

2024 Residential Market Update

*Municipal Team:
Kitchener, Waterloo & Cambridge*

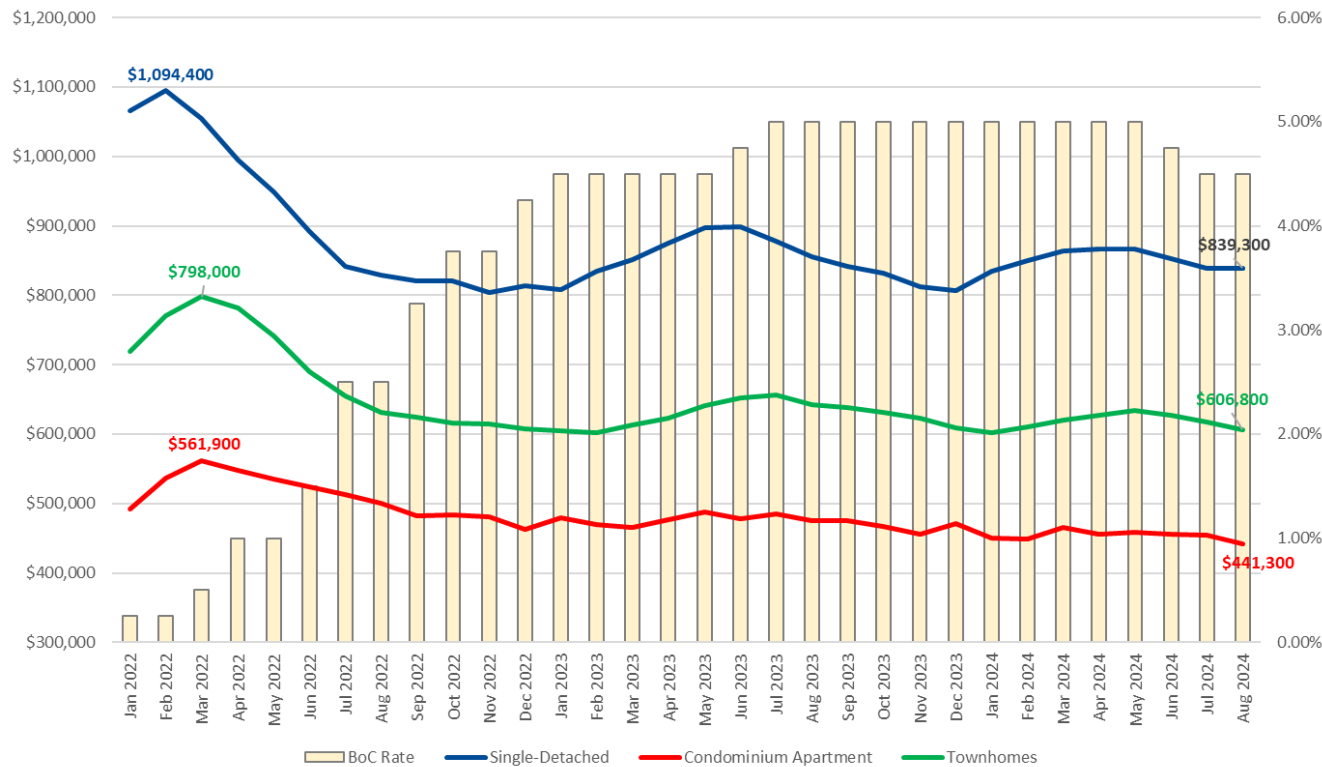
N. Barry Lyon Consultants

Planning and Strategic Initiatives, December 2

Residential Market Overview

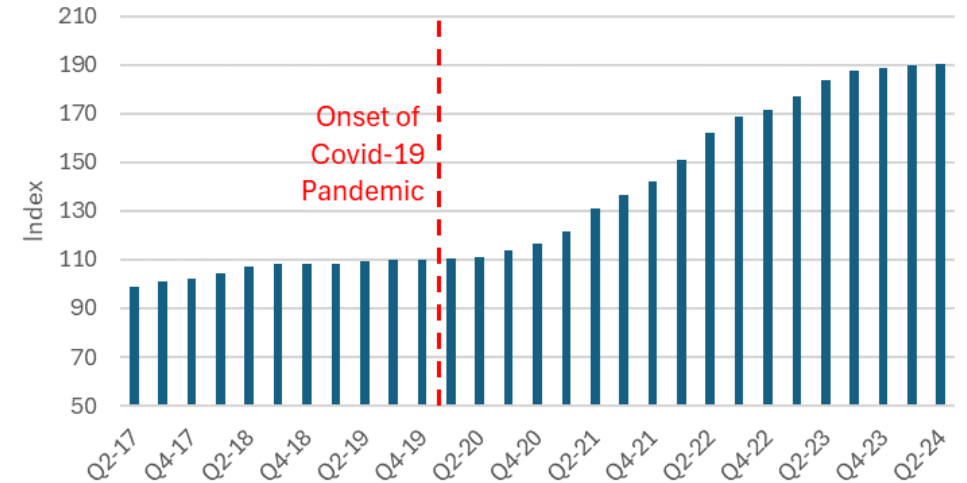
Interest Rates & Construction costs

Average Resale Housing Prices and BoC Overnight Lending Rate
Kitchener-Waterloo-Cambridge: Jan 2022 to June 2024



Data source: CREA, Bank of Canada

Residential Building Construction Price Index
Toronto CMA: Q2-2017 to Q2-2024



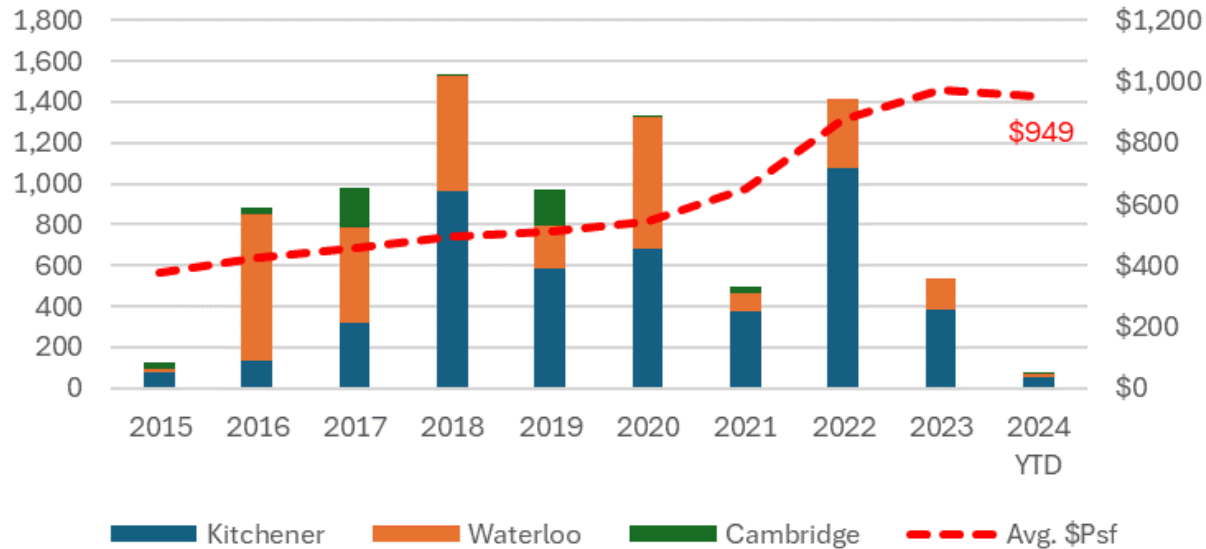
Data source: Statistics Canada

- Interest rates have had a substantive impact on ownership housing demand and pricing
- Affects cost of borrowing for all new development
- Construction costs 92% higher than in 2017, affecting housing development feasibility across Ontario

New Condominium Apartment Market

Soft Market Conditions in 2024

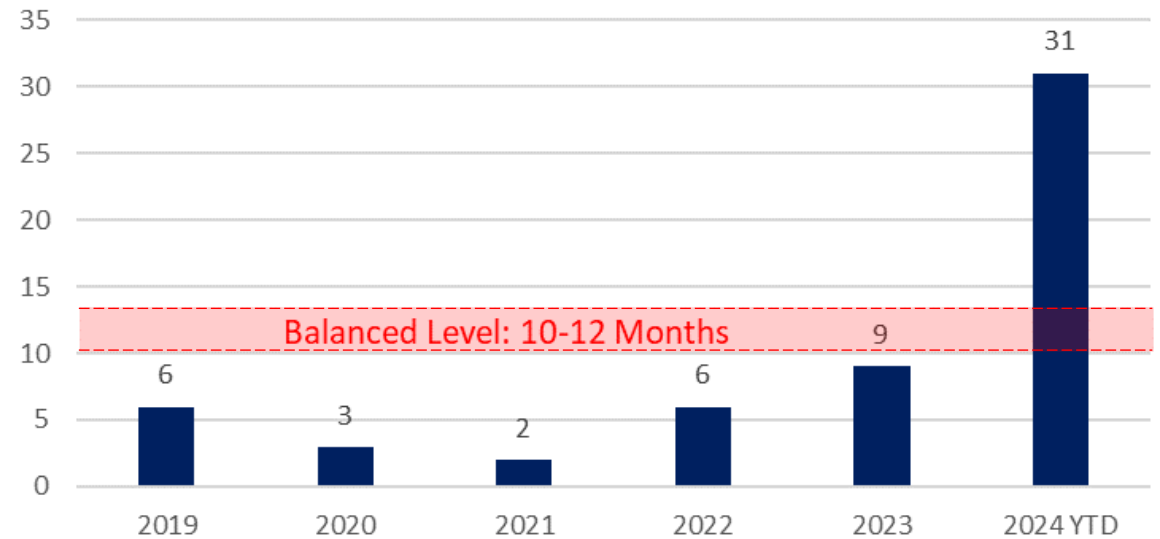
Average Sales Vs Average PSF (\$)
 KWC: 2015 to 2024 YTD



Data source: Altus Data Studio

- Only 80 new condo apartment sales were recorded during the first three quarters of 2024
- Down from 539 sales in 2023, and 1,412 in 2022

Months of Inventory
 KWC: 2019 to 2024 YTD



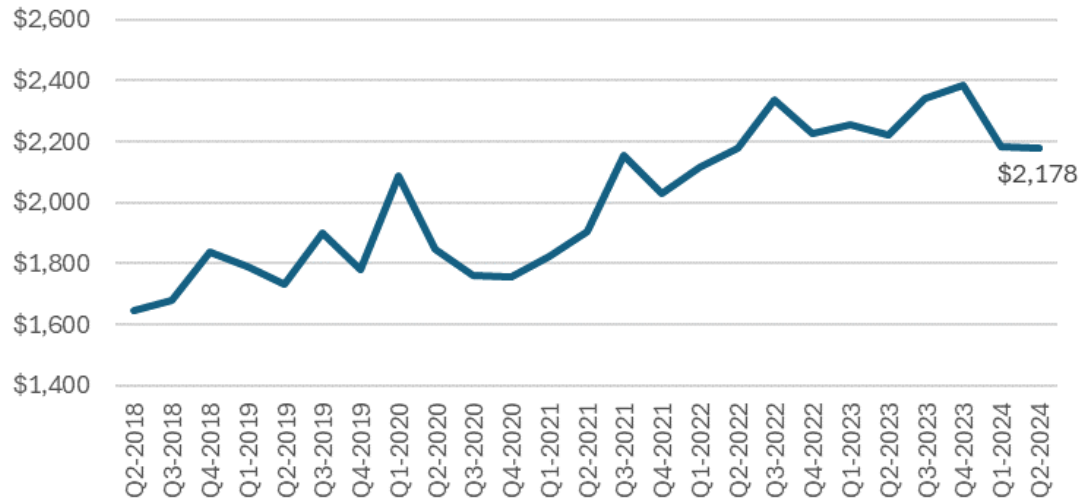
Data source: Altus Data Studio

- The average price-per-square-foot (PSF) peaked in 2023 (\$973 psf), dropping to \$949 psf 2024 YTD
- Only two new projects have launched so far in 2024

Rental Apartment Market

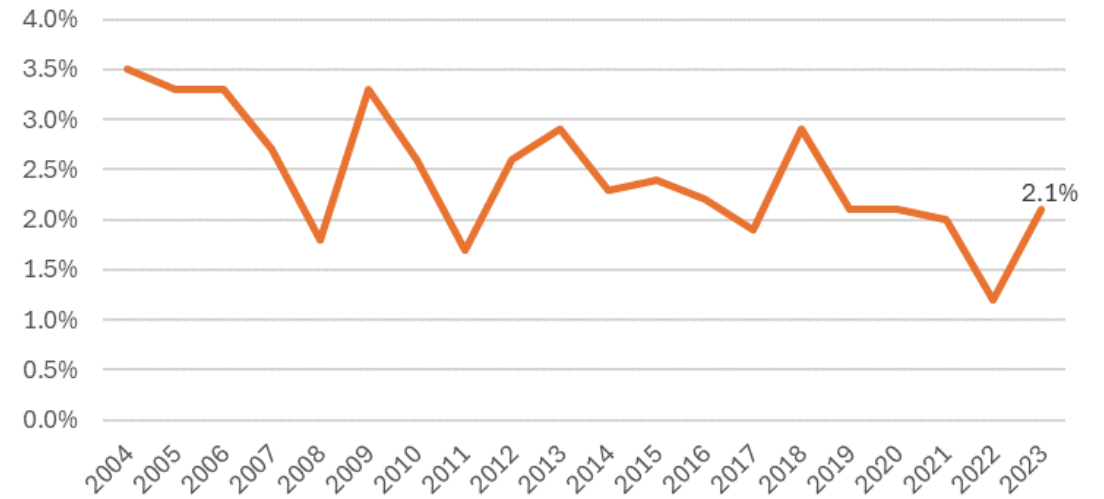
Average Rents Dampened by Record-High Completions

Average Private Condo Monthly Rents
KWC - Q2-2018 to Q2-2024



Data source: TRREB

Historical Purpose-Built Vacancy
KWC: 2004 to 2023



Data source: CMHC

- Record high apartment completions in 2023 have led rents to soften in 2024 after peaking in Q4-2023

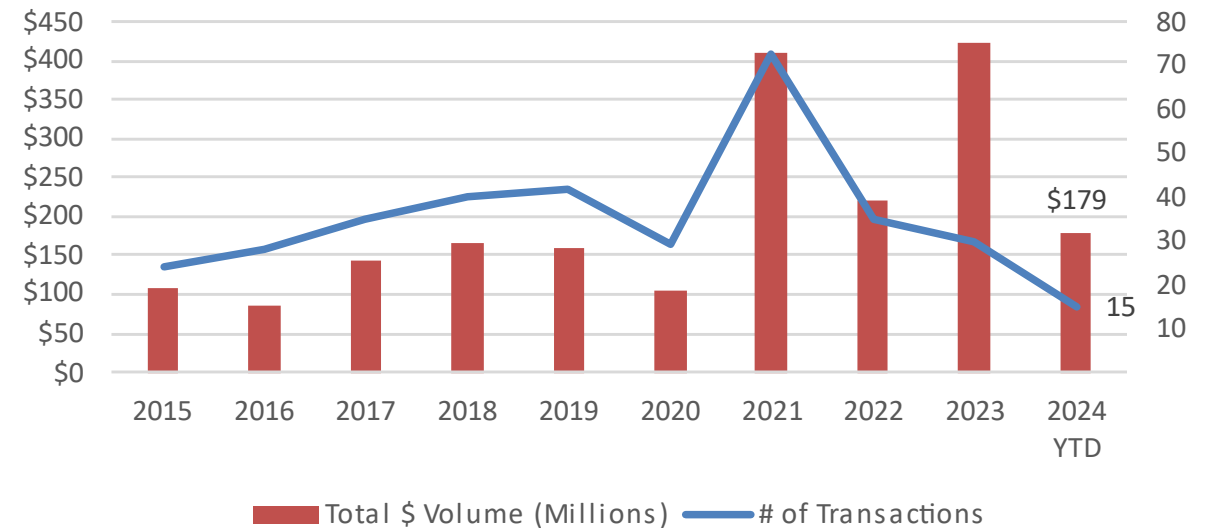
- Overall, the rental market has remained tight, with a vacancy rate generally below a balanced level of 3-5% between 2004 and 2023

Land Transaction Activity

New Project Flow Likely to Remain Slow

- Residential land transactions peaked in 2021. Market softness has led to a reduction in investment since
- Speaks to overall market confidence and availability of investment capital to place in new residential development

Residential Land Transactions by Year
KWC: 2015 to 2024 YTD



Data source: Altus Data Studio

Concluding Remarks

Challenges Affecting Today's Apartment Market

- NBLC's initial IZ assessment report was completed in 2019/20. The high-density market was strengthening year-over-year, market momentum demonstrated *some* capacity to absorb IZ
- Our 2024 review demonstrates that the feasibility of high density residential development is markedly more challenging than it was five years prior
- The near term implementation of IZ would likely delay the recovery of transit-oriented sites and exacerbate current challenges in delivering market-rate housing
- The timing for market recovery is unknown, but we expect a return to strength, over time
- We do not suggest that IZ policies be abandoned altogether. It is critical that the market prices IZ into their investments
- It is our view that the timeline for IZ's implementation should be extended until favorable market dynamics return
- We would look to see signals of returned market strength in market-rate projects by monitoring key indicators, including:
 - New pre-sales / pre-leasing activity
 - Absorption rates and pricing
 - Interest rates
 - Construction costs

Thank you.

The logo for nblc is displayed in a white serif font. The letters 'n', 'b', and 'l' are lowercase, while the 'c' is uppercase. The letters are set against a white rectangular background that is placed over a grayscale architectural photograph of a building's interior, showing concrete beams and columns.

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