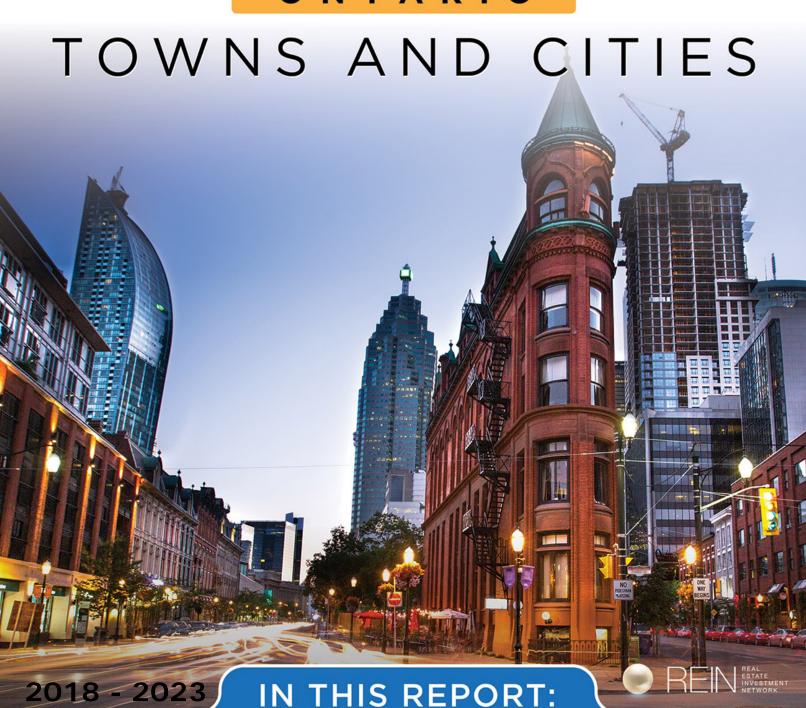
TOPTEN

ONTARIO



REIN'S PROPERTY GOLDMINE SCORECARD AT WORK LEARN WHERE THE TOP INVESTMENT TOWNS AND CITIES ARE IN REIN'S REAL ESTATE CYCLE REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS FOR EACH LOCATION

AUTHORS





Don R. Campbell Senior Analyst, REIN



Jennifer Hunt Vice President, REIN

© The Real Estate Investment Network Ltd. 6 - 27250 58 Cr Langley, BC V4W 3W7

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E-Mail: info@reincanada.com Web Page: www.reincanada.com

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REIN'S TOP TEN TOWNS AND CITIES

ONTARIO

Methodology - REIN's Property Goldmine Scorecard

o generate a list of the top ten towns and cities in a province, the Real Estate Investment Network (REIN) began with the research-based REIN's Property Goldmine Scorecard and REIN's Long-term Real Estate Success Formula. The methodology includes all economic and demographic fundamental key drivers combined with the current market influencers impacting specific markets.

We then combined these with additional "on-thestreet" research to uncover local influences that may affect the long-term future of a real estate market.

For 26 years, this approach has allowed REIN to uncover cities and towns that are about to see a market increase in demand and values long before the increase occurs. The reverse is also true. When the research reveals a market with a great public reputation but is about to enter a market slowdown or "slump" in REIN's Real Estate Cycle, readers can be well-positioned to adjust their real estate investing strategy, in advance of others.

For example, many REIN Members invested in Hamilton, ON and Surrey, B.C. or Airdrie, AB long before these

cities experienced their dramatic uptick in housing demand. Others were able to extract themselves from markets before it was too late.

For this report, REIN's research team scoured Ontario, reviewing and analyzing cities across the province, narrowing down to the Top Ten Towns and Cities that present the best potential in the province.

In addition, we include the results of applying the REIN Real Estate Cycle Scorecard and Clock to identify exactly where each of these Top Ten real estate markets sit in its real estate cycle (as outlined in the best-selling book Secrets of the Canadian Real Estate Cycle.)

Also, this report summarizes the main real estate tactics and recommends – or advises against – using them. **REIN's Real Estate Cycle Investment Tactics** include:

- Buy and Hold
- Rent to Own
- Fix and Flip

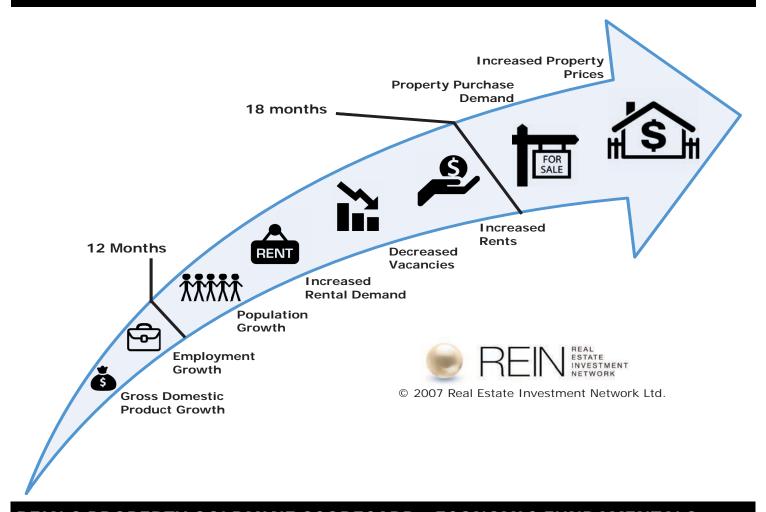
For much more detail on tactics, please read chapter 15 in the **Secrets of the Canadian Real Estate Cycle** which explains in greater detail why each specific tactic works best at different times in the real estate cycle.

The combination of REIN's real estate cycle and REIN's investment tactics provide critical information for investors and homebuyers; it tells them not only where

to invest, but also, when to invest, what to expect next, **and** how they should deploy the right tactics at the right time in these top markets.

For more insights into the methodology, refer to REIN's Long Term Real Estate Success Formula, REIN's Property Goldmine Scorecard, and Secrets of the Canadian Real Estate Cycle.

REIN'S LONG TERM REAL ESTATE SUCCESS FORMULA



REIN'S PROPERTY GOLDMINE SCORECARD - ECONOMIC FUNDAMENTALS

ECONOMIC FUNDAMENTALS - KEY DRIVERS

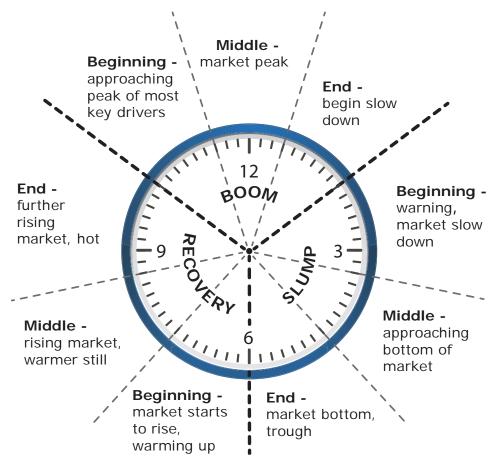
Key drivers are market factors that propel the real estate market through the real estate cycle. They directly affect supply and demand and are quantitative.

ECONOMIC FUNDAMENTALS - MARKET INFLUENCERS:

Market influencers are factors that affect the perception of impending change in the real estate cycle. They are often more temporary in nature – but not always – and can either harm or boost a real estate market. They affect the natural cycle of the real estate market, so it is necessary to acknowledge them but be aware they can be fleeting, ever-changing, have varying degrees of impact, and are typically qualitative, rather than quantitative. There are currently more influencers affecting the market today than ever before. If you wish to delve more deeply into them, please read Chapter Five of the book "Secrets of the Canadian Real Estate Cycle."

REAL ESTATE CYCLE CLOCK

Apply REIN's Real Estate Cycle Scorecard and Clock to identify which stage of the cycle the local market is in.



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS:

Given where each of these top towns and cities is in REIN's real estate cycle, what real estate tactics should you use – or avoid – now? **REIN's Real Estate Cycle Investment Tactics Table** answers this question.

REAL ESTATE CYCLE INVESTMENT TACTICS TABLE

-	Recovery			Boom			Slump		
Tactic	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

		Legend		
Optimal	Good	Possible	Tricky	Avoid



REIN's ANALYSIS

MARKET INFLUENCERS: MACRO - CANADA AND ONTARIO

anada, being a primarily commodity driven economy, plays a huge role in trade agreements such as the North American Free Trade Agreement (NAFTA.) Canada does a great job leveraging the fact it's a "trading nation" and proves it is a valuable player in the world's trade economy, reinforced by the signing of two large trade agreements with the European Union and the Trans-Pacific Partnership in 2016. When we consider Canada's role in the world economy, there is a plethora of factors going for the country, which ripple down to provincial economies, and ultimately influence real estate prices. However, given the current state of NAFTA and other trade discussions with the United States, there are additional risk factors in play and we cannot measure them directly until policy is set.

During a year of exceptional global economic growth, Canada closed 2017 leading growth amongst the G7 countries due to consumer spending and housing activity that stemmed from strong employment growth. While projections for Canada's economy are stronger, due in in-part to a strong global economy that is maintaining momentum, Canada is forecast to grow at a slower rate than global forecasts.

Ease of financing and interest rates are two main factors analyzed to assess the financing health of real estate investors and homeowners.

Real-estate financing was quite accessible across Canada for many years, with all-time low interest rates; however, new mortgage rules enacted in 2016 impacted the ability to source financing. In 2017, interest rate increases were implemented, and to start the year 2018, additional mortgage qualification rules came into effect further tightening the ability for Canadians to purchase property. The January 2018 mortgage qualification rules imposed by the Office of the Superintendent of Financial Institutions (OSFI) impact non-insured mortgages, which represent about 45 per cent of all domestic banks' mortgages. This means, even when a buyer invests more than 20 per cent of the purchase price, they must now qualify for a mortgage at the greater amount of two percentage points over the bank's rate or at the Bank of Canada's posted five-year benchmark rate. This "stress-test" essentially reduces a person's buying-power by about 20 per cent.

Assessment of mortgage rates is on a national level and approximately two-thirds of all mortgages in Canada are five-year fixed mortgages. Even before the Bank of Canada began raising their rate, major banks and other lenders "increased" their mortgage rates by shrinking or eliminating discounts from prime rate. So, Canadians have been experiencing slowly rising mortgage rates over the past few years. Experts forecast additional mortgage rate increases, possibly

by 1.75 per cent by the end of 2018. The next review by the Bank of Canada will occur on March 7, 2018.

Combined, these changes and forecasts indicate real estate financing will be even more difficult to obtain, and more expensive, in the coming years.

First-time homebuyers are important in this national and provincial overview section. Statistics Canada reports that given the size of the demographic, baby boomers impacted homeownership rates across Canada for many years. This is not so for the younger generation known affectionately as Millennials. This group of young adults, aged 20 to 34, are slower to get into the housing market than the previous generations before at the same age.

That's because the recent changes affecting ease of financing, legislative changes by the government and decreasing affordability in larger centres in Ontario have impacted a first-time homebuyers' ability to enter the market. Millennials, generally, are both reluctant and are finding it more challenging, to enter the real estate market.

Meanwhile, the Baby Boomers and Canada's aging population are beginning to prefer renting as well, thus further putting upward pressure on rents and downward pressure on vacancy rates, especially in larger centres. The Millennial generation is staying at home with their parents longer which is also impacting both the rental and housing markets. For example, Statistics Canada reported that one-third of all Millennials were living with their parents as of 2016, and this number has been on the rise since 2001. Overall, first-time homebuyers are struggling financially to enter the market, if they choose to, and we expect to see their numbers reduced across Canada. Nationally, one third of our population rents.

Foreign exchange rate is another market influencer evaluated on a national level. The Canadian dollar ranks as the seventh most traded currency on the Foreign Exchange market. Numerous central banks hold it as a reserve currency. The most common measure we use to evaluate the value of the currency is against the US dollar. Currently (January 2018), one Canadian dollar is equivalent to approximately 0.80 US dollars. Economic analysts forecast the Canadian dollar will trade between 0.75 cents and 0.80 cents US throughout 2018. The Canadian dollar rose in the latter half of 2017, yet, it has not rebounded to any pre-2015 levels; therefore, it is not at a level that will severely impact foreign investment, even with large Canadian real estate markets such as Toronto and Vancouver having a "foreign buyer's tax" in place.

Another important market influencer is the availability of, and access to, alternative investments. There is a major trend towards hunting for yield as a large populous of Baby Boomers look for ways to replace or enhance their incomes. While investors have ready access to many other investment options such as bonds, stocks, and other investment funds, the return on these forms of investments are not, typically, nearly as high as real estate. In 2016, real estate contributed more to Canada's Gross Domestic Product (GDP), at 13 per cent, than manufacturing, oil and gas, or retail. This past year the Canada Revenue Agency introduced new rules governing "flipping" real estate, and how gains are taxed, and these rules have been implemented retroactively.

Inflation is another market influencer that can help identify the overall health of the economy. Rising prices of everyday goods and services have a major impact on key factors affecting real estate such as the costs of: living, doing business, building, and borrowing. When it comes to increases in specific goods and services, generally a yearly increase of below two per cent is ideal. Ontario, the largest economy in Canada, averaged 2.19 per cent across the various categories of goods and services between 2016 and 2017. The Canadian inflation rate is forecast to rise to between 2.5 and 3 per cent in 2018.



Lastly, we have "What's Behind the Curtain" (WBTC). At the Real Estate Investment Network, we use this term to describe an incredibly important, but often unnoticed and overlooked, group of market influencers. The term serves as a reminder for investors to seek the truth behind the hype and misinformation and to dig deeper into other background factors that contribute to current economic conditions.

These include, but are not limited to, global trends, politics, policies, media, trade agreements, the political economy and the effects of all these on the economy, which ultimately impact real estate. For example, The Fair Housing Act introduced by the Ontario provincial government in 2017 had immediate reaction in the market and slowed the rate of sales for a few months; however, most markets rebounded within a few months. Toronto's average selling price dropped significantly, reaching a bottom in September 2017, before climbing again through the remainder of the year, until the next major legislative change was announced, slowing the market again. The rent controls put in place impact most private rental units, including purpose-built projects, many of which were cancelled because of the new policy. Therefore, much of the expected, and much needed, rental supply will not be coming online. The result is a continued shortage of rental units, a low vacancy rate, and increased rents. Rent controls are real. Strategic investors are encouraged to investigate the potential impact further.

Responsive policy implementations to The Fair Housing Act have occurred at the municipal level that could potentially provide strategic real estate investors with opportunity. Please read on to each city's rental market section to see if landlord incentives are in place.

The Provincial election in Ontario is scheduled for June 7, 2018. Watch closely... and don't forget, if you are eligible to vote, claim your right. As you can see, politics and policies impact YOUR real estate business, which impacts your wallet, your assets, your family, and your legacy. Being a strategic investor means being an active citizen.

EXECUTIVE SUMMARY

We are presenting this list as the cities whose real estate markets (rental and purchase) are poised to outperform most other cities in the province over the coming fiveyear period. As major changes occur within each city's economies, periodic updates will be provided. If you are in the **housing market** (for instance a real estate professional, a Realtor®, a mortgage broker or a speculator or flipper) it is important for you to read the results of this report through that lens. In addition to the research included in this report, you should watch for average price trends, demand curves, sales to listing trends, job growth etc.

However, from the point of view of the rental market, not housing market, it reacts more quickly so, for you, having a keen eye on demographic changes, transportation changes, large job growth announcements, average age of population and other more rental specific statistics will be your focus.

Given those two lenses, and all of the detailed research behind the culmination of this report, here is the list of REIN's Top Ten Towns and Cities in Ontario poised to outperform over the coming five years:

Ontario's Top Ten Towns and Cities (2018-2023):

- 1. Ottawa
- 2. Kitchener -Waterloo-Cambridge
- 3. Hamilton
- 4. Barrie
- 5. Brampton
- 6. Durham Region
- 7. Toronto
- 8. Kingston
- Orillia
- 10. Grimsby and St. Catharines

Ontario's Honorable Mentions:

These towns and cities, while not making REIN's Top Ten Towns and Cities list, earned honourable mentions due to their strong economic fundamentals and present market influencers, making them markets to watch closely.

- Milton
- Niagara Region
- London
- Thunder Bay
- Vaughan
- Chatham



ONTARIO MARKETS IN "RECOVERY" - HOW IS THAT POSSIBLE?

Many of the markets in this report may surprise you - especially those labeled in "recovery phase", despite the perceived ongoing boom. Recovery is a messy and confusing time for all but the most strategic of real estate investors. The label: "recovery" doesn't just mean the market is coming out of a slump; it is a technical term describing the combination of the underlying fundamentals and comparing them to how the market could perform in the future. Strategic investors understand that the label is not what matters, it is the underlying structure. There is so much noise built into the statistics surrounding Ontario after such a strong run upwards, it is understandably difficult to believe that the real "boom" statistics haven't hit yet.

The recovery phase can be quick, unpredictable, and subtle. Historically, non-strategic investors often don't recognize the phase and miss the opportunity. As values are rising and many indicators make it look like a boom, many investors mistake this important market warming for the boom; don't. Keep in mind the impact of the many influencers that are pushing markets off their expected cycle path, sending very confusing signals to the less informed.

Specifically, in Ontario, the province has enjoyed consecutive GDP growth for many months. Ontario's GDP has been relatively stable and arguably stagnant, despite steady, but nominal, year-over-year increases between 2007 to 2015, until 2016 when it increased significantly and topped 2008 levels. This healthy economic growth is the result of heavy infrastructure spending by the government, job creation coupled with rising wages leading to increased consumer confidence, a solid export economy, and a strong housing market. In 2018 we can expect this trend of strong growth to moderate itself slightly. Ontario's labour market is expected to remain strong, contributing to a forecasted real GDP growth of 2.1 per cent in 2018 and 1.8 per cent in 2019, both of which are above the national forecasted average.

As such, while reading this report, it is important to be mindful that forecasts are just that and can be updated as new information becomes available throughout the year. Therefore, when we discuss the trends of prices, rent, etc., the time frame under consideration is important. We are presenting this list as the cities that are poised to outperform most other cities in the province over the coming five-year period.

Strong job growth and international immigration are expected to continue to place pressure on the housing market, both in terms of sales and rentals. Specifically, the Federal Government has committed to accepting over 300,000 immigrants per year, and the research shows that a large proportion of this number will enter, and remain in, Ontario as new residents. Of these immigrants, approximately one in three will settle in Ontario's Greater Golden Horseshoe area. Ontario's overall vacancy rate is 1.6 per cent, which is already below the national average of three per cent.

Other government interventions, such as the increased minimum wage on January 1, 2018 have mixed reviews by economists. It was initially believed that billions of dollars in the Ontario economy would shift into the hands of the consumer. However, there is now concern that "countermeasures implemented by businesses could result in the loss of 42,000 jobs by the end of next year." In more recent media reports, some companies have willingly and generously provided raises to their employees above and beyond the requirements. Watch closely for the effects of these measures.

Market influencers (as described in chapter five of the book "Secrets of The Canadian Real Estate Cycle") are often at work.

Throughout June and July of 2017, several geographically specific, community plans were introduced in Ontario. These affect urban planning such as infrastructure, transit, land use, housing, and densification. All community planning matters must be in harmony with these over-arching plans.

Notably, Ontario's Greater Golden Horseshoe (GGH) is one of the fastest growing regions in North America, expecting to grow to 13.5 million people and 6.3 million jobs in the next 23 years. The magnitude and pace of this growth necessitates a plan for building healthy and balanced communities and maintaining and improving the region's quality of life while adapting to the demographic shift underway. The Growth Plan for the Greater Golden Horseshoe names 25 urban growth

centres, including: Downtown St. Catharines, Downtown Barrie, Downtown Hamilton, Uptown Waterloo, Downtown Oshawa, Downtown Pickering, Downtown Brampton, Downtown Milton, Vaughan Metropolitan Centre, Downtown Toronto, and Scarborough Centre. In these locations, public transportation is the priority for major investment, and minimum density targets for both persons and jobs per hectare are required along specific and named transit corridors.

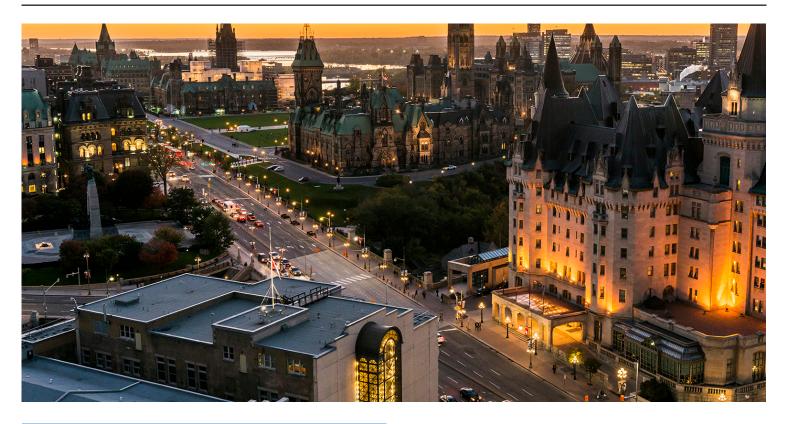
REIN encourages real estate investors to familiarize themselves with the Growth Plan for the Greater Golden Horseshoe, or any community plans impacting their area of consideration.

Not specific to Ontario, but a growing need identified in the growth plan, is the changing requirement for housing that will be experienced as our population continues to age. By 2041 it is estimated that people over the age of 60 will comprise over 25 per cent of the population. Some of the changing needs of Canada's population include a demand for single-level homes, walkable environments, and easy access to health care.

The supply and demand equation was in the seller's favour for most of Ontario throughout a good portion of 2017. Minimal stock and plenty of buyers resulted in escalating prices, in both rentals and sales. However, with all the legislative and policy changes purposefully implemented to cool and temper the housing market in the scorching areas in British Columbia and Ontario, the market did indeed slump momentarily before having a burst in December. Forecasting for 2018 is mixed, and we can expect "choppy waters and changing winds." 2017 was an excellent display of market reactions to market influencers and the importance of understanding What's Behind the Curtain.

Note, while REIN's Real Estate Cycle Scorecard and Clock can accurately predict what phase the real estate market is in, the duration is not predictable. Watch closely, stay connected to REIN, and ensure you are poised to take action, the right action, before the inevitable slump begins.

1.OTTAVVA



OVERVIEW

Our nation's capital and home to Canada's Federal Government, Ottawa, is located in southeastern Ontario, on the border of Quebec and close to the border of New York in the U.S. Being the seat of the Federal Government, its populace, employment rate and average income have historically been much more stable than the rest of the country. The economic cycles (either up or down) do not have the volatility that the rest of the province, and in fact the rest of the country, experiences. Housing affordability, relative to other major centres in the country, is attracting people to Ottawa, especially as the federal government continues to hire. Across the board the economic fundamental trends for Ottawa are positive. The in-migration and population growth are putting downward pressure on rental vacancy rates, and upward pressure on rents and purchase demand.

Ottawa will be holding a municipal election in October 2018; however, according to local REIN Member intelligence a major "shake-up" in local politics is not expected.

A big story in Ottawa is the investment in infrastructure and transportation within the city, including new designated bus lanes and light rail transit (LRT). Phase I of the Confederation Line will be operational by the end of November 2018. The new east-west line of the O-Train will have 13 new stops and connect with the north-south line. Phase II has a commitment of funds by all three levels of government and is expected to be completed by 2023; however, ground has not been broken.

Be reminded of REIN's research on transportation effects (you can request a copy of our detailed Ottawa Transportation Effect report via research@reincanada. com); but a quick synopsis is: properties within about 800 - 900 metres of a transit station, particularly train and LRT, offer higher than average demand, higher than average value appreciation and higher rents within two years of the station opening. Investors do well to use this research to target specific neighbourhoods.

On January 25, 2018 an agreement in principle was signed to redevelop LeBreton Flats, prime land close to the downtown core. The plan includes a new LRT station and will move Ottawa's professional hockey

team, the Senators, to a new home. It is expected the plan will have a strong positive effect on demand and values in the older neighbourhoods that surround the area and the downtown core. The estimated fourbillion-dollar plan will likely take many more months of negotiations to finalize. The 15 – 20-year plan will occur in two phases and isn't expected to begin until 2019 or 2020. It appears from the preliminary report that the anticipated construction of four thousand housing units will occur in the final stages of development. The proposed plan includes schools and a community centre. Local REIN Members confirm there are multiple areas of revitalization in the city, as well as areas designated for densification.

6 GDP/ECONOMIC HEALTH

In 2017 Ottawa's Gross Domestic Product was on par with the national and provincial growth rates. However, the 2018 forecast is slightly under the national forecast and slightly over the provincial forecast. Meaning, other provinces in Canada are expected to outperform Ontario's economic growth but Ottawa's economy will outperform the province's.

The industrial vacancy rate is tightening in Ottawa, closing 2017 at 3.7 per cent, indicative of growth in the business sector. This may stem from an increasing business-friendly environment and agencies, such as "Invest Ottawa," that recruit companies and assist entrepreneurs, in addition to the Federal Government's expansion and its need for space to house this growth. The median household income in Ottawa is \$104,000 and rising. This number far exceeds Toronto's and the provincial and national averages; in fact, Ottawa has the highest median income in Ontario. Job security and higher incomes coupled with an affordable lifestyle and lower mortgage carrying costs should translate to increased consumer spending, which over time, will draw more business to the area and help to continue to buffer the market from much of the volatility that will be felt in other regions. A recent business report notes the "robust economy" of Ottawa has supported the housing market in adjusting itself, including the absorption of unsold inventory.

EMPLOYMENT

As noted, the Federal Government is hiring. Overall, the roughly 125,000 government workers feel their

jobs are secure under a Liberal government and are comfortable spending more money, buying homes or upgrading their rental lifestyle. In addition, there has also been an uptick in technology companies expanding or moving into the market, and reports indicate that about 9,000 new high-tech jobs will need to be filled by the end of 2019. "Expert Market", a tech-hub analysis firm, has identified Ottawa as the number one technology hub in Canada when factoring in overall cost of living. This is an interesting finding, given the high-tech reputations of other regions in the province. Another specific example used to promote Ottawa as a global hub of technology innovation is Blackberry's QNX Autonomous Vehicle Innovation Centre which opened at the end of 2016 and provides 650 highpaying engineering positions.

A large portion of the increased demand in Ottawa's real estate market stems from the Federal Government's hiring spree and demographic household growth. Overall, there are 574,000 jobs in Ottawa, which is one of the highest numbers observed in the Top Ten Towns and Cities. Ottawa's employment participation rate is 67.5 per cent and its unemployment rate is seven per cent, lower than the national and provincial averages.

†††††† POPULATION

Ottawa's population is just under one million people, with its census metropolitan area having just over 1.3 million people. Between 2006 and 2016 the census metropolitan area grew by a strong and steady 17 per cent. The median age in Ottawa is 40 which is younger than the national and provincial averages. A recent ranking of the best cities for Millennials, based on nine factors believed to be important to the demographic, put Ottawa fifth amongst the 85 most populous Canadian cities; Waterloo and Kingston also cracked the top 10.

♠RENTAL MARKET: RENT TREND AND VACANCY RATES

Padmapper, a rental data site, shows that a one-bedroom apartment in Ottawa will fetch approximately \$1095. However, the longer-term trend in rent rates appears essentially stagnant due to an over-supply issue that is rectifying itself. Many builders, unable to sell due to the overbuild, rented out their condos waiting for market demand to increase, which is essentially the opposite of markets like Toronto, where downtown condo stock is selling quickly.

With supply correcting, and transportation and revitalization efforts in the works, it is expected we will witness rents increasing faster than average in certain neighborhoods. The current rental vacancy rate is 1.7 per cent.

The city is some-what landlord-friendly, and secondary suites and coach homes are not only authorized, but also encouraged. However, there are neighborhoods that do not permit secondary suites so please ensure you check with the city. Further, our active REIN Members report that the city, like many in the province, is considering landlord licensing and is reviewing Airbnb in consideration of implementing new policies to regulate the short- and long-term rental markets.

™REAL ESTATE MARKET: DEMAND – INVENTORY AND SALES

A recent review showed 2000 active listings available in Ottawa which is a decrease of 23 per cent compared to listings one year prior. The market is clearing up the over-supply issue. The total number of sales in 2017 were 17,083 which is a ten per cent increase from 2016. While number of days on market were averaged at 86, this trend is decreasing. These factors, when viewed holistically, paint the picture of a town with the ingredients necessary to see an uptick in prices in the

coming months and years.

Housing starts in Ottawa were up significantly in 2017, a 39 per cent increase from 2016, to the tune of 6,646 starts, according to the Canada Mortgage and Housing Corporation.

SREAL ESTATE MARKET: VALUES

The benchmark price of a home in Ottawa in 2017 was \$369,400, which places the price-point near the bottom of REIN's Top Ten Towns and Cities in Ontario. The city experienced an increase in average sale price of almost seven per cent in 2017. Despite this increase, affordability is, and remains, excellent. This city is currently seeing a growth in the housing affordability measure, which is sitting at 39 per cent as an aggregate measure. Condos on the other hand were last recorded at 29 per cent while houses were 44 per cent. The Home Price Index for Ottawa, which measures the prices at which dwellings are bought and sold over time, shows slow but consistent growth since 2006, and it is sitting at a composite number of 164.2 in December 2017. Recent reports indicate that communities in western Ottawa, already some of the more expensive, are seeing the greatest increases in prices.



REIN'S REAL ESTATE CYCLE CLOCK

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "End of Recovery."



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - OTTAWA

T11-	Recovery			Boom			Slump		
Tactic	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

2 KITCHENER - WATERLOO - CAMBRIDGE



OVERVIEW

Kitchener/Waterloo/Cambridge form what is known as the Technology Triangle, (https://www.waterlooedc.ca/en/index.aspx) located on the 401 Highway west of Toronto, in the southwest corner of Ontario. While these three communities have been grouped together for the purposes of this report, be cautioned; they are separate communities with sometimes separate costs and benefits, thus, the research offered here is an overview of the aggregate of the three towns, unless specifically noted otherwise. For example, Waterloo, the smallest of the three cities, hosts the University of Waterloo, Wilfred Laurier, and Conestoga College, and thus, is stabilized by both the technology and education sectors.

ION is an integrated rapid transit network currently under construction in the region. Stage 1 of ION which is currently under construction includes light rail transit from Kitchener to Waterloo. Stage II of ION construction is undergoing consultation. Stage II will replace the rapid transit bus with LRT between Cambridge and Kitchener. Upon completion all three

communities will be linked by LRT.

In terms of revitalization, Cambridge has plans for their downtown, including a Distillery District. There is a new theatre in place that is said to be on par with Stratford. Our REIN Member sources indicate that revitalization in Kitchener is "essentially complete" and that it is primarily the downtown cores of Waterloo and Cambridge that are in redevelopment.

The overall demographic fundamentals for this area are largely positive, reflecting positive net migration.

SGDP/ECONOMIC HEALTH

No specific gross domestic product forecasting for the region was obtained; but given that its historic growth rate has always been above the provincial number, and the growth in high-tech businesses will continue, we can anticipate economic growth above the 2.1 per cent expected for Ontario overall. According to the National Bank of Canada, in the fourth quarter of 2017, economic momentum had increased by just over two per cent. The economic reporting from the

Royal Bank notes Ontario has enjoyed a four-year run of solid growth, and has been a leader within Canada; however, because some of this growth was predicated on housing, which is currently reacting to some key drivers and market influencers, and on consumer spending, there will be a calming in the growth rate. For example, the area is benefiting from commuters moving out from Mississauga and Toronto. A new 20-minute flight on Nextjet carries business folk from Waterloo to downtown Toronto for about \$100 one-way.

EMPLOYMENT

The participation rate for employment is virtually the same in all three cities at 68 per cent, as is the unemployment rate of almost seven per cent. This unemployment rate is higher than both the national and provincial averages, and higher than most cities in this report. However, this unemployment rate may be indicative of the nature of precarious employment or the "gig economy" that is associated with technology labour. Additionally, it may be indicative of a large student body that tends to work during summer months but not during school semesters.

The median household income in the area is just shy of \$87,000 annually, which is more than the national and provincial averages. Major employers include global think-tanks, educational facilities, and technology firms. A REIN Member investing and living in the region reports there are "non-stop new employers coming into the area." The reputation of the area is international in scale and has become home to many satellite offices of multi-national tech companies, in addition to homegrown companies expanding.

抗抗抗 POPULATION

The population of the census metropolitan area of Kitchener-Waterloo-Cambridge was 523,894, in 2016, which represents growth of 5.5 per cent since 2011. This is higher than the provincial average of 4.6 per cent and the national average of 5.0 per cent. The growth has been slow but consistent since 1996. Of these communities, Kitchener and Waterloo have grown the most rapidly, with 6.4 and 6.3 per cent growth rates, respectively, since 2011, while Cambridge has lagged with a 2.5 per cent growth rate over five years.

To no one's surprise, the median age in Kitchener and Waterloo is younger than the national and provincial averages. Both communities have an average age of 37, although Waterloo has a slightly younger population due to its post-secondary education institutions. Of REIN's Top Ten Towns and Cities, only Brampton has a younger population. Younger populations tend to encourage economic and infrastructure development, which further attracts a younger demographic.

A recent ranking of the best cities for Millennials, based on nine factors believed to be important to the demographic, placed Waterloo seventh amongst the 85 most populous Canadian cities; Ottawa and Kingston also cracked the top 10.

RENTAL MARKET: RENT TREND AND VACANCY RATES

According to Padmapper and other rental web-sites, Kitchener has the fastest rising rent rates in Canada, up 15.5 per cent year-over-year, with an average rate of \$970 for a one-bedroom apartment. The vacancy rate in the region has decreased to 1.9 per cent from 2.2 per cent in 2016. The availability of rentals in the area is also decreasing. Our REIN Members tell us that the demand has led to open houses for tenants and increases overnight of \$200 a month when units become unoccupied.

TREAL ESTATE MARKET: DEMAND — INVENTORY AND SALES

Hot, Hot should be the headline for this region's recent housing markets. Cambridge has one of the tightest markets in terms of inventory; 2016 saw a low of .03 months of inventory at one point. At time of review, there were only 441 properties available between Kitchener and Cambridge, and Waterloo had 287. Days on market ranged from 14 and 16 days at the end of 2017 in Cambridge, with Kitchener-Waterloo reporting similar conditions. Housing starts increased 11 per cent from 2016 to number 3655. Our REIN Member informants report that the housing market was "crazy" last year - as has never been seen before, and while it has calmed slightly now, if the property is at the lower end of the price scale and shows well, there are still multiple offers.

SREAL ESTATE MARKET: VALUES

Not only is the region creating jobs, bringing in a



growing population, Kitchener-Waterloo-Cambridge region is also benefiting from the Toronto ripple effect, by way of Hamilton. As the prices in Hamilton rise, some buyers are choosing Kitchener and Waterloo (but less-so Cambridge) instead of other, less affordable cities, like Toronto. In terms of housing affordability, according to RBC the region is sitting at 35 per cent, well under the Canadian average of 48.7. The benchmark price of homes in 2017 was just under half a million dollars, which represents an almost 25 per cent growth in price. That statistic bears further explanation as the aggregate isn't sufficient to draw accurate conclusions.

During the third quarter of 2017, the average price of a single detached unit rose almost 21 per cent in Cambridge; however, that same unit dropped in price by four per cent in Waterloo. In contrast, Kitchener saw an increase of almost five per cent.

In sum, the affordability index for Kitchener-Cambridge places the region at 35 per cent of total income; however, your purchasing power will go further in Waterloo. Waterloo presents itself as a "a great place to live, work, learn and play" "with a strong cultural and economic base."



REIN'S REAL ESTATE CYCLE CLOCK

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "End of Recovery."



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Kitchener Cambridge Waterloo

Tankin	Recovery			Boom			Slump		
Tactic	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

3. HAMILTON



OVERVIEW

Located on the western shore of Lake Ontario, roughly 80 kilometres southwest of Toronto, Hamilton wants to be "the best place to raise a child and age successfully." While becoming less affordable overall, compared to its neighbouring towns and cities, Hamilton is more affordable and for this reason, continues to be a great location for young couples and families. Hamilton has a population just over half a million residents, and for this reason, there are several good neighbourhoods, as well as the downtown core that feature walkable areas with restaurants and entertainment.

As a growing city, the council has just voted to approve LRT which will benefit the downtown core; however, ground has not been broken on this project at the time of this writing. In addition, there is continued contention within the community about the plan due to costs and routes. So, patience is needed if you want to buy near the proposed LRT. If built, the planned LRT would integrate with new and existing GO Train stations and lines. The GO Train Confederation expansion line is expected to begin operating more regularly shortly; currently it moves passengers from Hamilton to the

Niagara Region, but only seasonally. This new addition will help to ease some pressure on Hamilton's tightening market, by spreading demand out into the Niagara region.

Hamilton is a city that has benefited immensely from the boom in Toronto as not only are people moving to other locales within the Greater Toronto Area, like Hamilton, but the businesses, artists, and restauranteurs are moving as well. REIN sources advise you can enjoy fine dining and entertainment at a reasonable price from chefs who have relocated, and you will not have difficulty finding the parking to do so. After your meal you can participate in an Art Crawl along James Street North, which is part of a revitalization effort in the downtown core. As these creative industries grow in Hamilton, events in the city increase as well. One example is the twice monthly Art Crawl which turns into the Supercrawl every fall, attracting approximately 200,000 visitors annually.

According to REIN Members actively investing and living in Hamilton, the downtown is a key area of revitalization and its clean-up has become a magnet for those looking to move to a more affordable city.

ŠGDP/ECONOMIC HEALTH

According to the National Bank of Canada, Hamilton enjoyed the largest economic "upswing" in all of Canada in 2017 at 5.1 per cent. The city is situated within the most densely populated corridor of economic activity in Canada. Hamilton's location provides businesses with easy access to a network of highways, international rail lines, local air connections, and the port of Hamilton. Many key urban markets in the United States are within a half day's drive from Hamilton.

Hamilton has reinvented itself as a service region, particularly for health sciences and education. Research-focused healthcare is now the city's biggest employer, while education continues to be a fast-growing employment opportunity. McMaster University and St. Joseph's Healthcare have won global awards and recognition for their research capabilities. Annually, more than \$200 million in research revenue is coming into Hamilton. The community actively seeks out partnerships with private companies to sell locally created products and services in the global market.

On February 1, 2018 Swoop Airlines announced Hamilton as its hub. The new ultra-low-cost carrier owned by WestJet has announced that beginning on June 20, 2018 there will be six flights weekly between Abbotsford, British Columbia and Hamilton, and six flights weekly between Halifax, Nova Scotia and Hamilton. Additional service to the cities of Edmonton, Alberta, and Winnipeg, Manitoba begins one week later. "For years, Hamilton has been home to Canada's top multimodal cargo airport," said Hamilton Mayor, Fred Eisenberger. "Now we are home to Canada's fastest growing airport, because of new investments like today's announcement of the new ultra-low-cost carrier, Swoop".

EMPLOYMENT

2017 saw excellent growth in full-time jobs. While an equitable number of both full and part-time jobs were lost by the end of the year, the overall number of full-time jobs remained at historically high levels. Fourth quarter gains in employment of almost seven per cent year-over-year were documented. There is fresh speculation in the media that steelmaking may return to the community as the new owners of Stelco are making overtures to stabilize the existing facility rather than continuing previous plans to shut-down the plant. Overall, 63 per cent of Hamilton's eligible population is participating in the labour force, which is

on par with REIN's other Top Ten Ontario communities, as is the unemployment rate. The median income for Hamilton, as of the 2016 census, was within the range of incomes observed across Ontario, at approximately \$88,000.

₹₹₹₹₽OPULATION

Downtown Hamilton has been identified as an urban growth centre in the provincial government's Greater Golden Horseshoe Growth Plan, which dictates urban planning and densification measures. Specific minimum density targets for people and jobs in the major transit areas have been stipulated in the plan.

The median age in Hamilton is approximately 41.5 which is slightly above the provincial and national averages and is in the top 50 per cent of the Top Ten Towns and Cities in Ontario. The population experienced a growth rate between 2011 and 2016 of just over three per cent. While this number is below many of the other communities discussed here, the reader is cautioned that the rapid growth experienced in some towns in Ontario can distort our perception of less spectacular data. A city's population size plays a role in the percentage growth.

RENTAL MARKET: RENT TREND AND VACANCY RATES

Hamilton is one of the few cities in Ontario whose municipal government is providing financial incentives to landlords who provide affordable rent. The rent supplement being offered is meant to "bridge the gap between the full market rent...and the amount of rent a household can pay based on its income." This response is due to the strong increases in rent the marketplace can bear. Rental prices have jumped substantially, especially in well-positioned neighbourhoods. In fact, current market data shows current rent at \$1095 for a one-bedroom apartment. This is a five per cent increase year over year. However, a city official advised that funding for the rent supplement program is limited.

Secondary suites are legal but there is an additional development fee in place if you wish to add one to your property.

There are no current licensing requirements for landlords in Hamilton; however, this topic is under discussion with the city's planning committee.

REAL ESTATE MARKET: DEMAND – INVENTORY AND SALES

The influx of Torontonians, as well as natural growth, has led to an increase in Hamilton's real estate sales and home prices; people are buying in Hamilton and commuting to Toronto for work. Inventory was recently 1452 listings, which is an increase year over year of 146 per cent. The total number of houses sold in 2017 was 13,742, a decrease of seven per cent from 2016. It is likely that sale numbers are plateauing in the area as the market takes a breath after a long run. Inventory has been rising since early summer which is increasing the average number of days on market. The most recent estimate of days on market is 45 days which is an increase over the 39 days on average throughout 2017. The increase in product and reduced sales can be linked to market influencers - for example, the two significant political decisions affecting real estate in 2017 noted above - the Fair Housing Plan and minimum wage increases - as well as, more recently, to seasonality of the housing market. The local real estate board recently called the market "more balanced."

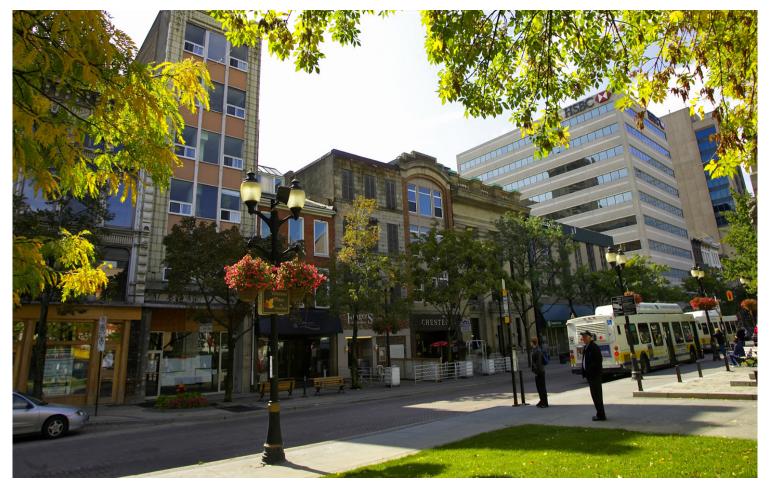
Housing starts numbered just over 2500 in 2017 which is a minor increase of three per cent from 2016 and

not likely enough to influence demand either positively or negatively. Overall there is a decreasing trend in building in this community.

REAL ESTATE MARKET: VALUES

Along with this increasing demand comes the natural increase in price. The average price of a home in 2017 was \$531,000, which is an annual increase of five per cent from 2016. When one reviews housing prices in Hamilton, the impact of the Fair Housing Plan announcement in April is notable. The affordability index rose quite sharply in Hamilton throughout 2016 and 2017, and is now roughly 42 per cent, which is under the Canadian average, but still considered affordable when people are considering which larger city in Ontario to move to.

In conclusion, Hamilton appears one of the more balanced markets under review. The town has seen significant growth in the last two years, largely as a ripple effect from Toronto's spectacular rise in prices combined with revitalization, a re-focus of employment industries, and an expanding population. Yes, Hamilton is commutable to Toronto with public transit; however, as young people move into the town, the need for appropriate infrastructure and facilities will follow, which in turn will attract more residents.



REIN'S REAL ESTATE CYCLE CLOCK

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "Middle of Recovery."



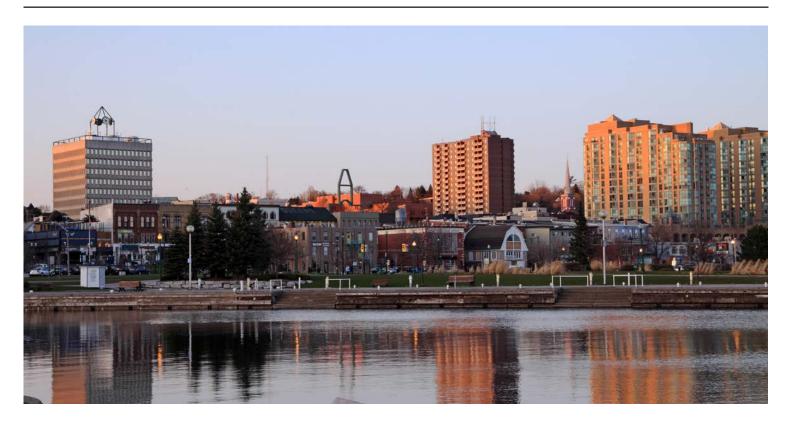
REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Hamilton

Taskis	Recovery			Boom			Slump		
Tactic	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

4. BARRIE



OVERVIEW

Barrie is a waterfront community located approximately 110 kilometres due north of Toronto, with both sandy beaches on the shore of Lake Simcoe and a ski resort nearby. There are over 90 parks in the city, totalling over 300 hectares. A REIN Member investing and living in the city reports that Barrie is ever-evolving and developing. Barrie has seen incredible growth in the last two decades. Further, with an active and progressive mayor and council that encourages tourism to the waterfront, densification, a focus on local businesses as opposed to large franchises, and strategic partnerships, Barrie is positioning itself for future, sustainable, balanced growth.

Barrie is an identified community in Ontario's Greater Golden Horseshoe Growth Plan, which the reader is encouraged to review. Specifically, Barrie's downtown is being revitalized with older buildings coming down to make way for new condos, and a weekly farmer's market that council wants to place into a full-time permanent home. The city is offering grant money for facade improvements, upgrades to buildings, and restoration of buildings in the Urban Growth Centre

through its community improvement plans for the downtown and Allandale areas. Revitalization efforts are only just beginning, with many more to come. Growth is legislated, growth is occurring naturally, and growth is inevitable for this city.

6 GDP/ECONOMIC HEALTH

The city of Barrie is proud that it consistently appears as one of the best places to purchase real estate or invest in – including on REIN's Top Ten Towns and Cities report. No city-specific gross domestic product forecasting for the region was available and estimates differ widely. However, with the job market growth, post-secondary institution growth, and growing demand for housing, we will witness higher than the provincial average economic growth in the region. A calming in the rate of growth for GDP is anticipated for Ontario after four solid years of growth. This is because the growth was connected, in part, to the housing market, which is currently reacting to key drivers and market influencers.

Barrie is investing in itself. A new recreation centre will reportedly be built by the south GO Train station, an



area of revitalization. Metrolinks is adding more trains and more weekend service to the GO Train system that whisks Barrie residents to Union Station in downtown Toronto. In addition, there are plans for an expanded regional express rail, which will shorten the commute from Barrie to downtown Toronto's Union Station from over an hour to about 30 minutes. The city is studying new lines and tracks; however, that study is not expected to be completed until 2022. So, don't use this as a true indicator of the future.

The Georgian College is moving its Design and Visual Arts campus into an old Woolworth Department Store downtown. A large mixed-zone development is being planned for the downtown/waterfront GO Train station area. The developer of that project promises to breathe new life into a "once prominent site." During the summer months, a water park is being implemented for families to enjoy. All of this comes at a cost though, and city council is currently voting on increasing property taxes to assist in the city's revitalization efforts. An example shows a \$130 yearly increase on the average home assessed at \$334,000.

🔁 EMPLOYMENT

Statistics Canada 2016 census reported Barrie's unemployment rate at 7.4 per cent. Barrie's

participation rate is higher than many Ontario communities at almost 70 per cent. The median household income is just over \$91,000 which exceeds the national and provincial averages.

抗抗抗POPULATION

Barrie's population numbers 141,434 people, which reflects a growth rate of almost four per cent in the preceding five years. The median age is one of the youngest of REIN's Top Ten Towns and Cities at 38.5, with only Brampton, and the tech-triangle, comprised of Kitchener, Waterloo, and Cambridge, having younger overall populations.

RENTAL MARKET: RENT TREND AND VACANCY RATES

Barrie has seen rent increases in the neighbourhood of 4.6 per cent. Rent for a one-bedroom apartment was averaging \$1572 according to Padmapper.

There appears to be no landlord licensing in Barrie. However, a second suite requires a one-time inspection and registration. Secondary suites are reportedly being fast-tracked with dedicated personnel to facilitate permits throughout Simcoe county, which includes the city of Orillia. Further, there are incentive programs a

landlord could take advantage of to receive either a loan or a grant to provide either student housing or affordable housing. Specifically, there is funding for up to \$25,000 per unit. The landlord must use the funds to build a secondary suite or garden suite to assist with the supply of affordable housing. In exchange for offering the unit for rent that does not exceed the Canada Mortgage and Housing Corporation average market rent for the full term of the loan, which is 15 years, the loan will be forgiven in full. However, there are exclusion areas which the reader is encouraged to investigate.

☐ REAL ESTATE MARKET: DEMAND – INVENTORY AND SALES

Active inventory in late 2017 was 1018 listings, which represents a 72 per cent increase in availability from the year prior. However, the prior year was so busy in the market that inventory in 2016 was so low there was only 1.3 months of total availability. Days on market averaged 41 in 2017; however, in early 2018 that number has dropped to 29 days on market. A year over year comparison of Januarys shows the days on market has doubled, which is not a surprise given the new government regulations on mortgages in place in January 2018. The number of sales processed in 2017 totaled 4,796 which was a decrease from 2016

of almost 18 per cent (remember the earlier comment noting how 2016 was such an outlier for the city's real estate market). With inventory going up and sales coming down we expect to see greater balance in the market but be mindful that 2016 had no balance which makes it a poor benchmark from which to judge.

With housing starts at 1307 for the year, a decrease of 23 per cent, we cannot expect any market balance to come from this avenue. Interestingly, Barrie has the second highest rate of home ownership within a census metropolitan area in Canada.

SREAL ESTATE MARKET: VALUES

One would have needed just over half a million dollars to purchase the average benchmark home in Barrie in 2017, which is an increase in price of over 20 per cent in one year. Those figures applied to both the city and the surrounding areas. Looking at the trend in prices since 2008, prices showed a slow but steady increase until 2016 where the increase becomes more abrupt. There was a very sharp spike in the spring of 2017, from which the prices have dropped. However, prices are approximately twice what they were ten years ago. To summarize, given the prices in the community, the inventory available, and the demand for rent, although the indications are overwhelmingly positive for the community, return-on-investment has likely peaked.



REIN'S REAL ESTATE CYCLE CLOCK

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "Middle of Recovery."



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Barrie

-	Recovery			Boom			Slump		
Tactic	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

5. BRAMPTON



OVERVIEW

Brampton, formerly known by the tag "all roads lead to Brampton", is a strategically located city in the Greater Toronto Area. The city of Brampton claims: The "community's growth, youth and diversity set us apart. We sit at the centre of Canada's innovation super corridor, encouraging investment and growing our global success. We are building vibrant urban centres that ignite opportunity and instill pride in the people who live and work here. We are moving Brampton forward to be a connected city that is innovative, inclusive and bold." In other words all roads, be they physical or electronic, lead to or through Brampton, which positions it very well as an economic hub.

Revitalization is a theme in this city, and a trend REIN expects to increase in the coming years. In January 2018, Brampton announced a downtown 'reimagination' project focusing on providing 'places' for its citizens to gather, meet, and experience. This revitalization project is currently set to begin in the spring of 2019. This beautification project is part of a larger multi-year capital project that plans to replace

aging infrastructure, rehabilitate, and replace core city infrastructure, such as water mains and sewers; Phase I is scheduled to begin spring 2018.

*****GDP/ECONOMIC HEALTH

The city has seen strong business growth and investment over the last few years, making it one of the fastest growing economies in Canada. With this track record we can forecast that the city's gross domestic product growth will come in somewhere in the neighbourhood of Toronto's as a whole, approximately 2.5 per cent.

A new 20-kilometre GO Train line is in development with an expected completion in 2022 connecting Brampton to Mississauga (and beyond) to the south and east; it promises to "transform the way you live and move" for people in the communities of Brampton and Mississauga with 22 stops. This line will help sustain housing demand, both rental and purchase, for the next decade.

EMPLOYMENT

There are almost 320,000 jobs in Brampton, with a participation rate of 67.9 per cent that is forecast to grow. The median household income is a strong \$92,283, well above the national and provincial averages. With respect to long-term trends, Brampton is showing a higher than regional average unemployment rate, likely keeping a cap on average income growth into the future.

抗抗抗抗POPULATION

The population is nearing 600,000 after experiencing a growth rate of a strong 13.3 per cent between 2011 and 2016. This growth rate was more than double the national and provincial averages for the same timeframe. Only one city in this report grew more quickly – Ottawa. Given its location within the Greater Toronto Area, Brampton will benefit from immigration into the area. It is reasonable to deduce that Brampton will become the permanent home to an above average percentage of the approximately 100,000 immigrants that will settle in Ontario each year. The median age is 35.8, making Brampton the youngest community represented within these pages.

RENTAL MARKET: RENT TREND AND VACANCY RATES

The average street rent price for a one-bedroom apartment was recently \$1350, a tiny increase of 1.3 per cent year-over-year. Vacancy rates are trending downwards. Padmapper reflects 30 neighborhoods in

Brampton and shows there are only 123 apartments currently available in the city on the date of writing. This lack of supply combined with an expected increase in demand will begin to push rental rates in Brampton up more quickly than most other regions in the province.

岡REAL ESTATE MARKET: DEMAND — INVENTORY AND SALES

The number of active listings is increasing, and the current level of listings is showing an increase of over 230 per cent increase year-over-year. The total number of sales in Brampton in 2017 was 9,377, a decrease of 13 per cent. It is likely we have seen the 'technical peak' of home sales for this community, especially given the tighter mortgage rules in place. The average number of days on market was 29. Housing starts increased by six per cent in 2017 to number 4,299. The expected trend is a decrease in construction in this area.

SREAL ESTATE MARKET: VALUES

The average home price in 2017 in Brampton was \$677,000, an increase of 4.5 per cent, which is quite moderate compared to many Ontario communities and less than the provincial average.

In conclusion, Brampton is an area that has likely entered its 'technical peak' in terms of sales, but with an increasing population it is just entering a demand phase for rental. Return-on-investment has been declining due to rapid price increases and only average rental increases, but ROI should begin to increase again as price increases get back to normal and rental rates begin to move upward given new demand.



REIN'S REAL ESTATE CYCLE CLOCK

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "End of Recovery."



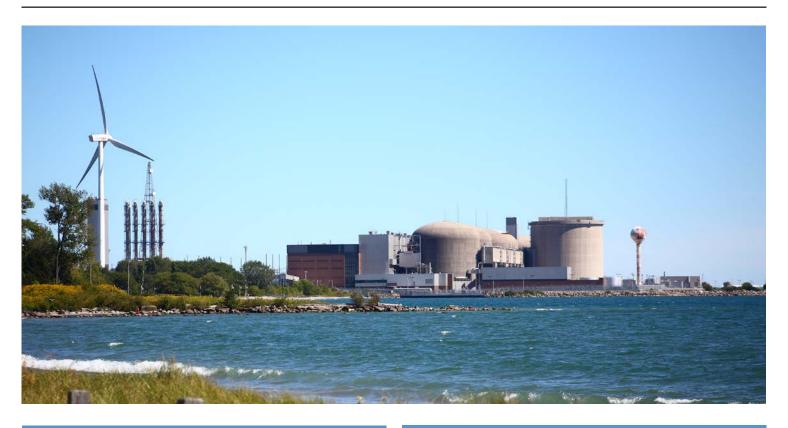
REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Brampton

T 1' -	Recovery			Boom			Slump		
Tactic	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

6. DURHAM REGION



OVERVIEW

This 2500 square kilometre region encompasses the swath of land south of the eastern shore of Lake Simcoe, extending both east and west from Highway 12, and widening as it moves towards Lake Ontario, meeting the Greater Toronto Area on the west side. The largest city in the region is Oshawa along with smaller communities such as Pickering, Whitby, Ajax and Darlington. This region has been impacted by the ripple effect from the housing market in Toronto.

That means, like with Toronto and other 'large" cities and regions, a strategic investor must drill down into specific neighbourhoods in order to find the proper investment properties. Although this report discusses the whole Durham Region as one entity, investors know that more investigation and diligence, right down to the neighborhood, is required.

In terms of specific areas of revitalization, a REIN Member living and investing in the area recommends looking to the downtown cores of Whitby, Ajax, and Oshawa.

ŠGDP/ECONOMIC HEALTH

REIN research suggests the gross domestic product growth for the area will meet the provincial and regional averages, but watch the economy closely, as it may have reached a peak. However, GDP may be dramatically altered should Amazon select the Durham Region to build their second Headquarters within. Two sites in the Durham Region, Ajax and Pickering, are part of the Toronto Region's bid, which includes 10 proposed sites, and which has made the top 20 list. This area is the only Canadian city under consideration. The winning bid could get up to 50,000 jobs and five billion dollars in investment. Amazon will announce the winner sometime in 2018.

The GO Train is expected to be expanding past Oshawa by 2024. The land has been purchased but ground has not yet been broken. Transit has reportedly improved greatly in the last decade, with expanding lanes on the toll road reducing the commute.

The 407 Toll Highway expansion is a major influencer on demand in the region and construction continues. Strategic investors will be watching this expansion and positioning themselves to take advantage of the



inevitable demand increase. A new 9.6 km segment opened up in January of 2018 and the next phase, under active construction, is expected to intersect the north/south 115 Highway within two years.

⊕ EMPLOYMENT

Should Amazon choose one of the two Durham Region sites as the winning location for its second headquarters, which will be international news no doubt given the stamp of approval it carries from one of the richest companies in the world, we can expect to rapidly see an increase in employment options in the area as preparations begins. This will initially begin with infrastructure and construction of the site, well in advance of the headquarters opening. The Financial Times, a business publication based in the United Kingdom, placed Oshawa in second, behind Kingston, in the small city category "City of the Future" based on its "foreign direct investment strategy."

A Realtor® active in Durham reports that after significant lay-offs the General Motors factory will likely be hiring again soon, and there are more large employers coming into the region.

Additionally, the nuclear power plant in Darlington is undergoing a refurbishment that will take approximately 10-15 years. This project is so large it is reportedly getting its own exit built off the 401. This is the largest employer outside Oshawa and rentals are so tight in the area contractors are reportedly living

in hotels. In other areas that have experienced these large construction projects, well-marketed and well-located furnished suites and furnished homes help fill this void and increase the owner's cash flow.

††††††POPULATION

The entire region's population numbers are at just over 645,000. The region has grown in population by just over six per cent in the five years leading up to the census; however, Ontario boomed in 2016, so these numbers may underestimate the current growth rate of the region. The median age in Durham is 40.2 years, making the population, on average, one year younger than a provincial or national sample. Given the proximity to the Greater Toronto Area, the Durham Region draws from the migration into the city.

RENTAL MARKET: RENT TREND AND VACANCY RATES

The vacancy rate trend is decreasing, sitting at only 1.1 per cent, which is considered positive for a landlord, particularly to off-set the trend of increasing prices. The average rent for a one-bedroom apartment in Durham was \$1700. The "At Home in Durham Plan," a regional housing plan currently in place, states rental housing represents eight per cent of starts in 2016, a decrease from 17 per cent in 2015, and 10 per cent of completions in 2016. These recent trends are a tiny increase over the 20-year trend but are insufficient to keep up with growth in demand. Over the past 10 years the region has leveraged an outstanding \$111 million dollars in one-time funding to stimulate new

rental housing construction and improve affordability in existing supply. But even with this investment, vacancy remains very low.

The municipal government is on board with secondary suites. They are offering a rent supplement program for landlords willing to rent to low income households at below market value, as determined by the Canada Mortgage and Housing Corporation. The program pays the landlord the difference in the rent paid to the market rate. There is a one-time registration and permitting of a secondary suite, but as each municipality has its own bylaws, the reader is encouraged to investigate further. There is also an area around the University of Ontario Institute of Technology in Oshawa, reportedly one of the fastest growing universities in Canada, that requires licensing for rentals.

The new Oshawa Centre, fresh from recent refurbishment, is the largest mall between Toronto and Montreal, and is considered by a REIN Member to be a great magnet for residential rental demand.

TOTAL ESTATE MARKET:DEMAND — INVENTORY AND SALES

There were 1166 active listings at the time of review, which is an increase of 47 per cent from 2016. Sales

numbered 9,519, an increase of four per cent from the year prior. The long-term trend for the area is a decrease in sales. At the same time, after such a strong multi-year seller's market, inventory is on the rise along with days on market. We will see a move closer to a balanced real estate market in 2018, especially compared to the last few years.

SREAL ESTATE MARKET: VALUES

The average price of a home in 2017 was \$575,064, a mere increase of one per cent, and far below the national and provincial average, a statistical anomaly that has some pundits saying that the market demand is over. However, when you look at the numbers in more detail you can see that the demand continues to be strong in the mid-priced, mid-sized properties. The overall trend on real estate values is increasing, just not at the rate witnessed recently.

To summarize, this is a vast geographical area with different communities that require a closer inspection and additional review of the fundamental drivers. REIN suspects given the overall picture, return-on-investment has likely peaked in this area for the next year and then, with low vacancy rate and increasing rental demand, return-on-investment will begin again to increase.



REIN'S REAL ESTATE CYCLE CLOCK

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "Middle of Recovery" and "Beginning of Boom". (REIN encourages investors to closely investigate your investment city within this region.)



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Durham Region

T 11 -	Recovery			Boom			Slump		
Tactic	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

7. TORONTO



OVERVIEW

Toronto, Canada's largest city, has most consistently made the news in the last few years due to their scorching real estate market. The city sits on the north shore of Lake Ontario and is one of the most expensive real estate markets in Canada. A recent headline states: average street rents in Toronto have now surpassed many of those in Vancouver, British Columbia, well-known for its hot real estate market. This laudable position as the most desirable real estate in Canada is plausible given Toronto's enviable international rankings. According to The Economist's Global Livability Report, Toronto holds the position as the fourth most livable city in the world, which is where the city has ranked since 2011. Further accolades include a fourth-place position on a ranking of top financial centres in the world, and a fourth-place ranking on the safe cities index, also created by The Economist.

Although we will address population more directly in the population section, it's important to consider how big the city of Toronto is at 2.7 million people, and why Neighbourhood Specifics, as recommended in REIN's Property Goldmine Scorecard, are even more important for you to drill down to if considering a long-term investment in the city of Toronto's real estate market. Consider this: the population of the city of Toronto is only two million people less than the entire population of British Columbia. The city houses almost eight per cent of Canada's total population. There is no means of doing justice to the size and scope of the intricacies of the city within these pages. That means extra diligence is needed to investigate neighborhoods within the city of Toronto as there is no "Toronto market" per se.

There are four Community Council Areas within Toronto, and 140 neighborhoods. For this reason, as noted above, readers are recommended to complete a thorough investigation of Toronto through the lens of specific communities. Please refer to REIN's Property Goldmine Scorecard - Neighborhood Specifics for a checklist of what to look for. Downtown Toronto has been designated an urban growth centre in Ontario's Greater Golden Horseshoe Growth Plan. Scarborough is a neighbourhood which will feature a new subway, and expanded transportation links.

In terms of revitalization, in March 2014, the City of Toronto identified 31 neighborhoods as Neighbourhood Improvement Areas (NIAs) as part of the Toronto

Strong Neighborhoods Strategy 2020. Demographic profiles have been created for each neighbourhood using census data, which provides a very detailed overview of the space. Each NIA is supported by a Neighbourhood Action Team, with a goal of making the changes required as identified by the residents, businesses and agencies within the neighbourhood to ensure the neighbourhood is working well and attracting other investments and facilities. One major factor in identifying key neighbourhoods will be through watching for transportation improvements and trends; always a political hot topic in the GTA.

&GDP/ECONOMIC HEALTH

Toronto is large enough to create and track a gross domestic product number for itself, and the forecast is 2.5 per cent in 2018, ahead of both Ontario and Canada, making the city an economic leader. This growth rate is likely to be nearing a peak as market and economic shifts begin to hit the region. However, the size of the city once again plays a role in calming the economic waters as the labour market is diverse and does not rely on any single market sector. The National Bank of Canada documented an almost three per cent increase in the fourth quarter, year-over-year, of economic momentum in Toronto, to close 2017.

EMPLOYMENT

Toronto's participation rate is 65 per cent with an unemployment rate of 8.2 per cent. This unemployment rate is on par with Ontario and just slightly under the national average. However, median income for a household lags behind the province and country by a few thousand dollars at \$78,280.

CNN labelled Toronto the tech star of the north and reported "When Google's parent company Alphabet announced in October that its urban innovation unit Sidewalk Labs will develop a 12-acre site in the city into a new, high-tech district 'from the internet up' using data and sensors, Toronto became one of the most talked about cities in the world overnight and will arguably be the one to watch in 2018." This exciting market influencer could stir up a significant amount of media coverage which will likely get tied into speculation around the housing market.

The City of Toronto's tourism industry had a solid 2017; a record 43.7 million people visited the city and spent more than \$8.8 billion. Tourism Toronto says the numbers show a 3.6 per cent and 9.1 per cent bump over 2016 respectively, indicating a burgeoning international city.

₹₹₹₹₽OPULATION

The Greater Toronto Area holds almost 20 per cent of Canada's overall population as per the 2016 census, while Toronto itself has 7.8 per cent of the population or just over 2.7 million people. The census metropolitan area has grown at a rate of 4.5 per cent between 2011 and 2016. The median age of a Torontonian is 39 years, younger than the provincial and national averages. Immigration and inter-provincial migration are forecasted to be the biggest drivers of population growth. As the hub for immigration, Toronto welcomes a very large percentage of all newcomers who enter Canada from around the world every year.

RENTAL MARKET: RENT TREND AND VACANCY RATES

Toronto's growing rental shortage has reached a new height, as vacancy rates dropped to their lowest levels in 16 years, around one per cent, and rents for a one-bedroom apartment surpassed Vancouver, British Columbia's, to become the most expensive in the country at \$2100 in January 2018. This trend is not likely to slow in the near future as rental demand is increasing much more quickly than rental supply. The number of available units has dropped by 16 per cent since the close of 2017.

In January 2018, the market research firm Urbanation reported that given the increasing rent prices in the downtown core, new condos were attracting renters to Mississauga, Vaughan and Oakville. Reportedly, there were 7,184 rental units under construction that should have become available at the end of last year, the highest level in 25 years, yet supply is forecast to remain very tight given surging employment opportunities and strong population growth. The recently imposed rent control, under the Fair Housing Plan, is having a negative impact on the availability of supply. One example is the Financial Post's report that 1,000 units initially meant for the purpose-built rental market in Toronto were cancelled or turned into condominiums following the provinces decision to expand rent control.

™ REAL ESTATE MARKET: DEMAND – INVENTORY AND SALES

Along with a more balanced market that has been predicted by Canada Mortgage and Housing Corporation, a more stable housing price is also forecast into 2019. While there were 36,498 starts

in 2017, this is only a one per cent increase and will do little to keep up with demand. Sales in Toronto decreased in 2017 as an average compared to 2016 by 18 per cent. That still represents over 92,000 sales, and almost half of all of Ontario's sales in 2017. Sellers are sparse as the 3,522 active listings in early January 2018 represent a reduction of 29 per cent in listings.

"Canadian cities like Toronto, which are experiencing an affordability crunch, can accommodate much more housing supply. There's a lot of room to grow, especially upward," said senior policy analyst Josef Filipowicz, who wrote 'Room to Grow: Comparing Urban Density in Canada and Abroad.'" REIN believes the long-term trend suggests housing construction is at a "technical peak rate", given a tightening supply of available land. So, builds should not increase dramatically in the coming years and in fact, could experience a drop in numbers.

SREAL ESTATE MARKET: VALUES

An aggregate price for all types of homes over the course of 2017, which was rocky in real estate, was \$752,627. This is an increase of eight per cent year-over-year. This number puts the aggregate and composite home price home up 63 per cent since December 2012. For example, the average new condominium in the City of Toronto is priced at \$879 per square foot, which is twice the price of Kitchener & Waterloo. Further, the affordability index reached 78.4 per cent, making Toronto the second least affordable city in Canada, after Vancouver.

When one reviews an aggregate home price graph of Toronto since 2005, one notices the sharp incline in prices since 2016 that have been seen throughout Ontario. However, there was a small drop at the end of 2017, but it did not drop to anywhere near previous prices.

In the fall of 2017, forecasts by the Canadian Mortgage and Housing Corporation predicted a balanced resale home market for Toronto in the upcoming years. Specifically, home prices are expected to grow "in line with inflation." The Toronto Real Estate Board forecasts that sales will dip slightly while prices "creep" higher, with any declines most prominent in these first four months of the year. However, economist Benjamin Tal posits that any slowdown in Toronto real estate will be "mild and short-lived" as "markets adjust to recent and upcoming regulatory changes". Continued pressure on housing in Toronto includes the Federal Government increasing immigration levels to bring in an estimated one million newcomers into Canada over the next three years. Tal believes that buyers will adjust to the new mortgage rules, as they have always done. Any contradictory opinions and statements serve to remind the reader that what is going on behind the curtain will lead to speculation.

In conclusion, Toronto is a market that may still have return on investment opportunities despite the initial sticker shock of purchasing. The overall trends in Toronto are positive, except for return-on-investment, due to the high prices.



Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "End of Recovery."



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Toronto

Tactic	Recovery			Boom			Slump		
	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

8. KINGSTON



OVERVIEW

Kingston is located on the northeastern edge of Lake Ontario, almost directly south of Ottawa by two hours or 200 kilometers. Kingston was home to the maximum-security prison, "Kingston Pen", which now serves as a tourist hotspot and filming location. Kingston is known as the "limestone city" for its many 19th century stone properties. It is reportedly a world-renowned sailing destination, and its "authentic restaurants, boutiques, a lively art scene, and various outdoor sports and activities will give all residents and families an active and vibrant lifestyle."

6 GDP/ECONOMIC HEALTH

The economic development office of Kingston reports the town has access to 130 million North American consumers within a day's drive that is made manageable given the surrounding, internationally integrated network of highways, railways, and air transportation. The city reports it has upgraded water and sewer infrastructure to support large-scale projects. The office further indicates they have a highly educated workforce from which to draw.

International research firms have begun to notice Kingston. For instance, the Financial Times, a business

publication based in the United Kingdom, crowned Kingston the winner in the small city category: 'City of the Future', based on its foreign direct investment strategy.

In January 2018, the Mayor of Kingston had this to say about his town: "With multimillion-dollar investments from companies such as Frulac and Feihe, along with a handful of smaller companies and startups opening in the city, a record-setting tourism season in 2017, work on the airport expansion, and city and provincial commitment to the third crossing of the Cataraqui River, ... the local economy is gathering strength and stands out in contrast to much of the rest of eastern Ontario."

EMPLOYMENT

Kingston has the most Ph.D. graduates per capita in Canada. The city is home to Queen's University, Royal Military College of Canada, and St. Lawrence College. Kingston prides itself as an educated and thriving city. In addition, a recent report notes that investment in the manufacturing space has brought construction jobs to the region. Kingston's "stable economy is the perfect place to invest and there is something for everyone to enjoy." The city advertises "a stable and diversified economy that includes global corporations, innovative startups and all levels of government."

That description is exactly the type of economy that a strategic investor is looking for.

Kingston's participation rate in the labour market is almost 65 per cent, which equates to almost 59,000 jobs. The unemployment rate is 4.6 per cent, which is lower than Ottawa, Toronto, and the national and provincial averages. The median household income in 2016 was \$86,870, on par with Hamilton and the tech triangle and above Ottawa and Toronto. We need to keep an eye on the employment trends in the city to ensure that a recent slowdown does not turn into a long-term trend of decrease.

抗抗抗 POPULATION

As of the 2016 census the population was just under 124,000 which indicates essentially no growth in the five years prior. However, Kingston is currently enjoying an influx of retirees to the area. The median age in Kinston is 42.3, which is above the national and provincial averages.

A recent ranking of the best cities for Millennials, based on nine factors believed to be important to the demographic, ranked Kingston as eighth amongst the 85 most populous Canadian cities; Ottawa and Waterloo also cracked the top 10. The longer-term trend suggests Kingston's growth rate can go nowhere but up.

In addition, Immigration, Refugee and Citizenship Canada states: "the number of visas for international students in Kingston rose 'dramatically' in the past three years. In 2015, 2,160 international students came to the city. In 2016, that number almost doubled to 4,070, and by the end of October, 5,785 visas had been issued." As seen in other communities, educational institutions are good employers, stabilize the economy, and their student populations place demands on the rental housing market.

RENTAL MARKET: RENT TREND AND VACANCY RATES

A report from the Canadian Mortgage and Housing Corporation showed that Kingston's rental vacancy rate in October was 0.7 per cent, the lowest in Ontario. The rental supply has been insufficient to meet demand since 1996, with fewer permits being issued in the last few years. A recent media article notes: "building permits for more than 400 apartment units were issued in 2017, but it will be a couple of years before those units enter the market." There is also a

shortage of student housing, which is a typical refrain as most landlords want a 12-month lease and out-oftown students only require about eight months.

In response to the rental shortages, the City is offering the Second Residential Unit Affordable Housing Grant Program for homeowners. This program is comprised of two different streams to obtain free money to create a suite. In return, the landlord/homeowner must rent the suite for a period of one to five years below market value, depending on the amount of grant the homeowner takes. Believing that solutions to sustainable housing lie in densification, particularly in the core via tower building, the city is bringing in a city planning consultant.

Padmapper indicates the current street rent for a onebedroom apartment is \$1125; however, only one month ago that average rent was \$950 – in other words, there is volatility in the marketplace and strategic landlords will have to keep an eye on their rental rates.

TITE REAL ESTATE MARKET: DEMAND — INVENTORY AND SALES

Reporting in mid-2017, a real estate manager indicated that a good number of real estate investors, particularly from the GTA, recognize Kingston as a "great place to invest" and have been on a purchasing spree. In another media article, this same expert noted that many of Kingston's newest residents are Torontonians taking advantage of technology and working from home. The average number of days on market in 2017 was 27. The Canada Mortgage and Housing Corporation reports 692 starts in 2017, a 41 per cent increase from the year prior.

🖄 REAL ESTATE MARKET: VALUES

The benchmark price for a home in 2017 was \$337,607, an increase of seven per cent year-over-year. There were 250 active listings at the beginning of January 2018 which is a one-year reduction of 21 per cent inventory. The total number of sales in 2017 was 3,813, an increase of 5.2 per cent. The affordability of carrying a mortgage in Kingston is estimated at 25 per cent, one of the lowest in Ontario.

In conclusion, with strong economic fundamentals and a robust plan for development, Kingston shows signs of being a city well worth further investigation.

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "Middle of Recovery."



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Kingston

Tactic	Recovery			Boom			Slump		
	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

9. ORILLIA



OVERVIEW

This "Victorian-era charmer" of a community is nestled between the northern shore of Lake Simcoe and the southern shore of Lake Couchiching. The city reports it has held onto its small-town charm while enjoying strong growth in recent years. The recommendation from one REIN member specializing in this area is to focus possible purchases on the waterfront. Orillia's council envisions a new concept for their waterfront, meant to transform the area into a new mixed-use neighbourhood with varying forms of housing. Part of the intent of the plan is to densify the downtown core. It is hoped the plan will boost jobs, bring in tourism dollars, and add to tax revenue.

5GDP/ECONOMIC HEALTH

No specific GDP forecasting for the region was obtained. However, one could conservatively anticipate a growthrate in line with the provincial rate of 2.1 per cent. A calming in the rate of growth for GDP is anticipated for Ontario after four solid years of growth. This is because past GDP growth was connected, in part, to the housing market, which is currently reacting to key drivers and market influencers.

Orillia is approximately 90 minutes north of Toronto, which positions it within the "economic heartland" of Ontario, providing access to about 130 million customers within one day's drive.

Recent investments in services and infrastructure include a new "state-of-the art" recreation complex and a new public library, both facilities desired by families with children. The city believes its post-secondary opportunities are "sure to attract and stimulate growth." The Ministry of Education announced at the end of January 2018 it is investing \$856,800 in the Notre Dame Catholic School.

EMPLOYMENT

Ontario's newest university was awarded to Orillia where it boasts two locations; Lakehead University (Thunderbay) recently signed an agreement with the Georgian College to provide increased degree options, implementing the first two of twenty this fall. The other 18 programs will be phased in over five years. Simcoe County Council just donated one million dollars to Lakehead University to increase access to post-secondary education for students in the region.

The Ontario Provincial Police's training academy and headquarters are both located in Orillia. Major employers in the community include the Hospital, Nordia, and Casino Rama. These are all noted to be stable employers. Sales and service form the largest portion of jobs in the city. A new Costco opened in July 2017; they are noted to pay decent wages.

There is continuing discussion about Hydro One opening an Operations and Education Centre in the city if their purchase of Orillia Power is approved.

There are almost 15,000 jobs in Orillia. The unemployment rate is 7.9 per cent, just under Brampton and the Durham Region's rates, while the median income is \$71,308, the lowest income under comparison in this document.

†††††POPULATION

A total of 31,000 people reside in Orillia, which illustrates an annual growth rate of two per cent between 2011-2016, an increasing trend. The median age in the community is 47, making it the eldest town within these pages. Reportedly, there are "tens of thousands of seasonal residents who own vacation properties" in the area; they of course would contribute to GDP in the summer months.

RENTAL MARKET: RENT TREND AND VACANCY RATES

The street-rent rate for a one-bedroom apartment has increased to \$831 per month. The vacancy rate is 2.5 per cent. Permits are required for secondary suites; however, it does not appear as though the city has instituted landlord licensing.

Secondary suites are reportedly being fast-tracked with dedicated personnel to facilitate permitting throughout Simcoe county. Further, there are incentive programs a landlord could take advantage of to receive either a loan or a grant to provide either student housing or affordable housing. Specifically, there is funding for up to \$25,000 "per unit for the creation of a secondary or garden suite which is an effective means to increase the supply of affordable housing," in exchange for placing the unit in the rental market at a rate that does not exceed the Canada Mortgage and Housing Corporation's average market rent for the area, for the full term of the loan, which is 15 years, after which time the loan and any interest accrued, are completely

forgiven.

An interested reader can find the story of one applicant's \$30,000 grant used to create two new apartments by searching "City of Orillia Grant stimulates creation of new apartments" at www.orillia.ca.

In December 2017 the city voted to approve a rezoning plan that will legalize more secondary suites in homes.

REAL ESTATE MARKET: DEMAND - INVENTORY AND SALES

Inventory rose through most of 2017 while sales were more stable and in-line with the rest of Ontario. This is a very small market compared to others in this report, so statistic volatility will show. For instance, recently there were 78 active listings for Orillia, which is a 100 per cent increase year-over-year. The number of sales for the town numbered just under 500 for all of 2017. Simcoe county as a whole experienced an increase of six per cent in sales. Non-waterfront activity saw a decrease year-over-year, while hovering around the longer term five and ten-year averages. The average number of days on market is 33.

In 2017 there were 302 housing starts in Orillia, which is an astounding 110 per cent increase from 2016. A review of Orillia's Development Status Summary report from October 2017 suggests a fair bit of development, both residential and commercial, in the area. City council will reportedly spend the next year preparing certain parcels of land with the infrastructure necessary for growth and development.

🖄 REAL ESTATE MARKET: VALUES

Once again showing its statistical volatility, the benchmark price for a home sold in Orillia in 2017 was \$389,000, reflecting an 18 per cent decrease year-over-year in price. However, the median sales price for non-waterfront residential property was \$366,200 in December 2017, an increase of 33 per cent from December 2016, while waterfront properties averaged \$564,000 in December 2017, which is a 10 per cent increase year-over-year. Generally, prices have trended upwards consistently since January 2015.

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "Middle of Recovery."



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

REIN's Tactics Table - Orillia

Tactic	Recovery			Boom			Slump		
	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

10. GRIMSBY & ST. CATHARINES



OVERVIEW

Grimsby is a small and "funky" lake-front community that is part of the Hamilton census metropolitan area and located approximately half-way between Hamilton and St. Catharines. Grimsby calls itself "friendly by nature" and sells the outdoor living experience of being located within the Niagara escarpment. The town's website conveys the locale contains "rich history and small-town charm." It is less than a 45-minute drive to Niagara Falls.

St. Catharines calls itself The Garden City due to its 1000 acres of parks, gardens, and trails; it is part of the Niagara Region, home to the famous Niagara Falls, and a notable wine region. The City of St. Catharines wants to make its community "an inviting, progressive, and desirable place to be."

From a Strategic REIN Investor point of view, this region is a long-term investment market. While a decent performer today, its real strength will be shown over the decade. Do not expect quick returns.

5 GDP/ECONOMIC HEALTH

REIN forecasts the trend for gross domestic product will increase in this area moving forward. In 2018 a provincial wide forecast of 2.1 growth is expected. The National Bank of Canada documented a one per cent increase in the fourth quarter, year-over-year, of economic momentum in St. Catharines.

The GO Train is expected to be extended to Grimsby by 2021 and to Niagara via St. Catharines by 2023. The GO Train is currently active seasonally during the summer months only on weekends. The proposed expanded services would offer regular weekday service, connecting these areas to the Greater Toronto Area during prime business commute times. When this occurs, it will cause a ripple effect of bringing both Hamiltonians and Torontonians to the region, just as Barrie and Orillia experienced after their GO Train service became regular commuter routes. The region is connected to the Greater Toronto Area by the Queen Elizabeth Highway and is less than a one-hour drive to cross into the United States, while St. Catharines to Buffalo, New York, is approximately 45 minutes.

EMPLOYMENT

While the employment rate may be dropping as an overall trend, incomes in the area show a rising trend as an increasing number of commuters move to the region for lifestyle. The number of jobs in Grimsby was recently 4,710, with an unemployment rate of 4.6 per cent and a participation rate of 63.6 per cent. The unemployment rate is slightly higher than neighbouring Hamilton, but still below the national and provincial rates. St. Catharine's unemployment rate is higher at 6.8 per cent with a slightly lower participation rate of 60 per cent.

Grimsby, as the gateway to the Niagara district, is located between downtown Hamilton and Niagara Falls, and is within driving distance of Toronto and the US border. The town offers both "businesses and residents with the ideal mix of a small town, community lifestyle, while maintaining easy access to several major urban centres." A Millennial's dream.

As for St. Catharines, while manufacturing has been the city's dominant industry, as noted by their motto, "Industry and Liberality," in recent years, service jobs have increased. General Motors has two plants in the city, one of which was partially shut down in 2010. So, it is going through its own renewal and revitalization, much like Kitchener had done in the past.

***********POPULATION**

The trend for the area is that of growth. Grimsby's population was 27,314 in 2016 which was a growth rate of eight per cent since the last census in 2011, while the St. Catharines/Niagara was 131,400, a growth of 3.4 per cent. The median age in Grimsby is 43.6 making the community one of the eldest in this review but the age is dropping.

Grimsby's significant growth over the past decade stems from its geographical location between Hamilton and St. Catharines. However, this growth is limited by the natural boundaries of Lake Ontario and the Niagara Escarpment and has almost ceased "as a result of the Greenbelt Plan which has permanently frozen Grimsby's urban boundary." REIN encourages the reader to familiarize themselves with Ontario's Greenbelt Plan as well as the provincial "Places to Grow Act".

RENTAL MARKET: RENT TREND AND VACANCY RATES

The vacancy rate is one of the lowest within these pages at .06 per cent (in other words, if it is rentable it

is rented. Now, due to its market size, you will witness statistical volatility in the Grimsby region, especially when it comes to 'average' or 'street' rents. Strategic investors will need to become geographic specialists and keep their eyes focused on the market vagaries. We even witnessed average rent for a one-bedroom suite sitting at approximately \$1400 in Grimsby one month. Prices in St. Catharines ranged from a low of \$950 through to the mid-\$2000's.

There appear to be no rental restrictions or landlord licensing requirements in place for either city.

REAL ESTATE MARKET: DEMAND - INVENTORY AND SALES

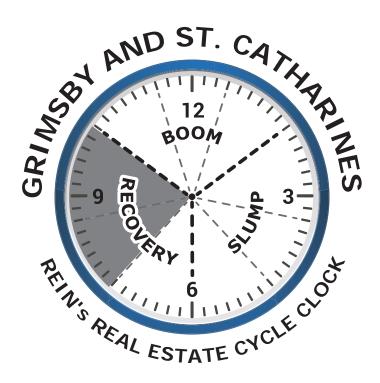
As the shuffle occurs out of the Greater Toronto Area, with commuters moving into towns such as Hamilton, Hamiltonians are moving further out themselves, and many are discovering this region as an option. The Canada Mortgage and Housing Corporation reported in January 2017 that St. Catharines was experiencing rising house prices due to the spillover from the Greater Toronto Area. REIN forecasts home sales are at their lowest point right now and demand will begin to pick up in both purchase and rental markets over the coming years.

While housing starts were minimal in Grimsby in 2017, and decreased 58 per cent from the year prior, the long-term trend is that of growth in demand for the area.

SREAL ESTATE MARKET: VALUES

The trend for values in the area is positive, meaning we expect to see increases from the average benchmark price, once again proving the volatility of the statistics in smaller regions. Grimsby's average selling price increased 58.8 per cent year-over-year, whereas the Niagara Region posted a 21 per cent increase in price. Those numbers should come back to reality in 2018. Values are expected to trend upwards over the coming years, and St. Catharines is well positioned to capitalize on any infrastructure improvements that allow a commute to the Greater Toronto Area and Hamilton, given this community has the lowest prices in a comparable area. Currently three per cent of St. Catharines' population commutes to Toronto for work. In conclusion, while a bit surprising, as the ripple effect of Toronto's real estate market is pushing outwards to Hamilton, the ripple effect from Hamilton is pushing out to Grimsby and St. Catharines. Watch closely as infrastructure supports easier access to the Greater Toronto Area and people - renters and homebuyers alike – are attracted to these two communities.

Based on REIN's Real Estate Cycle Scorecard and Clock, the economic fundamental key drivers and the market influencers indicate this real estate market is: "Middle of Recovery" and "End of Recovery."



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

At this phase in REIN's Real Estate Cycle, here's how to invest – what to do and what not to do.

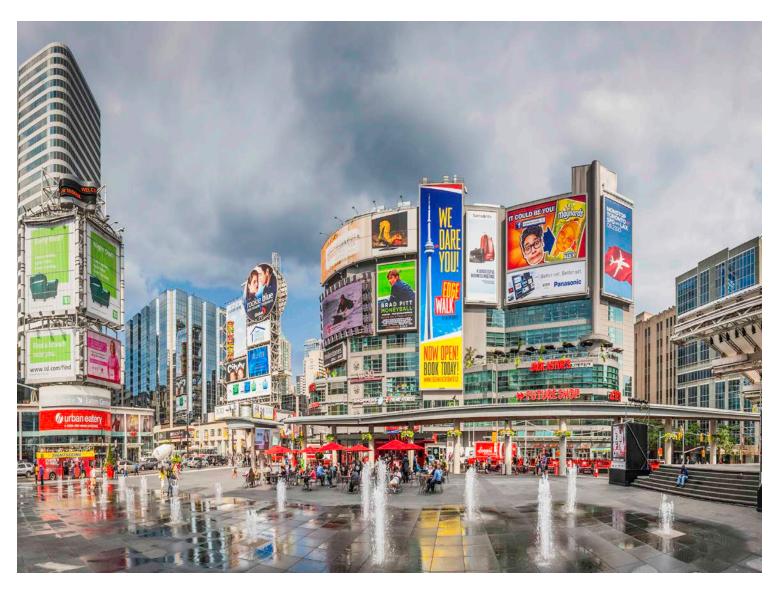
REIN's Tactics Table - Grimsby and St. Catharines

Tactic	Recovery			Boom			Slump		
	Beginning	Middle	End	Beginning	Middle	End	Beginning	Middle	End
Buy and hold	Good	Good	Good	Possible	Tricky	Avoid	Possible	Good	Optimal
Rent to Own	Good	Optimal	Tricky	Good	Tricky	Avoid	Tricky	Possible	Good
Fix and Flip	Possible	Good	Good	Optimal	Good	Tricky	Avoid	Tricky	Possible

SOURCING INFORMATION

Your sources for the answers to these critical economic questions will come from many sources. These include, but are not limited to:

- Research reports published by Canadian Mortgage and Housing Corporation (CMHC)
- Statistics Canada's most recent census information available at the time
- Multiple Listing Service (MLS)
- Rental sites like Padmapper.com, Craigslist, Kijiji
- Canadian Home Builders' Association
- Federal government
- Provincial government
- Municipal government City Economic Development
- Ocity and Regional Real Estate Boards
- Locals, particularly REIN Members living and/or investing in the area, who can provide 'real time' and 'on the street' experience.





www.reincanada.com info@reincanada.com

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