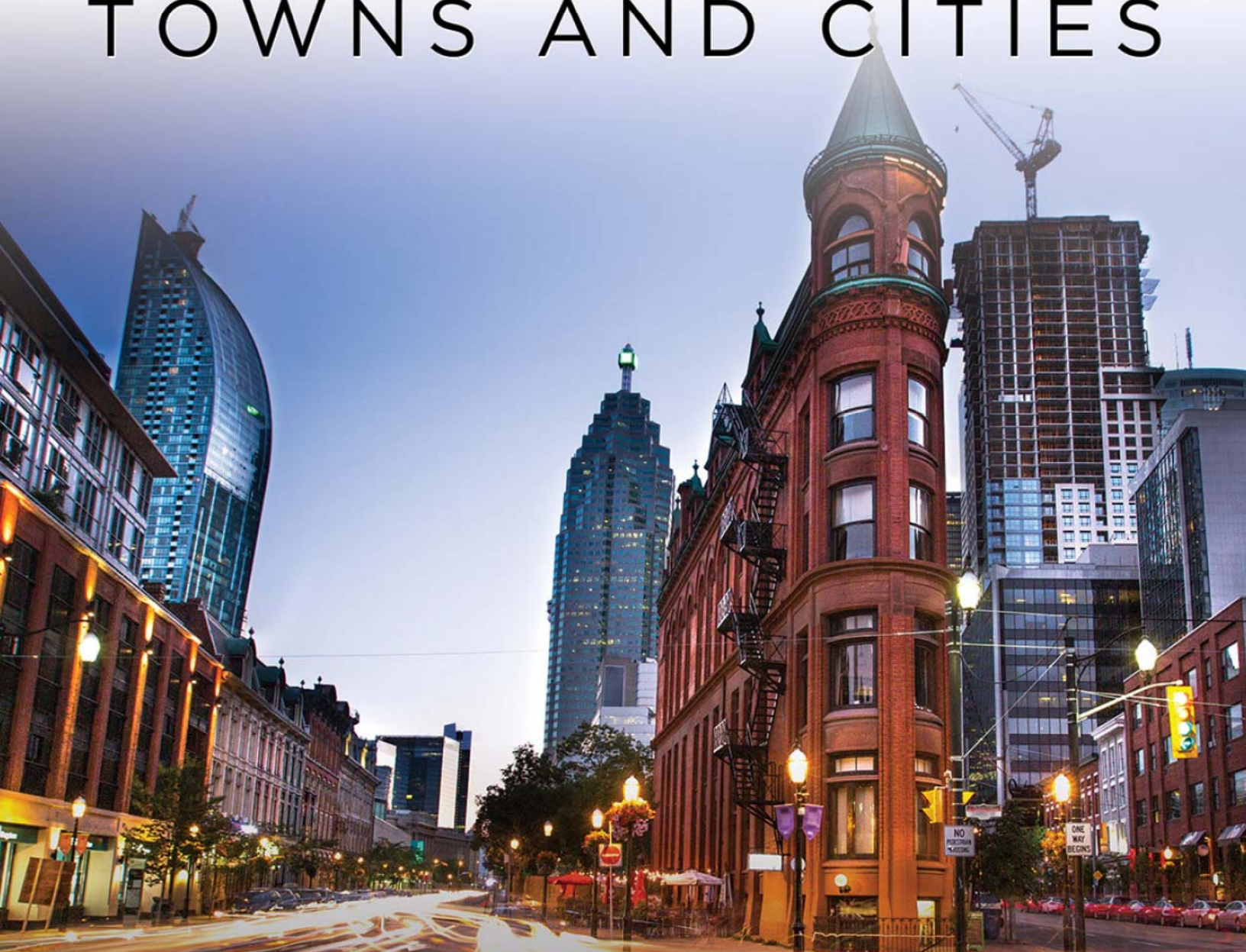


REAL ESTATE INVESTMENT NETWORK

TOP TEN

ONTARIO

TOWNS AND CITIES



2018 - 2023

IN THIS REPORT:



REIN'S PROPERTY
GOLDMINE SCORECARD
AT WORK

LEARN WHERE THE TOP
INVESTMENT TOWNS AND
CITIES ARE IN REIN'S
REAL ESTATE CYCLE

REIN'S REAL ESTATE
CYCLE INVESTMENT
TACTICS FOR EACH
LOCATION

1. OTTAWA



OVERVIEW

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

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

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

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

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

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

GDP/ECONOMIC HEALTH

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

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

EMPLOYMENT

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

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

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

POPULATION

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

RENTAL MARKET: RENT TREND AND VACANCY RATES

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

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

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

REAL ESTATE MARKET: DEMAND – INVENTORY AND SALES

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

coming months and years.

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

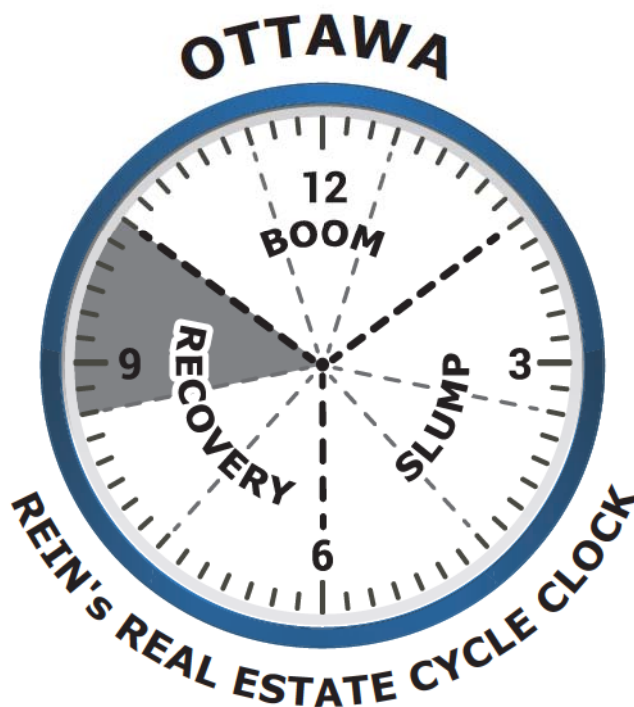
REAL ESTATE MARKET: VALUES

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



REIN'S REAL ESTATE CYCLE CLOCK

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



REIN'S REAL ESTATE CYCLE INVESTMENT TACTICS

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

REIN's Tactics Table - OTTAWA

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