

REAL ESTATE

Investors head back to school

By Peter Kovessy
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As enrolment at Ottawa's colleges and universities continues to grow, some local real estate watchers say student housing is becoming an increasingly sought-after asset among local property investors.

The city's post-secondary institutions create a constant demand for rental accommodations in neighbourhoods close to campus. Despite the Animal House stereotypes, industry observers say students are actually ideal tenants – especially when parents are on the lease.

And with fairly frequent tenant turnover, landlords are free to set rents according to current market conditions without being restricted by provincial rent controls that cover current tenants.

"It's a long-term play," says David Sugarman, a sales representative at Coldwell Banker Rhodes.

"The universities are not going to move and they're not going to shrink. There will always be a demand for (student housing)."

In recent years property values across Ottawa have significantly appreciated, and the student housing market is no exception. However, Mr. Sugarman says properties in neighbourhoods such as Sandy Hill – where rents average \$550 to \$625 a room – received an added boost from growing enrolment.

He says a 1920s-era building on Henderson Avenue, containing 16 bedrooms in four units, recently came onto the market with a net income of \$84,000 per year and an asking price of \$1.26 million.

That same property sold for \$715,000, with approximately \$180,000 in deferred maintenance, in 2008. At that time the net income was \$71,000 annually.

Mr. Sugarman says the property attracted five offers within the first 45 minutes it was listed in 2008.

"(And) it's still a sellers market ... There is no shortage of interest when product comes onto the market," he says.

Along with finding financing, the challenge for many investors is the lack of well-priced assets available for purchase, says Conrad Pool. He's owner of Sleepwell Management, a property management firm with about 750 units in its portfolio.

He says fluctuations in stock markets has many investors seeking the stability of bricks-and-mortar assets, and notes that properties located near universities are at a far lower risk of sitting vacant.

"The university is a business. They are constantly looking to increase the student population, and that keeps a neighbourhood strong," he says.

The frequent turnover caused by students graduating and moving on does mean that landlords commonly have to invest in repainting and maintaining units between tenancies. But the tradeoff is that once a tenant leaves, landlords are free to set the rent at whatever level they like, whereas the province limits annual rent increases on existing tenants.

Mr. Pool says students make fantastic tenants, especially if their parents are co-signers on the lease. Trying to explain property damage – and the related repair costs – to mom and dad is a strong deterrent to treating the house roughly, he says.



"All a landlord needs to worry about is a few parties and a couple of beer bottles every now and again. That's the least of your headaches in the big picture when you think about what else you could be dealing with," says Mr. Pool. "We're a big fan of students."

Ottawa's residential real estate market, especially in areas around the University of Ottawa, continues to favour sellers, says Coldwell Banker Rhodes sales representative David Sugarman. Photo by Peter Kovessy

SANDY HILL SALES Recent student housing transactions and listings

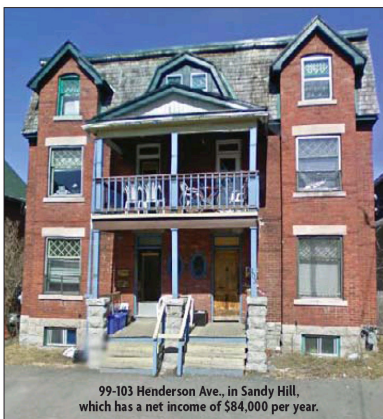
Four self-contained town homes, each with up to five bedrooms, at Stewart Street and King Edward Avenue.
Net income: Just over \$100,000 annually
Sale price: \$1,650,000

Two row homes (four units) on Daly Avenue.
Net income: \$96,000 annually
Asking price: \$1,330,000

Triplex on Osgoode Street at the corner of Russell Avenue
Net income: \$32,700
Sale price: \$597,500

Five-unit building on Sweetland Avenue at Somerset Street
Net income: \$35,300
Sale price: \$676,000 (\$76,000 over asking price)

Source: MLS, courtesy of Coldwell Banker Rhodes



99-103 Henderson Ave., in Sandy Hill, which has a net income of \$84,000 per year.

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