

RESIDENTIAL REALES

2008	Year-over-year % change	2009 forecast	Year-over-year % change
181,001	-15.2	144,200	-20.3

RESIDENTIAL AVERAGE RESALE PRICE

2008	Year-over-year % change	2009 forecast	Year-over-year % change
\$302,354	0.9	\$287,100	-5.0

RESIDENTIAL HOUSING STARTS

2008	Year-over-year % change	2009 forecast	Year-over-year % change
75,075	10.2	51,325	-31.6

Source: CMHC, Housing Market Outlook Second Quarter 2009

Tight vacancy in the K-W

Property demand is high in Kitchener-Waterloo (K-W), Ont., which, along with Cambridge to the south, is most commonly referred to as Canada's technology triangle. In fact, the growing high-tech sector is backing the economy and causing the population to rise as people move to the area in search of employment.

"As a community, Kitchener-Waterloo is unique and has weathered many of the economic troubles in recent months," says Darryl Kraemer, personal investor and president at the Opes Group, a property investment company in Waterloo. "This is thanks in part to its strong hi-tech sector that was recently touted as the 'New Tech Capital' of the country in the *Financial Post*."

Also, average weekly earnings are up four per cent from last year to \$799.

This, in turn, is causing vacancy to tighten to 1.8 per cent. New residents tend to be young professionals and this is the target renter demographic.

"The main reason for the low vacancy rate is that the average age in Kitchener-Waterloo (35) is lower than the Ontario average (40), and younger households are more likely to be tenants than older households," says Benjamin Bach, Realtor at Keller Williams Golden Triangle Realty, Kitchener.

Two universities and a college in the area produce a student population over 37,000, and this only heightens the demand for rental properties. Supply is stable because housing stock is rising with 561 new builds on the market in the first quarter of 2009 up from 470 in 2008, according to CMHC. Meanwhile prices are still affordable.

Rental stats

	2009	2008
Vacancy rate	1.8%	2.7%
Average rent (2-bedroom apartment)	\$845	\$829

Source: CMHC

A newly built student multiplex near campus is selling between \$65,000 and \$75,000 per bed, or per bedroom in each unit. Two years ago, the average cost was about \$55,000 per bed. In the residential market, prices have softened slightly, down five per cent to \$251,000 for the average resale home, according to CMHC.

"However, average prices don't tell the whole story," says Bach. "We're seeing lots of competition for homes under the \$250,000 range."

Investors wanting to rent to students should look to purchase a multiplex as close to one of the post-secondary institutions as possible. "For student properties, the area between King/Columbia/Philip/University is a sweet spot, as the 2006 Student Accommodation survey focused on turning this area into the high-density student core," says Kraemer.

One of Kraemer's most recent investments was a six-unit house on Marshall Street, which was acquired for \$60,000 per room when comparables were selling for \$65,000 per room and new builds from \$70,000 per room. Each room is expected to rent for about \$450 plus utilities.

"We made money on the way in, and bought for two reasons: location, as it is two blocks from Wilfred Laurier



Kari Calder

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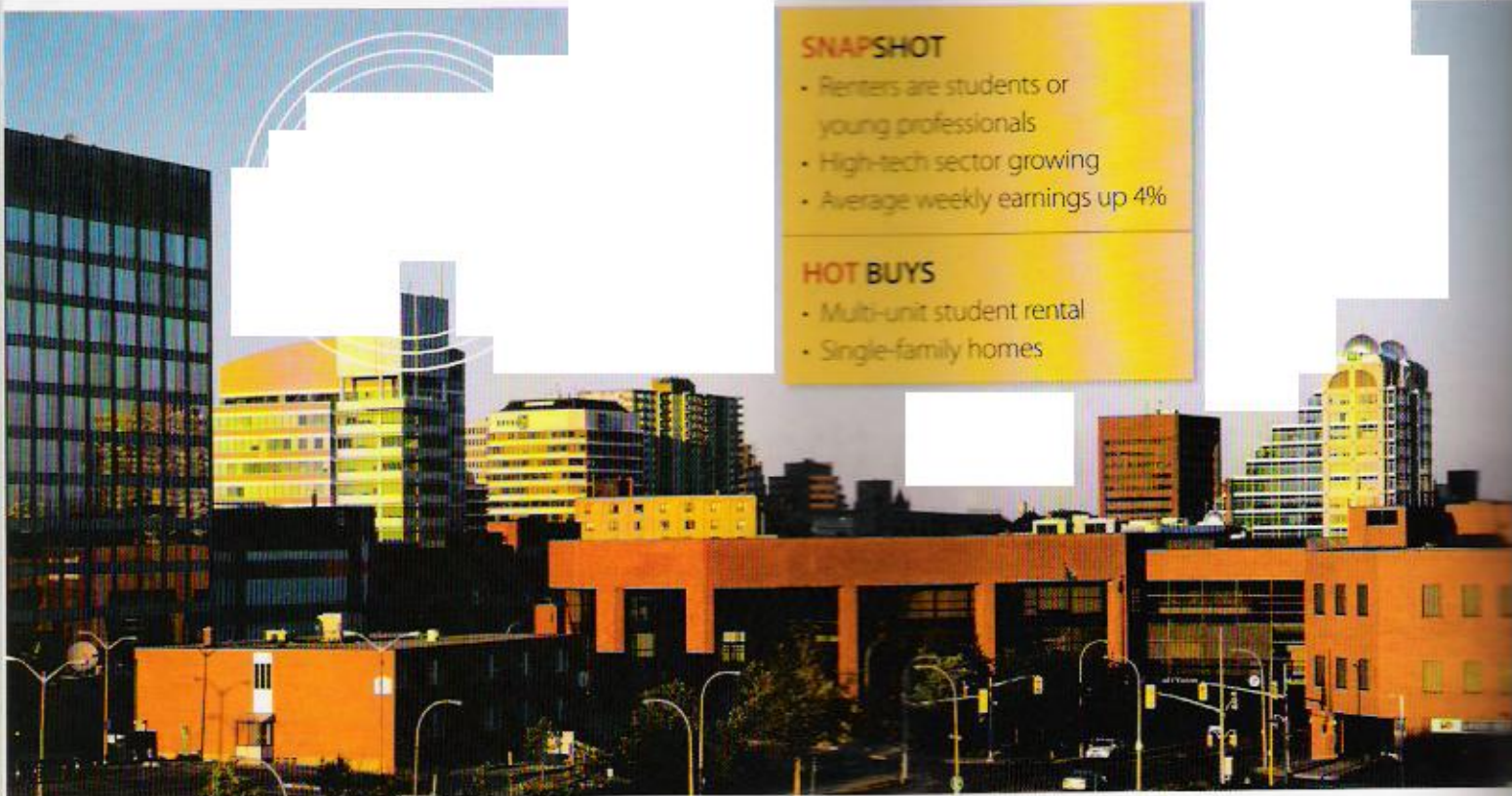
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SNAPSHOT

- Renters are students or young professionals
- High-tech sector growing
- Average weekly earnings up 4%

HOT BUYS

- Multi-unit student rental
- Single-family homes

University, and zoning, as it is zoned MR-6, which means we can put up a six-storey, 30-unit building on the property," he says. "Our strategy has shifted from looking at the new builds, to acquiring smaller properties that are located and zoned for future development."

Meanwhile, investors who want to rent to young professionals or new families are advised to purchase a starter home near high-tech employers, such as RIM. The Northlake and Eastbridge areas in Waterloo are always in hot demand because they are close to RIM and other high-tech companies, have walking trails, several good schools and are minutes from the expressway. In Kitchener, the Stanley Park area is comparable, as it is close to schools, shopping, the expressway and major bus routes.

One example is a single detached home near RIM Park in northeast Waterloo, close to where University and Northfield intersect. Purchase price is about \$244,000 for a 1,350 sq. ft. home that has three bedrooms, two baths and an upstairs family room with a fenced yard. This could generate rents at

about \$1,550 per month. Monthly mortgage payments would be about \$860, with an interest rate of four per cent and a down payment of 20 per cent.

Bach also suggests purchasing right in the middle of Waterloo, which is about five minutes from the Toyota plant, 10 minutes from Conestoga College and 10 minutes to Guelph. The neighbourhood is ideal because of the proximity to major employers like Loblaws and the Waterloo Airport, as well as accessibility to Highway 401.

"Townhouses start at \$214,000, and my fiancée and I recently bought one with a walkout basement that has a retail price of about \$222,000," says Bach. "We're predicting rents starting at \$1,250."

With interest rates at about four per cent, a 20 per cent down payment of \$44,400 on a 35-year amortization would afford a mortgage payment of about \$780 per month, leaving room for positive cash flow.

Source: CMHC, MLS, Statistics Canada



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