MYSAK REALTY
BROKERAGE

-Dedicated to Apartment Building Sales-

Ontario Protecting Tenants from Unfair Rent Increases

Ontario passed legislation today to help keep rental housing affordable and predictable by protecting tenants from unfair rent increases.

The Rental Fairness Act, 2017 expands rent control to all private rental units, including those occupied on or after November 1, 1991. Effective April 20, 2017, landlords cannot raise rents more than the rent increase guideline, which is 1.8 per cent in 2018.

The legislation also introduces additional protections for tenants, including:

• Enabling a standard lease to help both tenants & landlords know their rights & responsibilities, while reducing the number of disputes.

• Protecting tenants from eviction due to abuse of the “landlord’s own use” provision.
• Ensuring landlords can’t pursue former tenants for unauthorized charges.
• Prohibiting above-guideline rent increases in buildings where elevator maintenance orders have not been addressed.
• Removing above-guideline rent increases for utilities, to protect tenants from carbon costs and encourage landlords to make their buildings more energy efficient.

Landlords can continue to apply to the Landlord & Tenant Board for above-guideline rent increases where permitted, & can also determine rent for new tenants.

Quick Facts

• Ontario is also strengthening its transitional housing system by exempting transitional housing providers – like those that provide mental health and addiction supports – from the Residential Tenancies Act for up to four years, as long as participants are protected by written tenancy agreements. This will help more people successfully transition to longer-term, stable housing.

• There are approximately 1.2 million private rental households in Ontario.

• The annual rent increase guideline is capped at a maximum of 2.5 per cent.

FOR SALE - TORONTO

TORONTO, 10 Units
Asking $3,500,000
3.3% Cap Rate

Unbelievable location! Less than 5 minute walk to all the shops, amenities & entertainment of the Danforth area. Legal 10 suites with incredible upside on rents. All rent are currently well below market. Area supports high end rental units. Just steps to public transit & a Loblaws. Views of the CN Tower from 3 of the balconies. Includes on site parking and laundry facilities. Easy access to the DVP.

PLEASE CALL US TO LEARN MORE ABOUT OUR UNIQUE AND PROVEN SELLING METHODS

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OUR MISSION STATEMENT

We are a powerful united team dedicated to apartment building sales and passionatley committed to helping our clients achieve their real estate goals, by telling them the truth and using our proven non-traditional selling methods.

APARTMENT BUILDINGS CONTINUE TO BE GOOD PLACES TO INVEST

We have all seen interest rates increase steadily from the low point of around mid-May 2017 to current levels. In that period, 5 year Government of Canada bond yields have increased from 0.91% to about 2.04%. The 10 year Government of Canada bond yield has increased from 1.44% to about 2.23%. These are significant increases in a relatively short period of time –113 & about 80 basis points for 5 & 10 year terms, respectively. (A basis point is one one-hundredth of a percentage point). Mortgage rates are significantly impacted by rates in the bond market. Accordingly, you would expect the value of apartment building assets to be negatively affected because most acquisitions are dependent upon mortgage financing. However, so far this has not been evident.

So why do apartment values hold up well in the face of rising rates? A clue can be found in the basic fundamentals of supply & demand. The GTA, & most of southern & eastern Ontario, face population growth & a lack of new rental housing to meet rental demand.

A couple of key factors affecting rental demand are immigration & housing affordability. Immigration to Canada this year is anticipated to be approximately 310,000; 330,000 in 2019 & 340,000 in 2020. Many of these individuals will locate in the population centres & employment areas throughout the GTA & southern & eastern Ontario. Since many new arrivals are renters competing for existing rental stock, it is easy to see the upward pressure on rents & the continuation of declining vacancy rates in the impacted communities. All things being equal, an increase in net income directly increases the value of an apartment building.

As for housing affordability, we have all seen the headlines about sharp price increases for most types of housing throughout the GTA & nearby communities. These price movements have had the effect of pricing many first time buyers out of the market, which has helped increase rental demand for apartment units.

Recent initiatives by the federal government that require more stringent qualification standards on homeowner mortgage applications at most financial institutions – which impact affordability - have also had a negative effect on the housing market generally. On the other hand, this has also been supportive of rental demand for apartment units – less homeownership is offset by tenants remaining in apartment units longer.

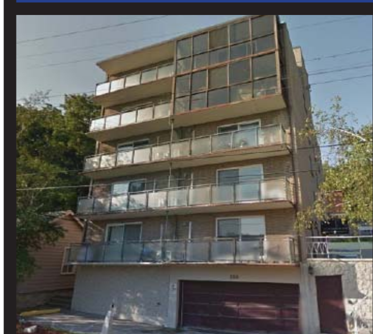
It is no wonder that various levels of government are devoting a lot of time & energy to address the rental housing deficiency. Even with recent initiatives that promote development of rental housing, there is simply too much demand that cannot be satisfied in the short term.

Many observers are aware that the new condo market has filled some of the gap by attracting so many renters. However, rent levels in newer condos are generally well above the rent levels in older, purpose built apartment buildings.

So at a time when one would expect apartment values to moderate somewhat considering recent changes in the interest rate environment, we have seen old fashioned supply & demand prevail and lend support to rising rents & declining vacancy throughout the GTA & southern & eastern Ontario.

Dru McAuley is Assistant Vice President, Commercial Financing at First National Financial LP, a leading lender of CMHC insured mortgages on multi-unit properties. First National also provides short term or conventional financing in virtually all segments of the real estate market. He would be pleased to answer any questions or discuss this article. He can be reached at 416-593-2918 (toll free 1-800-465-0039) or dru.mcauley@firstnational.ca. Contact Dru if you would like to receive, at no cost, a daily interest rate summary & weekly market commentary in your inbox. (Copyright 2017 Dru McAuley).

FOR SALE - HAMILTON



HAMILTON, 21 Units
Asking $4,975,000
4% Cap Rate

Phenomenal 21 unit building in desired neighbourhood of Corktown. Upside on rents. Near St. Josephs Hospital and 10 minute walk to Go Station. 5 minute drive to McMaster. Close to public transit, parks & schools. Majority of the units have been renovated from 2013-2015. Beautiful views of escarpment. Tenants pay own hydro. Onsite parking & laundry facilities available. Roof & Boiler 2013. Elevator 2016. Fire compliance & environmental complete.