

Veritas Residential Real Estate Investment Property Survey

Understanding how real estate investors could impact future house prices

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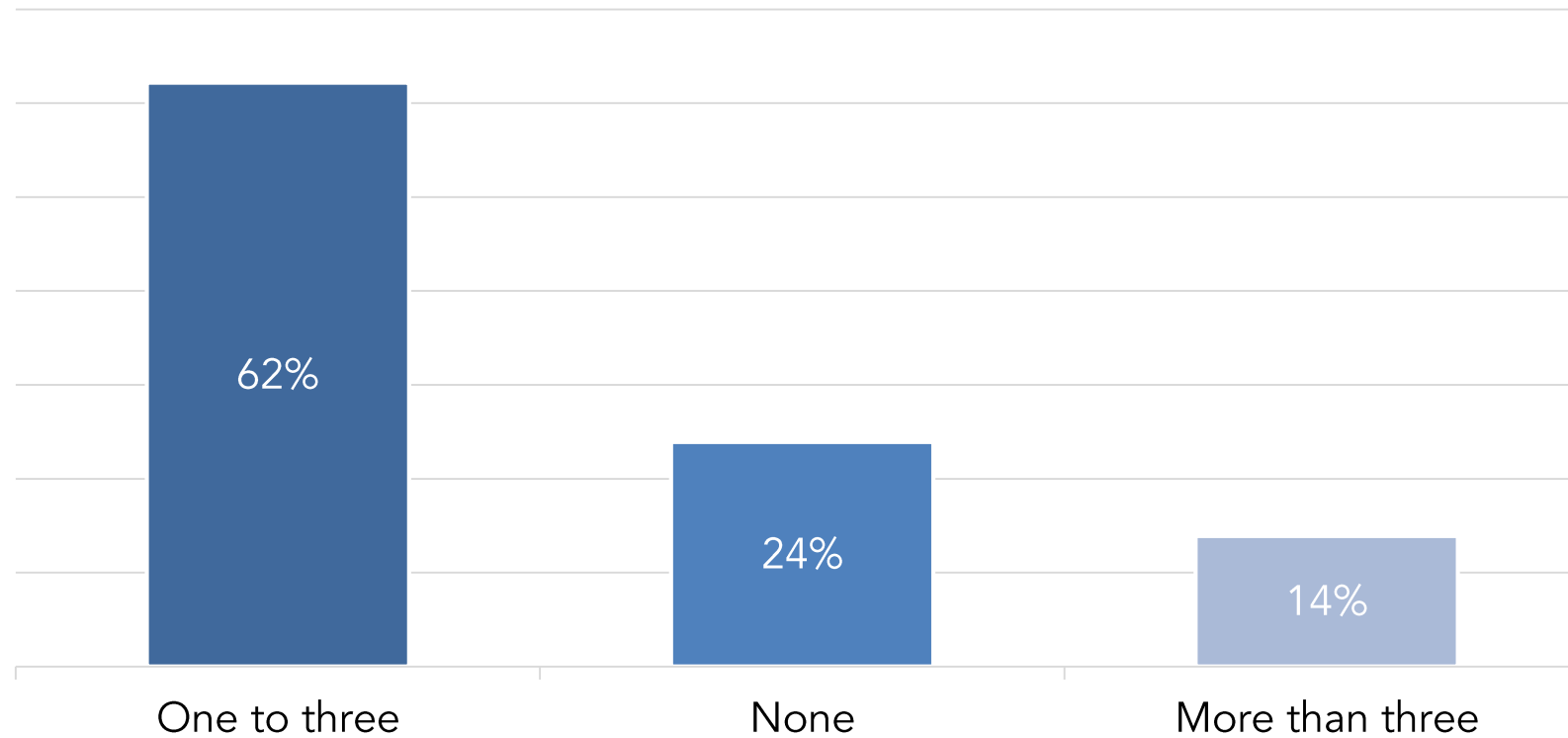
- **What we did:** We informally surveyed residential real estate property investors from September 23 to October 1, 2019 to get of picture of what their intentions are in the next 12 months. The survey was brief at six questions.
- **Why we did it:** Our belief is that house prices in the future will be driven by residential real estate property investors, whether they are selling or buying. If there is an economic shock, the first wave of selling is like to come from this group, particularly investors with negative cash flow investment properties.
- **Who we surveyed:** This was an informal survey of Veritas clients and associates and it was our first survey of its kind. It therefore is not a statistically significant survey, but did convey some meaningful results.



Survey Results



Question 1: How many residential real estate investment properties do you own?



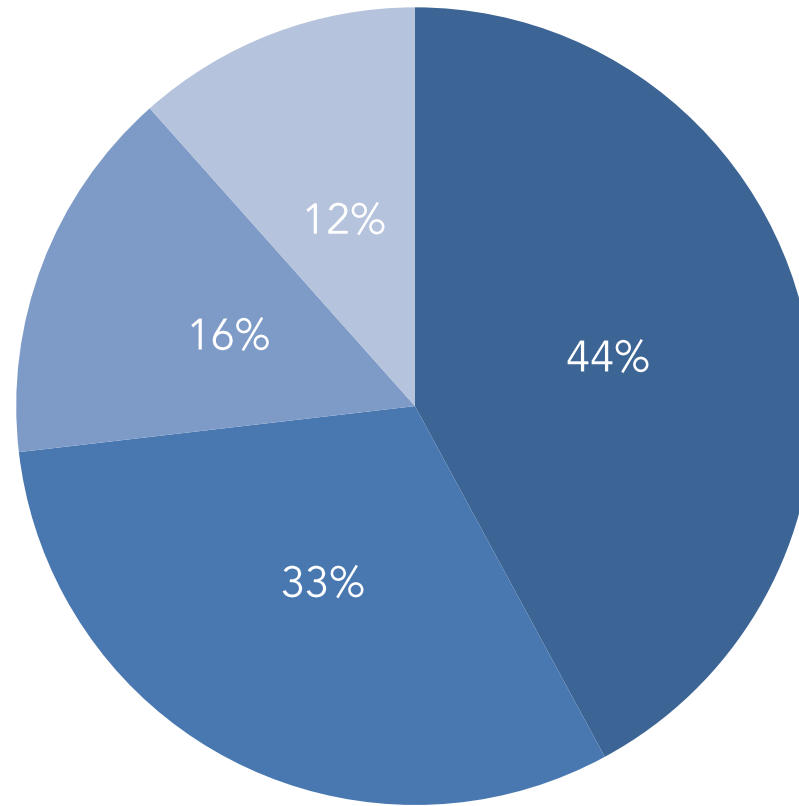
Most real estate investors own 1 to 3 properties

Source: Veritas



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Question 2: What type of investment property do you own?



■ Detached or Freehold ■ Condominium ■ Semi-detached or Townhouse ■ Multi-unit Residential

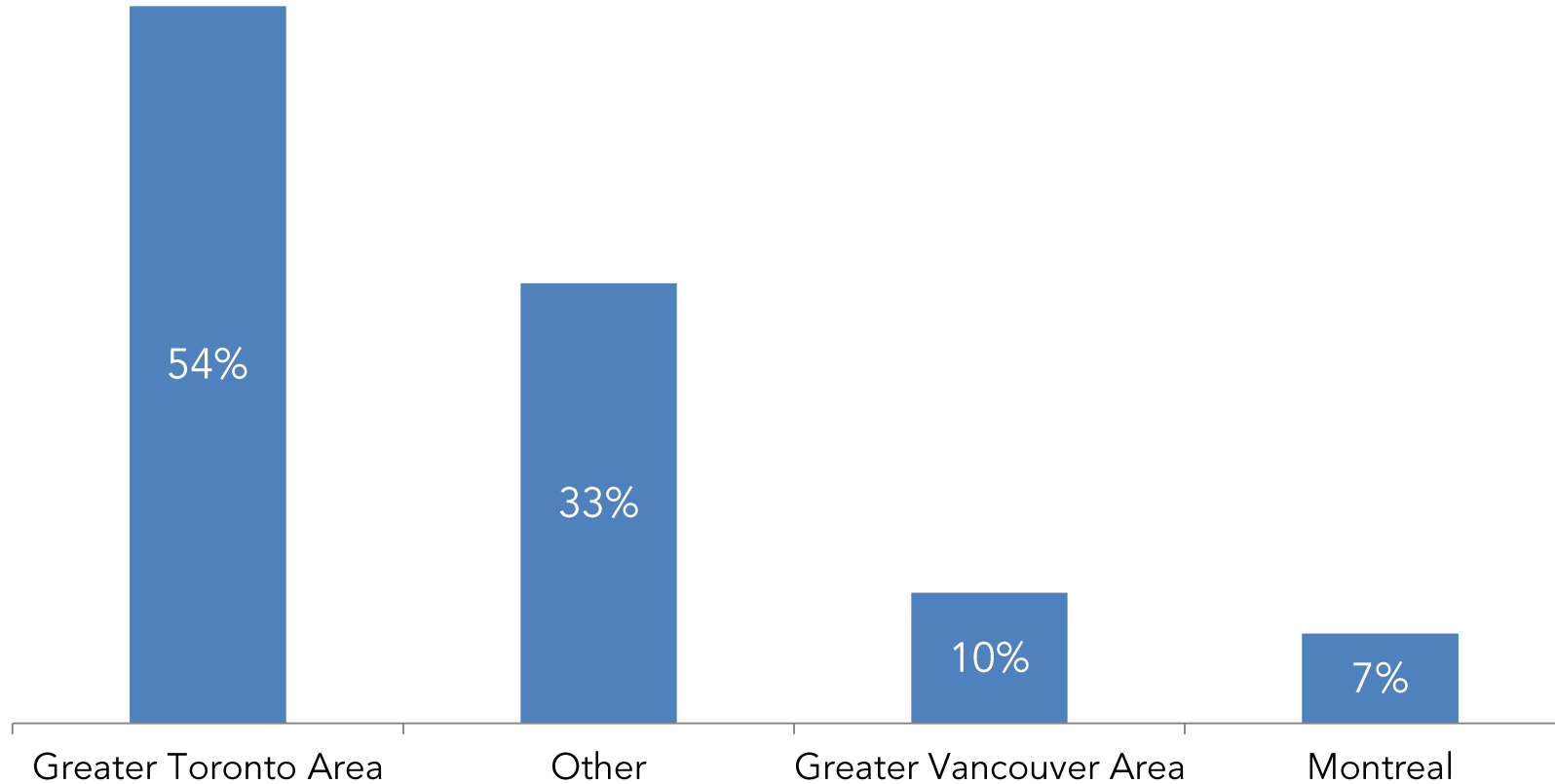
Detached and condo units make up majority of investment properties

Source: Veritas



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Questions 3: Do you own residential real estate properties in any of the following locations?



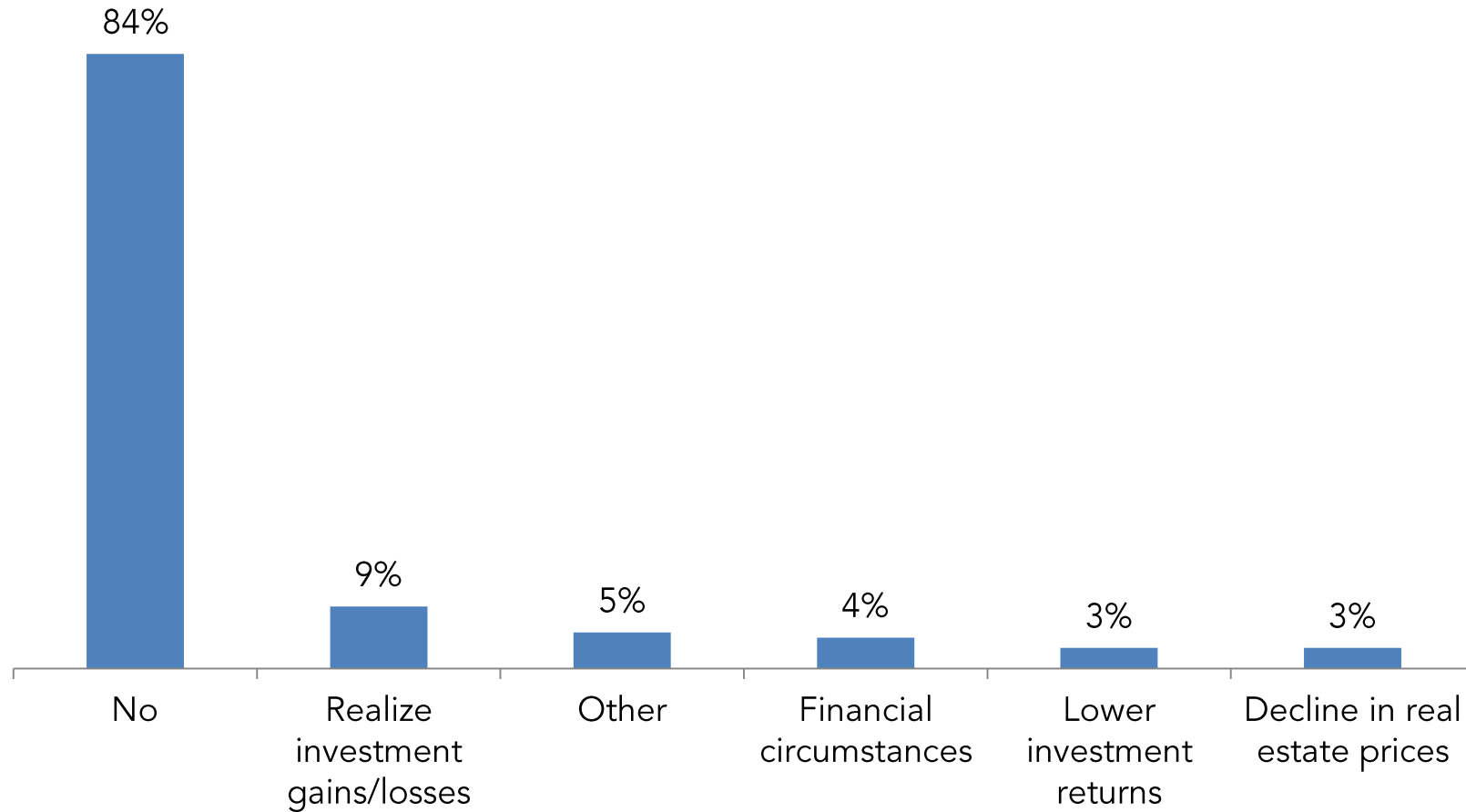
Survey respondents primarily invest in GTA and suburban areas

Source: Veritas



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Question 4: Do you plan to sell one or more investment properties within the next 12 months?



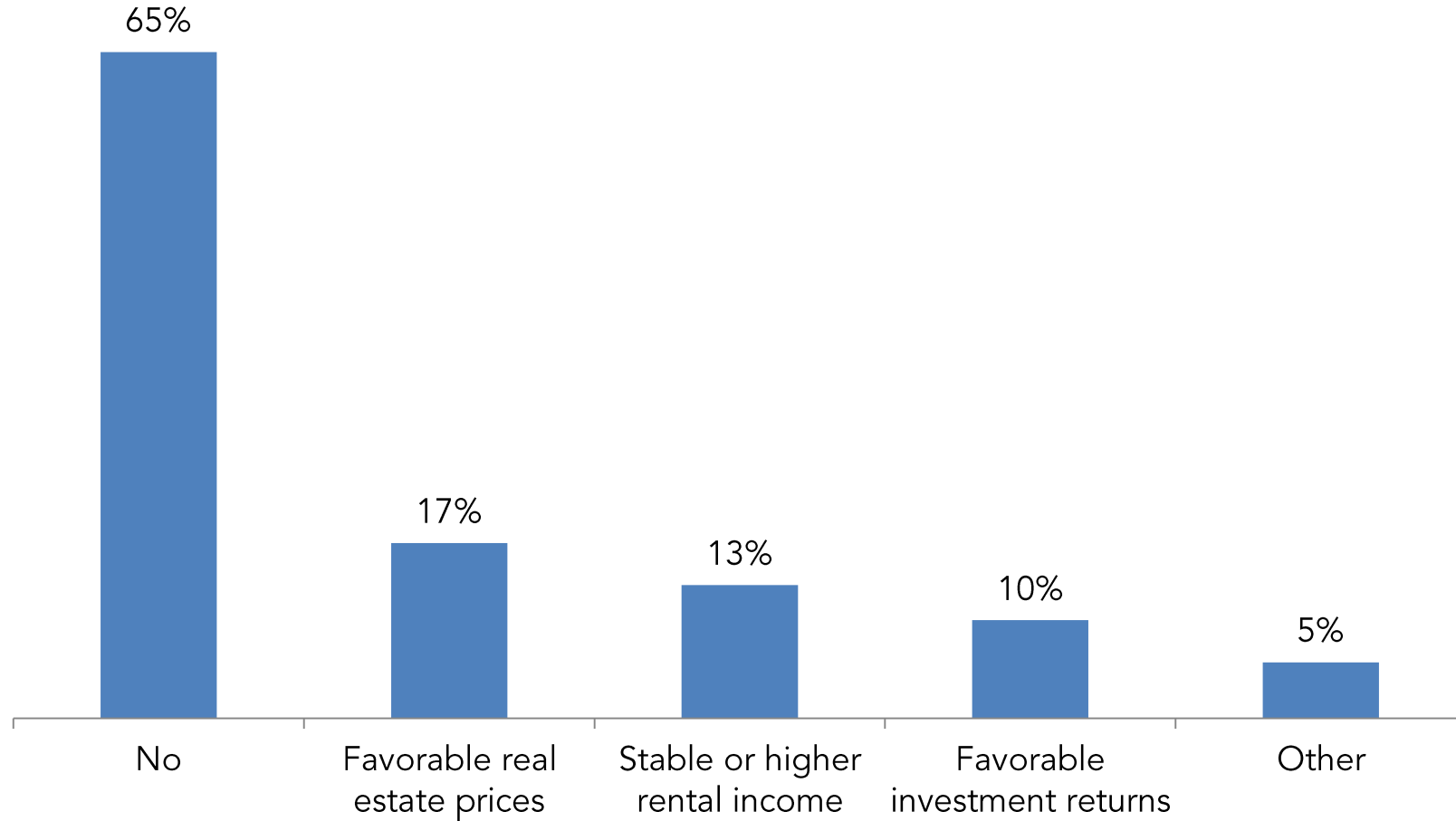
1 in 6 real estate investors are planning to sell investment properties

Source: Veritas



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Question 5: Do you plan to purchase one or more investment properties within the next 12 months?



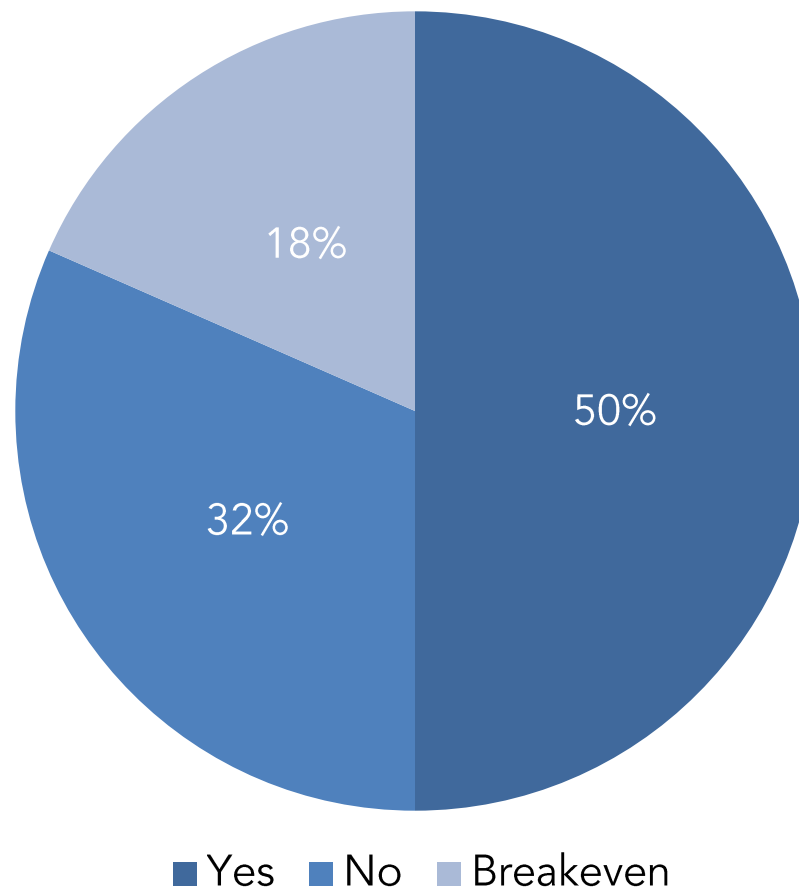
3.5 out of 10 current investors plan to buy additional properties

Source: Veritas



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Question 6: Do your investment properties generate positive cash flow net of all expenses?



Half of real estate investors do not generate positive cash flow

Source: Veritas



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Takeaways:

- **The good:** 84% of respondents said they have no plans to sell an investment property within 12 months.
- **The yellow flag:** Approximately half of respondents are breakeven or cash-flow negative on their investments.
- **What this means for the big picture:** We are currently running at a 15-year-low of new listings to total housing stock at just 5.3%. It is a tight market. If you look at the past 40 years, we saw peak highs of supply during the house price crashes of 2008 and 1990, of 6.6% and 7.3%, respectively. In other words, it doesn't take much to go from a cyclical low of under supply to a supply shock that causes a crash – the gap is just 2% of housing stock.

Where could we see a future supply shock come from? In our view, not from a glut of new construction or even from owners but from real estate investors and speculators.

