

In this report, REIN introduces two new methodologies specific to student housing. Use this report and these tools to uncover if student housing is right for your portfolio.

## **REIN'S UNIVERSITY EFFECT** **a report for rental housing providers**

Gone are the days of toga parties and pizza boxes on the lawn. International and graduate student numbers are increasing across Canada, but student housing beds are not. Students seek quality housing. You can be their solution.

**REAL ESTATE INVESTING IN CANADA**

**TOOLS OF THE TRADE**



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Don R. Campbell

For your decades of experience and contributions to real estate investors, and for paving the way for meaningful and useful real estate research, formulas, checklists and staying informed. We honour your legacy.

# **THE UNIVERSITY EFFECT REPORT**

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# THE UNIVERSITY EFFECT REPORT

## TABLE OF CONTENTS

---

<b>Introduction: About REIN's <i>University Effect Report</i></b>	<b>5</b>
<b>The Fundamentals of The University Effect Formula</b>	<b>10</b>
The University Effect – Research Findings	13
The University Effect – Research Findings at Work	16
Student Demand	16
Property Type and Amenities	21
Students - The Challenges and Solutions	21
The University Effect – A Comparison of House Prices in Edmonton, AB	22
The University Effect – A Case Study of the University of the Fraser Valley in Abbotsford, B.C.	24
Overview and Insight of Abbotsford, B.C.	25
Population	25
The Land	25
Key Economic Drivers	25
Housing – A General Overview	27
Rental Trends and Vacancy Rates	27
Housing – Real Estate Values	29
Housing – Inventory and Sales	29
Background of the University of the Fraser Valley – Historical Growth Trends	30
University of the Fraser Valley Expansion - Into the Future	32
University of the Fraser Valley's Student Body	33
Available Student Housing for University of the Fraser Valley Students	39
Potential Student Rentals Near the University of the Fraser Valley	41

The Plan for the UDistrict	41
Housing in the UDistrict	44
University of the Fraser Valley's Abbotsford Campus Master Plan	45
<b>REIN's University Effect Hot Zone Applied to Other Universities</b>	<b>48</b>
Global and National University Rankings	48
Provincial Budgetary Funding for Public Universities	50
British Columbia	51
Alberta	53
Saskatchewan	56
Manitoba	57
Ontario	58
Quebec	62
Atlantic Canada	64
<b>The Link to REIN's Millennial and Transportation Reports</b>	<b>66</b>
Millennials	66
Transportation	69
<b>How Investors Can Market Their Property to Students</b>	<b>71</b>
<b>Options for Rental Properties</b>	<b>73</b>
Lease Length Options	73
The Advantage of Furnished Spaces	73
<b>Conclusion</b>	<b>74</b>
<b>Sources</b>	<b>76</b>
<b>REIN's University Effect Hot Zone and Scorecard</b>	<b>80</b>
<b>REIN's Property Goldmine Scorecard</b>	<b>86</b>

## INTRODUCTION – ABOUT REIN’S *UNIVERSITY EFFECT REPORT*

In *Real Estate Investing in Canada*, Don R. Campbell wrote that one of the tactics for creating the highest and best use of a property in a university district is to make simple changes so the home can be rented out by the room. Instead of treating the property as a single unit, the home can be used to its full potential by creating multiple spaces. This is but one example of how a real estate investor can find an underutilized property and change it to increase the income.

Now, more than ever - due to reasons covered in this report - student housing and properties purposefully created and/or outfitted and designed to house the student demographic are in need. This is the very first REIN *University Effect Report*, and it tackles what investors need to know when considering becoming a student rental provider. In this report we offer investors the data culled from academic research and popular publications to suggest the viability of university towns as strong buy-and-hold (and rent) locations.

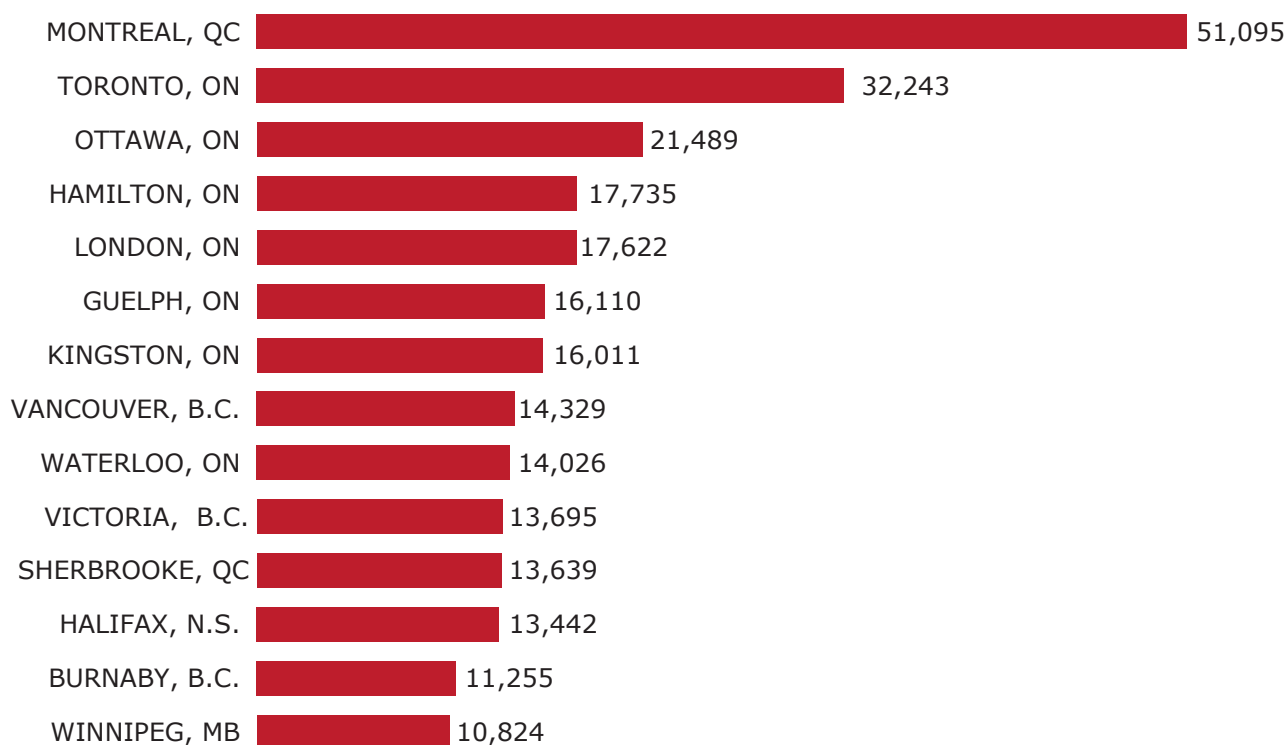
So, why a university report and why now? There are several reasons to suggest this specific market is worth attending to, particularly right now:

1. RBC’s *Navigating 2019* report suggests “Canada’s growing reputation as a desirable place to obtain post-secondary education” led to the highest number thus far of non-permanent residents in 2018 – 166,000 people. That number represented 1/3 of Canada’s population growth in 2018 (1.4 per cent, the highest of the G7 countries); international students were the biggest contributor to this category of entry into Canada.
2. Changes to the immigration system in Canada have assisted in opening the channels for more students to come from abroad. These incoming foreign students need somewhere to live, and with the increased population growth, there will be pressure on the housing market in university towns.
3. Couple that with this claim from *The Globe and Mail* in January 2019: “Only 3 per cent of Canadian university students live in purpose-built, off-campus housing, compared with 10 to 12 per cent in the United States and Britain, respectively .... It is not a market that has been developed.” Where are the other 97 per cent living? Students are simply mixed into the regular renting population, yet, they have explicit needs you can satisfy by attuning to them specifically.
4. The federal government recognized the potential of this market in 2015 when the Canada Pension Plan Investment Board began “investing in operators of off-campus accommodations in both Britain and the United States.” Why is the Canadian pension plan not investing in Canadian properties you might reasonably ask? Well, a managing partner of a Toronto Real Estate Investment Trust that only invests in student housing in Waterloo and Ottawa, ON, states Canada is “10 to 15 years behind other countries” in terms of the professionalization of off-campus housing, which suggests we are at the forefront of the development of this niche market.
5. And finally, when a member of REIN’s research team was looking into housing to attend Queen’s University in Kingston, ON, it became reasonable to suspect that perhaps the presence of a university was helping drive up rental rates and lower vacancy rates (Kingston has one of the lowest vacancy rates in Canada at .06 per cent)!

For all these reasons, REIN believes it is time to conduct in-depth research into this property type and the demographics that support it in order to provide you with our findings. These findings will help determine if there is a real estate investment opportunity in this segment of rental housing.

To suggest the significance of both the people and the products involved in the student housing sector, the *Financial Post* published a graph in 2018 guiding investors to the 14 Canadian cities that have the most significant need for student beds. The article states within Canada there are only 121,164 beds on campuses, leaving demand numbering in excess of 416,000 beds for students which must be cultivated from the private sector. Of the purpose-built off campus beds, estimates put that number around 39,000 – “almost half of which are in the Kitchener-Waterloo area.” Therefore, a big city like Montreal or Toronto can have between 30,000 to 50,000 students looking for housing every year, as seen in Figure 1 below. Combine that demand with incredibly low vacancy rates in some communities, and REIN’s Long-Term Real Estate Success Formula comes to mind which will be looked into shortly.

## ESTIMATED NUMBER OF STUDENT BEDS NEEDED



**Figure 1.** Unmet Demand for Student Housing in Select Canadian Cities (from the *Financial Post*)

This report introduces investors to two new REIN checklists and teaches them how to apply this methodology to their own research. One will learn about the three factors that create a University Effect Hot Zone and also a University Effect Scorecard that investigates the seven key factors that support REIN’s Long-Term Real Estate Success Formula and one’s student rental viability. This scorecard allows investors to uncover the unbiased reality of the macro and micro forces that determine whether student housing is a safe investment near a particular university. In order to

practically demonstrate the university effect, REIN uses a case study from the University of the Fraser Valley (UFV) in Abbotsford, B.C. (this city ranked second on REIN's *Top Ten Towns and Cities – British Columbia* report). However, we also bring in examples from across Canada to generalize this approach and these findings. Once investors have done their diligence on the town and the university, it becomes quite easy to identify whether a university is a student housing hot zone (i.e. has met the criteria of the University Effect Hot Zone and University Effect Scorecard), but more on these exciting new tools later.

REIN encourages investors to use the information in this report as inspiration to unearth the real estate investment opportunities in their different geographical areas of expertise. Now it's up to investors to take in new knowledge and apply it to other university towns, potentially uncovering a gem of an investment in the process. This report is only the starting point that lays out what investors need to consider for this type of client and investment. It provides guidelines in terms of what to look for, tips for marketing their property to students, and other practical management matters. Overall, this report covers:

- The fundamentals of the university effect
- Findings from existing research
- Media accounts of student housing from a real estate investor's perspective
- A case study of UFV in Abbotsford, B.C.
  - » Including learning the University Effect Hot Zone filter and the University Effect Scorecard
- A review of 15 other universities from across Canada with the results of the University Effect Hot Zone filter
- The link between this report and REIN's *Transportation Effect Reports* and REIN's *Millennial Report*
- Student investment property marketing advice
- Furnishing and lease length options for your rental property

Throughout this report, readers can look for the boxed "tips" for practical advice and helpful instructions on both conducting research and rental housing provider matters. Like this one:

**Rental Housing Provider Tip:**

*When renting to students, it is a good idea to include clauses in the lease regarding "occupancy" to ensure that only the students you are renting to will be living in the residence. And have clear written rules regarding guests.*



In 2018, the biggest contributor to Canadian non-permanent resident growth, which totalled

**166,000, WAS INTERNATIONAL STUDENTS.**

**3%** of Canadian university students live in purpose-built, off-campus housing, compared with 10 to 12 per cent in the United States and Britain, respectively.



McMaster University in Hamilton, ON injects

**\$3.9 billion** into the local economy and creates more than **14,000 full-time equivalent positions.**



Canada is

**"10 to 15 YEARS behind other countries"**

in terms of the professionalization of off-campus housing.



The average house price increases by **1%** for every kilometre in closer proximity to a university.



The international student population of B.C. grew

**74%** in the sample of school years of 2011-12 and 2015-16.



International students contributed around **\$21.5 billion** to Canada's economy in 2018.

Average home prices and rents are higher in ZIP codes with a university than without, and it is highest in ZIP codes with a medium-size university of 10,000-20,000 students.

Universities increase employment growth rate by

**4.6%.**



In 2018, the average undergraduate tuition fee for international students was

**\$27,159**

per year, three to four times as high as fees for a Canadian-born student.



In 2018 there were more than **1.5 million full-time students** enrolled in Canadian universities and colleges.



**Toronto, Montreal & Vancouver**

share more than half of Canada's international students.





In two recent sample years (2011-12 and 2015-16), enrollment by domestic students in full-time four-year degree programs only increased by two per cent. In contrast, in those same years the number of international students increased by **52%.**



The population of Hamilton is 536,917, and the total full-time student population of McMaster (located in Hamilton) is more than **31,000.**

In Canada, there are only **121,164 beds** on campuses, leaving demand numbering in excess of **416,000 beds**

Currently, there are approximately 39,000 purpose-built off-campus beds in Canada. About half of them are in the Kitchener-Waterloo area.



**Montreal has the highest density** of post-secondary students as within an eight-kilometre radius there are six universities and twelve colleges.

A 2017 housing survey found of independent students in market rent situations **90%** **share accommodation** with other students.



In the UK in 2018, housing within 5 minutes of campus saw rent **rise by 3%** compared to a 0% increase for rentals 20 minutes from campus.

Ideally, student housing needs to be no farther than a five-minute walk, which is roughly **400 metres** or no farther than a 30-minute transit commute.



A national study of universities surveyed almost **15,000 students** at 34 schools across Canada and found that **34%** of students live with their parents.

A January 2019 study of millennials found

**23.8%** of the **9,800 respondents**

were planning to return to school to earn a graduate degree.

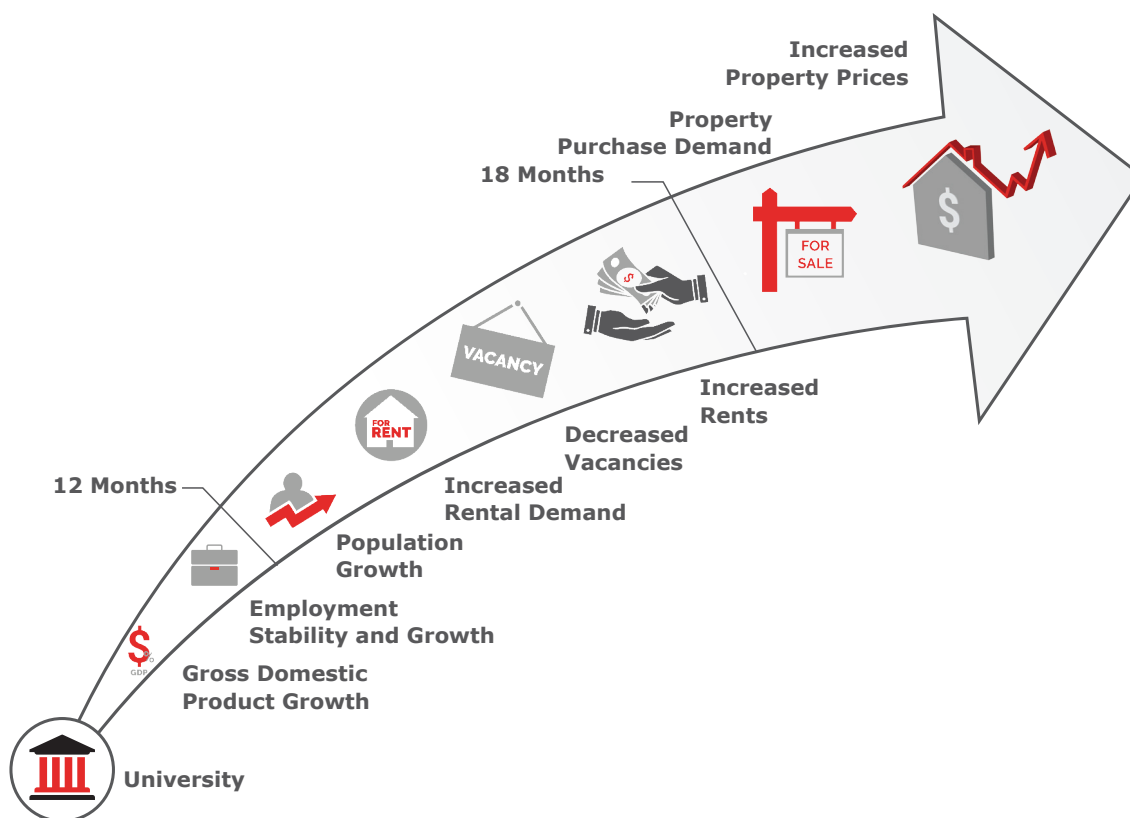


Sources: RBC Economics, The Globe and Mail, The Financial Post, TD Economics, University of California, National Bureau of Economic Research, The Hamilton Spectator, Zoocasa, Yahoo Financial, Carleton University, University of the Fraser Valley, Visual Capitalist

## THE FUNDAMENTALS OF THE UNIVERSITY EFFECT FORMULA

Based on REIN's Long-Term Real Estate Success Formula, a university contributes to the gross domestic product (GDP) of the local economy through the following sequential steps:

1. The employment of staff and the spending of the facility, its staff and students in the community
2. Population growth is increased when the school attracts students (and staff)
3. The influx of residents increases the demand for rentals in the town, often closest to the university
  - » This leads to decreased rental vacancies
  - » Which ultimately increases rental rates for the right properties
  - » Increased rental rates ultimately increase demand for and the value of property
4. Ultimately, an increased rental market leads to an increased housing market

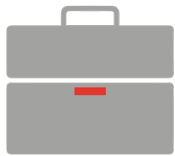


**Figure 2.** REIN's University Effect Formula

Universities contribute to several of the macro and micro factors influencing the housing market that an investor wants to tick off on REIN's University Effect Scorecard. A fundamentally positive attribute of a university is "an area with a highly ranked ... university often has added value ...

providing it has good solid dynamics for desirability. A university provides an educated population, strong infrastructure and certain amenities.”

Furthermore, the market dynamics of real estate are influenced in the following way, according to the Director of Real Estate at Florida International University: “College towns are often the most resilient of cities in market downturns. The economic base is a little more solid than many other areas. This is especially true of major research institutions and large state schools.” A solid economic base is certainly part of REIN’s Long-Term Real Estate Success Formula that investors are encouraged to reference. Overall, having a post-secondary facility in a community benefits the population in the social, cultural, and economic realms. This section of the report focuses on the economic fundamentals and their impact on the housing market.



Universities contribute to the local GDP through their stable employment of hundreds of people (one of the major drivers under key financial drivers on REIN’s Property Goldmine Scorecard is employment). This includes the higher-salaried professors. For example, UFV employs 202 Doctors of Philosophy (PHDs) which contributes to an increase in average incomes for the town. UFV in Abbotsford, our case study, is a relatively small school, but employed 722 faculty members and 699 staff during the fiscal year 2017-2018. For the years 2015-16-17, UFV was named a top employer in B.C., by Mediacorp Canada.

Universities also contribute to the GDP of a town through their expenditures in the community which create jobs. As early as 1990, academic research was reporting “the overall impact [of a university on a town’s employment] is positive, is more pronounced in more populous counties, and has increased over time.” While investors need to investigate their local community, they should also consider a few key facts on a national level. According to a study commissioned by Global Affairs Canada, “international students [alone] contributed around \$21.5 billion to Canada’s economy in 2018.” In 2011, UFV’s economic impact to the Fraser Valley was \$500 million. More information on studies specific to this topic can be found later in the research findings section of this report.



Universities create a stable and ever-reproducing population base that keeps rental prices stable and strong even when other markets are struggling. Population growth, or in-migration of students, is continual. In his June 2019 economic outlook talk in Abbotsford, B.C., TD’s Deputy Chief Economist Derek Burleton discussed which Canadian cities were benefitting from solid population growth. Amongst the normal names one expects to see on the list, Belleville, ON appeared – and Mr. Burleton’s comment was – which post-secondary institution is driving students to this town? The answer is Queen’s School of Medicine, which operates a campus in this community of 109,932. The number of students attending universities across Canada, and the reasons for growth in this sector will be covered in depth in this report.



University towns are noted to usually have excellent public transportation, a topic researched and discussed in depth in each REIN *Transportation Effect Report*. An astute investor will want to marry the findings on transportation with the university effect for strengthened protection against devaluation in a weaker market. By layering research, a savvy investor mitigates risk and bolsters her/his portfolio. This report revisits transportation briefly as it is linked to various universities.



University towns also typically have ample amenities such as restaurants and shops (part of your exit strategy as per REIN's Property Goldmine Scorecard), along with events in the arts, entertainment, and sporting sectors. In our case study example, the Abbotsford Event Centre, an arena capable of hosting up to 8,500 guests, is co-located with UFV. The multi-purpose event venue was built between 2007-2009 and is ranked first in Canada in its size category. It hosted a National Hockey League feeder team for several years, hosts many concerts, and recently became home to a Canadian Elite Basketball league team (one of six Canadian teams). For more information on how a stadium can affect real estate property prices, please see *The Impact of Stadium Construction on Real Estate Values*, authored by REIN in 2015.

### Research Tip:

*Factor in the Walk Score (a number out of 100) of a property when you're conducting your research as the types of amenities noted above (shops, restaurants, and entertainment) are used into the creation of a Walk Score (walkscore.com uses the search area of 1600 metres when calculating the score). Use this Walk Score to advertise your student rental property as students are less likely to own a vehicle, and may need, or simply prefer (if they are millennials), to walk to the locations they frequent.*



Another checkmark an investor might be able to tick off on their Property Goldmine Scorecard when looking near a university is an area in transition. Specific to the review of the fundamentals in Abbotsford, B.C., UFV not only borders a neighbourhood in transition, the school itself is in an area marked for a complete overhaul in coming decades. The school is subject to a neighbourhood plan that will see incredible changes in housing stock, density of people and jobs, and the type of jobs over the next four decades. Areas of housing may transition for several reasons: there may be an influx of middle-class residents and income; the zoning for the area may have changed; the neighbourhood may be older and thus in need of general beautification. Given many schools have been in existence for decades, if not centuries, the school may be in an area that is transitioning. Look for neighbourhood revitalization around schools as this will be important moving forward.



And never forget the importance of the political climate and policy changes that impact housing values and public post-secondary institutions. For instance, in 2019, the Ontario provincial government decided against funding a new university campus in the Greater Toronto Area. This influential political decision will impact the number of students attending existing campuses, which will impact the pressure on housing in areas closest to established universities. Further, TD's Deputy Chief Economist stated recently that Canada's tense geo-political relationship with China is decreasing the number of Chinese business students attending Canadian institutions. As REIN has always cautioned its investors, be mindful of the political climate, particularly in our globalized world.

## THE UNIVERSITY EFFECT – RESEARCH FINDINGS

There is an overall lack of academic research being published on the link between universities and property/land values. However, this section of the report offers what can be found, both the good and the bad, with the observation that most studies acknowledge a lack of depth and breadth in this research, calling for more investigation.

The presence of a university increases both property rents and prices in the area, but apparently does not necessarily stabilize turnover in a market. That's because the key drivers and market influencers at play in any given location are greater than the presence of a university – for example, there are 16 indicators known as key drivers just in REIN's Real Estate Cycle Scorecard alone.

A 2019 article cites research out of the United States that confirms "universities and hospitals are 'opportunity hubs' with jobs, high wages, and other amenities that can increase real estate value." However, this same study found, after analyzing home price data over 21-years in more than 13,000 zip codes, and rent data from almost 16,000 zip codes over a seven-year period, that location did not protect a home owner from price volatility. The researchers compared the appreciation, vacancy rate, and volatility of the market to the university's size. The researchers further looked at data from 2.7 million homes for sale and 267,000 homes for rent to determine the impact of distance from a university or hospital on individual home prices. This particular study surmised "average home prices and rents were higher in ZIP codes with a university than without, and highest in ZIP codes with a medium-sized university of 10,000–20,000 students." Further, "proximity to a university had the biggest positive impact on the price of two-bedroom homes and the rent of one-bedroom homes. The impact of distance was slightly stronger for home prices than for rents."

Although the researchers could not establish a cause for the correlation between volatility and the presence of a university, the suspicions reported by the researchers were:

- Because real estate close to a post-secondary institution may be attractive to investors, it is possible that investors are the first to buy when there's an opportunity
- But investors are also the first to leave when there's a down turn
- The researchers believed the very demand this area creates may lead to volatility in terms of turnover

Therefore, while rents and prices are protected by the university effect, other factors suggest turnover can be higher.

While GDP is an essential driver to REIN's Long-Term Real Estate Success Formula, and universities contribute to that economic health, other factors – such as market influencers, like politics and zoning decisions, are critical to investors' diligence. These can negatively (or positively) impact the potential premiums on rent and value on any property, including ones near universities. To illustrate, a 2005 study of factors affecting residential property values in Wolfville, Nova Scotia, (approximately 100 kilometres northwest of Halifax, N.S.) a small town noted to be economically dominated by Acadia University, states there is a high population of student renters in the town. The research found "rental externalities – either due to student tenants or ... [rental housing provider] practices – are having a strong negative impact on property values." Specifically, at that time, in that town, zoning that allowed homes to have up to four apartments, i.e. student rental housing, were found to be the lowest priced, to the tune of over \$40,000 (or 29 per cent) less than a property zoned to allow one rental suite.

A total of 149 property transactions were analyzed. Of these properties, 105 were legally zoned to provide “some form of rental accommodation, and 67 were zoned in some form of multiple unit accommodation.” The researcher reported the majority of Wolfville homes zoned as multiple unit housing exist in close proximity to the university and reasoned that shoppers looking for a single-family dwelling neither wanted to tackle the renovation and costs required to convert the dwelling back into a single-family home, nor do they want a bunch of students as their neighbours. And these were the reasons for the price reduction associated to zoning. As always, it is important for investors to be geographic experts and know what property types and zoning are preferred – by clients (tenants) and potential buyers.

Nonetheless, from the same study, at a time when the average home price was \$136,770, the research found “the average buyer pays almost \$1,000 [more] to be [one] ... kilometer closer to Acadia university.” Or, translated, for each kilometre closer to the university the buyer pays one per cent more than the average home price. The study, which sought to determine the most critical externalities affecting housing prices, concluded that the most important factor impacting housing prices in Wolfville, is indeed, student housing.

The Nova Scotia study was not the only study to comment on the bad reputation students as renters have, which leads to a disconnect between potential rental housing providers and rental accommodation seekers. A May 2019 City of Ottawa *Student Housing Discussion Paper* reviewed, in part, the issue of student housing. Community concerns regarding the noise and nuisance students might cause as renters has little to do with the trouble students face finding rentals, these factors being price and proximity to campus. The report notes there are 100,950 full-time post-secondary students enrolled in various campuses around the city, and approximately half of them live at home. The total resident beds of the local campuses number 9,270, and preference is given to first-year students. That leaves approximately 40,000 students in Ottawa alone looking for accommodations, which is double the estimated numbers in The *Financial Post* graph (see page 6).

However, the report also notes the demand for student housing lacks reliable data. One key finding is that first-year students are most likely to require school-provided housing, but as students age, they become more comfortable with independent living, and as they make new friends at school, they are likely to “transition to ever more independent housing options” – typically off-campus and usually with other students. Universities seem to heed this logic themselves, as many universities place a priority on guaranteeing what housing stock they have to their first-year students. This suggests that first-year students are not the primary renter (i.e. client/tenant) for student rental housing providers, but rather second year and above form the bulk of the target clients. In a few ACRE sessions (REIN’s 2.5-day real estate conference), Don R. Campbell has reminded investors to rent to upper year students as they are generally better behaved. Informal polls suggest very few student renters are poor tenants. So, don’t judge this cohort too harshly.



Specific to REIN’s University Effect Formula, research suggests that earnings and employment growth rates are higher in communities with quality universities. A 1990 working paper out of Cambridge, Massachusetts quantitatively analyzed the effect of universities on local labour markets with respect to employment, income, and migration. The paper concluded the probability of being employed in a high-tech industry, or as a scientist or engineer, all increased relative to the amount of research and development funding at local institutions. The authors believed universities shift the local economy



away from jobs in declining sectors towards jobs in the high-tech industries and suggest there are two ways in which post-secondary institutions affect the local labour market, they are:

1. The skills of local workers are increased through education which increases the earning opportunities of these graduates.
2. A skilled and educated workforce is more capable of developing and implementing new technology, which increases the productivity of the workforce.

This American study found universities also affect the local economy through their research activities. There is a spillover effect from the school to the private sector in terms of technological innovation; however, this is directly linked to an employer's proximity to research-intensive schools. One note of caution about this study is the data used was sampled from 1975 to 1980, prior to the introduction of either neoliberalism, which has created precarious employment and the financialization of housing, or the rise of the 'creative city' in which communities now brand and market themselves to woo mobile talent and multinational companies to their location. Given the age of the data, and the socio-economic changes to society, references to technology could mean something vastly different than the technology that is available in current day. Nonetheless, the study has value, particularly given its significant findings and the focus on research evident in Canadian universities. Lastly, the study found that a university positively impacts the employment growth rate by 4.6 per cent.

A 2004-05 assessment of the economic impact Duke University has on the city and county of Durham, North Carolina, suggested in that year (between wages and taxes) the university contributed \$3.2 billion to the local area. The report goes on to note this is a conservative estimate, as the study could not account for the dollar value of volunteer work done in the community by staff and students. Further, the analysis assumes the dollar was only spent locally once more, after being paid by Duke, before leaving the area. For example, if the university spends \$263 million for local goods and services, a total impact of \$526 million is assumed. The study notes that actual university expenditures accounted for nearly 30 per cent of the city's total retail sales, one measure of local economic activity. To give an example of the ways in which universities contribute to the local economy, Table 1 below is Duke's estimate of its yearly economic output:

**Table 1.** Total Estimated Annual Economic Impact, 2004-05, Duke University (US dollars)

EXPENDITURE	DIRECT	TOTAL IMPACT
<b>EMPLOYMENT</b>	\$ 842,313,000	\$ 1.68 Billion
<b>PURCHASING</b>	\$ 263,180,000	\$ 526,360,000
<b>SERVICES/TAXES/FEES</b>	\$ 21,912,000	\$ 43,824,000
Duke-Provided Services	\$ 16,000,000	
Taxes and Fees	\$ 5,912,000	
<b>DONATIONS</b>	\$ 57,200,000	\$ 114,400,000
Uncompensated Care	\$ 46,188,000	
Annual Recurring Contributions	\$ 11,049,000	
<b>STUDENT AND VISITOR SPENDING</b>	\$ 417,000,000	\$ 834,000,000
<b>TOTAL</b>	\$ 1.6 Billion	\$ 3.2 Billion

Here in Canada, an April 2019 article reports McMaster University in Hamilton, ON (#3 on REIN's *Top Ten Towns and Cities – Ontario* report) injects \$3.9 billion into the local economy. The report breaks down the various ways in which a university contributes to an economy, but in terms of jobs, through McMaster's "annual expenditures in the economy, more than 14,000 full-time equivalent positions are created." Multiple sources reviewed for this report have found post-secondary institutions are a definite plus for a local economy.

## **THE UNIVERSITY EFFECT – RESEARCH FINDINGS AT WORK**

This section of the report delves into some commentary on the student housing sector in Canada by experienced investors, economists, journalists, and real estate companies. We uncover some of the pros and cons including what investors need to consider in terms of the demographics involved, the amenities desired, the specific programs and cities international students seek, and where the demand for student housing is forecast to go.

### **Student Demand**

There are several socio-economic trends that have coalesced to create a situation in which there is an increased demand for student housing, thus positioning this type of housing as a potentially good investment. In the past years, the number of university students has been increasing, but at the same time, universities have faced government funding cutbacks which impedes their opportunities to fund or build housing for their students. This trend has co-existed alongside the larger and more wide-spread housing affordability crisis and lack of purpose-built rentals. These trends have created a perfect storm of increased demand yet little supply in the student housing sector.

Thus, growing demand is one of the most obvious boons for a rental housing provider in this niche market. A January 2019 article led with this headline: "Student housing proves to be a lucrative niche for investors." This article notes, along with the other articles presented here, that student housing is appealing because it offers a more secure and steady source of income. If a property is "right beside the university, it's basically guaranteed tenants forever."

In Canada, that demand in 2018 was "more than 1.5 million full-time students ... currently enrolled in Canadian universities and colleges." This growth in the number of students and the expanding need of the sector has not been met with "a commensurate increase in student-centric housing." In two recent sample years, (2011-12 and 2015-16), enrolment by domestic students in full-time four-year degree programs only increased by two per cent. In contrast, in those same years the number of international students increased by 52 per cent.

The emerging importance of international students to the growth of most schools' student body has become evident in this research. This trend is not new per se, as numbers of foreign students have been increasing for the last decade. However, over the past three years, the numbers have "surged from about 250,000 to 350,000 people." This is a national trend, evident in institutions coast-to-coast, although research suggests it is geographically concentrated. The three cities hosting more than 50 per cent of Canada's international students are Toronto, Montreal, and Vancouver.



According to The *Financial Post* graph (Figure 1), Montreal and Toronto have the greatest need for student beds. In B.C. and Manitoba, during the years 2011-12 and 2015-16, the international student population grew by 74 and 88 per cent respectively. There are a multitude of reasons for the sudden escalation in the number of international students.

Canada's reputation for post-secondary education is globally revered as high-quality, yet, it's also relatively cheap, so international student demand is forecast to continue rising, particularly in light of "the apparent hostility in the U.S. to immigrants." And it isn't just the U.S. who is losing students to Canada. A June 2019 article suggests "Canada is likely to be an attractive alternative to international students disheartened by the discursive and political environments in both the United States and the United Kingdom."

Canadian universities are simultaneously ramping up their recruitment efforts as international students pay significantly more tuition than domestic students. For example, in "2018, the average undergraduate tuition fee for international students stood at \$27,159 per year, nearly four-times as high as Canadian fees." Lastly, in late 2014, a strategic plan was put in place by the federal government to "promote Canada's knowledge-based economy and attract 450,000 international students to Canada by 2022." All of these factors have created, and will continue to exert, pressure on the student housing sector. This observation is evident in not only our case study student numbers from UFV, but also at most institutions. Therefore, it is reasonable to surmise, moving forward, a good number of future student renters will come from out of country.

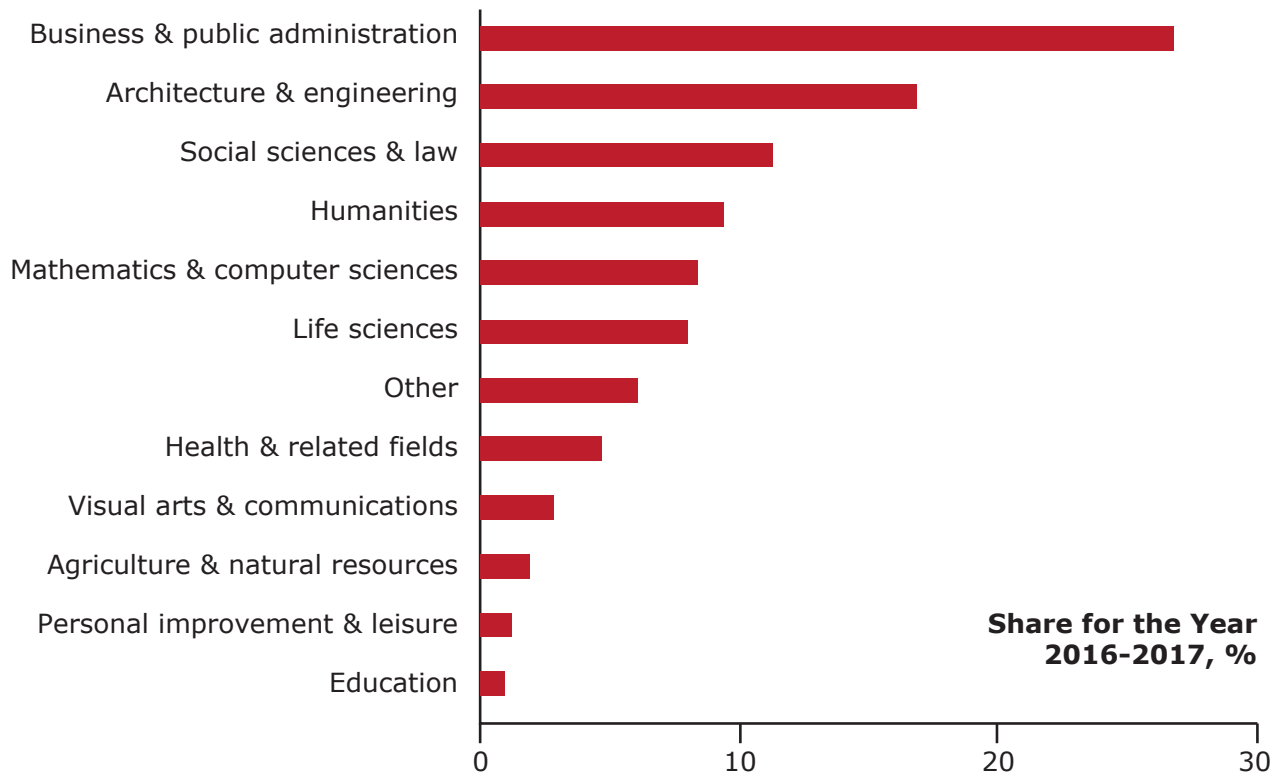
**In 2014,  
a strategic plan was  
put in place by the  
federal government  
to "promote Canada's  
knowledge-based  
economy and attract  
450,000 international  
students to Canada by  
2022."**

Source – TD Economics

#### **Rental Housing Provider Tip:**

*If renting to foreign students, be sure to advise them that in Canada, electricity is 120 volts, 60 cycle alternating current (AC), and electrical outlets use a 2-prong plug (with the option of a third prong, called a "grounder"). The prongs on the plug are rectangular, not circular. Depending on which country your incoming student is from, they may require a plug adapter. Or provide one of these yourself (a universal adapter is best) to your incoming student for that first day charge.*

Not only are international students attracted to Canada's biggest cities – Vancouver, Toronto and Montreal – they also favour specific programs. The graph in Figure 3 below illuminates what university degrees international students are participating in:



**Figure 3.** International Students Education Programs Registration (from TD Economics)

A recent study produced in partnership between a real estate brokerage website and a website dedicated to technology education researched Canada's six largest cities by population with respect to education. This team created a guide to help students make decisions about the cost of both living and school. Toronto is the most expensive city for a student while Montreal is the cheapest. Montreal was also noted to have the highest density of post-secondary students given the six universities and twelve junior colleges that exist within an eight-kilometre radius. This aligns with the earlier findings that Montreal has the highest need for student housing in Canada. Table 2 below outlines the findings of the study, which surely factors into decisions made by students about which school to attend:

**Table 2.** The Monthly Cost of Living in Six Canadian Cities for Students, Including Tuition

	MONTREAL	EDMONTON	CALGARY	OTTAWA	VANCOUVER	TORONTO
Canadian undergraduate tuition	\$246	\$447	\$447	\$662	\$1,100	\$662
Transportation per month	\$85	\$97	\$106	\$116	\$128	\$146
Gym membership per month	\$51	\$44	\$55	\$51	\$43	\$56
Four meals at a restaurant per month	\$120	\$134	\$134	\$160	\$160	\$160
Average bachelor apartment	\$641	\$862	\$879	\$881	\$1,150	\$1,821
<b>TOTAL</b>	<b>\$1,143</b>	<b>\$1,584</b>	<b>\$1,621</b>	<b>\$1,870</b>	<b>\$2,581</b>	<b>\$2,845</b>

The study also suggested the popular student neighbourhoods in each city, which investors may want to use to guide their property search:

- **Montreal** - The Plateau, The Village, Côte-des-Neiges, and Downtown
- **Edmonton** - Strathcona, Whyte Avenue, and Parkallen
- **Calgary** - Sunnyside, Kensington, and Connaught
- **Ottawa** - Centretown/Little Italy/Chinatown, and Old Ottawa South
- **Vancouver** - Dunbar Southlands, Kitsilano, and Kerrisdale
- **Toronto** - The Annex, Kensington Market, and Chinatown (for downtown schools), Liberty Village, and CityPlace

Several reports state the Waterloo region is well-serviced by off-campus, purpose-built student rentals, which number a remarkable 23,387 beds in that area. Another report, from the city of Ottawa (2019), identifies there is need for student housing due to the limited number of off-campus, purpose-built student rentals currently available. In the following cities, the number of designated student rentals are:

- **Ottawa** - fewer than 2,000
- **Vancouver** - 3,099
- **London** - 3,500
- **Toronto** - 4,481

Beyond the reports included herein showing investors cities with demonstrated student housing needs, some Canadian universities have international reputations, drawing a great number of students from all over Canada and the world. Meaning the composition of the university student body could create demand for student rentals. For example, *Maclean's* creates a list every year ranking Canadian universities', but also factors in out-of-province students and international students in certain categories. Some Ontario universities draw most of their students from out-of-town, including universities located in the communities of Peterborough, Oshawa, Kingston, Guelph, and St. Catharines. Several universities' expansion plans and the available number of student beds from across Canada are reviewed later in this report in the section titled REIN's University Effect Hot Zone Applied to Other Universities.

#### Research Tip:

*Any investor specializing in the city of Ottawa is encouraged to read Appendix A of the 2019 Student Housing Discussion Paper produced by Maclaren Municipal Consulting Inc. for a full break down of the five post-secondary institutions in Ottawa as it pertains to the following:*

- *Number of students, including the number of international students*
- *Number of beds available in residence*
- *Guarantees to students regarding housing, and the costs of such*
- *Popular neighbourhoods frequented by students*

*From that appendix, we can warn investors that St. Paul's University in Ottawa has a supply of student beds that exceeds demand.*

Universities abandoning student housing provisions is a trend in western industrialized nations, which is another pro for investors willing to wade into this sector. The author of a 2018 *Financial Post* article argues universities themselves are in the business of educating and should not get involved in the business of being rental housing providers. Rather, they should “encourage and facilitate the private sector” to “help the hitherto nascent student housing market reach maturity in Canada.”

However, this trend does not apply to all universities, so investors must do their research. For example, the University of British Columbia (UBC) in Vancouver has committed to building many more student beds. The research suggests UBC is the exception rather than the rule though. In the UK, the private sector began creating Purpose-Built Student Accommodation (PBSA) where strong demand was found in cities. The total value of the PBSA is expected to reach 53 billion pounds in 2019. Annual rental growth is expected to be 2.26 per cent. The article cites rents for student accommodations within five minutes of campus rose by three per cent in 2018 compared to a zero per cent increase for rentals that are 20 minutes from campus. This five-minute walk leading to increased values in rental properties aligns with REIN’s prior research on public transportation and rental properties.

It is not just students that may require housing though. If students have come from out-of-town, their parents may come to visit, or may even choose to move to the new city. The director of Christie’s International Real Estate says, “There is a definite draw to university towns, ... as a destination for parents who want to stay near their children and for adults who want to be part of a dynamic cultural and intellectual environment.” And therefore, sleuthing into your target market even more may yield valuable insights, such as family-friendly accommodations for international students moving with their families, or their sibling(s) to attend university, or providing short-term rentals designed for parents near universities with high international student populations.

*The College Investor*, a personal finance website, uses the logic of “location, location, location,” to remind potential investors to pay attention to specific areas of a town, suggesting college towns always have a thriving rental market. This website echoes REIN’s own recommendation, as well as REIN’s suggestion for investors with a child attending a college or university, and requiring housing: this is the perfect opportunity to purchase an investment property and provide housing to their own child. For larger accommodations, the child can recruit roommates who will essentially pay enough rent to cover the mortgage and provide provide the child with free housing.

### **Rental Housing Provider Tip:**

*The tip above is a variation of the REIN creative method of doing a joint venture with a student. In REIN’s scenario, the student uses their ability as first-time homebuyers to reduce the down payment (which you provide), they pay the mortgage while in school in the form of rent, and when they graduate, you split any profits on the sale of the home with the student. This is a particularly salient option right now under the new federal government’s shared equity program introduced in March 2019. This program helps first-time homebuyers access the market with a lower down-payment and lower borrowing amounts, thus reducing the amount of income required to qualify for a mortgage in the first place.*

## Property Type and Amenities

Students want to live in cities – and buildings – offering great lifestyles. In recent years, off-campus housing for students has gone upscale. New buildings offer stainless-steel appliances, granite countertops, hardwood flooring, and in-suite laundry. The buildings themselves may offer rooftop patios, clubhouses, fitness studios, study rooms with marker boards, plant filled atriums, communal cooking spaces, and/or theatre rooms. These luxury branded buildings bill themselves as resort or hotel living.

For example, one such building in Kingston, ON has an outdoor pool, rooftop barbeque area, and provides free coffee to its student residents! The rental prices for these niche properties reflect the amenities and lifestyle offered. As *The Financial Post* puts it – “the days of ageing, run-down student housing are over.” An investor quoted in a 2019 *Globe and Mail* article reports being attracted to these units as investments given some developers sell the purpose-built student condos with a furniture package and include property management as well. Perhaps the only thing the developer has failed to include is car service to and from campus!

### Rental Housing Provider Tip:

*One potential appeal of these purpose-built student buildings is the all-inclusive nature – the developer includes furnishings, gas, water, heat, cooling, and high-speed internet, making budgeting a little easier on either the student or the parents footing the bill. Consider replicating this within your own investment properties.*

## Students - The Challenges and Solutions

Two common potential concerns about renting to young people are their lack of credit history, and their inexperience with the responsibilities of independent living. Often the first time we try something we tend to make mistakes. As one Ottawa report suggested, neighbours are concerned about pizza boxes on the front lawn and parking woes as students gather. However, to challenge the moral panic about what is usually attributed to young male students’ disruptive behaviour (a.k.a. the movie *Animal House*), the statistics show there are currently more female than male students in post-secondary institutions (UFV’s male to female ratio was 43:57 in 2016-17). And, most students are pretty well-behaved, male or female. However, there are some solutions a rental housing provider can use to mitigate the challenges, such as insurance, guarantees, and legislation.

Some of the standard concerns about parties or yard maintenance fall under the scope of individual rental housing provider-tenant relations. Sufficient leases with specific clauses, which are within the rental housing provider’s control and supported through legislation, should assist with these matters.

Specific to the financial aspect, one solution for student tenants with no credit history is to require parental guarantees. That essentially means property owners are renting to the parents. In fact, one building in Kingston, ON demands either a parental guarantor or a lease contract pre-paid in full! And remember that many universities prioritize allotting their student housing to first-year students to transition them out of the family home. So, the chances are pretty good first-time investors won’t actually be renting to an 18-year-old who is away from home for the first time. Now that we’ve established how a university contributes to REIN’s Long-Term Real Estate Success Formula, resulting in REIN’s University Effect Formula, and suggested the changing socio-economic trends that are impacting student housing, let’s turn to Edmonton, AB for a comparison that investigates how one property located close to a university stacks up against a second property located farther away.

## THE UNIVERSITY EFFECT – A COMPARISON OF PROPERTY PRICES IN EDMONTON, AB

A new website available for Edmonton, AB real estate investors, called [honestdoor.com](http://honestdoor.com), aggregates data to investigate:

- The nature of a property's sale history
- The unit's most recent assessed value
- The future growth projections for the unit
- The estimated rental income a unit can provide

The website claims to have over 50 million datum points on over three million properties, for now. Future developments of the website include zoning applications in the neighbourhood. However, REIN cautions, one current failing of [honestdoor.com](http://honestdoor.com) is the lack of property-specific information. It has taken additional research on websites like [realtor.ca](http://realtor.ca) to unearth important information. These sources are used to construct a comparison between one potential rental property within walking distance to MacEwan University in central Edmonton, to a property in the same neighbourhood, but outside of an 800-metre radius (the distance considered walkable by urban planners). Both units were built in 2008, in the neighbourhood of Oliver, just west of the downtown core.

Please note, this is not a comment that MacEwan itself is a good university to invest near, this is only for comparison purposes.

**Table 3.** The Stabilizing Effect of a University on Real Estate Values

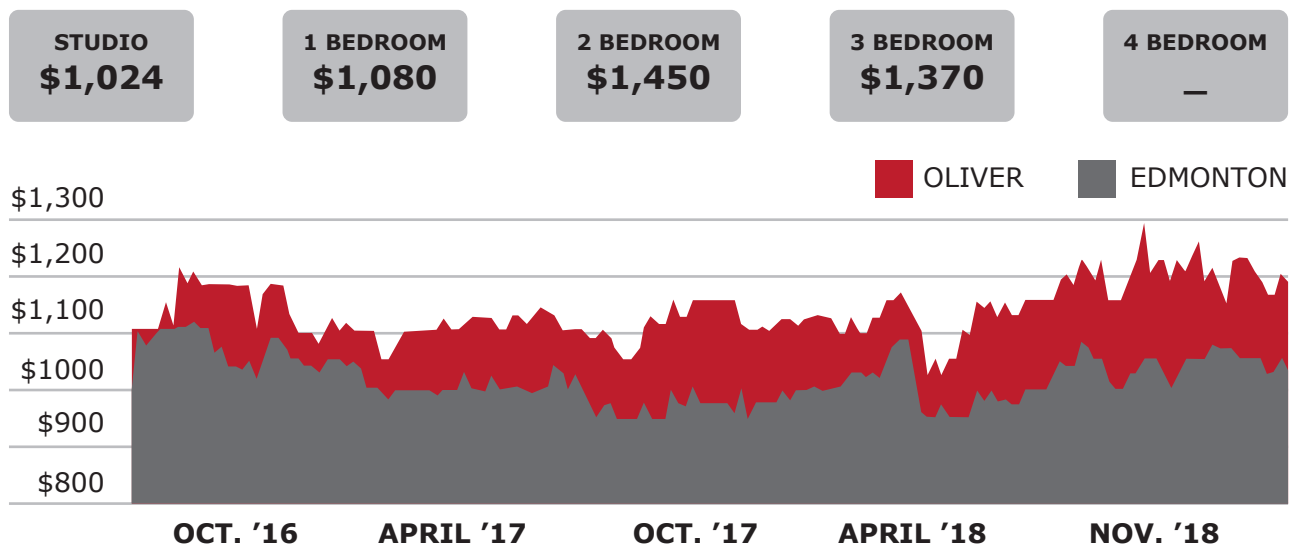
	Location #1	Location #2
<b>Neighbourhood: Oliver</b>	#503 - 10333 112 St. Edmonton, AB (building name: The Venetian)	#102 - 10235 116 St. Edmonton, AB (building name: Parkview)
<b>Distance to MacEwan University</b>	700 metres or a 9-minute walk	1,300 metres or 16-minute walk
<b>Bed/Bath, and Unit Size</b>	1 bed/1 bath + den, 750 sq. Ft, granite, A/C, fireplace	2 bed/2 bath, 968 sq. Ft. w. comparable features to location #1
<b>Building Size</b>	339 units over 6 floors	36 units over 4 floors
<b>Decrease in Value Since 2012</b>	\$32,000	\$36,500
<b>Average Annual Growth Rate</b>	-1.53%	-1.83%
<b>2019 Assessed Value</b>	\$281,000	\$264,000
<b>Listing Prices</b>	Currently listed for \$264,900 (\$16,100 under 2019 assessed value of \$281,000)	Currently listed for sale at \$296,750 (\$32,750 over 2019 assessed value of \$264,000)
<b>Fun Fact</b>	A 1 bed/1 bath on the same floor is being advertised for rent at \$1,400	Unit has been rented for the last 6 years for \$1,800 a month

Comparing real estate properties is a tricky science unto itself, and outside the scope of this paper, but after finding two properties built in the same year, in the same neighbourhood, with similar amenities, one within walkable distance to MacEwan University while the other is not, we can draw the following conclusions:

- The location farther away from university has lost more money in a depressed market
- The location closer to the university had a lower negative annual loss rate
- Despite having more square footage and a second bedroom, location #2 was assessed for 2019 at \$17,000 less than a smaller unit closer to the university

These facts suggest being closer to a university may stabilize prices of real estate. To further consider Oliver as a neighbourhood, it is noted to be older, but revitalizing, and close to many amenities such as the Brewery District. Figure 4 below suggests this neighbourhood has consistently rented at over average Edmonton prices for the last few years.

#### Oliver rent trends. Median rents as of June 15, 2019.



**Figure 4.** Rent Trends in the Neighbourhood of Oliver, Edmonton, AB (from Zumper)

Having reviewed the available research on student housing, and demonstrated that in Edmonton, AB housing closer to a university is more highly valued, based on the assessment, we now turn to Abbotsford, B.C. to conduct a bigger case study. In the following section, we investigate how this community stacks up overall against the macro and micro influencers.



## THE UNIVERSITY EFFECT – A CASE STUDY OF THE UNIVERSITY OF THE FRASER VALLEY IN ABBOTSFORD, B.C.

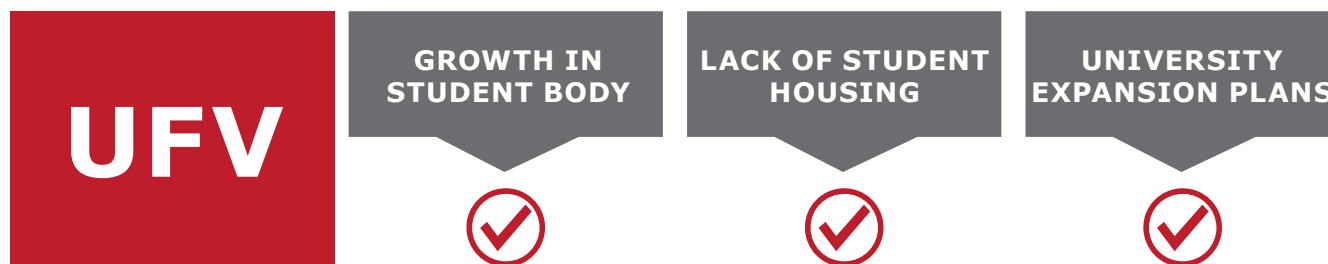
UFV is located in Abbotsford B.C. which is ranked second in REIN's *Top Ten Town and Cities – British Columbia* report, in which, REIN's research team applies REIN's Property Goldmine Scorecard to the city. What follows are some highlights about the city and therefore its real estate market viability, based on REIN's Long-Term Real Estate Success Formula.

This following section also introduces two new methodologies and demonstrates their application to UFV: REIN's University Effect Hot Zone and REIN's University Effect Scorecard.

REIN's University Effect Hot Zone targets three key aspects of research an investor will want to focus on as a filtering mechanism. With all, or most of these checks marked, an investor can feel confident searching more deeply and applying REIN's University Effect Scorecard. In order to establish if a university can be considered a hot zone, ideally an investor is looking for an institution with three checkmarks:

1. Past and forecast growth in the student body
2. A current lack of student housing
3. Expansion plans that ensure the growth of the student population will continue

UFV is found to be a University Effect Hot Zone, having all three factors that bode well for an investor considering student rentals. The table below summarizes the University Effect Hot Zone:



If these three factors create a University Effect Hot Zone, further research via the completion of REIN's University Effect Scorecard is worth attending to. REIN's University Effect Scorecard consists of the following seven key factors:

1. REIN's Property Goldmine Scorecard
2. University Background and Historical Growth Trends
3. Expansion Plans: Into the Future (both physical footprint and student body)
4. Student Body (i.e. your target market)
5. Available Student Housing (already in existence)
6. Potential Student Rentals Nearby
7. Campus Master Plan



In an upcoming section of this report (REIN's University Effect Hot Zone Applied to Other Universities), REIN's University Effect Hot Zone methodology is applied to 15 other universities across Canada to give investors a starting point for further research - i.e. helping determine, if this is one's target market, whether or not to complete REIN's University Effect Scorecard.

### **Overview and Insight of Abbotsford, B.C.**

What used to be overlooked as a city in the country with not much else going on except cows, chickens, and berries, Abbotsford is now an economic jewel in B.C.'s crown. And its bloom appears to be in the early stages. Abbotsford is located in the heart of the Fraser Valley only 70 kilometres from downtown Vancouver. The city boasts unique geography and infrastructure and is considered a hub in the Fraser Valley. The south portion of the land area borders the United States and the Fraser River borders the township to the north. The city provides easy access to other larger urban areas in the Fraser Valley, and is also a gateway to B.C.'s southern interior. Major transportation routes are readily available: the Trans-Canada Highway (Highway 1) runs through Abbotsford and the town is serviced by an international airport and class one railway. Abbotsford has one border crossing into the United States with a second crossing located nearby. These various features make the city attractive to a variety of businesses and industries.

#### **Population:**

- 145,102 (2018 – fifth largest municipality by population in the province)
- The Abbotsford-Mission Census Metropolitan Area grew at a rate of 2.5 per cent between 2011-16
- Third most ethnically diverse city in the province and fifth in the country
- Median age is 40.8, which is younger than the B.C. average

#### **The Land:**

- Area: 39,043 hectares (largest municipality in B.C. by land area)
- 75 per cent of the land is within the Agricultural Land Reserve
- 84 per cent of residents live within 500 metres of a park

#### **Key Economic Drivers:**

Abbotsford has seen great economic diversification from its bountiful agricultural roots. The city is building a varied economy by planning for future growth of its university, airport, healthcare, agriculture, industrial manufacturing, aerospace, and transportation sectors. This broadened and diversified approach mitigates economic risk and helps move jobs into the city, rather than just attracting commuters looking for an affordable home. The city of Abbotsford reports that a full 65 per cent of its citizens both work and live in the city, with an average commute of ten minutes.

How much has the city changed since its early Mennonite farming roots? In late 2018 Abbotsford was named one of the SMART21 Communities of 2019, an international designation in which cities are evaluated on their knowledge workforce, innovation, and sustainability, to name a few categories. Further, Mayor Henry Braun advised during a talk in June 2019 that the city is working to entice direct foreign investment from India and China.

The importance of employment to a real estate investor conducting due diligence is to find a community that has multiple industries and employers. The key sectors of the economy in Abbotsford that contribute significantly to GDP consist of:

- **Aerospace:** Four national air carriers now service Abbotsford Airport (YXX). In 2018, 840,000 passengers moved through the airport - a record-breaking year. YXX is expanding its international terminal which will add 14,000 square feet of new terminal space. The airport has been home to the famous Abbotsford International Airshow since 1962 - named as one of the "Ten Best Air Shows in the World" by *USA Today*. The airshow attracts more than 100,000 spectators each year. The UFV offers an aviation program in conjunction with Coastal Pacific Aviation out of YXX and is creating a helicopter training program with Chinook helicopters. Additionally, there are three aerospace companies working out of YXX.
- **Agriculture:** Known as the raspberry capital of Canada, Abbotsford produces the largest farm gate receipts in the province at \$639 million, and is also the agricultural capital of Canada, outpacing the Niagara region in production.
- **Construction:** A new provincial/supreme courthouse is under construction and is expected to be completed in 2020. The \$152 million project is the beginning of a plaza project that is planned to house several agencies.
  - » Total construction value in 2017: \$481,989,233
  - » Total construction value in 2018: \$553,149,229
  - » That's a 14.76% increase in construction value in one year!
  - » 1,624 Building permits were issued in 2018
- **Education:** Abbotsford has two post-secondary institutions - UFV and the Columbia Bible College. According to the city, educational services is the third-ranked top occupation in Abbotsford.
- **Federal Penitentiaries:** Abbotsford is home to three federal prisons, which employ hundreds of workers in many different fields, from correctional officers to chefs to nurses.
- **Film and Television:** Hollywood North, as Vancouver B.C. is known, creates revenues of \$1.2 billion annually that spread across B.C. Abbotsford attracts its fair share of this work with 51 film productions spending approximately 152 days in the community at various sites, contributing \$1.2 million into the economy in 2018.
- **Healthcare:** In 2008 Abbotsford opened a new hospital that is co-located with one of six regional cancer facilities. A second Canuck's Place for Kids opened its doors in January 2014 (a hospice for children and their families) and all these facilities are co-located on the Campus of Care.
- **Technology and Manufacturing:** A coalition of government, industry, and post-secondary institutions form The Sumas Regional Consortium for High Tech which is committed to attracting tech-based investment into the region.
- **Tourism:** In 2018, this increasing industry set a record, bringing in approximately \$42 million to the economy.

Linking the university to the economy by way of student engagement and innovation, the city partnered with UFV to join CityStudio in 2018. This global initiative “challenges university students to tackle civic issues and provide prototype solutions” through experimental projects and innovative education that ultimately supports the city’s strategic plan. This initiative began in 2011 between the city of Vancouver and Simon Fraser University (SFU) as a means to allow “city staff, students and community [to] co-create experimental projects to make cities more sustainable, livable and joyful.” Several of the reasons listed for this project are talent retention for the community and the freedom to experiment in ways bureaucracy cannot. In the year 2019-2020 this model will be extended in Abbotsford to create a Community Hub where local citizens can engage in this type of relational problem solving for their city.

Another link between the economic development office and the university is the intent to support the establishment of a \$40 million digital hub at the university. According to UFV’s 2016 *Campus Master Plan*, this digital hub is the top priority and is anticipated to be completed by 2020. However, in the second quarter of 2019 it is reported the province has not made the funds available yet for this new high-tech teaching facility. Nonetheless, the inroads and relationship building between the university and the city through these programs demonstrate the deep roots the university has in the community, and its link to Abbotsford’s economic future.

## **Housing – A General Overview**

In 2018, Abbotsford completed and adopted nine city master plans and one neighbourhood plan. While there is ample room in the city boundaries for an expansion of the suburbs, despite the containing factor of the Agricultural Land Reserve, the city has clearly identified growth must be contained within its urban boundaries. This plan emphasizes creating a compact urban area anchored by a thriving city centre, while prioritizing increasing density and diversity in its existing neighbourhoods, rather than focusing on expansion.

As such, in older neighbourhoods, carriage homes and secondary suites are encouraged. A compact urban footprint keeps service costs down, provides for viable transportation infrastructure, and makes the city more livable overall. A financially sustainable model uses existing infrastructure and amenities, while planning for growth. These city plans should be on the radar of any investor considering the future of this city, particularly as only the UDistrict plan (the neighbourhood plan impacting UFV) will be reviewed in-depth in this report.

## **Rental Trends and Vacancy Rates**

With a vacancy rate sitting amongst the lowest in Canada for several years now, the Abbotsford rental market is one of the most occupied markets in the country. However, compared to some of the larger cities, rent is still reasonable in this bedroom community. Hence, in the last couple of years, there has been an uptick in the number of people moving into the community from the larger and more expensive locations closer to Metro Vancouver.

This spill-over, otherwise known as the real estate doppler or ripple effect, has created demand and pressure in the rental market. There are currently approximately 500 purpose-built rental units under construction in Abbotsford which will only slightly ease the stranglehold the market is experiencing. The Canada Housing and Mortgage Corporation (CMHC) conducts a survey of the rental market in October every year. Table 4 below shows the trends in vacancy rates, and the average rents for a one-bedroom apartment in Abbotsford:

**Table 4.** Historical Rental Market Statistics Summary for the City of Abbotsford, B.C. from CMHC for a one-bedroom apartment

YEAR	VACANCY RATE (%)	AVAILABILITY RATE (%)	AVERAGE RATE (\$)
1998 October	6.9 a	**	503 a
1999 October	7.7 a	**	502 a
2000 October	2.7 a	**	509 a
2001 October	2.4 a	**	520 a
2002 October	2.4 a	**	533 a
2003 October	2.4 a	**	541 a
2004 October	2.4 a	**	549 a
2005 October	4.1 a	4.8 a	564 a
2006 October	1.9 a	3.1 a	583 a
2007 October	2.1 a	3.5 a	615 a
2008 October	2.7 a	3.6 b	632 a
2009 October	4.9 a	5.2 a	649 a
2010 October	6.9 a	8.0 a	659 a
2011 October	7.0 a	7.8 a	668 a
2012 October	4.0 a	5.0 a	666 a
2013 October	3.1 a	3.7 a	682 a
2014 October	2.9 a	4.6 a	690 a
2015 October	0.4 a	0.6 a	718 a
2016 October	0.6 a	0.9 a	750 a
2017 October	0.1 a	0.4 a	773 a
2018 October	0.4 a	**	839 a

*Legend: The following letter codes are used to indicate the reliability of the estimates:  
a - Excellent, b- Very good, c - Good, d - Fair (Use with Caution).*

A quick summary of notable facts from the chart shown in Table 4:

- Rent increased approximately 19.5 per cent between October 2014 and October 2018
- The dollar figure increase per month over that four-year span is \$149 or \$1788 per year
- The vacancy rate dropped from three per cent in October 2014 to a low of 0.1 per cent in October 2017

To update the CMHC chart, according to the rental website Padmapper, in May 2019 the average rent for a one-bedroom apartment in Abbotsford was \$950 which represented another eight per cent year-over-year increase. The average rent for a two-bedroom apartment was logged at \$1,080 which was also an eight per cent increase year-over-year.

**Research Tip:**

*The math on rent from a student's perspective is plain – it is much cheaper for a student to share a two-bedroom apartment with someone than to live on their own, which means you as an investor looking to serve student tenants might have an easier time renting a two-bedroom apartment. This is also backed by research – a 2017 housing survey by Carleton University in Ottawa reports 90 per cent of independent students in market rent situations share accommodation with other students.*

**Housing – Real Estate Values**

The composite benchmark price in March 2019 for the Fraser Valley was \$830,000, down from its high of \$885,900 in June 2018. The composite home price index for the area in April 2019 was 263 compared to 100 in January 2005, demonstrating the trend over time is positive growth of 163 per cent (263 minus the baseline of 100). The Fraser Valley appears to have been insulated from the significant corrections to property values seen in Vancouver and Toronto in the wake of various policy measures aimed at cooling those red-hot real estate markets in 2016-18. The specific benchmark prices for the Fraser Valley (Abbotsford, Langley, Mission, North Delta, Surrey, and White Rock) in April 2019 are:

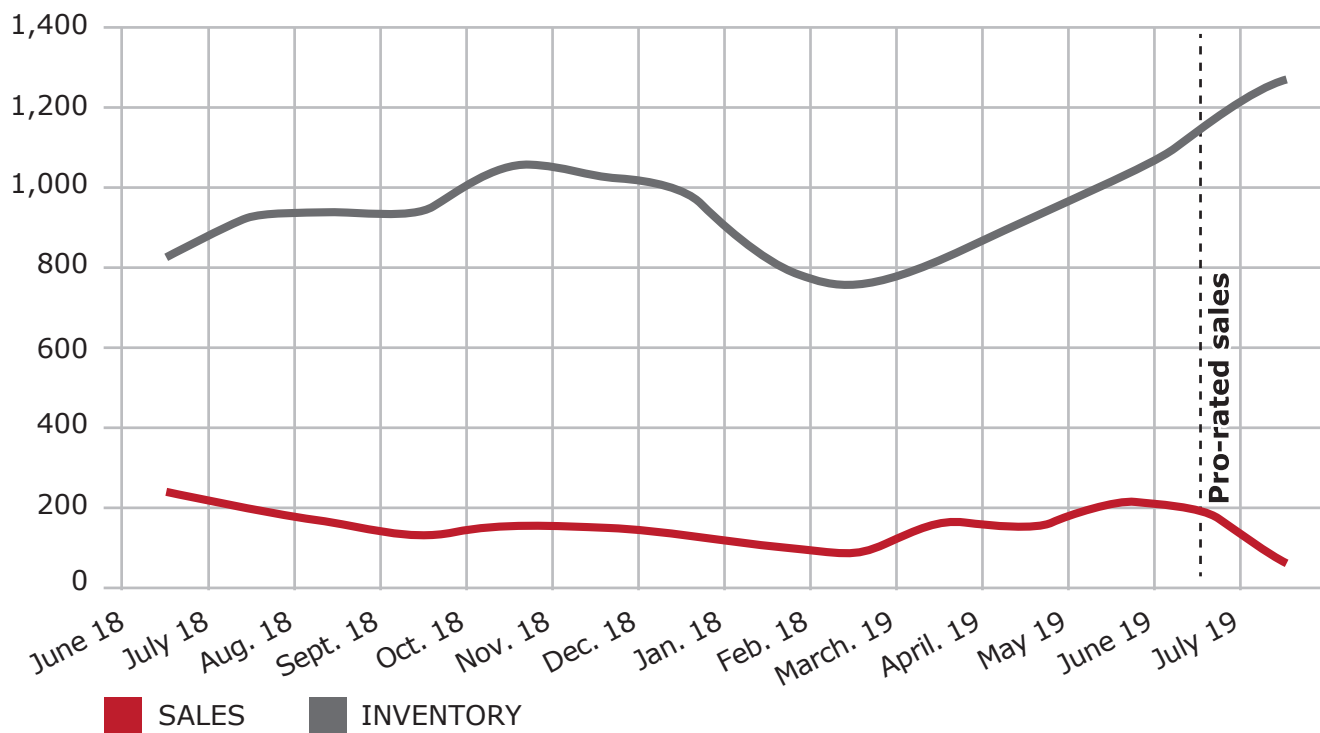
- Single Family Detached - \$964,200 – a decrease of six per cent year-over-year
- Townhomes - \$522,500 – a decrease of six per cent year-over-year
- Apartments - \$416,800 – a decrease of eight per cent year-over-year

**Housing – Inventory and Sales**

In late 2018, the city had completed approximately 2,400 housing units in the prior three years under a building boom that will be evident for many years still. Another 1,600 units were under construction in late 2018, with still another 3,600 units somewhere in stream. A full three-quarters of these units are going into existing neighbourhoods as the city focuses on infill. This new inventory is the result of an increase in demand, based on increased GDP and population growth, as per REIN's Long-Term Real Estate Success Formula, rather than speculative building.

The "total market activity" for the Fraser Valley as noted below was 18 per cent below the ten-year average; however, May 2019 saw an increase in detached home sales:

- Active listings: 8,506 in May 2019 – an increase of 26 per cent year-over-year
- New listings in May 2019: 3,542 – a decrease of almost 11 per cent year-over-year
- Sales of all property types: 1,517 in May 2019 – a decrease of almost 14 per cent year-over-year, but an increase of almost 10 per cent from April 2019
- Sales of detached homes: increased by 15 per cent from April 2019
- Median days on market: in Abbotsford for May 2019 – 36, which is a year-over-year increase in all price categories, except properties over \$1 million



**Figure 5.** Abbotsford, B.C. One-Year Trend of Sales Versus Inventory

The main conclusion for strategic investors from the key drivers reviewed is that Abbotsford is a uniquely located, growth-oriented, and fundamentally sound market well positioned for real estate investors. Now, add to this mix the fact that Abbotsford, until recently, essentially had no specific student housing available. The school built a 204-bed residence on campus that opened in 2007 and no beds have been added since that time.

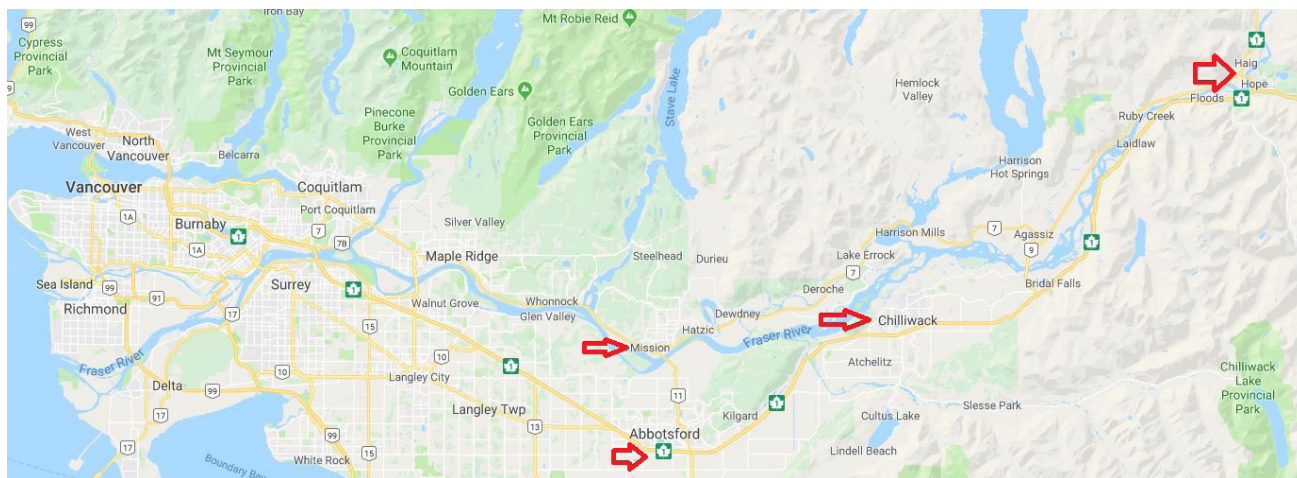
Further, the two apartment buildings closest to the university campus do not allow student rentals at this time! Does this alone make it a good bet for investors interested in capitalizing on a burgeoning student housing market? Let's turn to a review of the history of UFV and the plans for its future to investigate the growth of the university. The intent of the following section is to demonstrate the methodology a real estate investor will want to apply to any university in their geographical area of specialization. This demonstrates how one would apply REIN's University Effect Hot Zone and University Effect Scorecard.

## BACKGROUND OF UFV – HISTORICAL GROWTH TRENDS

UFV began as Fraser Valley College in 1974 with no fixed address, and one year later had just over 2,000 students spread throughout the communities of the Fraser Valley, from Hope to Mission, on two campuses: Chilliwack and Abbotsford. In 1978, a trades program campus was established in Chilliwack. Some key dates and accomplishments over the history of the school demonstrates its growth and its potential:

- In 1983, the Abbotsford campus as it exists today opened with three buildings.
- In 1986, UFV opens an Agriculture Centre in Chilliwack.
- In 1988, the first eight international students arrived.
- In 1991, the college was granted university-college status and began granting bachelor's degrees the following year.
- In 1992, UFV opens a health sciences centre in Chilliwack.
- In 1996, the Mission campus is opened.
- By 2006, university infrastructure and programs had expanded on the Abbotsford campus such that over 11,000 students were attending the institution.
- In 2006, UFV opened a "one-of-a-kind Canadian institution" in Chandigarh, India with the intent of transitioning all students to a UFV Canadian campus to complete their degree.
- In 2007, UFV opened its first student residence on the campus, with 102 suites of double occupancy (204 beds). No additional student housing has been built on campus since then.
- In 2007, the first master's degree was awarded.
  - » This is a focused area of expansion for the university.
- In 2007, the Trades and Technology Centre at the Canada Education Park campus in Chilliwack is opened.
  - » Further construction to expand the campus began in 2010.
- In 2008, UFV received full university status and transitioned to its current name, the name used throughout this document.
- In 2011, there were approximately 15,000 active students, of which, 800 were international students.
  - » This is exponential growth from 1988.
  - » The 2017 *Accountability Report* from UFV indicates: "the number of international students is up 20% from 2015/16" and has now risen 87 per cent since 2012.
- In 2012, Clearbrook Centre in Abbotsford opened.
- In 2013, a campus connector shuttle-bus began service between Abbotsford and Chilliwack.
  - » This shuttle is free to students, paid for by student union fees.
  - » This is likely part of the school's response to its lack of campus housing and the wide-spread geographical area from which the university draws its students.
- In 2014, a location in downtown Chilliwack opened, as did the Agriculture Centre of Excellence at Canada Education Park.
- In 2016, the co-operative education programs in Science, Arts, and Professional Studies were nationally accredited. Further, a graduate certificate in program evaluation was created; this certificate leads into the Master of Arts in Interdisciplinary Studies at Royal Roads University in Victoria.





**Figure 6.** A Map of the Towns UFV has Campuses in

## UFV EXPANSION: INTO THE FUTURE

UFV plans to expand; another reason it provides a good case study for REIN to research for investors. In this section we will establish and apply REIN's University Effect Scorecard. The basic premise here is that growth in both the physical size of the university, and its offerings, will lead to growth in the student body, which will lead to growth in rental demand, and so on, as per REIN's University Effect Formula. Or perhaps, for this particular university, the physical growth of the campus and the number of classes offered has lagged in response to demand and is now trying to catch up. Or at least prepare for the next wave of demographic pressure which is expected to increase demand again beginning in 2023.

UFV is currently utilizing space at a rate of 111 per cent, and a lack of infrastructure is hampering on-site enrolment at its Abbotsford campus. The university's overall growth and the continued reasons for future expansion, are due to the rapid growth in the international student body, and the increased population in the communities UFV serves. The towns and cities between Surrey and Hope are noted to be among the fastest growing in B.C. Overall, the Fraser Valley is expected to experience a cumulative population growth rate of 43 per cent between 2012-2036.

Regardless of its capacity challenges, in 2017, UFV began offering six new degree programs, and one new minor. These "programs include 2 master's degrees, a graduate certificate, 3 post-degree certificates, 16 bachelor's degrees (majors, minors, and extended minors) in over 30 subject areas, and more than a dozen trades and technology programs, as well as upgrading and university preparation programs and English as a second language programs." In short, expansion can be seen in both the breadth and depth of the school's programs.

As the school matures, providing more post-graduate degrees and programs will be an important component of expanding UFV's value to potential students. For example, UFV is currently developing a new graduate degree – a Master of Science in Integrated Science and Technology.



## UFV'S STUDENT BODY

**Table 5.** Who are the Students at UFV (Total for 2016-17, all Campuses)?

STUDENTS	
<b>9,532</b>	Total number of students as of November 1, 2016 for Fall 2016
<b>14,849</b>	Total number of students in fiscal 2017/18
<b>57%</b>	Of students are female
<b>656</b>	Total Indigenous students
<b>49%</b>	Of students are full-time, taking 9 credits or more in a semester
<b>77%</b>	1st to 2nd year degree student retention rate
<b>25</b>	Average class size
<b>36,500</b>	Alumni

**Table 6.** The Historical Growth of UFV's International Student Body

UNDUPLICATED HEADCOUNT						
	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
STUDENT TYPE						
<b>Chandigarh</b>	<b>73</b>	<b>89</b>	<b>91</b>	<b>131</b>	<b>243</b>	<b>273</b>
<b>Domestic</b>	<b>14,153</b>	<b>13,762</b>	<b>13,385</b>	<b>13,251</b>	<b>12,873</b>	<b>12,996</b>
<b>International</b>	<b>948</b>	<b>914</b>	<b>932</b>	<b>1053</b>	<b>1131</b>	<b>1332</b>
<b>TOTAL</b>	<b>15,174</b>	<b>14,765</b>	<b>14,408</b>	<b>14,435</b>	<b>14,247</b>	<b>14,601</b>

**Note 1:** Unduplicated Headcount Means Each Student is Counted Only Once

**Note 2:** This report's methodology was changed in 16/17 to account for all types of international students..

**Note 3:** Students who transfer from Chandigarh to Canada are counted as International

Demographic trends have culminated in creating a gap of university-aged persons. Canada's birth rate has been dropping for decades, coupled with the trend to have children later in life. It is not just UFV or the Fraser Valley that have a sudden lack of university aged students; this is a national trend. However, by 2022 enrolment is expected to return to its pre-2011 levels, which is noted to be earlier than other regions.

Table 6 suggests overall enrolment at UFV has declined slightly in the last five years. If we look closely though, it is the domestic student numbers that have declined, while international student numbers, both locally and at UFV's overseas campus in Chandigarh, have been increasing. Figure 8 below shows the trend of Canadian university enrolment as impacted by demographics, and the role international students play as a buffer. Despite the smaller population of university-aged residents, by the 2017-18-year, UFV's overall enrolment had increased by two per cent from the

year prior to 14,849 students. Grad student registration ranged from a low of 19 in 2014-15 to a high of 32 in 2011-12.

In comparison, Queen's University in Kingston, ON has approximately 4,200 graduate students while McGill University in Montreal hosts almost 10,000 graduate students. Which could be why UFV sees it as important to expand their graduate programs and tap into educational trends, discussed throughout this report, so as to increase their numbers. A meta-analysis of the data read for this report suggests international students will play a significant role in increasing the student body at most institutions in this country.

For the fiscal year ending March 31, 2019, UFV reported a 30 per cent increase in international students from the prior fiscal year. And, students coming from overseas typically need housing even more than domestic students. We'll look at that demographic trend in more detail later in this report.

**Rental Housing Provider Tip:**

*Recall that renting to third- and fourth-year students can be beneficial. Graduate students can also be a great clientele for an investor to focus on. These folks are older, and have some experience living on their own, which should bypass the toga party and pizza boxes on the lawn concerns.*

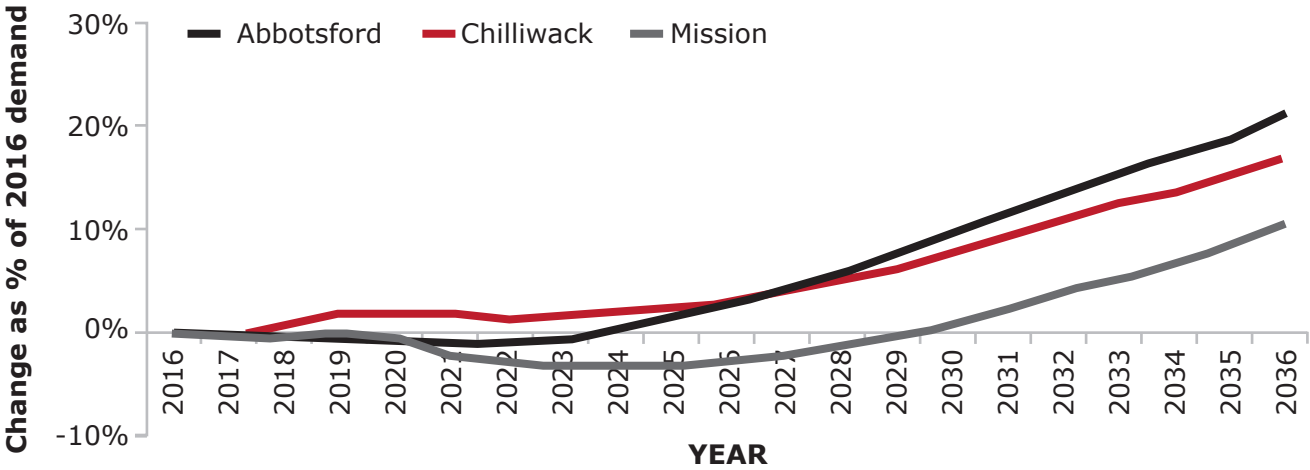


Figure 7. Projected Student Demand per UFV Campus from 2016-36

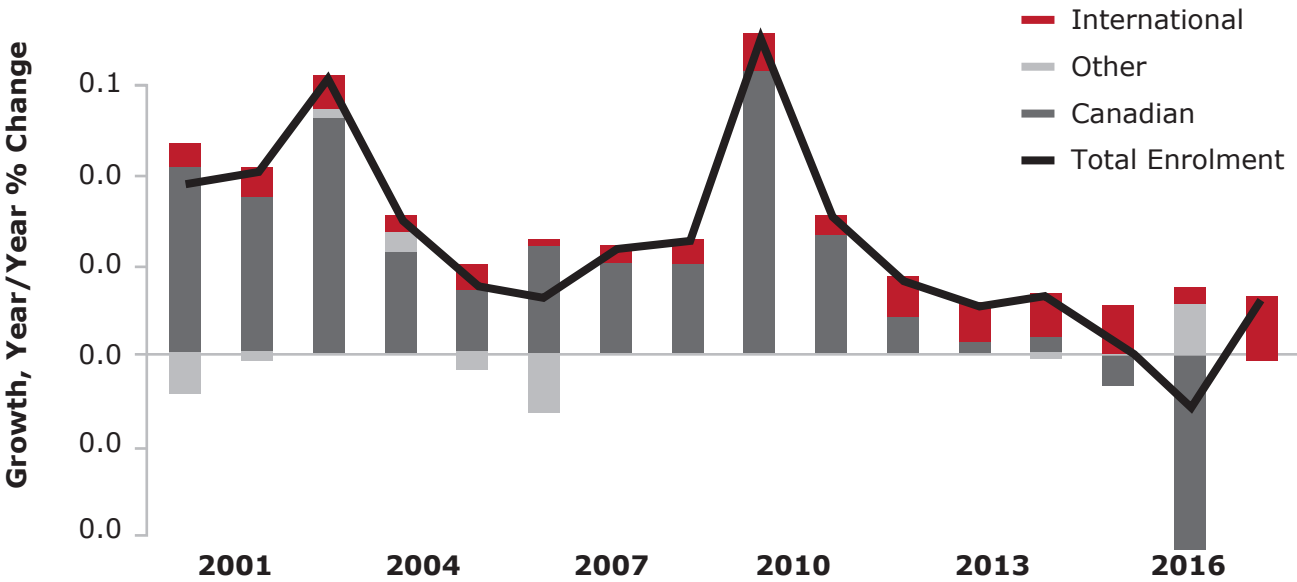


Figure 8. International Students Ease the Canadian Demographic Impact on University Enrolment

### Research Tip:

*Remember that early graph on the unmet demand for student housing across Canada? Once you have selected a university to research, you too can easily find the numbers of enrolment, the number of grad students, and the percentage of international students at a campus through the university's website. Look for a facts and figures or data page.*

**Table 7.** The Number and Origin of International Students at UFV in 2016-17

INTERNATIONAL STUDENTS	
<b>1,708</b>	Number of international students
<b>277</b>	Students enrolled on UFV's Chandigarh campus
<b>64</b>	Countries represented
<b>11.5%</b>	Share of the total student population made up of international

### Top five home countries are India, China, Republic of Korea, Japan, and Saudi Arabia

Even within the cohort of international students, UFV has experienced changes. While students from China and India make up more than 80 per cent of foreign students, a few years ago China fell into second place, and India is now contributing almost two-thirds of all international students to UFV.

UFV's *2017 Accountability Report* suggests that although the graph in Figure 7 above shows the Abbotsford campus is forecast to have the greatest student demand over the next 17 years, their internal research shows "the main driver behind choice of campus is program rather than location." This is likely true for all students choosing a university, but is known to be salient to international and graduate students particularly.

Population projections for the towns in which campuses are located also suggest Abbotsford will have the greatest growth based on population changes among people aged 15-29. Given the Abbotsford campus has the biggest physical footprint and a plan for growth, it is reasonable to suspect the development of future programs will largely be offered out of the Abbotsford campus.

However, investors should note the Chilliwack campus is the tech and trade focused campus, and these are occupations forecast for significant growth in the future, which could also sway a student's decision on what to take in school and where to live. For example, UFV reports that in keeping with governmental priorities for the health sector, the university allocated resources to, and placed an emphasis on, its nursing program, which is run out of the Chilliwack campus.

### Research Tip:

*It may be worth doing some research into future career trends to get a feel for long-term trends in student enrolment and post-secondary program focus for your area. A quick internet search will reveal a plethora of opinions on what marketable skills are required for the jobs of tomorrow, the jobs that are quickly disappearing due to technological changes, and what jobs are forecasted to have the greatest number of openings in the future. This is another layer of information to add to your research. You can also look to your university for their research – UFV's *2017 Accountability Report* has an entire section on the economy and employment trends specific to that geographical region.*

In the table below, it is clear the Abbotsford campus hosts the majority bulk of UFV students.

**Table 8.** The number of FTEs by Campus

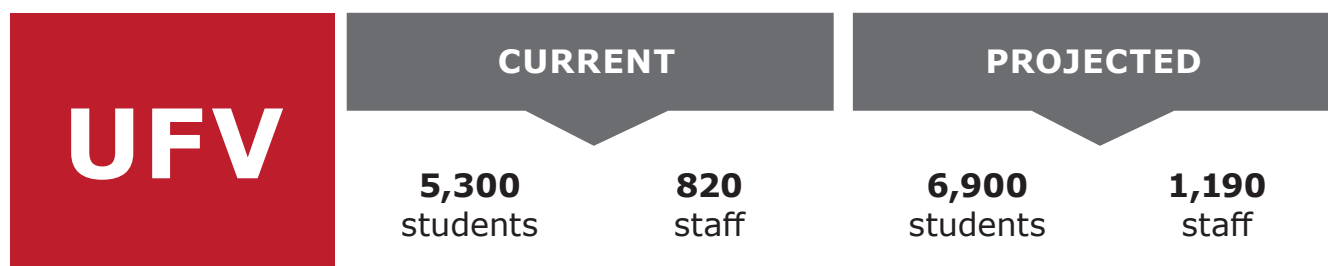
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
<b>CAMPUS</b>						
Abbotsford	5,282	5,145	5,226	5,233	5,223	5,434
Aerospace Training Centre	36	32	34	34	36	28
Canada Education Park	1,622	1,701	1,656	1,708	1,825	1,773
Chilliwack	77	37	17	19	8	0
Clearbrook Centre	177	198	227	198	223	181
Five Corners- Chilliwack	-	-	6	5	13	8
Hope	25	22	33	39	16	12
Marshall Road	44	2	-	-	-	-
Mission	177	174	147	123	97	76
Offsite, in country activity	156	189	179	179	180	148
Online: UFV	443	489	500	516	513	576
Out of country activity	100	101	145	217	314	316
<b>TOTAL</b>	<b>8,139</b>	<b>8,093</b>	<b>8,170</b>	<b>8,261</b>	<b>8,448</b>	<b>8,552</b>

In terms of projected numbers, UFV is forecasting adding approximately 1,000 students per year to the Abbotsford campus through 2041. However, in much of UFV's reporting, rather than talking about the total number of students, which neared 15,000 for all campuses, they often convert these numbers into a full-time equivalent (FTE) number, and base their statistics and forecasting from the FTEs. For the year 2017-18:

- 64% of FTEs were generated at UFV's main campus in Abbotsford
- 21% of FTEs were generated at the Canada Education Park (CEP) campus in Chilliwack
- 15% of FTEs were generated online or at other campus locations (Mission and Hope)

However, based on FTE attendees of 5,284 in the 2014-15 year, the future of full-time students on the Abbotsford campus is expected to be:

- In 2030 - 5,892 (10 per cent increase)
- In 2040 - 6,865 (23 per cent increase)



**Figure 9.** UFV's Abbotsford Campus Projected Growth of Full-Time Equivalent Students and Staff Upon Neighbourhood Build Out (2040)

The historical growth of FTEs for all UFV campuses, excluding international students, is evident in the table below. UFV doubled its student population between 1993-2008.

**Table 9.** Historical FTEs for UFV, 1993-2018

YEAR	FUNDED FTEs	ACTUAL FTEs	DIFFERENCE	UTILIZATION
1993-94	2,792	3,015	223	108%
1994-95	3,329	3,294	-35	99%
1995-96	3,534	3,468	-66	98%
1996-97	3,795	3,634	-161	96%
1997-98	3,691	3,962	271	107%
1998-99	3,962	4,330	368	109%
1999-00	4,134	4,926	792	119%
2000-01	4,592	4,981	389	108%
2001-02	5,025	5,234	209	104%
2002-03	5,282	5,518	236	104%
2003-04	5,455	5,471	16	100%
2004-05	5,542	5,680	138	102%
2005-06	5,205	5,667	462	109%
2006-07	5,610	5,785	175	103%
2007-08	5,961	5,729	-232	96%
2008-09	6,251	6,174	-77	99%
2009-10	6,608	6,688	80	101%
2010-11	6,645	6,926	281	104%
2011-12	6,677	7,014	337	105%
2012-13	6,688	6,852	164	102%
2013-14	6,678	6,751	73	101%
2014-15	6,678	6,675	-3	100%
2015-16	6,678	6,656	-22	100%
2016-17	6,676	6,514	-162	98%
2017-18	6,676	6,441	-235	96%

**Note:** Historical FTEs do not include ITA Funded or International FTEs.

## AVAILABLE STUDENT HOUSING FOR UFV STUDENTS

Students contemplating attending UFV will likely need to make peace with living at home for a few more years due to a shortage of beds. A national study of universities which surveyed almost 15,000 students at 34 universities across Canada found that over 80 per cent of UFV domestic students lived with their parents; this number is significantly higher than the national average of 43 per cent.

UFV acknowledges in a 2016 planning document that a “lack of appropriate housing and services in the adjacent neighbourhood has reinforced the idea of UFV as a commuter campus with few amenities for students, faculty and staff,” yet, the same document notes student housing is the third priority for the university. While this certainly does not sound great for potential investors, that is still approximately 3,000 students requiring housing every year. No doubt, the incredibly low vacancy rate and high prices in the public rental stock in Abbotsford have played a role in the number of students living at home being so skewed.

UFV’s internal planning suggests on-campus housing should accommodate 10 per cent of their total students, particularly given the increase in international students. Given the numbers, UFV should currently have about 1,500 beds available, in contrast to the 200 beds they have. Therefore, there is a significant shortage of on-campus student beds right now, forcing student renters to compete in an already tight public rental market.

### Research Tip:

*Investors should be able to find the number of student beds available comparative to need on a university’s website. Some universities, UBC for example, readily provide all you need to know about the number of beds through a simple google search (11,796 beds as of September 2018 and the total enrolment in 2017-2018 was 63,370 students). Other sites may require some digging through multiple documents. May the odds be ever in your favour.*

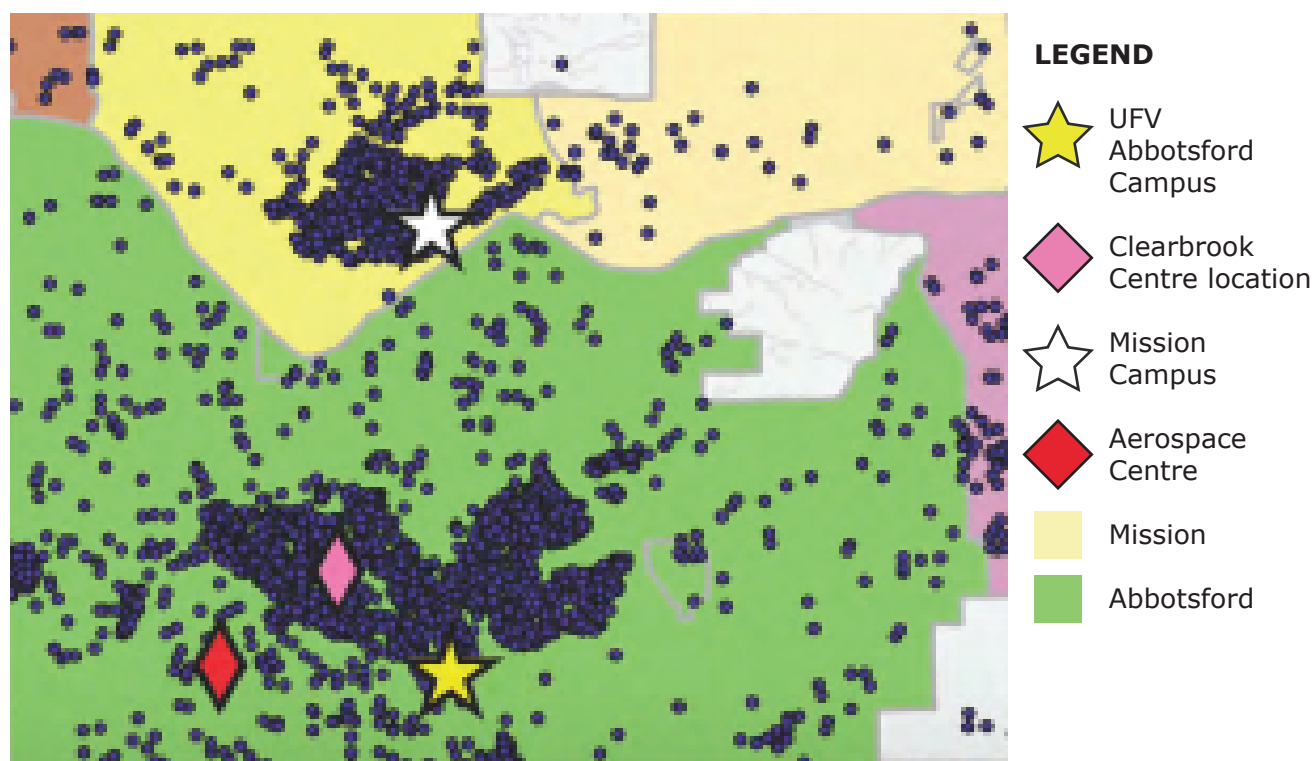
In order to begin addressing the shortage of student beds, UFV committed to creating a housing strategy in 2016. In 2018 UFV began consultations with students and the university community after the provincial government announced \$450 million would be available to universities to build new student housing.

The Scion group – an organization focused “exclusively on ownership, operation, and advisory services for student housing, both on and off campus” – was secured to conduct the analysis and develop a strategy for UFV. The organization, which appears to be primarily operating in the U.S., has reportedly “participated in the acquisition or development of over 70,000 beds and advised colleges and universities, foundations and private-sector providers in more than 200 campus markets, representing over \$5 billion of project value.” The company currently owns and manages over 53,000 beds, connected to 53 university campus markets in 27 states. The housing strategy report was expected in November 2018 but does not appear to be public at this time. Therefore, REIN cannot concretely comment on whether UFV plans to build any student-specific housing in the near future.

Prior to this governmental announcement of money to lend, UFV's focus was on creating public housing in the university village through the identification of multiple sites that lay within the boundaries of the UDistrict. This includes the former Towne Cinema site on McCallum road, now under development (more on this site later in this report).

According to a 2016 document, rental housing is suspected to be a better use of land value than strata residential, assuming that small student-oriented units are built. The report also suggests the university may explore options to partner with private industry in the delivery of infill housing for their students, staff, and faculty in the university village. For more details on planned campus housing for the Abbotsford campus, please see that section in the *Campus Master Plan*.

UFV produced this geographical spatial analysis of where its students live, which clearly demonstrates densification closest to the campuses:



**Figure 10.** Distribution of UFV Student Residences in Abbotsford and Mission, B.C. (38 per cent of students live in Abbotsford, B.C.)

As previously suggested, housing for UFV students is tight, to put it mildly. The CMHC fall 2016 *Rental Market Report* for the Abbotsford-Mission Census Metropolitan Area suggests the ideal student apartment is a bachelor apartment, and this product had virtually zero supply as the 2016 vacancy rate had dropped to 0.0 per cent. However, it is REIN's experience, echoed by other reports, that most students share rental accommodations with other students to keep costs down. The rental picture is much unchanged today in Abbotsford, as the most recent rental *Market Report* from CMHC for this area suggests in Table 10.



**Table 10.** Abbotsford – Mission CMA Vacancy Rates by Bedroom Type (October, 2018)

	BACHELOR	1 BEDROOM	2 BEDROOM	3 BEDROOM	TOTAL
Abbotsford	0.0 b	0.4 a	1.3 a	0.0 d	0.8 a
Mission	**	3.4 d	0.6 a	**	1.6 b
Abbotsford - Mission	0.0 b	0.7 a	1.2 a	0.0 d	0.9 a

Simply put, more affordable student housing must be created and enter the marketplace. Given a lack of rentals can impact a student's ability to attend school if they rely on housing, UFV has partnered with the city of Abbotsford to "develop the UDistrict Neighbourhood Plan and UFV Campus Plan." These plans will guide future development and growth of "the UFV campus and surrounding neighbourhood," in part to address the issue of housing. Shortly we will explore these two plans to uncover the future of the university, and housing options for its students. First, a brief synopsis of a potential rental property near UFV.

## POTENTIAL STUDENT RENTALS NEAR UFV

Consultation with the Eximus Real Estate Team in Abbotsford, B.C. supported this comparison of potential student rental properties in Abbotsford. The team selected two properties they believed were comparable. The complexes were built within five years of each other. The building called Sage is older than the building called Argyle. Both are built similarly over three levels, have double car garages, and offer similar square footage. The Argyle townhouses are located on King road, 650 metres from the main gates of UFV and within the established boundaries of the UDistrict. The Sage townhouses are in the Auguston neighbourhood of East Abbotsford, 9.7 kilometres from the university. Comparisons show that the two-bedroom units closer to the university generally sell for the same price as a three-bedroom unit located farther away, suggesting there is a price premium associated with being closer to the university.

- In Argyle, the listed prices in June 2019 range from \$434,999 for a 2 bed/3 bath, up to \$569,000 for a 3 bed/3 bath. This complex has no regulations on rentals.
- In Sage, a 3 bed/2 bath is for sale for \$519,900. Rentals at Sage are restricted to the original owners in the complex.
- Note the two condo buildings closest to UFV, now ironically called College Park, no longer allow rentals.

## THE PLAN FOR THE UDISTRICT

Plans for the expansion of the university and urban development plans for the surrounding vicinity were originally undertaken separately by the city and the university. In 2009, UFV created a campus master plan, identifying future growth opportunities. In 2012, the City of Abbotsford created a mixed-use and transit-orientated community plan surrounding UFV to support the institution's growth. In 2015, the university partnered with the city to jointly plan the UDistrict, a spatial area seen in Figure 11 below of 310 acres.

Between 2015-2016, various stakeholders came together during a consultation process to finalize the master plan. The UDistrict will become one of four mixed-use urban centres in Abbotsford as the city prepares to become home to 200,000 residents. This section of this report will review the major initiatives that live within the *2018 UDistrict Neighbourhood Plan*.

The intent of the *UDistrict Neighbourhood Plan* is to support the long-term diversification and growth of the university, by becoming “a vibrant and distinct urban community that supports a walkable, transit-oriented lifestyle, focused around an innovative university village.” And by long-term, they do mean such. The full build-out of the UDistrict is anticipated to take 40 years.



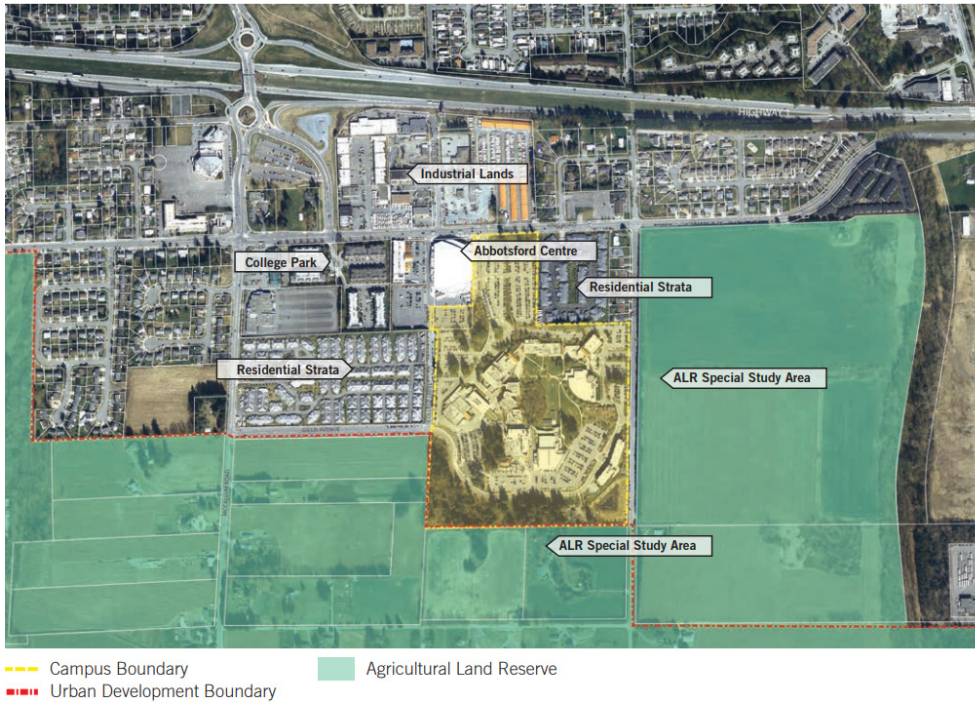
**Figure 11.** The Map of the Boundaries of the UDistrict in Abbotsford, B.C.

The approximate current demographics of the neighbourhood UFV is located in (based on the 2016 Census):

- Average age of resident – 39
- Median household income - \$69,696
- Average number of persons per household – 3
- Current number of dwellings – 1,400
- Predominant dwelling type – Apartments
- Neighbourhood population – 3,775
- Active businesses – 40

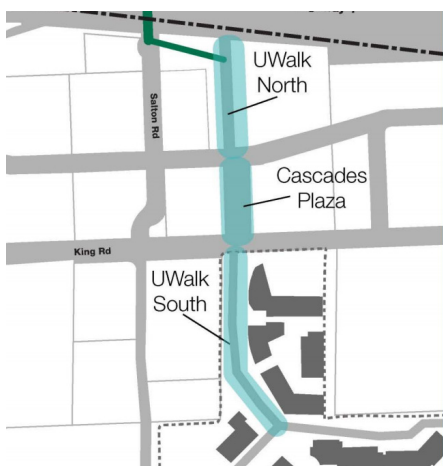
Projections for this neighbourhood:

- Number of dwellings – 4,600 units
- Neighbourhood population – 9,700



**Figure 12.** UFV's Current Footprint (*shaded in yellow*), the excluded Agricultural Land Reserve area (*solid green area*), and the Urban Development Boundary (*outlined in red*)

In terms of economic development for this neighbourhood, it is believed that by building around the university, the district becomes an ideal place for high-tech and IT businesses to incubate. As well, the planned university digital hub, which is expected to open in 2020, will become a focal point to bring jobs into the neighbourhood. Further, a hotel and conference centre will be sought to locate themselves in this district. If these plans materialize, UFV will become not only the centerpiece of this specific neighborhood, but also will influence the very vibe and daily life of the immediate area.



**Figure 13.** The Three Spatial Areas that will Form the Core of the UDistrict (*highlighted in blue*)

The UDistrict will be separated into three spatial areas:

- UWalk North will be a tree-lined greenway between King Road and Highway 1, connecting to the new pedestrian/cycling bridge, in what is shown in Figure 12 as industrial lands.
- A central plaza called Cascades Plaza will be positioned as the heart of the UDistrict and will exist north of King Road in the current industrial area. This area will have the ability to be closed to traffic in order to support special events.
- UWalk South begins at the intersection of King Road and University Way and leads into the formal campus. A new bus terminal to accommodate bus rapid transit will be built in this section.

## Housing in the UDistrict

The UDistrict, as with all other new mixed-use and planned communities across Canada, will focus on being walkable, bikeable, and connected by transit. So much so that new buildings in the district are mandated to provide bike storage and lockers. Bike lanes will be separated from traffic and all streets will have sidewalks on each side of the road. The residential aspect of the UDistrict plan calls for multi-family apartment housing, the incorporation of three-bedroom apartments, an undetermined portion of stock must be considered affordable housing, and it encourages the construction of purpose-built rental stock.

The plan makes this neighbourhood the primary focus for off-campus student housing. New apartment buildings in the neighbourhood are already evident. A new building at the intersection of McCallum and King road opened its doors for rent in January 2019. This development is appropriately called U-Building Abby and is in line with the modern amenities noted previously in this report. Despite lacking an outdoor pool or concierge service, the building does boast 10 free communal bikes to be shared amongst 94 suites. By all accounts, the building appears to be a purpose-built rental held by the developer. For examples of what current rents in this building are, please see Table 11 below.

**Table 11.** The Advertised Rental Rates for the First New Purpose-Built Rental Building in the UDistrict

Type	Rent	Beds	Baths	Sq. Feet	Deposit	Furnishing	Term of Lease
Apartment	\$1,250	1	1	570 ft <sup>2</sup>	\$1,250	Unfurnished	Long-term
Apartment	\$1,350	1 + den	1	650 ft <sup>2</sup>	\$1,350	Unfurnished	Long-term
Apartment	\$1,550	2	2	823 ft <sup>2</sup>	\$1,550	Unfurnished	Long-term

After decades of limited to no construction of purpose-built rentals in Abbotsford, there are now seven or eight such buildings under construction scattered around the central area of the city. Eximus Real Estate Team provided some further insight into the new buildings under construction in the UDistrict, most of which appear to be purpose-built rentals. As previously mentioned, one new building is now open for rentals. A second building is under construction on the north side of King Road just down from the university. On the former Towne Cinema site on McCallum road, approximately 700 metres from the south entrance to UFV, a site containing 65 townhouses, some with basement suites, and two apartment buildings providing approximately 130 units, have both broken ground.

It is believed one apartment building will be released as purpose-built rentals while the other has been bought by investors. However, it does not appear that any of these buildings under construction are geared specifically to students in terms of amenities or a community living style floorplan. Rather, all these new apartments are going into the public rental pool. Therefore, students will continue to compete with the general public for housing. In short, zoning and development plans are key to managing UFV's expansion and incorporation into the neighbourhood in a way that provides plenty of rental options for student housing but does not become a Wolfville, Nova Scotia, as per the example referred to in the previous research section where zoning has allowed multiple rooming houses to exist clustered around the university.



## UFV'S ABBOTSFORD CAMPUS MASTER PLAN

In 2016, UFV published its *Abbotsford Campus Master Plan*, created in parallel with the UDistrict neighbourhood plan, and if the opening rendering of the university grounds, seen in Figure 14 below, is an indication, the campus is forecast to double in size in terms of its buildings. In the graphic below any unlabeled building does not currently exist, except for the Abbotsford Event Centre which is in the far-left centre of the artist rendering, and Baker House (student housing) on the far-right edge of the graphic (both locations are marked with a star). UFV's Campus Master Plan is robust – drawing on and taking into consideration other regional frameworks and policies, such as:

- The Agricultural Land Reserve
- the *Transit Future Plan*
- *Regional Growth Strategy* for the Fraser Valley

However, a note of caution: this plan only takes the reader six years out, to 2025.

Reportedly, the university has been asking the province for funding to support expansion for years, as it is over capacity and is limited in its ability to generate student revenue without more physical space. UFV “is a publicly funded institution under the University Act, with direction provided through the Ministry of Advanced Education.” As such, domestic tuition rates are regulated by the province and have faced a limited annual increase of 2 per cent per year since 2005. The 2019 annual financial report also notes “provincial operating grants have been flat” and public universities are expected to share the cost of capital projects with the government.



**Figure 14.** The Future Build-Out of UFV's Abbotsford Campus

UFV considers itself “an important urban anchor in the city of Abbotsford,” with its decisions not only impacting the adjacent neighbourhood, but also the “image of UFV and its ability to attract future students and faculty.” Therefore, the plan is geared to “ensure mutual benefits” for both the

city and the university. A few of the stated principles in the creation of this plan are:

- Locate community-orientated campus uses within the village
- Enhance community connections that link the campus to the community through a new U-Walk
- Create diversity in student housing opportunities, on and off campus, by partnering with the city
- Develop meaningful connections between students, faculty, and business by partnering with industry and local businesses
- Ensure “alternative modes of transportation are becoming more attractive to students, faculty and staff”
- Explore ways to integrate community uses into the university village

The university village will be the first of three distinct identified zones to be developed on UFV’s current land, these are:

- The university village (phase 1)
- Academic zone (phase 2)
- Future student village (phase 3)

The university village will be situated south of King road, on land currently occupied by parking lots, and will be bordered to the west by the UWalk. This zone is a mixed-use space that blends student, community, and academic places, and it may or may not include the placement of UFV Abbotsford campus’ Digital Hub, as there are two potential plans for the placement of this facility within the Abbotsford campus. The recommendations for housing in this zone of the campus include public, non-student-oriented housing, international student housing, and independent student housing, all through private development. Figure 15 below suggests the total new area that will be added to the campus via this zone.

UFV: DIGITAL HUB	8,000
UFV: ACADEMIC + SUPPORT	11,413
UFV: CAMPUS HOUSING	3,000
UFV: COMMUNITY / SOCIAL SPACE	1,400
<b>TOTAL NEW UFV SPACE</b>	<b>23,813 m<sup>2</sup></b>
<b>PRIVATE DEVELOPMENT</b>	<b>25,000 m<sup>2</sup></b>

**Figure 15.** Market Study Results for the University Village

In the academic zone of UFV, three new buildings will be erected, adding the following space:

ACADEMIC SPACES	5,500
SERVICES FOR STUDENTS	2,650
LEARNING COMMONS	1,250
FACILITY OPERATIONS	550
RESEARCH	1,150
<b>TOTAL NEW UFV SPACE</b>	<b>11,100 m<sup>2</sup></b>

**Figure 16.** The Future of the Academic Zone

The student village zone will focus on adding student housing. As the available information is a spatial analysis of the size and placement of buildings, the report does not suggest how many beds it will add to its current stock of 204 beds. Further, the *Abbotsford Campus Master Plan* suggests additional campus residences will only be considered in later phases of the development of the university district, as research indicates a student preference for independent living, which will be created in the university village zone previously mentioned.

ACADEMIC SPACES	6,000
LEARNING COMMONS	1,750
CAMPUS HOUSING	3,700
GATHERING	50
ATHLETIC/REC	1,700
<b>TOTAL NEW UFV SPACE</b>	<b>13,250 m<sup>2</sup></b>

**Figure 17.** The Future of the Student Village Zone

To account for the previous sections, this is what university due diligence looks like in terms of creating an entire case study/methodology. We researched the economic fundamentals of the city the school is located in. We looked at the background of the university itself to establish its growth trends. We investigated the neighbourhood plan for the geographical area the university is located in.

And finally, we undertook a review of the expansion plans for the university. This macro to micro process gives us a solid foundation upon which to proceed with REIN's University Effect Scorecard



analysis. And once this process is completed, if investors move to purchasing a property specifically with the intent of renting to students, why not continue drilling down in specificity? The level of detail available in this case study allows investors to intelligently choose and develop their own niche within a niche market – for example, renting to nursing students, or students from India, etc.

#### **Rental Housing Provider Tip:**

*One REIN Member participates in student rentals by renting to students studying the field in which the Member works - the thought being, these students are not going to mess up the connection and potential reference they have in their landlord.*

## **REIN'S UNIVERSITY EFFECT HOT ZONE APPLIED TO OTHER UNIVERSITIES**

This section applies REIN's University Effect Hot Zone filter to 15 universities to help investors begin their journey of additional diligence – by applying the three criteria investors want to establish before going onto REIN's University Effect Scorecard. As mentioned, investors considering this niche market need to review not only the economic fundamentals of the town or city, but also the expansion plans for the university, and any campus housing strategy plan as well. Bear in mind that even if a university has no expansion plans, almost every university reviewed for this report has a growing number of international students, and this population almost always requires housing. To that end, each of the following university overviews begins with a table that captures the three factors. This section is only meant as a guide to investigate some post-secondary institutions across the country and to give readers an idea on how to get started on their own, more thorough, diligence as per the UFV case study section. This section is not meant as a recommendation to purchase an investment property near any of these universities without further due diligence.

## **GLOBAL AND NATIONAL UNIVERSITY RANKINGS**

On the topic of university rankings and a school's placement on such that might influence a student's decision, ranking lists abound, from *Maclean's* Canadian edition, to American and global lists. REIN's recommendation is to look at several lists and focus on universities that consistently appear on multiple lists, as such rankings have an element of subjectivity. For example, *Maclean's* has faced criticism for their research methodology in the past. The news magazine notes they routinely tweak and refine their data gathering approach: "For more than a decade, our approach has relied on third-party data, drawing on sources such as Statistics Canada and the Canadian Institutes of Health Research. To ensure the rigour of the information presented, we do not use data provided by the schools themselves." However, three years ago they began including student survey data. In 2019 *Maclean's* produced five lists. Below is their comprehensive list for Canada.

What can be observed in Table 12 is the reference to two other rankings *Maclean's* produced: the student satisfaction and reputational survey's lists. The reader is cautioned that when a review was conducted of each of *Maclean's* five lists, there was little consistency regarding the number one school in Canada.

A second graphic illustrates that when schools are reviewed by reputation alone, on four markers, SFU, which is considered the number one school on the comprehensive list for 2019, has fallen to no higher than position nine on the reputational ranking. Instead, by reputation, Toronto, Waterloo, McGill, and UBC dominate, yet only Waterloo appears in the comprehensive top ten list. The number one medical/doctoral school in Canada is McGill, according to *Maclean's*. That being said, certain schools like UBC, McGill, and the University of Toronto appear on multiple lists, and this is what an investor seeks to find.

**Table 12.** Canada's Top Comprehensive Schools 2019 (from *Maclean's*)

Overall Ranking	School	Last year	Student Satisfaction	Reputational Survey
1	Simon Fraser	1	6	2
2	Victoria	2	4	5
3	Waterloo	3	10	1
4	Guelph	4	2	3
5	Carleton	5	7	9
6	Wilfrid Laurier	6*	1	10
7	Memorial	8*	13	7
8	New Brunswick	6*	11	12
9	York	8*	15	8
10	Concordia	10	8*	6

**Table 13.** Canada's Top School by Reputation 2019 (from *Maclean's*)

Rank	Best overall	Rank	Highest quality	Rank	Most innovative	Rank	Leaders of tomorrow
1	Toronto	1	Toronto	1	Waterloo	1	Toronto
2	Waterloo	2	McGill	2	Toronto	2	Waterloo
3	UBC	3	Waterloo	3	UBC	3	UBC
4	McGill	4	UBC	4	McMaster	4	McGill
5	McMaster	5	McMaster	5	McGill	5	Alberta
6	Alberta	6	Queen's	6	Alberta	6	McMaster
7	Queen's	7	Alberta	7	Ryerson	7	Queen's
8	Western	8	Western	8	Queen's	8	Montreal
9	Simon Fraser	9	Simon Fraser	9	Simon Fraser	9	Ryerson
10	Montreal	10	Dalhousie	10	Western	10	Calgary

Given the rapid growth in the international student segment in Canada, the following section uses the global rankings of universities from a company whose primary focus is establishing such. International students conduct research prior to choosing their country and their school, and the global rankings of schools may be included in this research. Therefore, rankings become another element of research an investor can layer into the overall picture. QS is reportedly the “most-widely read university rankings in the world,” and it is for this reason REIN has chosen this company’s rankings. This global ranking of universities compares 497 universities. The top six Canadian universities, according to QS, are:

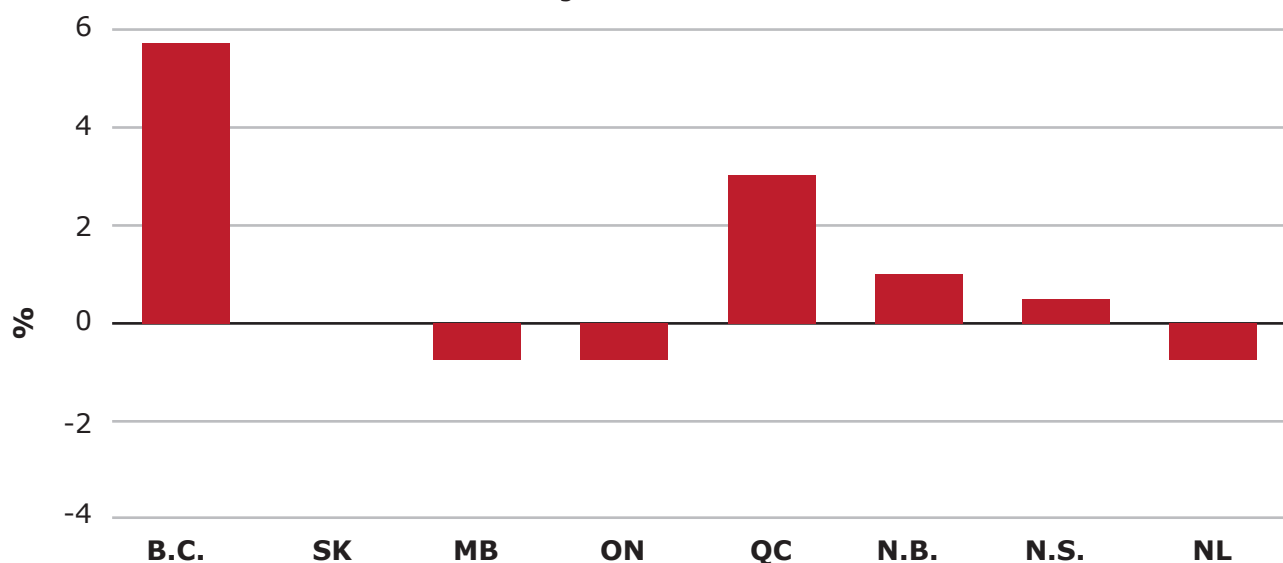
- #12 - The University of Toronto (Toronto, ON)
- #25 - The University of Waterloo (Waterloo, ON)
- #38 - The University of British Columbia (Vancouver and Kelowna, B.C.)
- #87 - The University of Alberta (Edmonton, AB)
- #93 - McMaster University (Hamilton, ON)
- #103 - Queen’s University (Kingston, ON)

QS also produced a ranking of the top ten best student cities globally. The only Canadian city to make the list was Montreal, ranked in position number four.

## PROVINCIAL BUDGETARY FUNDING FOR PUBLIC UNIVERSITIES

Growth in the student body becomes strained if the physical footprint of the university cannot be expanded in step. As most of the universities under review in this report are public institutions, they are beholden to the mandate of the province, who supplies some of their funding. In this way, the political climate of a province needs to be on the radar of student housing providers.

In the 2019 provincial budgets, four provinces increased funding, while three reduced funding, and Saskatchewan saw zero growth. The chart below shows changes to the operating funds from the prior fiscal year. Investors can use this information in tandem with their own research into specific campus plans to gauge whether schools in their province of interest can physically expand to meet student demand or create student housing.



**Figure 18.** Provincial Budgetary Changes to Universities Across Canada, by Percentage, from the Prior Budget (University Affairs)

## BRITISH COLUMBIA

In the 2018 provincial budget, the government allotted \$450 million in loan provisions to post-secondary institutions for the construction of up to 5,000 student homes, which they want made available by 2024. Budgetary highlights from 2019 include:

- "Increase for post-secondary education operating funds: 5.8 percent in 2019, 0.5 percent in 2020 and 0.3 percent in 2021, as part of the Economic Stability Mandate.
- Increase to post-secondary education capital funding of \$121 million over three years, from 2019 to 2021. This builds on previously announced \$783 million to maintain, replace, renovate or expand facilities.
- \$89 million in grants to health and life sciences research organizations to attract and retain health researchers and support entrepreneurship and commercialization.
- Continued two-percent increase limit for domestic students' tuition fees mandated by the provincial government."

Here are a few universities in B.C. to consider:

### University of British Columbia - Okanagan (UBCO)

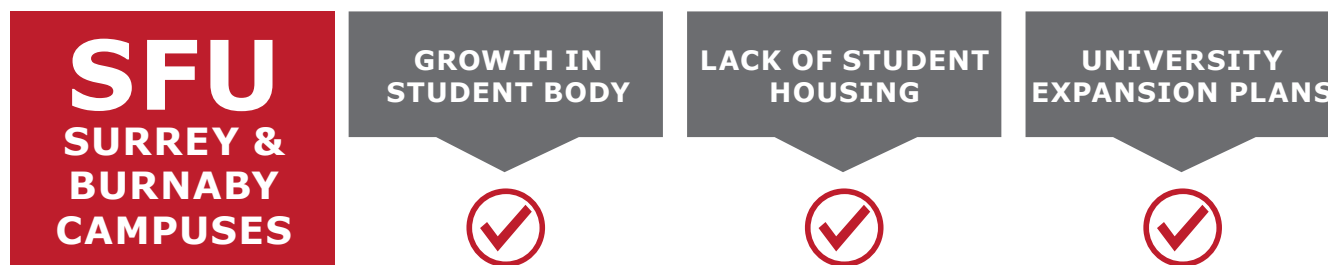


UBC's Okanagan campus is located in Kelowna, which is the #6 city in *REIN's Top Ten Towns and Cities – British Columbia* report.

UBC has multiple campuses and has been ranked globally in position #38; this section focuses on the Okanagan campus. Reportedly, UBC maintains the largest student housing inventory of any Canadian university (they currently house 11,800 students on the Vancouver campus). However, in Kelowna, where UBC's Okanagan campus is located, the campus has a waitlist for student housing that exceeds 1,000 students. Kelowna is considered the seventh most expensive rental market in Canada, with an average rental rate for a one-bedroom suite hitting around \$1,280, and a vacancy rate of 1.9 per cent. The provincial government has provided the university with a loan for 75 per cent of the cost of building a 220-unit, affordable student housing project (Skeena) on the Okanagan campus. "UBC Okanagan will finance the balance from internal sources and ... pay back the government loan through rental income." The university is also developing a second 220-unit student housing project on the same campus which will serve as a seasonal hotel. It is unclear how UBC is funding the construction of the Nechako building, however, the loan provided by the provincial government is only for the Skeena building. Once both buildings are on-stream, the Okanagan campus will provide 2,120 beds. Construction is underway on both buildings, with one slated to open in the summer of 2020 and the other in spring 2021. The addition of 440 beds will not clear a waitlist topping 1,000 people.

Expansion plans for this campus were approved in late 2015 via the *UBC Okanagan Campus Plan*. This 20-year plan is noted to cover the future of the physical expansion of infrastructure, future research and academic undertakings, as well as student housing. An illustration of the campus's future suggests approximately 20 more buildings could be added to the campus. The growth for the campus appears significant as there are plans for entirely new sections, such as a 12-hectare "research/innovation precinct." Therefore, investors interested in the community of Kelowna are encouraged to review the UBC Okanagan Campus Plan in depth.

## Simon Fraser University (SFU)



SFU has multiple campuses in towns that REIN identified on its *Top Ten Towns and Cities – British Columbia* report (Surrey - #1, Burnaby - #9, downtown Vancouver - #10) and has been ranked globally in the grouped position #301 to 500. SFU has a *Five-Year Capital Plan 2019-2024* to guide the growth of the institution. The plan "includes projects totaling \$978,524,000 aimed mainly at expanding the SFU Surrey Campus." SFU has experienced exceptional growth over the past decade (2008-18) in terms of student enrolments, both undergraduate and graduate:

- Grown by 22.5 per cent
- Enrolments at the Surrey campus have increased by 69.0 per cent

Surrey (#1 on REIN's *Top Ten Towns and Cities – British Columbia* report) is noted to have the lowest ratio of seats in post-secondary education institutions per capita of any Metro Vancouver community. As such, the university reports qualified student applicants are being turned away from programs every year as they are oversubscribed. Work on one new building on the Surrey campus is already underway, with a total goal to accommodate 2,500 more FTE student positions through the campus expansion. The next three projects, which are all new buildings, will be carried out over the next ten years. There does not appear to be any campus housing in the works for the Surrey campus.

Close to SFU's Surrey Campus is a property called the University District (by SkyBlue Properties) with 700 studio, 1, 2, and 3 bedroom homes for sale. This private development is 400 metres from the Surrey Central LRT Station, and 500 metres from the entrance to the SFU campus. The development is a high-end offering with resort-style amenities including an outdoor heated pool, dog washing station, and full-time concierge. No doubt its location makes it a desirable property for SFU students.

SFU's *Five-Year Capital Plan*, which outlines plans for all campuses, indicates student housing on the original campus in Burnaby (#9 on REIN's *Top Ten Towns and Cities – British Columbia* report) has such significant unmet demand that addressing the shortage is the second priority of the school. 851 beds in two buildings will be constructed on the Burnaby campus. Occupancy for these new rooms is anticipated for September 2022-23.

## ALBERTA

Due to the recent provincial elections, Alberta has not provided a budgetary update for how universities may be funded in the future, and one is not expected until the Fall of 2019.

Here are a few universities in Alberta to consider:

### University of Alberta (U of A)



The University of Alberta is located in Edmonton, which is the #1 city in REIN's *Top Ten Towns and Cities – Alberta* report. Some fast facts about the U of A from 2018-19:

- Has been ranked globally in position #87
- Five campuses (one in Camrose, AB, the rest in Edmonton, including a French-language campus)
- Over 40,000 students from 156 countries (20 per cent are graduate students)
- International students number 9,036 (3,370 are graduate students)
- 290,000 alumni in 140 countries who have founded more than 70,000 organizations
- 338 undergraduate programs
- 500 graduate programs
- Over 100 institutes and centres
- \$12.3-billion annual impact on Alberta economy
- 14,438 employees
- The original north campus covers approximately 50 city blocks
- An existing LRT line cuts through the university's main campus (north campus)

The U of A has a goal to provide housing to 25 per cent of its student body and guarantee housing to all first-year students. To assist in accomplishing this goal, the university has opened three new residences over the last two years with 2,276 beds dedicated to first-year students. Other priority students for available housing include new international undergraduates, exchange students, and master's recruitment scholarship recipients. While U of A's website does not detail the number of beds available for each building, the university's housing inventory appears robust, but is only meant to house one-quarter of its population, or 10,000 students, leaving approximately 30,000 students seeking housing in the general rental market.

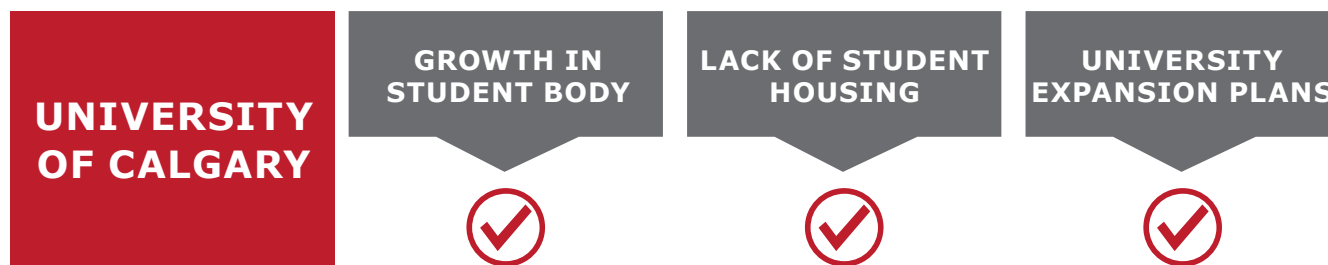
The U of A produced a *Long Range Development Plan* in 2002 that will guide strategic planning at all five campuses over the next 30 years. An amendment was produced in 2014 specific to the north campus (230 acres situated within 116 Street on the west and 110 Street on the east, and from the North Saskatchewan River in the north to University Avenue in the south). The plan suggests that facilities will need to be expanded to accommodate projected growth. The north campus is designated as the primary campus for the next 30 years and the plan is to create one of the most “densely populated campuses in Canada.” However, this plan is rather vague and does not offer concrete direction for actual construction.

In 2016, *For the Public Good* became the new institutional strategic plan to guide the next decade. One strategy to grow the objective of building the university community is to “optimize our international recruiting strategies to attract well-qualified international students from regions of strategic importance.” The annual report from the administrative unit responsible for international students reports success in their mandate to build the university through enrolment. In Fall 2017, the U of A reported record numbers of international students. Applications for undergraduate students were up 24 per cent from the year prior, while registrations were up 21 per cent. A total of 2,669 graduate students were admitted, making international students 35 per cent of that group. In 2017, applications were received from 148 countries, which is an increase from 129 countries the year prior. In terms of infrastructure, again, this plan is quite vague. The two strategies noted to meet the objective of ensuring the institution has the infrastructure in place to meet its growth objectives includes:

- “Secure and sustain funding to plan, operate, and renew, and optimize the use of campus infrastructure to meet evolving teaching and research priorities.
- Build, operate, and maintain undergraduate and graduate student housing to support our students’ academic success and sense of belonging to the university community.”

While REIN could not find any concrete or specific plans regarding construction of new buildings, the university website suggests future plans for expansion in its 780-acre South Campus.

## University of Calgary (U of C)



The University of Calgary campus is located in Calgary, which is the #2 city in REIN’s *Top Ten Towns and Cities – Alberta* report. U of C is a 200-plus-acre parcel that:

- Has been ranked globally in position #141 to 150
- Has over 30,000 students (including approximately 6,000 graduate students)
- Has five campuses (one international, the rest in Calgary)
- Has over 1,800 professors



- Has more than 250 programs
- Contributes nearly \$8 billion annually to Alberta's economy
- Of its nearly 180,000 alumni, two-thirds have remained in Calgary

Depending on where a student is in their academic career, the university has differing housing options available, including family housing. The university guarantees first-year students under the age of 21 a residence during their first two years of study. The university does not make readily available the number of student beds it provides.

As for expansion plans that will increase the number of students at U of C, several initiatives are underway. In 2018, the provincial government gifted the university 76 acres of land and three buildings to create a new research cluster. The university is also creating a life sciences innovation hub, expanding its school of business with a new building, and developing a new master's program which will launch as part of the provincial government's focus to create new technology training for students. In short, there appears to be significant growth in the works for U of C to meet increasing student demand as well as the changing nature of employment.

There is a master plan for a transit linked, walkable, mixed-use urban community called the University District located on U of C's west campus. This development is being built in the image of Harvard, SFU, and UBC in that it seeks to combine campus life with the local community, much in line with UFV and Abbotsford's planned UDistrict. "Once complete, the community will span 200 acres, including 40 acres of open space, 15,000 residents and jobs and 300,000 square feet of retail along nine blocks." A private developer is creating leaseholds on land owned by the university which will provide revenue for the school for future initiatives. The site is under construction and the first residents have moved in. Phase 1 of the retail section is anticipated to open in 2020. However, there is nothing on the developer's website to suggest any of the housing on the property is designated as student housing. The entire plan is anticipated to take 15-20 years to unfold.

### University of Lethbridge (U of L)



The University of Lethbridge is located in Lethbridge, approximately 200 kilometres south of Calgary, which is the #5 city in REIN's *Top Ten Towns and Cities – Alberta* report.

Some quick facts about the University of Lethbridge (September 2018):

- Offers 411 beds to its first-year students
- Offers 520 beds to its mature students
- Has 489 international students from 105 countries
- Has 8,767 students (484 in masters and 129 in doctoral programs)
- Offers over 150 programs including graduate degrees

- Is the city's second largest employer (1,175 employees)
- \$1.8 billion in economic impact annually to the province
- Has a second campus in downtown Calgary, AB, with a total of 673 students

The university notes 71 per cent of its students originate from outside the city of Lethbridge, suggesting there are approximately 5,746 students requiring housing each year, competing for a total of 931 beds. In order to apply for student housing, the institution has imposed this caveat: the applicant must reside outside a 100-kilometre radius of the city limits.

Applicable to expansion plans in space or programming that would allow the university to take in more students, the university reports a new science and academic building is opening for the fall 2019 semester.

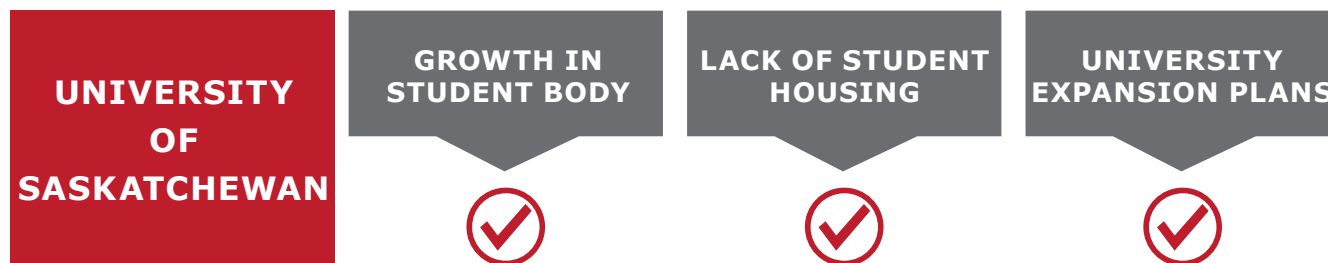
## SASKATCHEWAN

After receiving an increase in funding from the province in the prior budget, Saskatchewan's 2019-20 budget has a zero per cent increase for universities, and the commitment of \$469 million in operating grants are allocated to the University of Regina and the University of Saskatchewan. Other budgetary highlights include:

- "\$672.8 million in operating and capital grants to post-secondary institutions.
- \$22.4M for maintenance capital and renewal of ongoing and proactive upgrade of post-secondary campus infrastructure."

Here is one university in Saskatchewan to consider:

### University of Saskatchewan (U of S)



The University of Saskatchewan is located in Saskatoon and has the highest enrolment of the three universities in the province. Some quick facts about the institution:

- Has secondary smaller campuses in Regina and Prince Albert
- Over 25,700 students (including over 4,000 graduate students)
- 3.2% increase in total enrolment rates from 2014-18
- Over 3,000 international students from 130 countries
- Research intensive, medical-doctoral university
- Has the #1 ranked water-research program in Canada
- 17 colleges and schools

The housing section of the university's website suggests they provide a homestay program for their international students. There are 588 rooms allotted to first-year students coming straight out of high-school. There is another 800-bed residence, and five other buildings for upper-year or graduate students (number of rooms per building not noted). Current in-campus student housing facilities can only accommodate up to 10 per cent of the total student population. A vast majority or 46% of students take the bus due to the lack of student housing rentals within walking distance of the university.

In 2017, the university initiated a process of finalizing a campus master plan that aims to build on existing plans while providing new directions for the growth of the physical campus over a span of 30 years. While the plan is yet to be finalized, consultations are underway in the future construction of "activity hubs" that aim to "animate and engage areas throughout the campus such as the Education Faculty and the river's edge that are on the outskirts of campus... so that these environments feel comfortable, integrated, and safe."

## MANITOBA

Highlights of the 2019-20 budget from Manitoba include:

- "Decrease of \$6 million, or about 0.9 percent, to university operating grants.
- Manitoba Education and Training is developing a Skills, Knowledge and Talent Strategy to build on Manitoba's strengths to provide opportunities for the existing workforce as well as develop future talent.
- Revenue from tuition fees at universities and colleges is projected to increase by 7.4 percent from the previous year. This may be due to tuition fee increases or increased enrolment.
- \$4 million for postsecondary institutions in the non-budgetary capital program – not broken down by universities and colleges."

Here is one university in Manitoba to consider:

### University of Manitoba (U of M)



The University of Manitoba, located in Winnipeg, has the highest enrolment of the five universities in the province. Some quick facts about the institution (as of September 2018):

- Two campuses, both in Winnipeg
- 29,620 total students (3,753 graduate students)
- International student enrolment nearly doubled since 2010 accounting for 17 percent of the student body originating from 123 countries

- Increase in total undergraduate student enrolment by 0.6 percent from 2012-16
- 9,412 staff (of which 1,146 are full-time faculty)
- More than 100 programs

Student housing on the campus encompasses 1,350 students in six buildings. However, students can also apply directly to housing provided by two affiliated colleges on the Fort Garry Campus. The housing website has links to a homestay program for international students, and a webpage for conferences and short-term stays in its residences.

According to a 2017 article, the university “is facing continued criticism from neighbouring communities for its lack of action in dealing with a number of allegedly illegal rental units housing students.” The report further states that neighbouring communities are increasingly “illegally” converting single-family homes to “rooming houses largely used for rent to U of M students” indicating a shortage in student beds especially in the wake of the closure of Tache Hall residence. In 2016, a developer announced its plans to “construct a 14-storey apartment complex at the corner of Bison Drive and the Pembina Highway” which could accommodate up to 200 new rental units for students.

The University created *Taking Our Place: Strategic Plan 2015-2020*, which calls for an increase in both classroom learning spaces and program offerings. The school seeks to increase their number of students, particularly graduate and indigenous students. While the plan lays out a picture of campus improvements until 2020, the focus is more on renovation and preventive maintenance rather than expansion and physical growth. The report notes there are many other related operational plans available, including two documents specific to student enrolment - *International Strategy and a Strategic Enrolment Management Framework* plan.

## ONTARIO

Some of the 2010-20 budgetary highlights from Ontario include:

- “Funding for the post-secondary education sector (universities and colleges) is projected to decrease from \$12.1 billion in 2018-19 to \$11.7 billion in 2021-22, representing an average annual decrease of 1.0 per cent.
- For infrastructure funding, universities will receive: \$52 million in 2019-20, \$71 million in 2020-21 and \$64 million in 2021-22.
- Under the Driving Prosperity plan, the government re-announced its 10-year vision for how industry, research and the post-secondary sector can work together to strengthen the auto sector.
- Reduced college and university tuition fees by 10 percent starting in 2019-20 academic year for domestic students. Domestic tuition will be frozen for the 2020-21 school year. A fund to be available for smaller Northern institutions to adjust to the tuition reduction.
- Starting in the 2019-20 school year, the government will ensure 82 percent of student aid grants will go to students with a family income of less than \$50,000, up from 76 per cent under the previous government. The government plans to spend \$325 million less on student financial assistance each year as a result of changes to OSAP [Ontario Student Assistance Program].”

Here are a few universities in Ontario to consider:

### University of Ottawa (UOttawa or U of O)



The University of Ottawa is located in Ottawa, which is the #1 city in REIN's *Top Ten Towns and Cities – Ontario* report. U of O has been ranked globally in the grouped position #301 to 500.

The University of Ottawa has experienced a 12.2 per cent increase in its student population from 2009-18 reaching a total of 42,553 students (both graduate and undergraduate) enrolled in 2018. It has plans to "redevelop existing residence buildings ... and remains open to ventures with private developers." In recent years, the school has partnered with industry to convert one hotel and one retirement building into student housing, as well as develop one additional building. This school is noted to have more out-of-town and international students than local students and is expecting this trend to continue.

The 2015 Campus Master Plan suggests the university is planning for new buildings to accommodate program expansion. Further, the university has a memorandum-of-understanding with the city to purchase and develop the site around the Lees transit station within five years of the station opening, thus marrying transportation, housing, and education.

### Carleton University

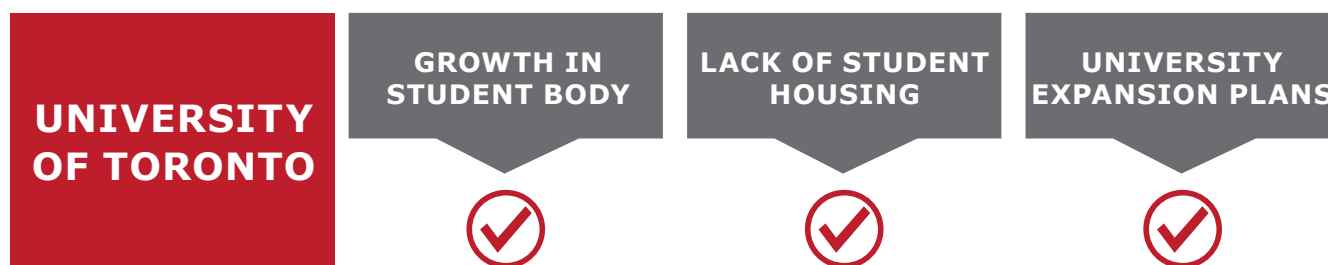


Carleton University is located in Ottawa, which is the #1 city in REIN's *Top Ten Towns and Cities – Ontario* report. Carleton has been ranked globally in the grouped position #301 to 500.

Carleton is planning to add 400-450 beds to its roster of student housing, but those will not be available until the 2023-24 school year. The university has a burgeoning student population with increased full-time student enrolment of 3.4 per cent for undergraduate and 4.1 per cent for graduate enrolments.

The school's 2016 *Campus Master Plan* suggests the university has already added several new buildings between 2010-15. However, the proposed build-out of the campus onto the existing lands is significant, including the creation of a north campus which is currently bare land. In time, approximately nine new buildings, some as tall as 10-15 stories, will add 1,170,553 square feet. The build-out of the campus plan is 20-25 years and will add 4,638,940 square feet including the north campus.

## University of Toronto (U of T)



The University of Toronto is located in Toronto, which is the #7 city in REIN's *Top Ten Towns and Cities – Ontario* report. U of T has the highest ranking by QS of all Canadian universities and placed in position #12. Some fast facts about this highly ranked research-intensive university (2018-19):

- Three campuses: downtown Toronto (St. George campus), Mississauga, and Scarborough
- The bulk of students attend the downtown location
- Total enrolment exceeds 90,000 students:
  - » Over 70,000 domestic students (including more than 15,000 graduate students)
  - » Almost 20,000 international students (including more than 3,000 graduate students)
- Has international students from 157 countries
- 14,434 faculty supported by 7,198 staff members and 156 librarians
- Over 560,000 alumni
- Over 700 undergraduate programs
- Over 300 graduate programs
- Contributes \$15.7 billion to the Canadian economy annually
- Has created 59 new companies in the last three years (based on research and technology)

U of T was previously noted in this report to have a significant demand for off-campus student housing. A review of the university's website suggests the focus of the university's housing plan is in assisting students secure off-campus housing. For example, U of T offers an off-campus housing directory where housing providers can register. The university also runs several housing fairs over the summer for students to meet potential landlords and roommates. The university can guarantee a residence for "all new full-time students entering their first year of university in an undergraduate program for the first time" so long as the applicant meets a deadline. In fact, the university appears to have a robust housing inventory with special housing for families and graduate students. However, with over 90,000 students, and the first-year guarantee, it is not possible to accommodate all students. The Mississauga campus can house 1,500 students in residence and is the only campus with a published number of beds.

U of T's 2017-18 *Enrolment Report* states the university has seen significant growth at all three campuses over the last two decades. By the years 2022-23, future growth in undergraduate students is expected to increase at the Mississauga campus by five per cent and at the Scarborough campus

by 5.5 per cent, while the downtown campus is anticipating a decline of approximately 4.5 per cent. The report suggests “in response to Ontario’s changing demographics, the University and Province have agreed to a reduction of 1,800 FTE over 2016-17 levels at the St. George Campus by 2019-20.” The university is focusing on increasing the levels of graduate and international students. With its excellent rankings and its positive international and domestic reputation, U of T is a dominant player in graduate education and reports they “enrol almost 30 per cent of all provincial doctoral students and 23 per cent of master’s students.”

It appears as though U of T may suffer from the same constraints as UFV, in that there is a critical need for capital infrastructure investment in order to create spaces for teaching, research, and residences. Further, the university reports “there would be significant demand for more international doctoral students if additional funding for doctoral enrolment were available from the Province.” As of February 2018, some construction had begun on the St. George campus, which is the priority for infrastructure, while new builds were also underway on the Scarborough campus. Planning for new residences at Scarborough had also begun in February 2018 according to the 2017-18 *Enrolment Report*. In sum, U of T has expansion plans, both for its student enrolment and the physical footprint of its campuses.

### McMaster University (Mac)



McMaster University is located in Hamilton, which is the #3 city in REIN’s *Top Ten Towns and Cities – Ontario* report. This is a research-intensive, and medical-doctoral university just outside the Greater Toronto Area. Some quick facts about the institution:

- Has been ranked globally in position #93
- 484-acre campus
- Home to more than 31,843 students from 114 countries
- 27,282 undergraduate and 4,561 graduate students (29,982 are full-time).
- As of Fall 2017, international graduate students represented one-quarter of graduate students
- Employs more than 10,000 people
- 97 per cent of the 988 full-time instructional faculty members have a PhD
- The university also hosts regional campuses in Burlington, Niagara, and Kitchener-Waterloo

This university has a robust housing and conference website and offers rental housing providers an opportunity to advertise directly to McMaster students through the off-campus resource centre. McMaster has 12 student housing buildings accommodating up to 3,600 students which it focuses



on offering to its first-year students. In April 2017 the institution updated its *Campus Master Plan* which the reader is encouraged to review if interested in student housing at this university. Reports indicate a shortage in affordable student housing in the area as “overcrowded” rooming houses increase even in areas zoned for single-family houses.

A 13th student housing building is under construction and slated to open in Fall 2019. However, this is a 340,000-square foot multi-functional space building that will expand academic spaces as well as provide a 500-bed residence and conference facility. Therefore, the university is expanding its capability to bring in more students.

Potential investors should also keep informed on the progress of the anticipated light rail transit line and transit hub planned for the campus that will connect McMaster to the rest of Hamilton.

### Rental Housing Provider Tip:

*Some universities offer their students a rental directory as a tool to connect them with rental housing providers, others do not. Some universities go further and operate an additional program whereby units go through an inspection program and are specially flagged in a database (and potentially on an approved university list). Connect with your target university and check into both options to ensure you are accessing your target tenant.*

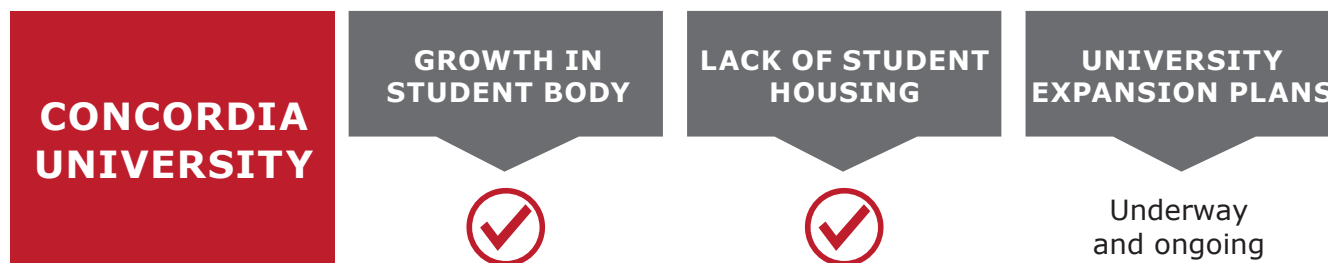
## QUEBEC

University budgetary highlights for 2019-20 for Quebec include:

- “Three-percent increase to operating grants for universities, including \$15 million per year for regional universities, \$3 million per year to adapt university training to the needs of the labour market, and \$38 million over five years to attract AI researchers to universities, and to support doctoral and postdoctoral training.
- \$12.5 million over five years to develop specialized AI courses or training for students at all levels and for workers in this field.
- \$1.5 million over five years for research chair in permafrost at Université Laval
- \$16 million per year in merit scholarships as incentives to university students to enroll and stay in teaching programs; \$5 million per year to develop a mentoring program for future teachers.”

Here are a few universities in Quebec to consider:

### Concordia University



Some quick facts about Concordia, in Montreal:

- Has been ranked globally in position #301 to 500
- 37,053 undergraduate students enrolled for 2017-18 (9,040 graduate students)
- Almost 47 per cent of students are enrolled in arts and sciences programs
- Almost 48 per cent of international students are enrolled in engineering and computer science programs
- India and China are the home countries of 38 per cent of international students
- International students have increased from 12.2% in 2011-12 to 20% in 2018-19 (as a proportion of the overall student body)
- Graduate students have increased from 16.7% in 2011-12 to approximately 20% in 2018-19 (as a proportion of the overall student body)

Concordia only has 905 student beds. Fifty-two of those beds are designated for graduate students and are located on the Loyola campus. The remaining beds appear to be in downtown Montreal and are allotted primarily to first-year students.

In 2015-16 Concordia undertook planning for the future of the university that has resulted in a *Strategic Directions Game Plan*. The plan suggests there will be a wave of faculty hiring related to program and department creation and development in the following areas:

- “chemical and materials engineering
- architecture and urbanism
- ecology and economics
- nanoscience
- real estate management.”

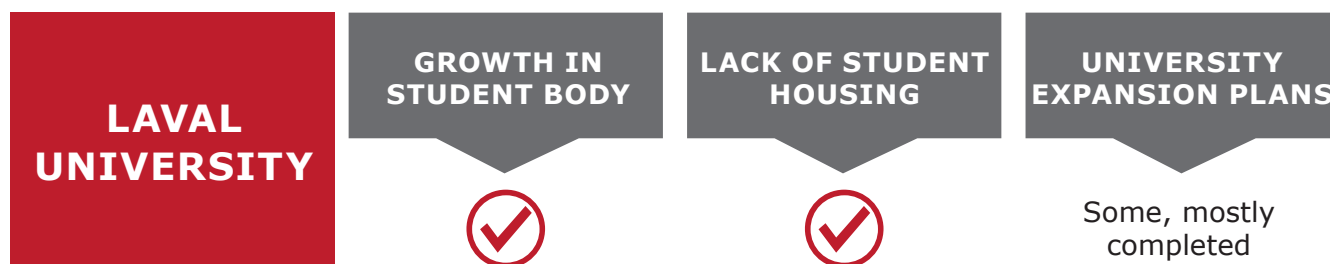
The institution is also planning to launch the following new research institutes:

- aerospace
- arts, culture, technology
- urban futures
- molecular and materials science
- healthy lifestyle

Two other initiatives related to growth in the student body are substantially increasing capacity in classrooms and developing “new online or low-residency program offerings for off-campus learners.”

Another initiative is to increase the university’s graduate enrolments. In late 2017, it was reported that a new science hub in the Loyola campus was scheduled to be opened in 2018, one of five initiatives planned for that year. At the time the *Strategic Directions Game Plan* was written, two institutional libraries were under renovation. In sum, university documents suggest the institution has significant expansion plans.

## Laval University



Located in Quebec City, this public institution is the oldest university in Canada - established in 1663 - and is a French language school. Some quick facts:

- Approximately 43,000 students
- 69 per cent of students are full-time
- Nearly 7,000 international students represent 14 per cent of the total student body
- Has 9,600 full-and-part-time employees
- 17 faculties, more than 60 departments, and over 500 programs

There are approximately 2,300 student residences across four buildings (one reserved for women only) associated to this school. In the summer months, some of these residences become hotel rooms accessible to the public. The website notes a waiting list is in effect.

In June 2019 expansion projects to the tune of \$1.8 million were announced for the campus, including a "new glass chemistry laboratory, a new conference room, and new working environments." However, a *2015-20 Research Development Plan – Institutional Strategy* suggests most of the major infrastructure building was completed in the five years prior to the authorship of the report.

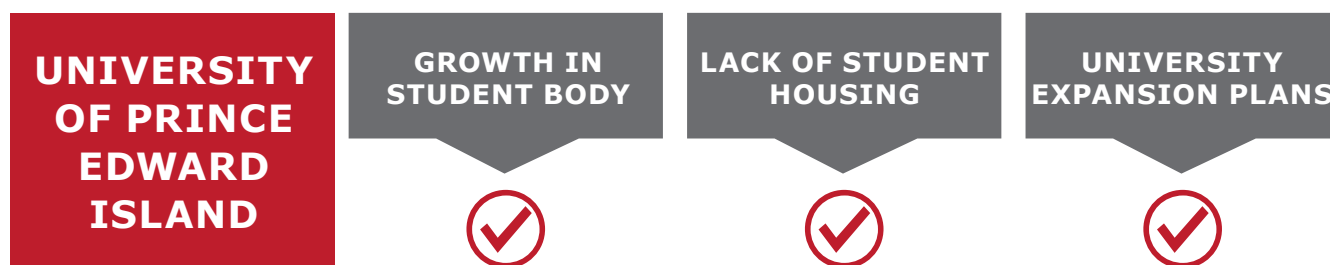
## ATLANTIC CANADA

Some of the 2019-20 budgetary highlights from Nova Scotia include:

- "\$3.6 million increase to university operating grants, as the province prepares to enter another multi-year memorandum of understanding.
- Under the loan forgiveness program, eligible Nova Scotian students can have a maximum of 5 years' worth of debt written off, up to \$20,000. Students with permanent disabilities who take reduced course loads can spread that benefit over 10 years."

Here are a few universities in Atlantic Canada to consider:

### University of Prince Edward Island



Charlottetown, Prince Edward Island, is home to not only the lowest vacancy rate in Canada (0.2 per cent in Spring 2019), but is also home to the only university on the island – the University of Prince Edward Island.

The school is outperforming all other universities in the Atlantic region for enrolment, which increased 10 per cent between 2008–2018. However, what is truly staggering is the claim that between 2013–18, the university “achieved the greatest percentage of growth in international students of any North American university, with a 237 per cent increase.” University data shows that in just the past two years, the growth in international students has exceeded 28 per cent. A full 47 per cent of the student body originates from outside the province.

More importantly for a real estate investor, approximately 2,000 students are seeking accommodations each year, of which, the campus can provide beds for 440 students. The university can guarantee first-year students starting in September, and coming directly from high-school, a dorm room.

A sample rent of private furnished rooms in a shared home, a ten-minute walk from the campus are:

- Room with shared bathroom - \$500 per month (or \$550 per month with laundry privileges)
- Room with a private bathroom - \$750 per month (\$800 per month with laundry privileges)

A cursory review of the university’s *Strategic Plan Renewal 2018-2023* indicates that over the last five years the university has added several new degrees, and several new post-graduate degrees. There is a 2019 Campus Master Plan available online through the university’s website for interested readers.

### Dalhousie University (Dal)



Dalhousie University is located in Halifax, with a second agricultural campus in Truro N.S. Some quick facts about the university:

- Has been ranked globally in the grouped position #301 to 500
- 18,846 students including 4,183 graduate students
- Undergraduate enrolment anticipated to reach 17,500 by 2020
- Over 200 programs (over 90 master’s programs and over 40 PhD programs)
- 13 faculties and 33 research centres
- 60 per cent of students come from out of province
- 20 per cent of students are international

New students to the university are guaranteed a place in one of eight residences in Halifax, or in the three buildings in Truro. The 2010 Master Plan, good through 2020, identified that anticipated future enrolment, including the number of international students, will require the university to add somewhere in the range of 200 to 750 new beds by 2020. A recent report states that Halifax students are struggling to find affordable housing opportunities in the area. The report adds that “there are over 30,000 students attending post-secondary schools in Halifax and fewer than 3,500 on-campus spots between Dalhousie University, St Mary’s University and Mount Saint Vincent University.”

In 2014, Dalhousie opened a new student residence, providing 300 beds, to accommodate the demand, but this does not tackle all of the identified need. 1,380 potential other units on three sites have been identified in the Master Plan. This plan specifies that increasing the number of units on campus will be accomplished in collaboration with the private sector. However, the school is also concerned with increasing the inventory of both student and staff rental accommodations in neighbourhoods within walking distance of the university, which will also be accomplished by working with the private sector.

It appears from the university’s website that most of the buildings required to accommodate program expansions have been built in recent years. There is only one current construction project aimed at expanding the infrastructure required to increase the number of seats in the university’s academic programs. Nonetheless, the university identified an ability to increase its space inventory, and applicable student capacity, by 79 per cent.

## **THE LINK TO REIN’S MILLENNIAL AND TRANSPORTATION REPORTS**

### **MILLENNIALS**

Millennials have become Canada’s largest demographic group, and like every generation before them, they have some overall traits that make them unique from other generations. These traits are important to understand as this group is quickly becoming the driving cultural force in western countries, particularly around consumption – which includes real estate, but also education.

Millennials as a cohort are a highly educated group, the most educated of the generations in fact, particularly so for women. This is a digital generation which is why we are seeing changes in the delivery of university programs. Millennials have also been raised in an unstable economy with changing employment which universities are addressing through new programs with a focus on skill creation.

Most intriguing about this generation is their general lack of trust in institutions, yet, they engage the institution of education. The youngest members of the group are approximately 22-23 years old in 2019 and likely just graduating, or still in, university. REIN recommends investors read REIN’s *Millennial Report* for a full breakdown on renting to this cohort, for they have quite specific tastes and desires previous generations have not.

The millennial cohort that esteems education prefers to live in specific urban communities. This age group is driven by lifestyle. This iteration of the hipster is all about trendy, funky, locally sourced, and socially connected spaces. In a nutshell, the previously discussed UDistrict Plan in Abbotsford,

B.C., or the case study of Blatchford in Edmonton, AB from REIN's *2018-19 Transportation Effect Report[s]* are great examples of communities being built to suit millennial tastes.

An assessment of 85 of the most populous cities in Canada by a real estate company found, by comparing eight factors considered to be important to millennials, that 9 of the top 10 millennial towns are also university towns! They are, in order: Quebec City, Victoria, Guelph, Halifax, Ottawa, Waterloo, Kingston, Trois-Riveres and Vancouver. Several of these cities can also be found in REIN's *Top 10 Towns and Cities* reports which can provide readers a deeper dive into these locations.

Millennials generally consider these factors important when considering moving to a town: housing affordability, unemployment rate, life satisfaction, low crime rate, healthcare, climate, level of education, and the percentage of millennials in the total population. This is another example of the link between this demographic, where they want to live, and education.

Given millennials value education, the demographic trend is for them to participate in graduate school. A January 2019 study of millennials - who are now as old as 38 - found the largest response regarding the immediate financial goals of this group was returning to school to earn a graduate degree (23.8 per cent of the 9,800 respondents). Therefore, it is safe to assume that **not** all students are coming straight out of high school. On that note, universities that offer graduate degrees (masters and doctorates) generally have more older students, millennials or not. The data demonstrate that many people enter the work force for several years before returning to school to work on their next degree. What we can extrapolate is that in 2010, the average age of a bachelor's degree was 26, but almost 50 per cent of those students were carrying on to another degree. In 2010, the average age of a master's graduate was 32, with 32 per cent planning to carry on with their education, and the average age of a graduating doctoral student was 34. The table below also demonstrates that between 2000 and 2010 there were significant increases in the numbers of graduates at all levels of post-secondary degrees. This data should soothe any investor nervous about renting to students, thinking they are all 18-year-old frat boys intent on mayhem rather than learning.

Another tidbit about graduate students – they choose programs based on best-fit to their goals, so there is a very good chance this student will be relocating to their new school. Nonetheless, given the trend of millennials valuing education, and almost one-quarter of them planning to pursue graduate studies, combined with the youngest millennials still likely just finishing their undergraduate degree or in the early years of their careers, we can expect to see the numbers of attendees in universities blossoming in the coming decades.

#### Research Tip:

*If you want to locate your province's average age of graduation per province, (for example B.C.'s is older than the national average) find the National Graduates Survey, postsecondary graduates by province's of study and level of study, on Statistics Canada's website.*

**Table 14.** Canadian Post-Secondary Graduates by Age and Degree Type

Level of study	Statistics	2000	2005	2010
<b>Bachelor's</b>	Number of graduates	132,600	162,300	196,700
	Average age at graduation	26	26	26
	Pursued further education after graduation	41%	42%	49%
<b>Master's</b>	Number of graduates	29,200	35,300	48,700
	Average age at graduation	32	32	32
	Pursued further education after graduation	28%	30%	32%
<b>Doctorate</b>	Number of graduates	4,200	3,500	6,600
	Average age at graduation	35	35	34
	Pursued further education after graduation	11%	8%	16%

There are both potential pros and cons to renting to the graduate student demographic. The graduate student is not likely going to be partying, so they are possibly more stable and more mature tenants. These students are highly committed at this point (they cannot transfer to another university and have also proven their ability to complete their first degree). Graduate students are also committed for at least two years to their current program, so rental housing providers are likely to get a longer-term renter as opposed to the turnover associated with younger students that some investors want to avoid. Another pro to renting to this type of student is they will likely stay put over the summer months as they conduct research. What investors need to be prepared for as a housing provider to this demographic is that because they are older, they could be coupled, and may have children. Investors are therefore urged to consider whether their rental property is family friendly, or pets can be allowed as they often accompany families with children.

#### **Rental Housing Provider Tip:**

*When renting to millennial students, understand they value being social, so do your best to create social/community spaces within the home or property, if possible. Designated and multiple workstations would also be appreciated by this cohort.*

Immigration in Canada is linked to the millennial cohort, which is also tied into education, as this age group values education. Immigration in Canada is also linked to population growth, which is the third driver of REIN's Long-Term Real Estate Success Formula. Immigration is bolstering Canada's population growth, has been for many years, and will continue to do so given Canada's recent commitment to take in almost one million immigrants between 2018-2020.

The net growth of immigrants' accounts for almost half of Canada's growth in 2018. By the year 2021 Canada's target number is to bring in 350,000 immigrants per year. However, by the year



2022, the Canadian government hopes to attract 450,000 international students alone, which will double the number of international students in Canada in 2015. One Toronto based developer building student rentals in Waterloo and Kingston, ON - under the brand name Sage - states: "We are going after the luxury end that appeals to ... well-off international ... students ... It costs a lot of money to come to Canada to go to school. They [foreign students] want the highest-quality accommodation and have [the] ability to pay." The combination of immigration and an age group that esteems the value of post-secondary education is creating a perfect storm in terms of pressure on student housing demand.

## TRANSPORTATION

Also linking to the millennial demographic, in the cities REIN researched for its *Transportation Effect Report[s]*, it was clear it is the youth, and cash-strapped students, who are the primary consumers of transit. A 2018 *Forbes* article suggests that housing near a top-ranked university has the same stabilizing effect on real estate values as an established transit stop/station – "during a market downturn your investment will hold or not dip as much." As environmental concerns become more prominent, the congestion in cities increases commuting times, and insurance rates and gas prices climb, the demand for public transit increases.

In 2016, Canada's combined total household spending on transportation (including insurance) was \$179.5 billion. One 2018 estimate put private vehicle ownership at a cost of between \$8,600 to \$13,000 a year to keep on the road (including depreciation). These figures are second only to shelter in terms of major spending categories. Therefore, it isn't surprising to find many schools including a transit pass in their tuition for students in order to address this financial constraint. Several authors writing on student housing validate REIN's transportation research and publications - location is key with this type of rental client in mind. The property needs to be "a five-minute walk or close to good transit," which is roughly 400 metres. At the outside, one 2019 report from Ottawa suggests students want to live no further than a 30-minute transit commute.

It is important to avoid overlooking the importance of purchasing a rental property close to a transit stop or station; if there are scarce opportunities to purchase student housing within walking distance of a university, investors can consider purchasing property close to transit that has a reasonable travel time to the campus.

Further, transport infrastructure such as bridges can also work wonders in real estate values as it increases access. For example, the Salton Pedestrian/Cycling bridge as seen in Figure 19 was recently opened over Highway 1 near UFV which shortens the walking distance from UFV to a new outdoor mall, and approximately nine apartment buildings within a few blocks of each other, by providing a more direct walking/cycling route. The apartment buildings are all now approximately one kilometre or less from the main gates of UFV. This bridge was specifically put into place to connect the area that will become UWalk North in the UDistrict, with the rest of the city. Based on REIN's research into transportation infrastructure, which includes bridges, within a few years we can expect to see home prices and rents in the nearby neighbourhoods increase at a greater rate compared to locations in Abbotsford further away from the university or in transit scarce areas.



**Figure 19.** The Salton Pedestrian/Cycling Bridge over Highway 1 in Abbotsford, B.C.

**Rental Housing Provider Tip:**

*If you cannot purchase a property within 800 metres of the school, which is considered by urban planners a reasonable walking distance, ensure your property is within 400-800 metres of a good transit stop/station providing direct service most hours of the day to the university. Also, installing bike storage or bike hooks for your students is an inexpensive, but appealing benefit.*

**Research Tip:**

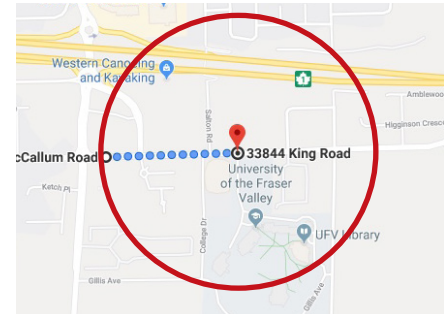
*Use Google Maps to pinpoint the exact distance from your potential investment property to the school or closest transit stop/station.*

**Rental Housing Provider Tip:**

*Use the walkscore available for your property when advertising your rental unit. Walkscore also advertises rentals, another avenue to utilize (for more information please see [walkscore.com](https://www.walkscore.com)).*

**Research Tip:**

*You can easily figure out a 400-metre walking distance using Google Maps – simply start your route at the university (a red pin will show up when you click on the map), on the left-hand side of your screen select directions, at the top of the blue bar on the left-side choose the walking icon, then click on the map somewhere close by to get an idea for distance. Now you can manipulate the end point and move it around to get different paths and distances in each direction from the university. For reference, do as REIN does and take a screen shot of the map that includes your walking distance, then create a circle in word (insert>shapes) and lay it over top of a pathway so the final distance point rests on the edge of the circle and the university is in the middle. Just a note – the size of the circle will be relative to the size of the map you are laying it onto. The idea is to create a visual zone based on the walking distance you established from Google Maps. Now you have your total geographic search area to apply a property specific analysis to. Figure 20 is an example of what was just explained for UFV in Abbotsford, B.C., using 400 metres as the walking distance.*



**Figure 20.** The Circumference of a Five-Minute Walk from UFV's Main Entrance








## HOW INVESTORS CAN MARKET THEIR PROPERTY TO STUDENTS

Since the introduction of the smart phone, this technology wafted into every aspect of our lives. Gone are the days of putting an ad in the local newspaper. See Figure 21 below for REIN's recommendations on which social media platform rental housing providers need to use to access potential student renters. Who would have thought Snapchat was a good way to attract students?

For these younger generations who have grown up immersed in digital technology, they expect to see certain things presented in a certain way. Millennials and/or Generation Z like to conduct online research and do it from their ever-present phone, so any efforts to attract someone who has grown up in a digital world must have a digital component to their marketing plan. And guess what - screening is now being turned back on rental housing providers.

Expect this younger crowd to search for available rentals on the internet. By the time they've texted their prospective provider, they've already established some background knowledge about the property. Millennials are an untrusting generation, so building social trust is critical – don't forget, this is the generation that birthed the peer-to-peer sharing platforms, which are based on social trust and facilitated by technology. Here is a brief etiquette list to help investors market their property to the younger generations.

✓ DO	✗ DON'T
Do use professional photos, on a platform optimized for mobile viewing.	Don't provide blurry or bad photos or videos. Consider the quality of images and the energy infused in the digital image.
Do provide user-generated information, like reviews/testimonials from past tenants (to establish social credibility and build trust).	Don't be anonymous with no social credibility.
Do offer a video chat walk-through if future tenants are coming from out-of-town (they may have to rent the property sight-unseen).	Don't rely solely on emails, phone calls, or texts as ways to communicate.
Do use Apps to communicate, like: Whatsapp, Messenger, KaKao Talk, WeChat.	Don't just have a landline number being advertised – it is mandatory that rental housing providers are reachable by text.

SOCIAL MEDIA APPS		BEST FOR	DEMOGRAPHICS
	 <b>FACEBOOK</b>	<b>EVERYONE</b> You must be here for any and all business!	1.3+ Billion Users Age 25-40 60% Female
	 <b>INSTAGRAM</b>	<b>Renting to millennials</b>	200 Million Users Age 18-29
	 <b>SNAPCHAT</b>	<b>Renting to students</b>	400 Million Users Age 15-35
	 <b>TWITTER</b>	<b>Relationship building</b> (Private Sales, Agreements for Sale)	600 Million Users Age 18-29
	 <b>YOUTUBE</b>	<b>Education and differentiation</b>	1 Billion Users All Ages
	 <b>LINKEDIN</b>	<b>Business professionals, short term</b>	600 Million Users Age 30-49
	 <b>PINTEREST</b>	<b>Flips, renovations, luxury</b>	700 Million Users Age 18-35 80% Female

**Figure 21.** Social Media Apps to Use When Advertising Your Property to Students

## OPTIONS FOR RENTAL PROPERTIES

### LEASE LENGTH OPTIONS

It is not uncommon, given the traditional school year runs for eight months (September – April), for student housing to be offered on either an 8 or 12-month lease. That being said, some universities run classes all year round (like our case study – UFV in Abbotsford, B.C.). Some students will go to school year-round, some will work during the summer months, and some students will prefer an eight-month lease so they can return home during the summer. Rental housing providers can charge a premium for an eight-month lease, thereby recovering some of the costs lost by potentially having a vacant unit for four months. Rental housing providers may also want to grapple with whether or not to allow tenants to sub-lease the property for the four months they choose not to be there.

In the example in Table 16 from Queen’s University below, providing an eight-month lease amounts to rental income of \$9,504, whereas the 12-month lease brings in \$12,624 per year. To give an example of the number of students that attend school full-time, Table 15 below, from our case study UFV, shows that registration is approximately 15 per cent during the summer semester:

**Table 15.** Registrations by Semester at UFV

	YEAR					
Semester	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17
Summer	12.4%	11.2%	16.7%	17.8%	16.8%	15.7%
Fall	44.5%	45.0%	43.5%	42.9%	43.4%	43.4%
Winter	43.1%	43.8%	39.8%	39.3%	39.8%	40.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0

#### Research Tip:

*Does your community offer summer events and attractions bringing in a higher number of tourists and out-of-town guests needing accommodation (i.e. – Calgary Stampede, Abbotsford Airshow)? In other words, do you have different, seasonal demand types? Does the zoning in your community allow you to put your student housing on Airbnb (or other short-term rental platform) during the summer months if you don’t have a 12-month lease?*

### THE ADVANTAGE OF FURNISHED SPACES

Rental housing providers can cater to out-of-town students by including the option of paying more for a furnished apartment. In the example below (Table 16), offering a furnished one-bedroom unit in Kingston, ON provides \$1752 more in rental income on a 12-month lease (a furnished apartment costs \$146 more per month, times 12 months).

A quick research and review of images of school-provided furnished student housing reveals that much of it is utilitarian and not glamorous. The furnishings are also sparse: a bed, desk, bookshelf, sofa, and small dining table and chairs. Using relatively inexpensive, yet durable and trendy furniture (like Ikea furniture), it will only take a few years to pay off the cost of furnishing the apartment and start seeing a greater return on investment for the property. However, if rental housing providers want to appeal to a different clientele, (the wealthy international student) spending more on furnishings can be a good thing, which of course translates to higher rent charges.



From the category of functional student housing, here is what one university offers their graduate students in terms of a myriad of rental options:

**Table 16.** The Myriad of Grad Housing Rental Options and Rates at Queen's University (Kingston, ON)

Effective February 1, 2019			
Utilities (heat, water, electricity) and parking in unserviced lots (upon registration of vehicle) included.			
#of Bedrooms	Furnished?	Lease Term	Monthly Rent
1	No	12	\$780.00
1	Yes	12	\$926.00
1	Yes	8	\$1,063.00
1	Yes	4	\$1,253.00
2	No	12	\$889.00
2	Yes	12	\$1,052.00
2	Yes	8	\$1,188.00
2	Yes	4	\$1,379.00
3	No	12	\$1,009.00

## CONCLUSION

A lot of ground was covered in this report, but what we hope readers take away from it is that there is opportunity in this burgeoning niche market. Becoming a student rental housing provider does not have to be a losing or stressful proposition, particularly if investors implement some of the wisdom from those who are experienced with this type of rental venture.

The nature of students themselves is changing, with graduate students and international students growing in numbers - trends not likely to change any time soon. And many university towns have little, to no, inventory of student beds, placing students into the general rental pool. Yet, the student demographic has some different needs than other renters.

By addressing some of these specific needs, rental housing providers can get their property working at its highest and best use. For example, by charging more per month for an eight-month lease instead of a 12-month lease, opting for short-term rentals during the summer months, and charging another premium for a furnished unit, investors can appeal to the student demographic without compromising return on investment.

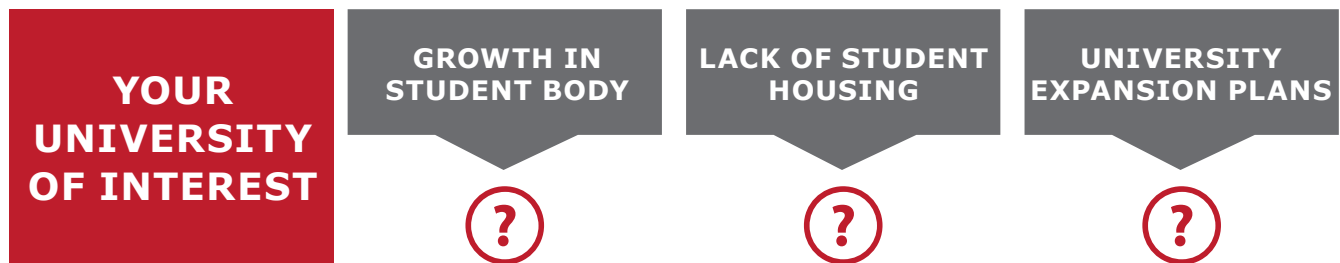
The research suggests the presence of a university has a stabilizing effect on house prices. We have offered two case studies that correlate with the research. The Edmonton case study suggests a unit closer to a university will lose less value in a down market, and both the Abbotsford and Edmonton comparisons suggest a unit closer to a university will be of higher value. Units in both cities that were closer to the university were smaller or had less bedrooms than the comparison unit but had a higher valuation.

Universities contribute in several ways to increasing the GDP of the town or city they are located in. The positive impact comes from both their stabilizing effect as employers, along with their direct expenditures into the community which creates jobs. Universities also increase the population of a city or town by consistently drawing students to the town, thus creating a constant demand for rentals.

REIN has offered examples from across Canada, including many town's and city's universities, to help guide investors. We dove into the significant plans for our case study university, UFV in Abbotsford, B.C., to offer a guiding scenario for the three signposts investors can look for in a university:

- a lack of student housing
- a growing student body, and
- expansion plans for the physical school that will allow future growth in the population.

This data is meant to guide readers in the process of uncovering a University Effect Hot Zone. The first checklist looks like this:



Once sufficient merit is ascribed to inquire further into a university for its potential for student housing, one can then apply REIN's University Effect Scorecard. This Scorecard embeds REIN's Property Goldmine Scorecard. Applying these checklists allows investors to learn how to mitigate risk by conducting thorough research into not only the niche market of student rentals, but also the city or town in which the university is located. The key factors to consider are:

1. Does the Property Goldmine Scorecard indicate the city is economically fundamentally viable for real estate investing?
2. Does the university have a historical trend towards growth?
3. Does the university have future expansion plans?
4. Is the student body growing and diversifying?
5. What is currently available for student housing?
6. Are there potential student rentals nearby?
7. Does the university's campus master plan suggest growth?

There are several ways readers can update REIN's *University Effect Report* with the most recent information on an identified project in any community. First, a university's website will provide the best information about current projects given it is usually the most accurate and reliable. Prospective investors can also follow universities on social media for updates. Additionally, local news sources, city council, and the economic development section of a city's website are excellent references for further information, particularly regarding neighbourhood plans.

Or connect with REIN for updates.

**Please Note:** Not all markets, properties, or student housing in any regions mentioned in this report may be appropriate for your portfolio or circumstances. Complete your diligence on all properties before you purchase.



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## REIN'S UNIVERSITY EFFECT HOT ZONE AND SCORECARD

REIN's University Effect Hot Zone and Scorecard are designed specifically for investors seeking to maximize the burgeoning demand for student housing in Canada.

REIN's University Effect Hot Zone and Scorecard were created based on the research for REIN's *University Effect Report*, which describes in detail how post-secondary institutions influence real estate market values under the right conditions. REIN's University Effect Scorecard is inextricably linked to REIN's Long-Term Real Estate Success Formula through the application of REIN's Property Goldmine Scorecard, which investigates on an area's GDP growth, population, housing purchase prices, and rental demand.

**The more checkmarks you uncover in the criteria below the better chance the property has of being profitable.**

First, identify if the university you are thinking of meets the key criteria to warrant a closer look. Apply the University Effect Hot Zone filter. If you get two or three checkmarks in this section, you can feel confident moving on with your research. Then create a University Effect Scorecard. This checklist includes completing REIN's Property Goldmine Scorecard for the city/town to ensure your potential market is well-poised for your real estate. Finally, you will complete the remainder of the University Effect Scorecard checklist, which probes the specifics of the university. Once you've completed answering these questions, keep these completed cards in your property file to make it part of your Sophisticated Investor Binder.

The answers to these critical questions will come from many sources. The best place to begin your filtering research is with the university's official website. Most university websites offer relevant data including their contribution to GDP, student body statistics, student housing capacity, and much more. The answers to these questions are critical in establishing whether the area you are researching is within the University Effect Hot Zone. Later, you can proceed to federal, provincial, and local government statistics sites. You can also check media sources for timely updates on the university's projects.

Follow the recommended methodology described in the *University Effect Report* to guide your research. Note – this Hot Zone filter and Scorecard are just two steps in analyzing a property's potential; once you've completed this initial analysis, make sure to follow all the steps in your ACRE Due Diligence system. This will include answering all the critical due diligence questions and completing the Cash Flow Zone and Property Analyzer Form before you purchase an investment property.

**University:** \_\_\_\_\_

**City/Town:** \_\_\_\_\_ **Province:** \_\_\_\_\_

**Date of Analysis:** \_\_\_\_\_

**Completed by:** \_\_\_\_\_

**Disclaimer:** This is a sample form for personal use only. If this form is filled out, by hand or electronically, it is not necessarily approved by REIN.

**University Effect Hot Zone** (this is your filtering mechanism to determine if further research is warranted):

1. Growth in the Student Body	YES	NO	NOTES
Has the total student enrolment grown over the last five years?			
Has the international student enrollment grown over the last five years?			
Does the university tend to attract students from outside the community?			
2. Lack of Student Housing	YES	NO	NOTES
Has a lack of student housing on or off campus been identified as a problem?			
Does the campus have an inability to provide enough beds for all students?			
Does the campus offer any housing guarantees to various student populations that would utilize most of the university's available housing (e.g. first-year students)?			
Does the campus have restrictions on who is eligible for campus housing (ie. must live a certain distance from campus)?			
3. University Expansion Plans	YES	NO	NOTES
Does the university have plans to expand the physical campus?			
Are there plans to expand the student body (i.e. a plan to attract international students?)			
Has the university been able to physically accommodate growth?			
Will any university plans to expand student housing still leave significant need?			

## University Effect Scorecard:

1. REIN's Property Goldmine Scorecard	YES	NO	NOTES
Complete REIN's Property Goldmine Scorecard			
Is the university contributing to the area's GDP?			
Is the university creating jobs in the community?			
Is the average income for the university jobs higher than the average income of the area?			
Is the university a major employer in the area?			
2. University Background and Historical Growth Trends	YES	NO	NOTES
Has the university experienced growth over the course of time?			
Is there more than one campus?			
Does the university place highly in international rankings?			
Is the university highly ranked within Canada?			
Does the university have certain programs that it is well known for?			
Has there been an expansion in the number of degrees or programs offered?			
Is the university the only realistic option for local students wishing to attend university?			
3. Expansion Plans: Into the Future	YES	NO	NOTES
Is the campus earmarked for significant expansion?			
Is the university maximizing its utilization of physical space?			
Are there plans to grow the number of degrees or programs offered that would require expanding the physical space?			
Is the university expanding its post-graduate degree options?			
Is funding for the expansion in place, or is a plan in place?			
Will any university plans to expand student housing still leave significant need?			
Are changing trends in skills and jobs being addressed by the university?			



4. Student Body (i.e. your target market)	YES	NO	NOTES
Does the increase in international students make up for any demographic lack of domestic students?			
Is the median age of the students attending the university increasing (i.e. are there more mature students)?			
Are there significant numbers of post-graduate students?			
Is there a niche market evident in the student body that aligns with your established renter profile?			
Is the demographic profile for the city and its next wave of university aged residents growing?			
5. Available Student Housing (already in existence)	YES	NO	NOTES
Does the campus offer student housing?			
Does the campus offer students a housing directory that rental housing providers can participate in?			
Is there insufficient student housing on the campus for the university's student population?			
Are there any existing off-campus buildings specifically offering student housing (i.e. purpose built, furnished, all-inclusive properties)?			
6. Potential Student Rentals Nearby	YES	NO	NOTES
Are there existing multi-family buildings nearby that allow rentals?			
Does future off-campus student housing development allow for investor purchases?			
Does the existing neighbourhood zoning allow for multiple unit housing in one home?			
If looking at condominiums, do the building bylaws allow for rentals?			
Is there enough transportation infrastructure connecting to the university to accommodate students (ie. bridges, LRT, bus stations), that will expand your property search?			

7. Campus Master Plan	YES	NO	NOTES
Does the university have a master plan to direct future planning that is growth oriented?			
Is campus growth feasible when factoring in bylaws, regulations, and policies, and the existing lands owned?			
Is there a section of the plan directing the creation of student housing off campus?			

## NOTES

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## REIN'S PROPERTY GOLDMINE SCORECARD

REIN's Property Goldmine Scorecard is a REIN exclusive methodology and tool designed to give you a simple and easy checklist to follow. It is adapted from the books: *Real Estate Investing in Canada* and *Secrets of the Canadian Real Estate Cycle* and from REIN's Long-Term Real Estate Success Formula. To be most effective, make sure you understand all the **key drivers and market influencers** as detailed in the books.

For examples, check out REIN's Economic Fundamentals Reports.

Create a **REIN Property Goldmine Scorecard** for each property you're considering. If you've already completed a current Scorecard for the region, you can easily transfer that information onto your next **REIN Property Goldmine Scorecard** if the property is located in the same area. Then you can complete the property specific questions. Keep these completed cards in your property file and make it a part of your sophisticated investor binder.

**Property Address:** \_\_\_\_\_

**City/Town:** \_\_\_\_\_ **Prov:** \_\_\_\_\_

**Neighbourhood:** \_\_\_\_\_

**Date of Analysis:** \_\_\_\_\_

**Completed by:** \_\_\_\_\_

**Disclaimer:** This is a sample form for personal use only. If this form is filled out, by hand or electronically, it is not necessarily approved by the Real Estate Investment Network.

## Key Drivers

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

Gross Domestic Product (GDP)	YES	NO	NOTES
Is the area's GDP growing faster than the provincial/national average?			
Employment	YES	NO	NOTES
Is the area creating jobs faster than the provincial/national average?			
Is the area's average income increasing faster than provincial/national average?			
Does the area have more than one major employer?			
Does the area have more than one major industry?			
Population	YES	NO	NOTES
Is the area's population growing faster than the provincial/national average?			
Is the area's population younger (median age) than the provincial/national average?			
Are there more first-time home buyers than the provincial/national average?			
Housing Market	YES	NO	NOTES
Are real estate prices increasing?			
Are real estate listings decreasing?			
Are real estate sales volumes increasing?			
Is the number of days to sell real estate trending downward?			
Are the area's average rents higher than the provincial/national averages?			
Is the area's vacancy rate lower than the provincial/national average?			
Is the area's Affordability Index in the Hot Zone?			
Is the housing construction start number lower than the historic average?			
Is the area's gross Return on Investment (ROI) higher than the provincial/national average?			

## Market Influencers

Market influencers are factors that affect the perception of an impending change in the real estate cycle. They have a temporary impact on the market, so it is necessary to be aware of them, but not necessary to add them into your calculations.

Macro	YES	NO	NOTES
Is financing readily available?			
What is the current mortgage interest rate?			
What is the inflation rate?			
Are foreign investors influencing the real estate market?			
Are alternative investments giving poorer returns than the real estate investment markets?			
Is public confidence in the real estate market favourable?			
Micro	YES	NO	NOTES
Is the area's infrastructure being built to handle the expected growth? (Local town planning department. Look for expansion of water treatment, sewers, commercial and industrial space, hospitals, and schools)			
Is there a major transportation improvement occurring nearby? (Local town planning department, trains, planes and automobiles. Will the region become substantially more accessible with the transportation improvements? Don't say YES until you see construction beginning)			
Has the political leadership created a growth atmosphere? (On-line or city hall. Read the minutes of council meetings; speak with mayor or councilors to see whether the leadership is focused on bringing new jobs and growth to the area)			
Is the area's Economic Development Office helpful? (This is a key question. If the E.D.O. is difficult for you to deal with, you can often assume that they will be the same for potential employers looking to move into the region)			
Are property taxes lower than the provincial/national average?			
Is the licensing of rental properties pro-investor?			
Are there rent controls?			
Is it an area of revitalization or gentrification? (City Planning Department – Area Redevelopment Plan. Articles in media about taking back the neighbourhood, and increased pride of ownership)			
Is it in an area that is going to benefit from a Boom's Ripple Effect? (Visit surrounding towns and regions. Is a real estate boom occurring in the surrounding region outside where you're looking? If yes, this is a sign of a potential boom in your target area)			

## Neighbourhood Specific Information

Finding the answers to neighbourhood specific questions will often require an on-site visit. Never simply believe the person who is selling you a property to answer these important questions. Dig Deep.

Macro	YES	NO	NOTES
Is the zoning of the neighbourhood poised to change? (City Planning Department – Area Redevelopment Plan)			
Will the property value benefit from a new development nearby? (Visit surrounding neighbourhoods. Look for new or re-development projects)			
Is there a lot of speculative investment in the area? (Has a major announcement driven values upwards, is there an increased amount of investment money pouring in?)			
Are there amenities in the region that would attract your exit target buyer? (Before you buy, always think of who you will be selling to, to make sure the property will attract that person)			
Are there currently sales over list price in the area? (mls.ca or your realtor)			
Is the area experiencing a buyer's market?			
Are there more active listings than the five-year average?			
What is the tenant profile?			
<b>General observations of the neighbourhood and tenant profile.</b> (Keep these notes as they will provide information for your final instinct check. Remember, you don't have to live there, your target tenant does)			

## Conclusion

Remember, REIN's Property Goldmine Scorecard is just the beginning of your market research and due diligence. It is designed to give you a very good overview of the property's potential. It is critical that you complete the remainder of your REIN's ACRE system, REIN's Property Ladder, REIN's Property Analyzer, and REIN's Diligence Checklist BEFORE you remove all your conditions on the purchase of an investment property.

Never skip a step and always do the extra 10% others aren't willing to do.



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