	\$ 29.7M

- Number of transactions is down
- Total transaction volume (\$) is up
- Average transaction price is up

POLL: Is it time to buy,
sell, hold, or refinance?

Families May Be Thinking Differently Now



Why families wouldn't sell before

- I don't want to pay the taxes
- Prices are going up
- And what do I do with the money?



Why families may sell now

- Taxes are going up
- Prices remain strong
- More skill and effort required
- Getting older
- More capital for aging buildings
- Capital gains is going up
- If you're selling in the next 1-3 years, now may be the time
- Alternative investments

Preparing for 2021

1 - Apartment transaction volume will remain strong

2 - Some people may not be ready for what's coming: This could be hard.

3 - Hundreds of entities are going to close – retail, small businesses, private schools, churches

4 - Peace of mind comes through preparedness.

POLL: Rents in 2021 are going to:

- Stay the same
- Fall Lower
- Rise higher
- Foggy

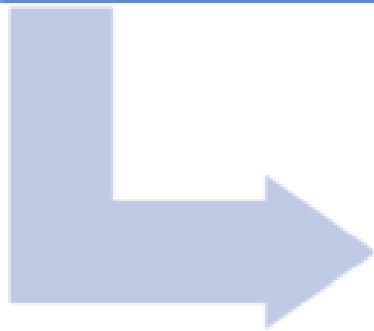
A large orange circle with a thin white border, centered on a white background.

NOI is Going Down

A-Class Buildings
Reduce their Rent

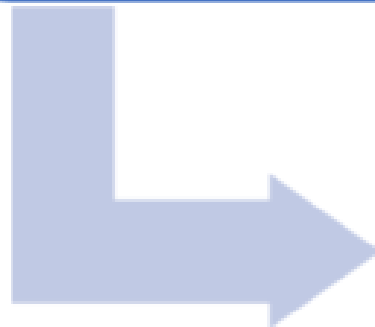
- To spur interest

Top of class B-Class renters move into
discounted A-Class buildings



B-Class Buildings lose
renters to
discounted A-Class
buildings

- Lower rents to
compete with A-
Class discounts



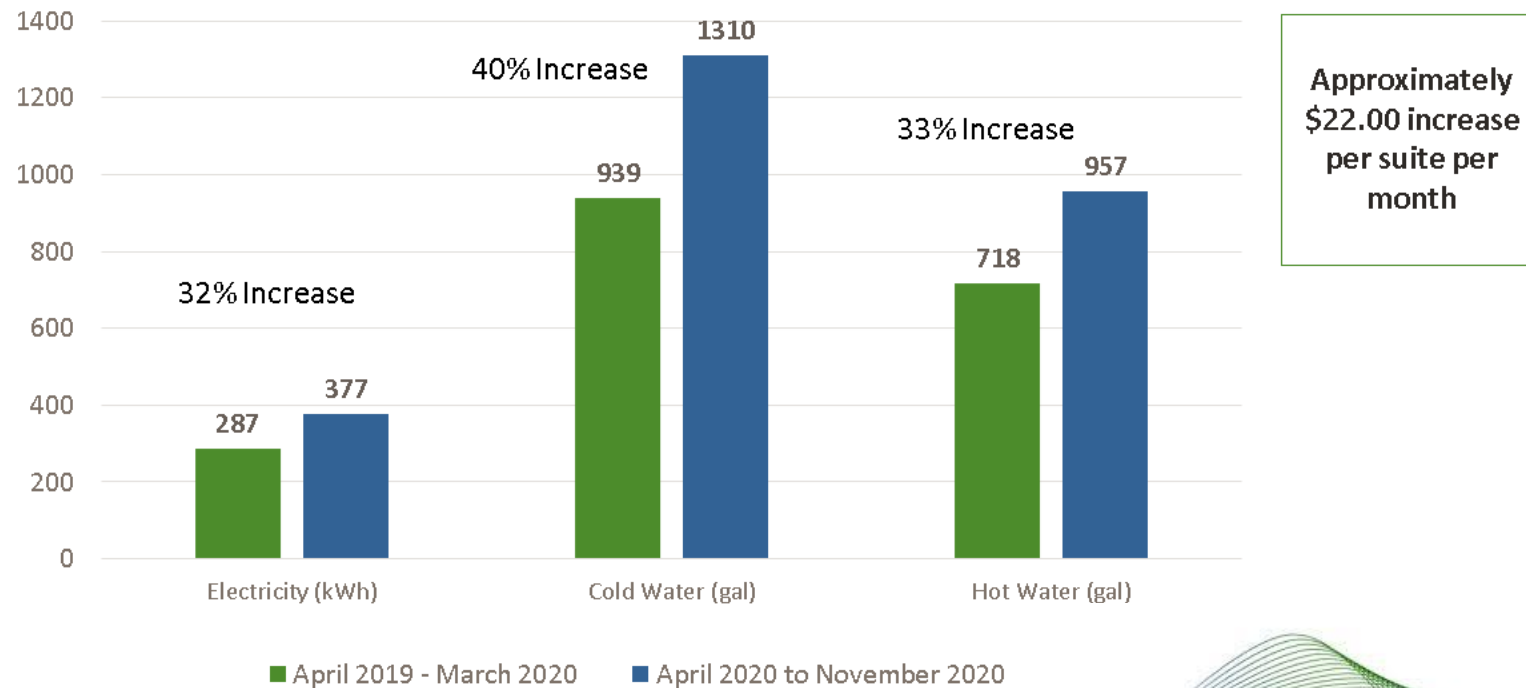
C-Class Buildings
adjust new rents to
compete with lower
rents in B-Class
Buildings

- This becomes the
bottom of the
cycle



Covid-19 Impact on Suite Utility Use 2020

Analysis of 500 sub metered new rental units, Toronto



Operating Costs



Louie Papanicolopoulos
*Vice President,
Sales and Marketing*

POLL: IN THE NEXT 24 MONTHS, INTEREST RATES ARE...

- Going up
- Going down
- Staying the same
- I don't know!

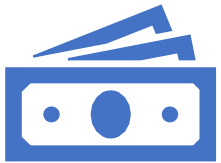


POLL: In 2021,
apartment cap rates
are going to be:

- Going lower (better)
- Going higher (worse)
- Staying the same
- Foggy

3 Parts to a Cap Rate

$$\text{Capitalization Rate Change} = R_f + R_p - G$$



R_f : Changes in the Risk Free Return

Driven by interest rates



R_p : Risk Premium (against alternative investments)

The change in risk assessment

Alternative investment and stock market returns

Changes in local market condition

Regulatory environment



G : Growth (belief)

Changes in the future income of the property

Changes in income and capital appreciation

Supply

Absorption

Occupancy rate

Cap Rates



Risk Free
Return

Risk
Premium

Growth

	Rf +	Rp -	G =	Cap Rate
2019	Good	Lower	Strong	Low
2021	Better	Higher	Fog	Low +/- Fog

Overview of Financing
Options in Canada
By Mark Kay
President
CFO Capital



SUMMARY – BASED ON DEVELOPMENT SCENARIO PRESENTED, LATER

1. Multi-Residential Land Financing
2. Capital Stack
3. Multi-Residential Construction Financing
4. Multi-Residential Term Financing CMHC vs. Institutional

1 – MULTI-RESIDENTIAL LAND – PURCHASE PRICE \$ 6 M

Institutional:

- **LTV:** up 65%
- **Term:** up to 2 yrs.
- **Rate:** P + 2.0%
- * **Condition:** Zoned, Shovel ready within 2 years

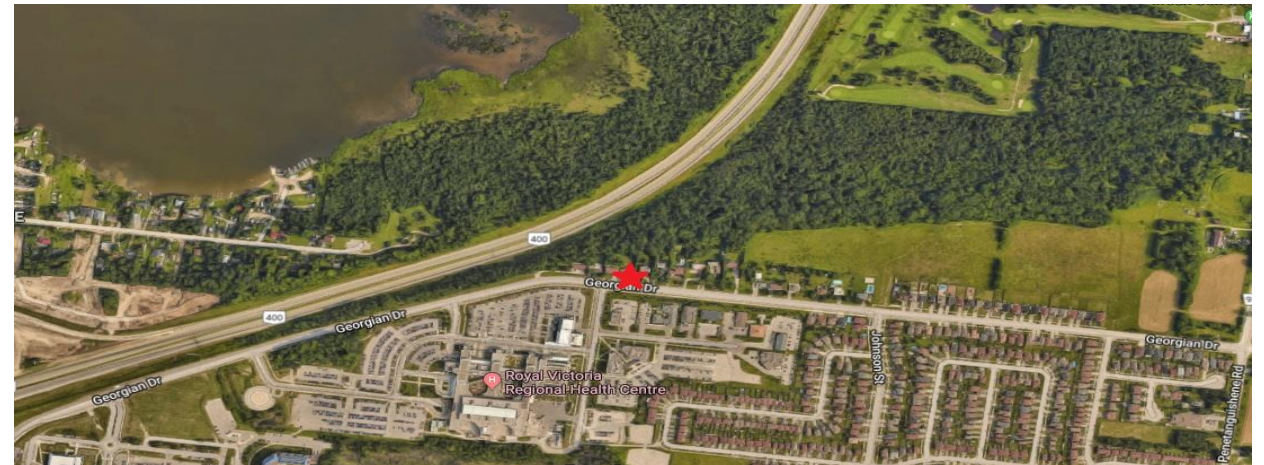
Private:

- **LTV:** up to 75%
- **Term:** 2 yrs.
- **Rate:** 7.5%

Ex: Surrounding Area of GTA, Ontario

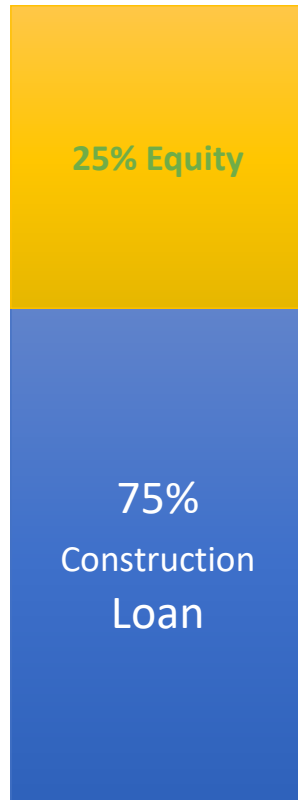
Total buildable density of 86 K Net Rentable Residential Area

Financing: LTV: 55%, P+2.25%, 1 yr. term, Interest Accrued

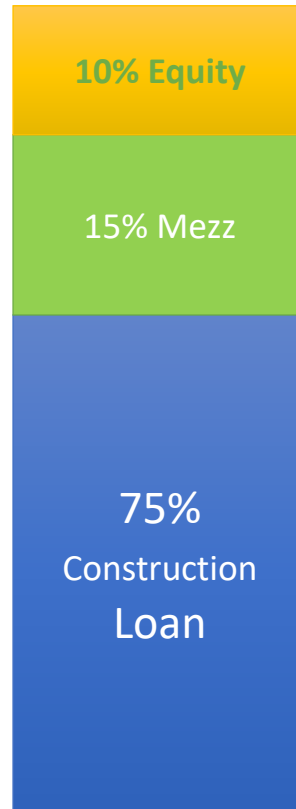


THE CAPITAL STACK

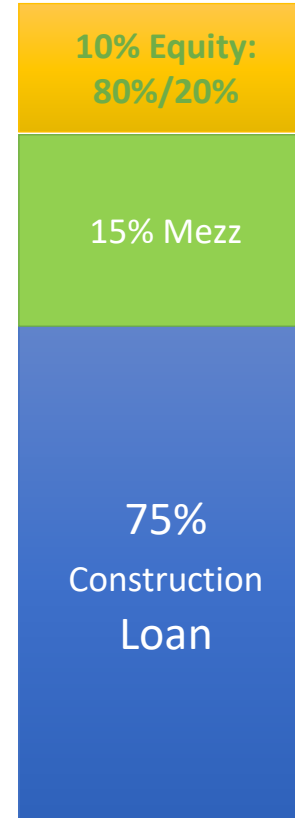
Scenario 1



Scenario 2



Scenario 3



Construction	CMHC Standard (Market Rental)	CMHC Standard (Affordable Rental)	CMHC Direct Application Rental Construction & Financing / National Housing Co-Investment Fund: Affordability/ Energy Efficiency/ Accessibility Criteria	Bank/ Institution	MIC
Loan to Cost	Up to 75%	Up to 95%	Up to 90-100% of Cost	Up to 80%	Up to 85%
Interest Rates	~COF + 175-225 (2.19-2.69%)	~COF + 175-225 (2.19-2.69%)	0.85% locked in for 10 years from the date of first advance	~Prime + 1.00 – 1.50% (3.45% -3.95%)	5.5%
Term	Up to 2 yrs	Up to 2 yrs	10yrs	Up to 2 yrs	Up to 2 yrs

3 – Term Financing / Takeout Financing

	CMHC Standard (Market Rental)	CMHC Standard (Affordable Rental)	CMHC Direct Application Rental Construction & Financing / National Housing Co-Investment Fund: Affordability/ Energy Efficiency/ Accessibility Criteria	Bank/ Institution
Loan to Value	Up to 85% (100% of Cost)	Up to 95%	Up to 90-100% of Cost	Up to 75%
Interest Rates	~CMB + 100 = 1.79% 5y ; 2.07% 10yr (Canadian Mortgage Bond)= .79/5yr & 1.07/10yr	~CMB + 100 = 1.79% 5y ; 2.07% 10yr (Canadian Mortgage Bond)= .79/5yr & 1.07/10yr	0.85% locked in for 10 years from the date of first advance	~5yr BA SWAP = 2.5% 5yr
Term	Up to 10 years	Up to 10 years	Up to 10 years	Up to 10 years

Developing Affordable Housing 2.0

2 Video E-Courses



Developing Affordable Housing 2.0
The Current Perspective and Programs for Affordable Housing



Developing Affordable Housing 2.0

2 Video E-Courses



Developing Affordable Housing 2.0

2 Video E-Courses



Developing Affordable Housing 2.0
The Future Affordable Housing Programs After the Throne Speech



Developing Affordable Housing 2.0
The Current Perspective and Programs for Affordable Housing



Families May Be Thinking Differently Now



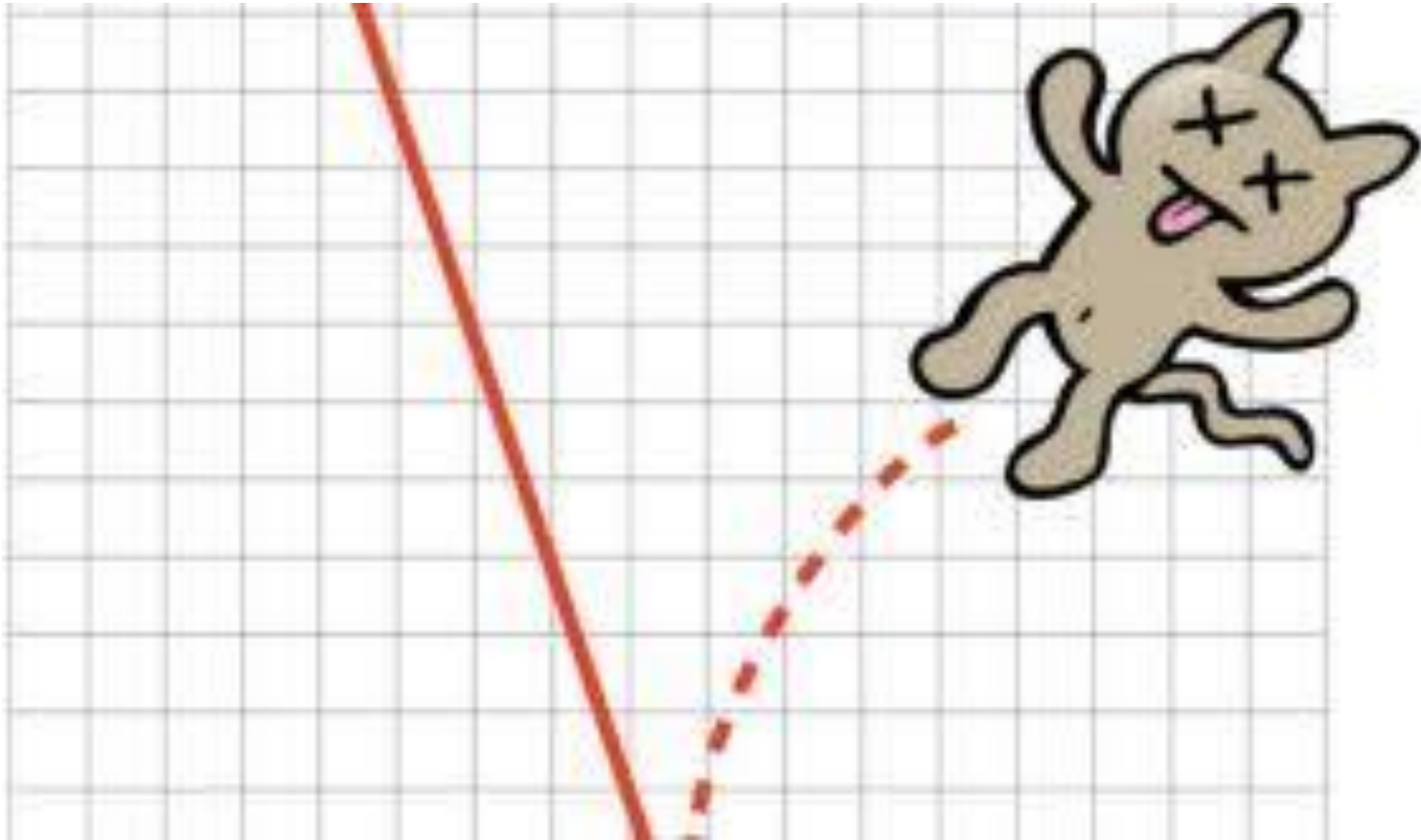
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What's It Going to Take for
Families Going Forwards?

- Staying Power
- Vision

POLL: WHAT IS THE GREATEST THREAT TO THE APARTMENT INDUSTRY?

- Rent payment
- Vacancies
- Municipal taxes going up
- Regulation
- NOI going down

Primary Dangers

- Regulation
- Rent payment
- Vacancies
- Insurance
- Municipal taxes going up
- Staffing



Secondary Dangers

- Security
- Tenant Activism
- Traffic
- Turnover






Preparing for 2021

- Be careful of false optimism – it's not ok
- People may not be ready for what's coming.
- Hundreds of entities are going to close – schools, churches, retail...
- Peace of mind comes through preparedness.

Batten down the hatches

- Train frontline staff
- Be technologically savvy
- Market and track data better
- Renovate selectively on turnover



**Batten
Down
the
Hatches**



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Merry Christmas!

