

**RESIDENTIAL RESALES**

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

# Ontario's Alberta

**It's rated the No.1 place to invest in Ontario. Brett Ruffell discovers why so many investors are abuzz about the Technology Triangle**

**W**hen Joe Ragona of JDR Investments sought out this past spring to invest in properties, he initially eyed Hamilton. However, in the end, he couldn't pass on the promise that the Kitchener-Waterloo-Cambridge area presented. In April, the investor bought two semi-detached homes in Cambridge. He made a forecast of about 3.5 per cent annual growth. When the property achieved that in just a few months, his partners were impressed. "When picking venture partners, I'm conservative with my estimate," he says. "When those numbers are quickly exceeded it really excites them."

Indeed, the Technology Triangle is one of Canada's most dynamic economies due to innovators such as Research In Motion – the world's fastest-growing company, according to Fortune magazine. The region is also home to Manulife and Sun Life, Toyota, as well as two universities and a community college.

The presence of such large-scale employers has led to dramatic growth in the region's gross domestic product, job creation and in-migration. In fact, statistically the region is a victim of its own success.

The area sits in the RBC Affordability Hot Zone Index (25-39 per cent), and demand for rental units is strong in each city. Last fall, vacancy rates were at two per cent in Kitchener, 1.1 per cent in Waterloo and 2.2 per cent in Cambridge. These factors and more led to the Real Estate Investors Network deeming the Triangle the top place in Ontario to invest.

Mike Milovick of Prudential Grand Valley Realty says investors would be wise to target communities near the planned rail transit. The \$790-million project will connect Kitchener, Waterloo and Cambridge. Stage one of the plan will run light rail transit from Conestoga Mall in Waterloo to Fairview Park Mall in Kitchener and adapted bus rapid transit from Fairview Park Mall to the Ainslie Street transit terminal in Cambridge. Stage two will continue the light rail transit

from Fairview Park Mall to the Ainslie Street terminal.

In terms of demand, Waterloo's vacancy rate was about half that of Kitchener and Cambridge due to its large university population and young employees in the high-tech sector. Indeed, the University of Waterloo is home to 35,000 students, many of whom live in off-campus housing. "At any given time in Waterloo, 90 per cent of properties listed on MLS are geared towards student housing," says Milovick. A three-bedroom single-family home might pay \$1,200 if filled with students, whereas a family would only be able to afford \$900 or \$1,000.

Lately, Milovick has seen a lot of action from investors around two new RIM buildings, one in Eastbridge and another in the University Downs area. This past summer, multiple offers have become the norm, with many properties going in a day. For investors, the Realtor recommends townhomes or semis, the oldest of which are built in the mid-1990s. Such properties sell for around \$240,000 and rent for about \$1,400 per month for a family rental.

Another trend Milovick has noticed is investment in residential multi-zoned land. In Waterloo, the focus has gone from redeveloping a large track of land to higher-density buildings. Multi-residential properties of six storeys and 25 storeys, in particular, are highly sought after.

Kitchener, too, is a hotbed for student rentals, as it is home to Wilfrid Laurier University, Conestoga College, and UW's new pharmacy school. The new UW

site will eventually be a satellite medical school and with 900 students living in the Kitchener core. The students and jobs associated with the school will have a ripple effect on the community. Milovick has noticed a lot of demand from pharmacy students for Kaufman Lofts on King St. The building was a rubber boat factory that was converted a few

**SNAPSHOT**

**Vacancy rate**

- Oct 2008: 1.8%
- Oct 2007: 2.7%

**Average rent**

- Oct 2008: \$800
- Oct 2007: \$781

**Average price, single detached home**

- Q2 2009: \$329,795
- Q2 2008: \$348,056

\* Figures for Kitchener CMA

Source: CMHC

*Kitchener is a hotbed for student rentals*

**HOT BUYS**

- Properties along planted light rail transit
- Townhomes near post-secondary schools

Photo: Benjamin Bach



years ago. Milovick has sold lofts in the \$160,000 to \$245,000 range, which rent between \$1,200 and \$1,400.

While many investors in the triangle focus around the universities, Ragona is interested in Conestoga College. The neighbourhood around the college has townhomes that many students rent. However, the area is known for being a more controlled environment than many other off-campus areas. There is also a good mix of non-students in the townhomes, so investors have as safe an exit strategy as with a family rental, says Ragona.

As for the investor's properties in Cambridge, he has a three-to-five-year exit strategy. "Hopefully I can sell back to the tenant or roll into a rent to own," he says. In the

meantime, the area should see a rise in demand with Toyota moving its California operations to its Cambridge plant, where many renters work. One of Ragona's properties is in North Galt, an area he chose due to its above-standard rents and its close proximity to businesses and the 401.

The other area he chose was Hespler, an up-and-coming area with a lot of development. "Builders have already done the research for you," he says. Semis in both areas go for between \$180,000 and \$210,000, and rent for \$1,200 to \$1,350, which gives an average cash flow of about \$200. Ragona's final piece of advice: "Know there are certain pockets and do the research to find what those are to pull in the tenant profile you're looking for."



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