

# Preserving and Increasing Affordable Housing Stock

Opening Doors Conference  
November, 2018

Prepared by **Altus Group Economic Consulting**

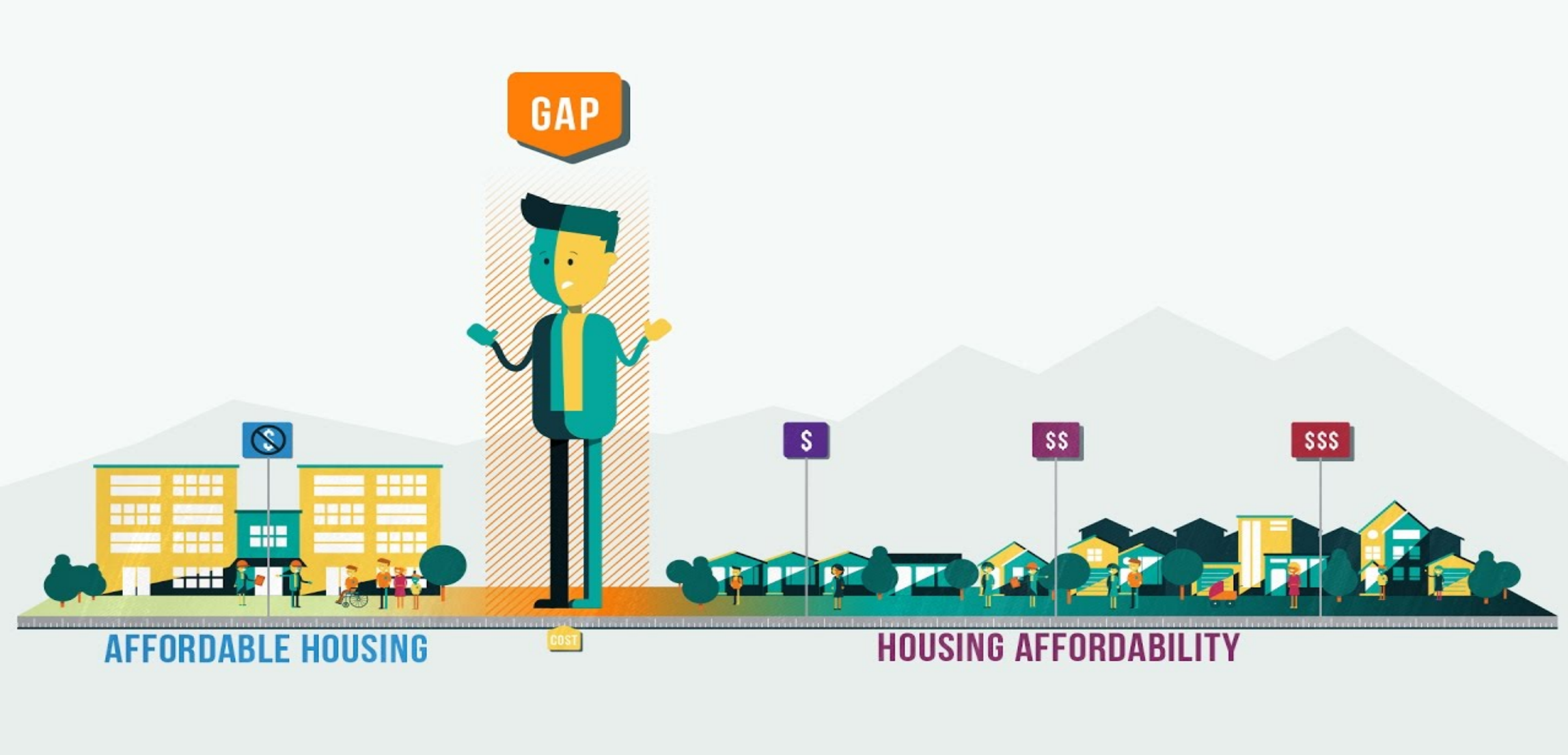


**Altus Group**

# Affordable Housing for Whom?

Non-Market				Market		
Shelters	Transitional Housing	Supportive Housing	Social Housing	Rental Assistance Provided in Private Market	Market Rental Housing	Home Ownership
Temporary shelter food and other services	Non-profit housing providers offer stable housing as a step between shelters and permanent housing	Housing providers offer permanent housing in purpose-designed buildings or in scattered sites with ongoing supports	Social or subsidized housing requires capital grants or ongoing government subsidies to reduce rents for low-income households Operated by housing providers, government	Rental Assistance Program	Private housing make up most rental housing includes secondary market	Fee simple, condominium ownership, shared equity ownerships
High	Level of Government Assistance					None

# Mind the Gap



Source: Smarter Growth Initiative



# Means to an End: Providing People with Affordable Housing

## Budget 2017: Toward an inclusive National Housing Strategy



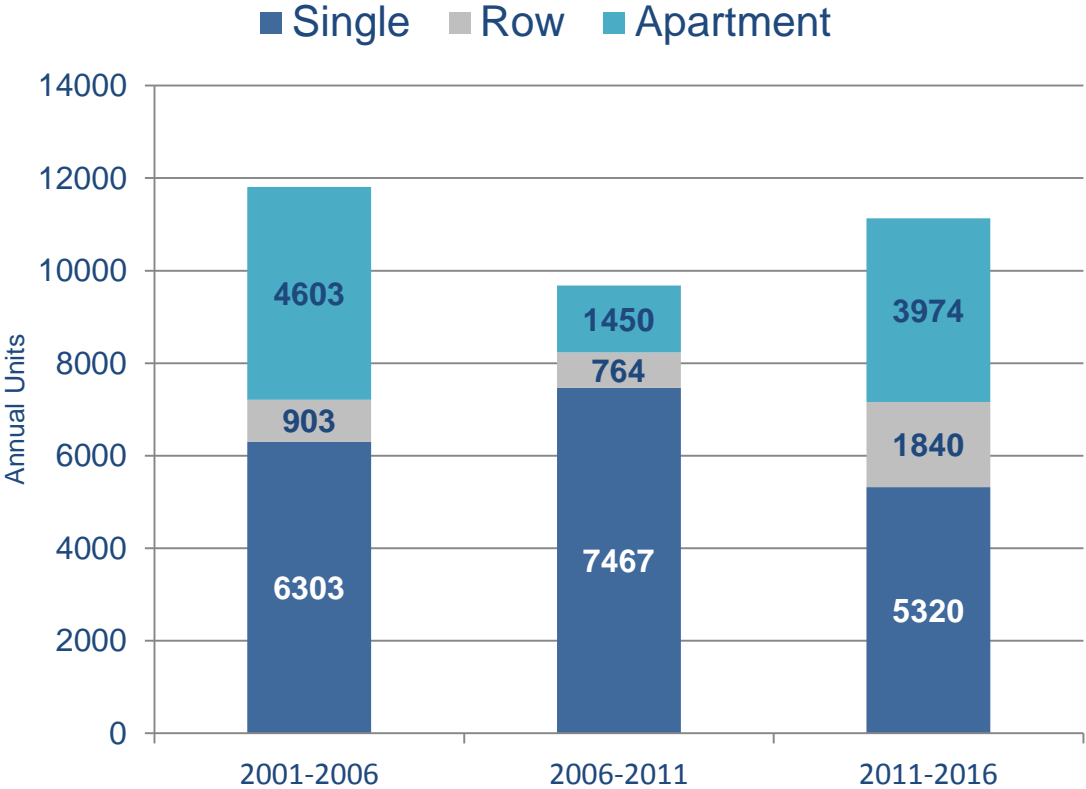
---

# Thinking Like a Real Estate Investor

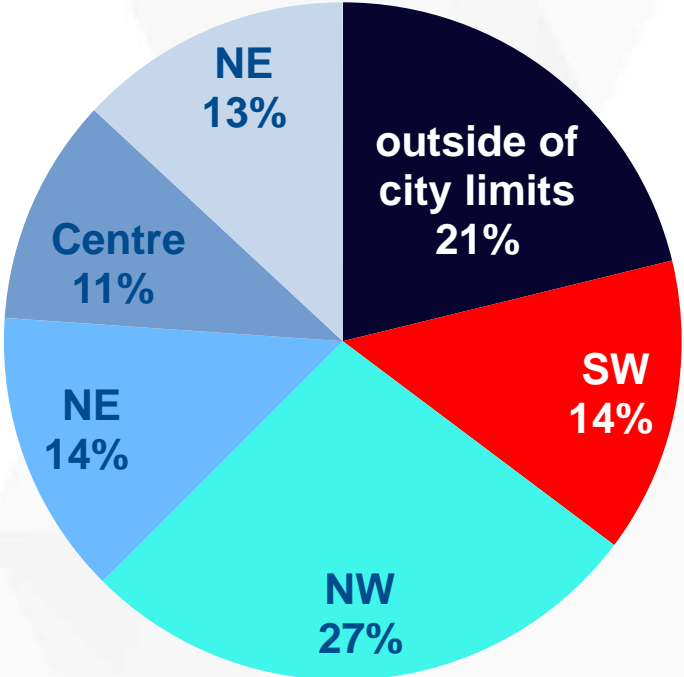


# Private Development – Depends on Demand and Absorption

Calgary CMA, Household Growth by Structure Type



Absorptions by Quadrant, Share of Total 2017



# Real Estate is an Asset

## Private Real Estate Investor Decision Rule

- Analyze the Market to explore new opportunities
- Analyze the Portfolio to optimize returns
- Leverage to grow and maintain the portfolio

**Profit (or ROI) > 0**

## Non Profit Decision Rule

**Social = Economics**

# Take a Page from a Developer's Play Book

- **Leverage**
- **Small amount of effort to produce a disproportionately big result**
- **Consider:**
  - 1) The ability to leverage or use assets as collateral gives you financial flexibility.
  - 2) Leverage can increase cash flow.
  - 3) Leverage can expand your total assets.



- **Assets (land and buildings)**
- **Access to Capital (Money)**
- **Partnerships (private developers)**



# Portfolio Optimization and Growth

## Data Based Decision Making

### Market Dynamics (Supply)

Housing stock

---

Construction trends

---

Market Prices

---

Economic Climate

---

### Demographic Trends (Demand)

Household Income

---

Changing Age Distribution

---

Population Growth Dynamics

---

Household/Family Structure

---

### Portfolio Management

Operational performance

---

Property Condition and Value

---

Property Life Cycle

---

Holding Strategy

---

# Real Estate Portfolio Asset Management

## 1) Important to Know for each asset:

- 1) **Gross, rentable, and useable square foot by property**
- 2) **Number of units and RGI/market unit distribution, vacancy statistics**
- 3) **Revenues and occupancy costs per unit**
- 4) **Energy and water efficiency**
- 5) **Locations, building profile**
- 6) **Property Condition reports**
- 7) **Property value information**
- 8) **Site Size**
- 9) **Zoning**
- 10) **Community Characteristics**

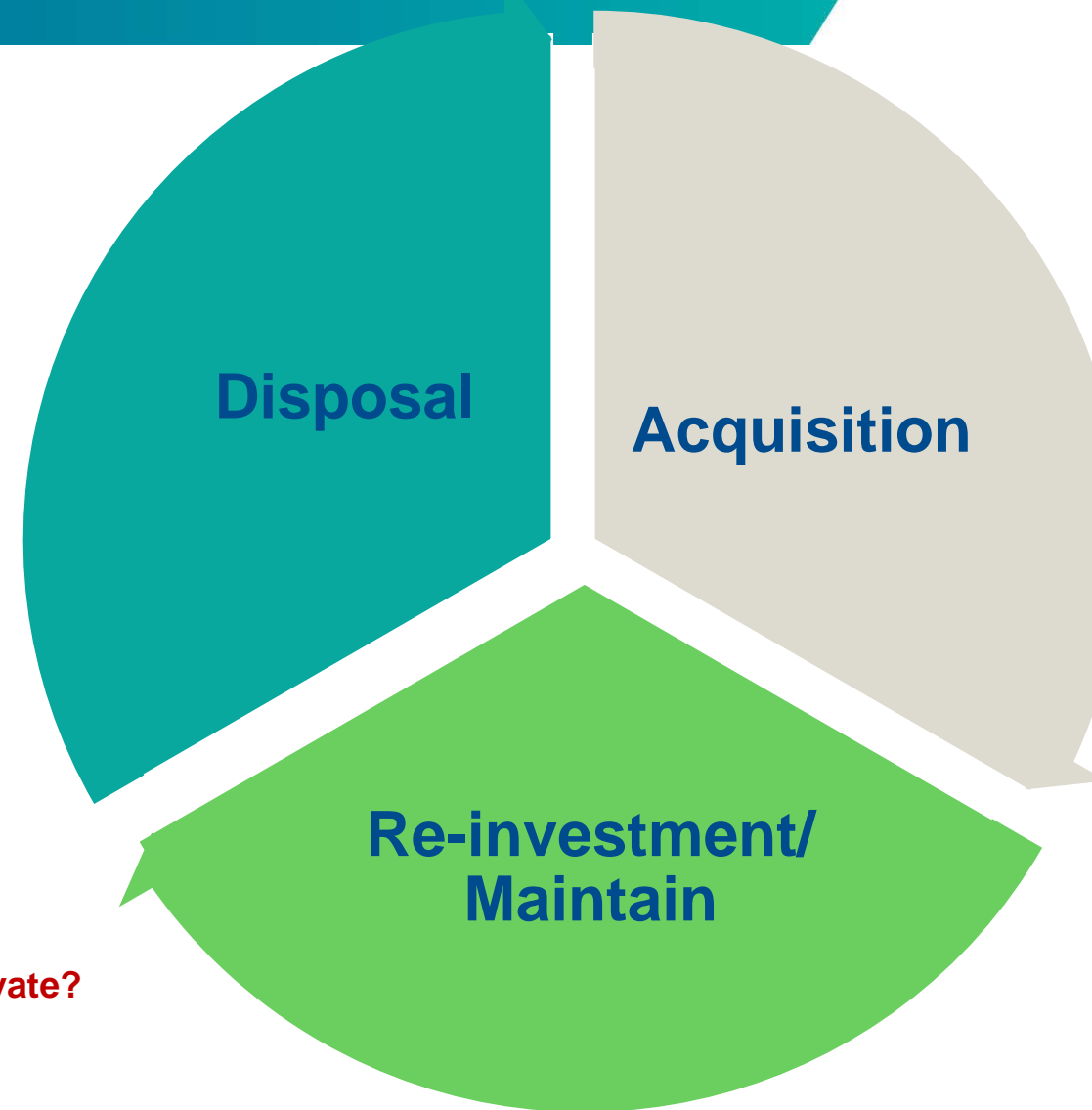
# Real Estate Portfolio Management for Growth

## Real Estate Holding Strategy Options

- Acquiring
- Creating (New Building)
- Redeveloping
- Selling/Disposing
- Repurposing
- Refinancing

**Key:** Does the property support program service delivery requirements?  
(compare asset performance to service requirements)

Does it make economic sense to invest in redevelopment or renovate?



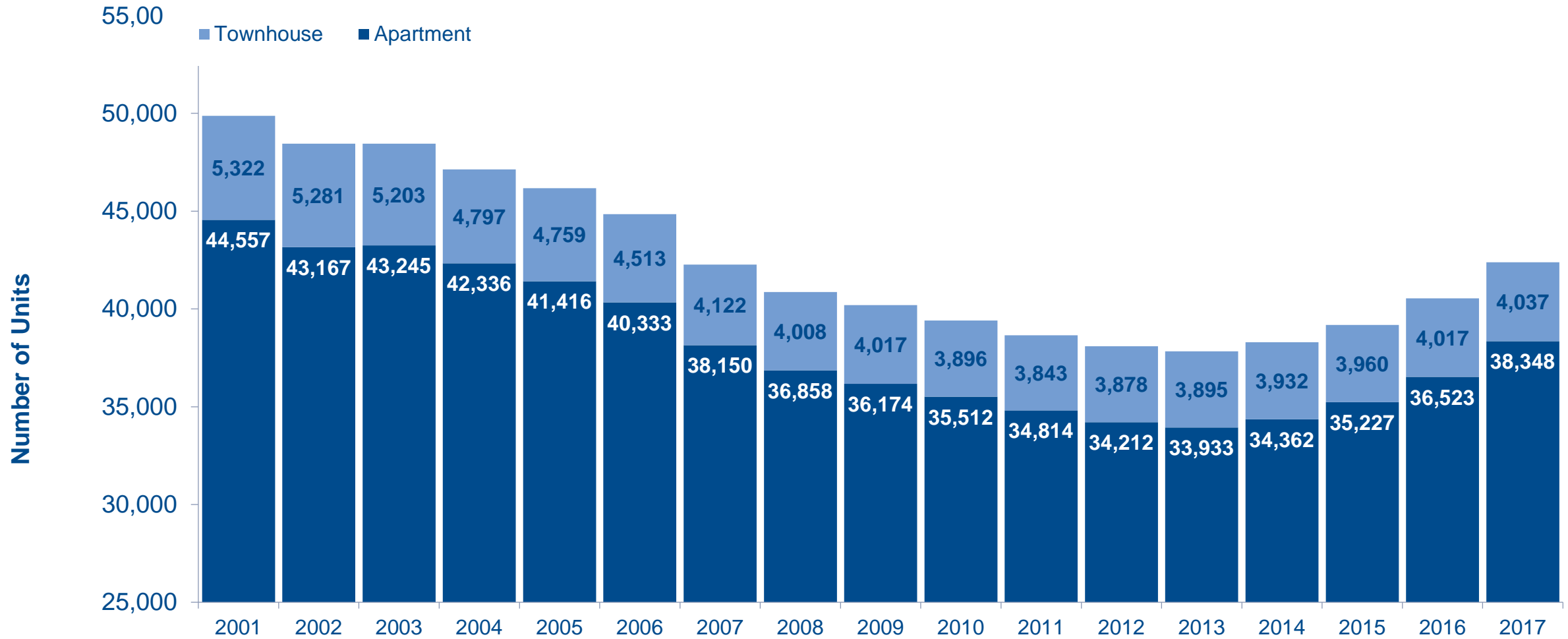
---

# Market Dynamics

DATA SOLUTIONS



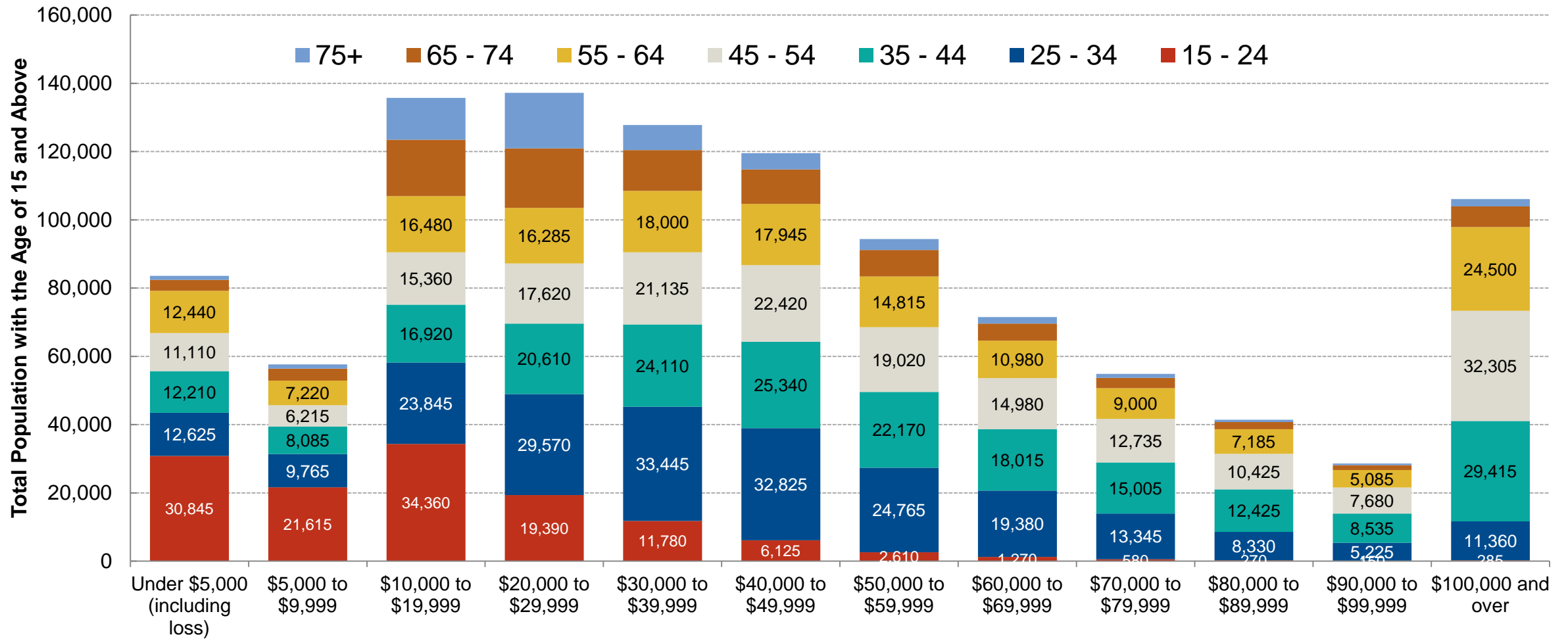
# Purpose-Built Rental Universe, Calgary CMA



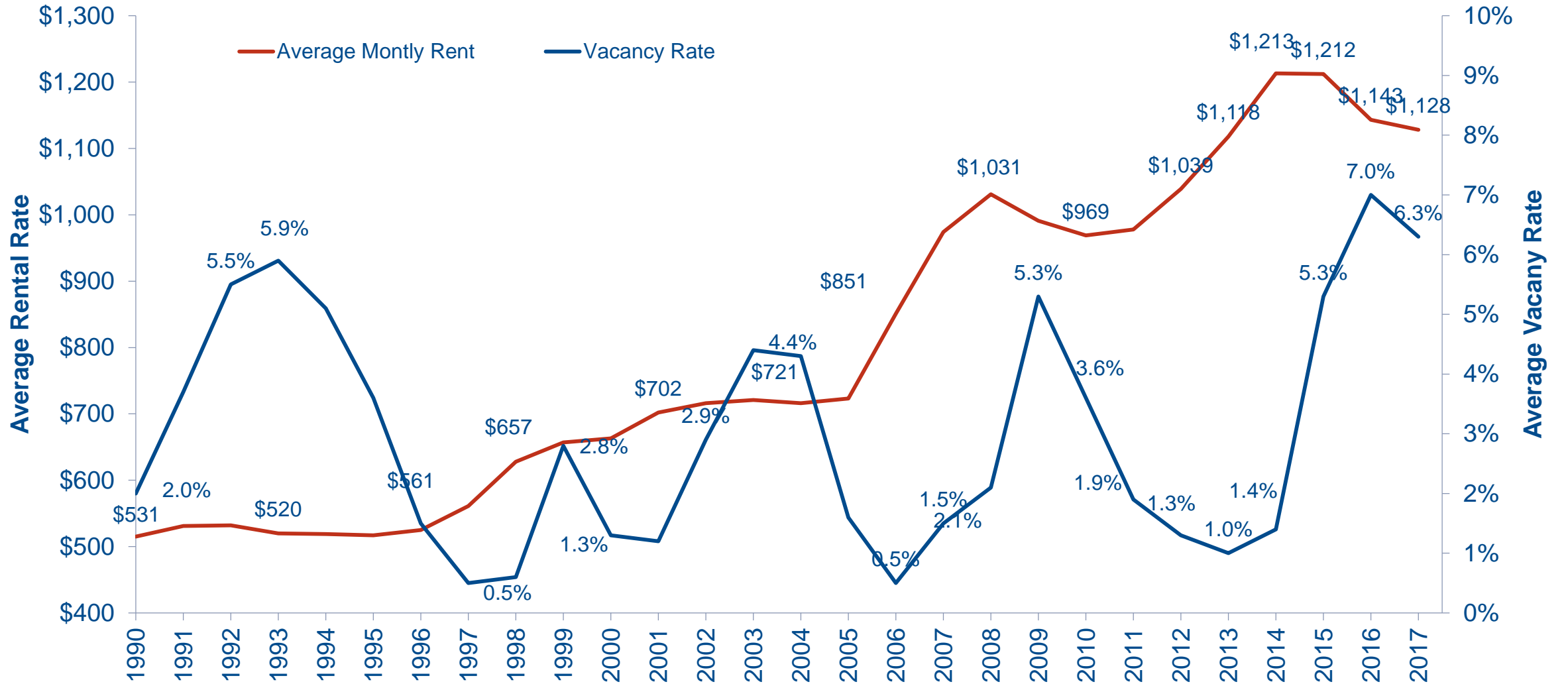
Source: CMHC, Altus Group Economic Consulting, 2018



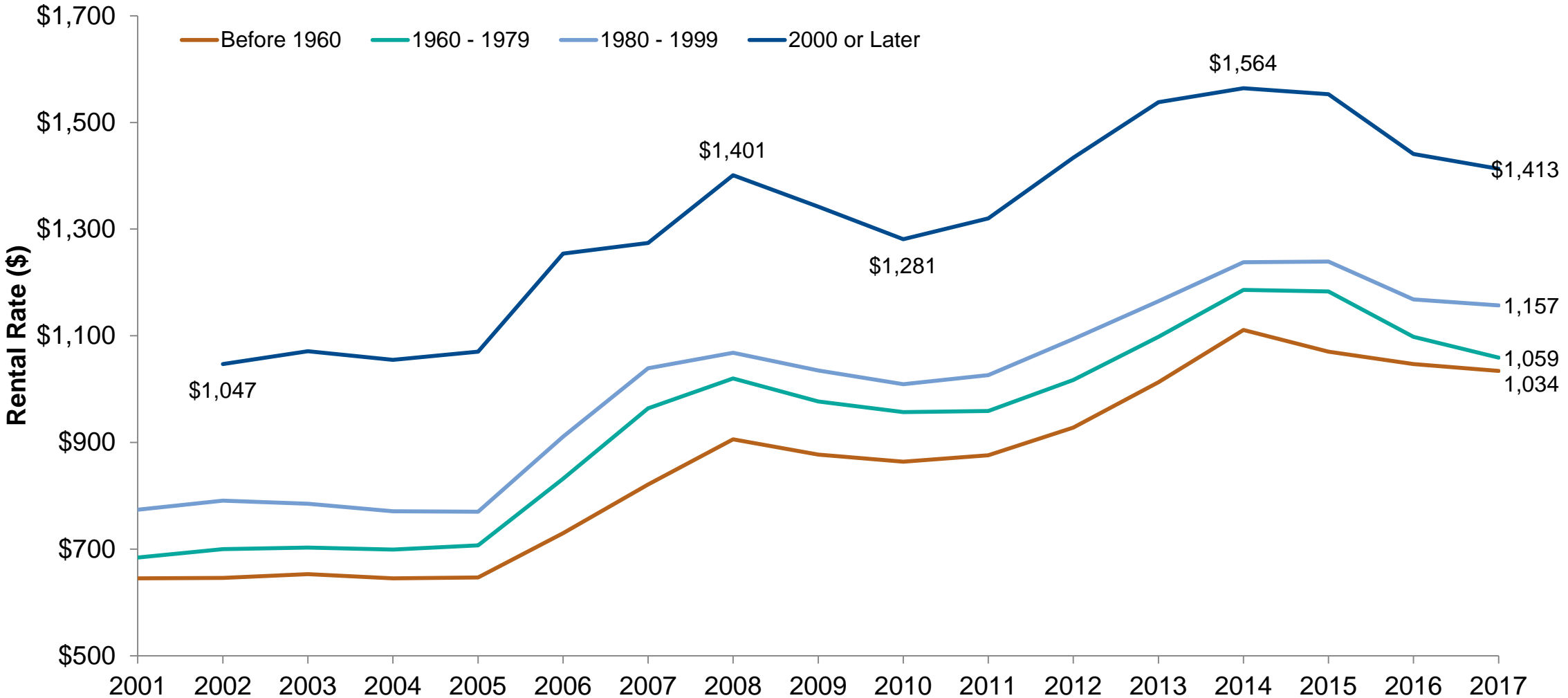
# Household Income Bracket Distribution by Primary Maintainer Age Groups Calgary CMA, 2016



# Historic Apartment Rental Trends, Calgary CMA



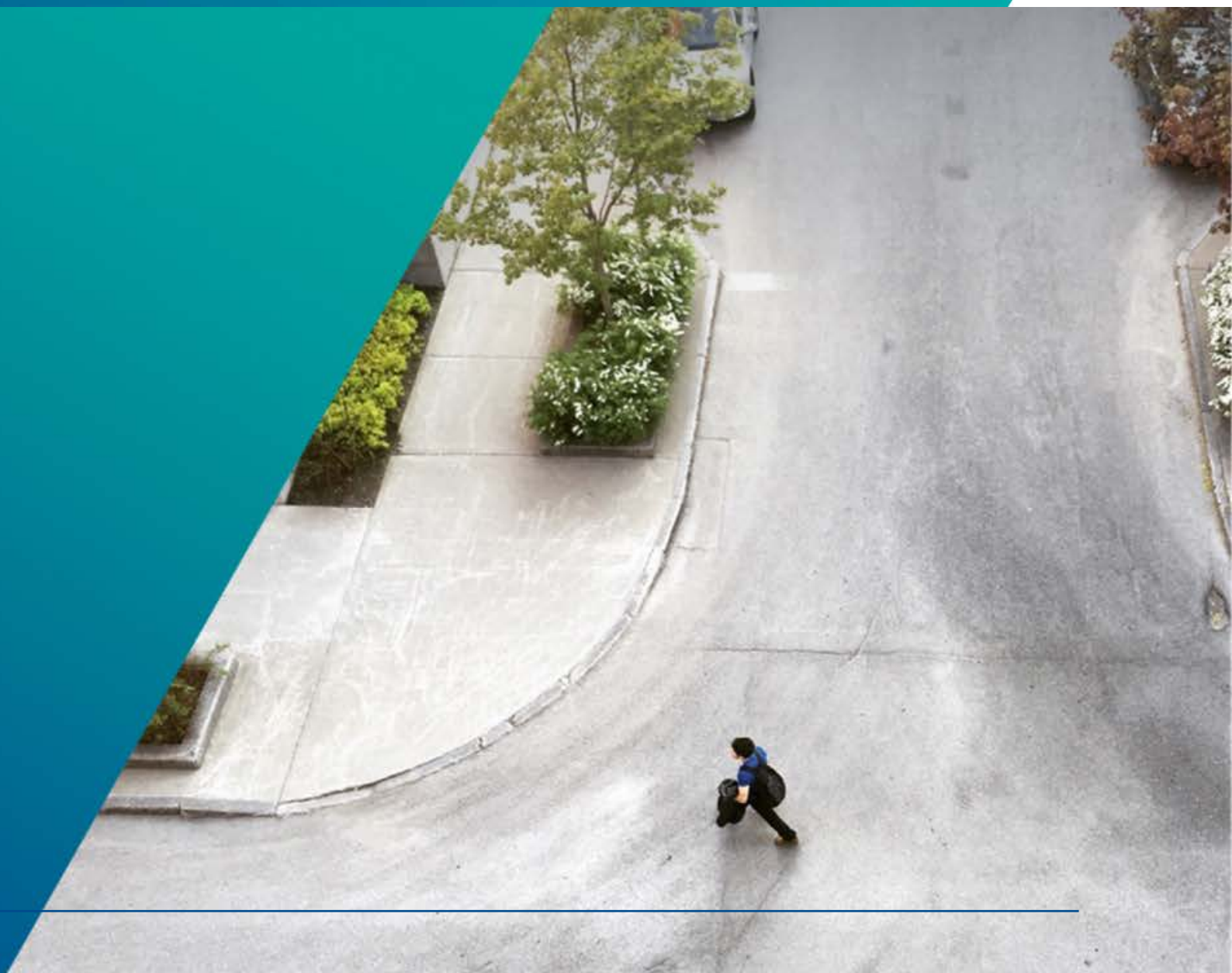
# Apartment Rental Rates by Year of Construction, Calgary CMA



Source: CMHC, Altus Group Economic Consulting, 2018

---

# Case Study #1



# Case Study #1: Midtown Townhomes

<b>Number of Units:</b>	<b>65</b>
<b>Structure:</b>	<b>Woodframe TH</b>
<b>Site Size:</b>	<b>.48ha</b>
<b>Current Zoning:</b>	<b>M-C1</b>
<b>Max Units per ha:</b>	<b>148</b>
<b>Actual Units per ha:</b>	<b>134.5</b>
<b>Upzone Potential:</b>	<b>Yes</b>
<b>No. of additional units (without rezoning)</b>	<b>13.5/ha or 6</b>
<b>Age:</b>	<b>49 years</b>

## Analysis

-woodframe buildings at 49 years old very likely in need of significant capital investment to extent the lifecycle

-the site could be densified if rezoned, which would require demolishing the existing buildings and constructing new

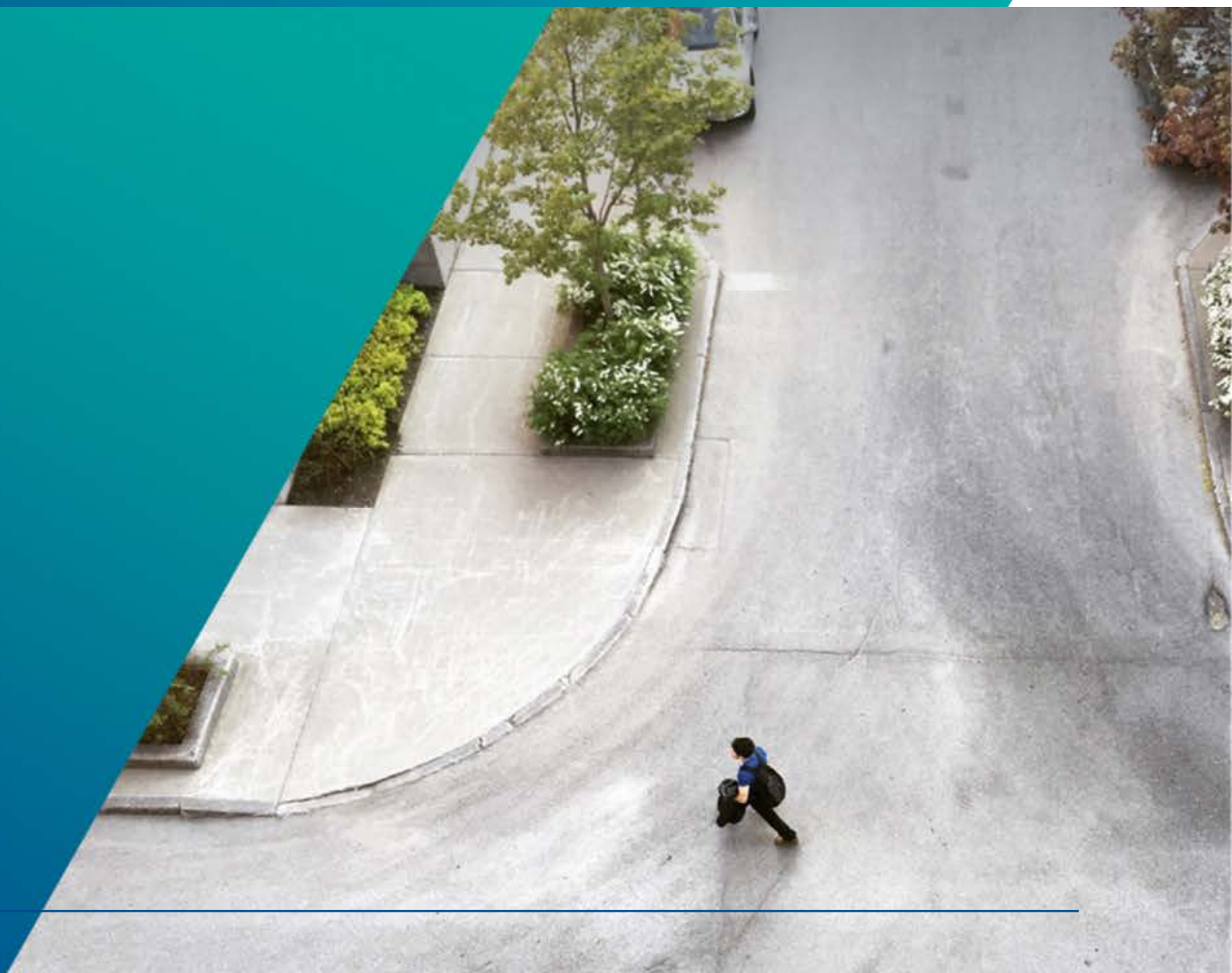
-the recommendation to renovate vs demolish and rebuild depends on the current condition of the buildings and the capital investment needed to modernize and upgrade the buildings and the estimated extended lifecycle of the buildings

If the cost to renovate is more than half the cost of estimated current replacement cost (FCI) then it likely doesn't make economic sense to do so



---

# Case Study #2



# Case Study #2: City Centre Mid-Rise

<b>Number of Units:</b>	<b>46</b>	<b>Analysis:</b>
<b>Structure:</b>	<b>Concrete</b>	-site has the potential to increase built area by 56% if demolished and rebuilt making it an attractive sale site
<b>Site Size:</b>	<b>19,526 sq ft.</b>	
<b>FAR:</b>	<b>5</b>	-the drawback is that the site is relatively small which will limit building design
<b>Current Zoning:</b>	<b>CC-MH</b>	
<b>Allowable Built Area:</b>	<b>97,630 sq ft</b>	-Located in a high-density area, close to downtown, near transit, services and employment centres therefore also desirable for both an affordable rental building
<b>Actual Built Area:</b>	<b>62,698 sq ft.</b>	
<b>Upzone Potential:</b>	<b>Yes</b>	-a major renovation to bring the building up to current efficiency standards could extend the life of the building by another 50 years.
<b>Age:</b>	<b>50</b>	-recommend preparing comparative proformas to evaluate the two options

# How Can Altus Group Help?

- **Building Condition Reports**
- **Project Management**
- **Cost Management**
- **Needs And Demands Studies**
- **Municipal Finance**
- **Highest And Best Use Studies**
- **Portfolio Assessments**
- **Property Appraisals**







**Altus Group**

# Contact

**Elsa Sawatzky**  
**Senior Consultant**

[Elsa.sawatzky@altusgroup.com](mailto:Elsa.sawatzky@altusgroup.com)

## **National Economic Advisory**

33 Yonge St., **Toronto**, Suite 500

2020 - 4th Street SW, **Calgary**, Suite 310

1055 West Georgia Street, **Vancouver**, Suite 2500

[@altus\\_group](#)

403-508-7810