GARBAGE BE GONE

Entrepreneur believes everything is recyclable, and he's seeking millions in funds to prove it, **B5**

JOBS WELL DONE

Wave of new work in November drives unemployment to lowest rate in nearly a decade, **B2**

BUSINESS

VINCE TALOTTA/TORONTO STAR

Joseph Feldman says building an additional 10 storeys to a building can have a big impact on the market.

Is rent control making vacancy squeeze worse?

Discouraged by provincial rules, some developers switch to condos

TESS KALINOWSKI
REAL ESTATE REPORTER

If developers were allowed to add 10 floors to every building proposal this year, there would be thousands of new rental units on the market in a short time, said Joseph Feldman, director of development for Camrost Felcorp.

"Ten storeys — that takes an extra 10 weeks on the construction cycle. A new 10-storey building takes a couple of years," he said. "By just allowing a couple more floors, the impact to the typical pedestrian is negligible at grade. It's low-impact but it will lead to a healthier market."

The suggestion would be anathema to planners and politicians, worried about shade, scale and highrise averse neighbours.

But lifting height restrictions is one way developers say cities could encourage the building of new rentals in the vacancy-squeezed Toronto region.

Canada's housing agency reported on Tuesday that the area's vacancy rate has hit a 16-year low of about 1 per cent as a growing population and high housing prices stress the region's aging rental stock.

Just as developers have shown renewed interest in building rentals, the province has expanded rent controls to newer buildings, prompting some builders to switch their projects to condos.

Developers and landlords say they want to be part of the rental solution, but there are risks in projecting an appropriate return on their investments: What if interest rates and costs rise beyond the rate of the rent cap? What about the higher costs of maintaining buildings as they age? Where are the incentives that are available through the market on luxury buildings and through the government for low-income geared units?

"Building a rental is different from building a condo, in that you don't get your money out right away. As part of that you need certainty around it," said Jim Murphy, head of the Federation of Rental-housing Providers of Ontario (FRPO), an association of builders and property managers.

Ottawa's new national housing policy hasn't properly addressed middle-income tenants who fall somewhere between luxury and low-income, Murphy said.

The province has offered $125 million in development charge rebates. That will help developers of low- and middle-income type units, but it won't apply to luxury rentals, said Housing Minister Peter Milczyn. Ontario also assesses rentals at the lowest residential property tax rate.

But FRPO didn't get the short-term exemption it had been seeking from rent control for new buildings.

"Ontario is the only jurisdiction that doesn't treat new purpose-built rentals differently (than other developments)," Murphy said, noting that Quebec has a five-year (rent control) exemption.

"The guideline in Ontario is whatever the Consumer Price Index is. It's capped at 2.5 per cent for an annual increase. This year, it's 1.5 per cent. Next year it will be 1.8 per cent," he said. "But in B.C., they add 2 per cent on top of that, so it's about a 4-per-cent return you would have had — or increase tenants would have had — in Vancouver this year."

That 2 per cent is recognition of the cost of building in a city like Vancouver.

Ontario says landlords can raise rents beyond the guidelines if they can be justified by expenses such as significant capital repairs. They can also increase rents when a unit turns over.

"Since 2012, overall rents in pre-1991 buildings have increased between 2.5 per cent and 3.5 per cent annually, consistent with the approximately 3-per-cent return that landlords and economists have advised is necessary to provide a return on investment in this sector," said Myriam Denis, Milczyn's spokesperson.

RENTAL continued on **B4**

Realty group touts tax-free parental RRSP loans

Move would allow parents to help kids with larger down payments on increasing home prices

ALEKSANDRA SAGAN
THE CANADIAN PRESS

VANCOUVER—The federal government should allow parents who want to help their offspring with the purchase of a home to tap into their retirement savings, says the Canadian Real Estate Association, which also wants the maximum withdrawal limit bumped up by $10,000.

Extending the Home Buyers' Plan to allow for "intergenerational RRSP loans" would ease the financial burden that many young Canadians face when trying to purchase a home for the first time, wrote CREA in its 2018 prebudget submission to the House of Commons Standing Committee on Finance.

Under the current plan, first-time buyers can withdraw up to $25,000 from their RRSPs to contribute to the purchase of a home. The tax-free loan must generally be repaid within 15 years.

Allowing parents access to the plan would help many first-time buyers enter the market and ease their financial obligations, the association said.

Recent and rapid home price increases have resulted in many parents already gifting down payment money to children. The national average price for a home sold in October was $505,937, up 5 per cent from a year ago, according to figures the association released earlier this month.

Two of the country's hottest housing markets have been contributing to those gains.

In October, the benchmark price of a property in Greater Vancouver hit $1,042,300, up 12.4 per cent from the previous year, according to figures from the Real Estate Board of Greater Vancouver. Meanwhile, in the Greater Toronto Area that month the average property price was $780,104, up 2.3 per cent with the previous October, according to figures from the Toronto Real Estate Board.

The Toronto agency said it is also lobbying the federal government to modernize and expand the Home Buyers' Plan, saying the HBP "effectively amounts to a zero-interest self-loan" because it allows Canadians to borrow from their own savings.

CREA continued on **B16**

GRAHAM HUGHES/THE CANADIAN PRESS

Recent and rapid home price increases have resulted in many parents already gifting down-payment money to children.

> WEALTH MANAGEMENT

KAREN BLEIER/AFP/GETTY IMAGES

The value of bitcoin surged to top a record $11,000 (U.S.) for the first time earlier this week.

Bitcoin's boom raises fears of a bubble

Despite crypto currency's risk, new crypto-hedge funds entering market and investors piling in

MICHAEL LEWIS
BUSINESS REPORTER

The astronomical rise and fall of bitcoin has stoked fears about the risky, hyper-volatile and highly speculative nature of crypto-currency investment, but experts say it also suggests bitcoin is gaining mainstream traction, at least as an asset class.

"It's exciting and scary at the same time," said Garrick Hileman, a research fellow at the University of Cambridge's Judge Business School who is best known for his research on monetary systems innovation.

He said bitcoin's near 1,100-per-cent year-to-date increase through Wednesday to top a record $11,000 (U.S.) before dropping by $2,000 over a matter of hours Thursday on profit-taking and trading outages is more about "pure mania" than bitcoin's value as a real-world currency.

(As of Thursday midday, one bitcoin, which can be exchanged for products, services and other currencies, was valued at $12,478.17 Canadian)

Hileman said evidence suggests that few investors are buying bitcoin as a means of exchange, with research from Cambridge showing only 100,000 merchants and vendors accepted bitcoin as payment as of 2015.

Even so, new users have skyrocketed from the 2.9 million to 5.8 million at the start of the year in tandem with the currency's own ascent. And while retail investors who can trade bitcoins through new venture capital funds risk getting burned, Hileman said increasing awareness could have a hockey-stick effect, driving up usage and acceptance after a period of flat growth.

Traders are betting on the creation of a powerful new asset class that is as yet largely unregulated, he said, adding that "price frenzy can accelerate adoption."

BITCOIN continued on **B6**

>> BUSINESS

Restrictions making developers 'think twice'

RENTAL from B1

"Rental housing continues to offer investors, including REITs and pension funds, a more stable and higher rate of return than many other investments," Denis said.

Feldman says Camrost is fine with its Day 1 dollar assumptions on a new luxury building it is opening at 101 St. Clair Ave. W. in the new year. But it might have been different had the company known the government would expand rent controls to newer apartments as part of its Fair Housing Plan in April.

"The provincial regulations have very much impacted a lot of assumptions that made it easier to justify doing purpose-built rental," he said.

Rent controls played a direct role in RioCan's decision to switch to condo instead of rental on its King and Portland Sts. development, CEO Edward Sonshine said.

But he downplayed the significance of that change, calling the building a residential development test case for the Real Estate Investment Trust (REIT) company that has historically built shopping malls. The 133 apartments are a small number in the context of the REIT's plans to build 4,000 rentals in Canada over the next five years. About 2,000 apartments are already under construction, including 800 each in Toronto, the first of which — 465 units near Yonge St. and Eglinton Ave. — will be finished in about a year.

"There has been a huge shift in retail and right now 90 per cent of our revenue is from retailers. A lot of the space is not getting the growth we want it to," Sonshine said.

At the same time, RioCan owns valuable land near some of the Toronto area's new transit lines. Its Colossus shopping centre, for instance, at highways 407 and 400, is 60 acres sitting next to the new TTC subway extension set to open in Dec. 17.

"We're going to take a discreet portion of that land (about 10 acres) and, over a period of years, get rid of the tenants there and probably build a couple of apartment buildings — rental," he said.

Being a REIT puts RioCan in a different category than traditional residential developers, Sonshine said.

"The only people staying in building rental are the institutional investors, the pension funds and people like us for the simple reason that we're all about long-term cash flow," he said.

It doesn't cost much more to build a high-end apartment — maybe $30,000 or $40,000 more. The big costs are land and construction. The steel, concrete, plumbing, electrical and elevators are the same. The only real difference is finishes and appliances.

"In a rental building, the landlord is paying the property taxes, he's paying the insurance, he's paying repair costs. What happens if you start getting 5 per cent inflation? Your expenses are going up at 5 per cent a year, but your rent (increase) is capped at 2.5 per cent. A few years of that, your profits are gone," Sonshine said.

"The fact is, governments don't do anything to encourage you to build affordable. We're in the profit-making business. You can make more profits by renting at $2,000 a month than you can at $1,600 a month when it's not that different what you're building."

The main competition for purpose-built rental tenants are small investor condo owners, who account for more than a third of Toronto's rental accommodation.

FRPO estimates the industry has spent $5.2 billion since 2012 repairing and renovating the province's rental stock, most of which is decades old.

Tenants want condo-quality trimmings, said Margaret Herd, senior vice-president of Park Property Management. It manages 4,000 units in the city, including a new infill building near Yonge and Wellesley Sts. that opened last spring and rent for between $1,700 for a one-bedroom apartment and $2,800 for a three-bedroom.

Older buildings require more than painting and cleaning when tenants move out. Landlords have to offer newer kitchen cabinets, bathroom fittings and laminate or hardwood flooring instead of carpet, Herd said.

"Not only do you have that, you've got balconies, garages, roofs, windows," she said.

"Back in the early 1980s when you had low vacancies, people were just taking apartments as-is and a renovation cost for an entire building was $5,000," Herd said. "Now it's about $10,000 and $15,000 just for an apartment. Investors look at us and go, 'Where is all this money going?' "

At the same time, turnover has dropped as renters delay the home purchases or they simply can't find places they want to live.

STEVE RUSSELL/TORONTO STAR

Margaret Herd says it costs at least $10,000 to turn an old apartment into a unit that competes with condo rental.

> TORONTO'S RENTAL SQUEEZE

$1,300
Average monthly purpose-built apartment rent

$2,080
Average rent on a condo

5,800
Purpose-built rental apartments under construction in mid-2017 in the Toronto region

45,000
Condo units under construction in the Toronto area in the second quarter of this year

57,500
Rental units needed to meet demand in the next 10-year period.

Sources: Canada Mortgage and Housing Corp.; Federation of Rental-housing Providers of Ontario, Urbanation

Rental buildings offer bigger living rooms, larger apartments and suites

TESS KALINOWSKI
REAL ESTATE REPORTER

Adding a rental building to its Imperial Village development allowed builder Camrost Felcorp to think outside the condo box, says Joseph Feldman, the company's director of development.

The 200 purpose-built rentals at 101 St. Clair Ave. W., feature bigger living rooms — 13 ft. wide even in the one-bedroom apartments — and more larger suites.

The apartments won't be ready for occupancy until the new year, but Feldman said the 26-storey rental tower is already attracting interest from young professionals who want to move into the neighbourhood between Avenue Rd. and Yonge St. and downsizers from nearby Forest Hill and Rosedale.

The main competition for purpose-built apartments are condos bought by investors as income properties.

Adding rentals to the community means tenants can stay as long as they like and they have the benefit of professional property management.

It also means they can see their new home rather than having to visualize it off a floor-plan.

Rentals add to the mix of housing options in Camrost's master-planned community that includes condos at the adjacent former Imperial Oil headquarters at 111 St. Clair and plans for another condo at 129 St. Clair, along with retail access and its own community centre.

Condo market dynamics make it tough to build bigger suites. But in the rental tower, most floors include three one-bedroom apartments, five two-bedrooms and one one-bedroom plus den. Sizes range from 585 sq. ft. to 1,900 sq. ft.

Layouts are different, too.

"Rather than square-foot focused, it's more functional. We have larger living rooms and were able to do things differently when it came to the way in which the amenities work, the way the security system for the building worked," he said.

Rents will range from $2,200 a month to upwards of $10,000 for some of the larger suites.

Tenants have access to the Imperial Village amenities that include swimming pool, gym, theatre and games rooms, porters, on-site security and 24/7 hotel-style concierge service.

A lot of requests to date have been for longer rental terms, Feldman said.

Renting, he said, "allows them to travel, to spend time in Florida or go to Europe and still have a home base in Toronto."

THE REVIEW

THIS WEEK IN BUSINESS HISTORY

Dec. 2, 1985
The federal government agreed to sell Crown-owned de Havilland Aircraft of Canada to Boeing Commercial Aircraft Co. for $155 million.

Dec. 3, 1892
The Canadian Department of Trade and Commerce was created.

Dec. 4, 1999
Canadian Airlines accepted Air Canada's $92-million buyout offer.

Dec. 5, 2000
Seagram was voted out of existence in a merger between the 76-year-old Canadian beverage and entertainment company and the French conglomerate Vivendi.

Dec. 7, 2000
BCE Inc. received federal approval for its $2.3-billion purchase of CTV Inc., making it the largest communications company in Canada.

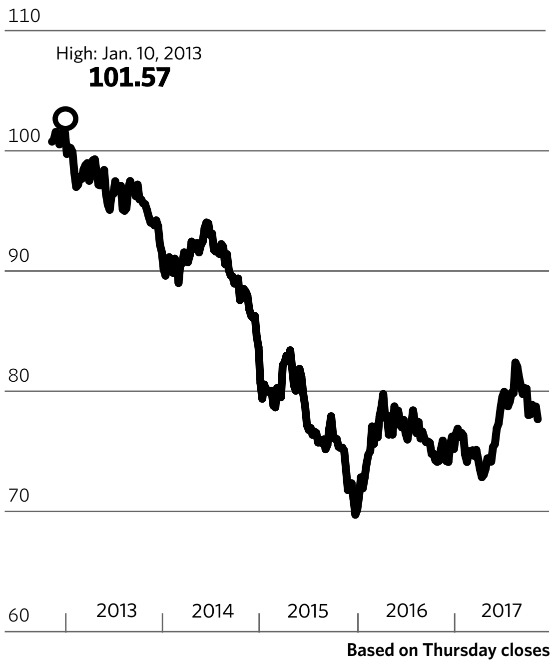
Dec. 8, 1993
The North American Free Trade Agreement was signed into law by former U.S. president Bill Clinton. It went into effect on Jan. 1, 1994.

SOME ECONOMIC INDICATORS

What's up? What's down? A long-range look at some key numbers

The Canadian dollar

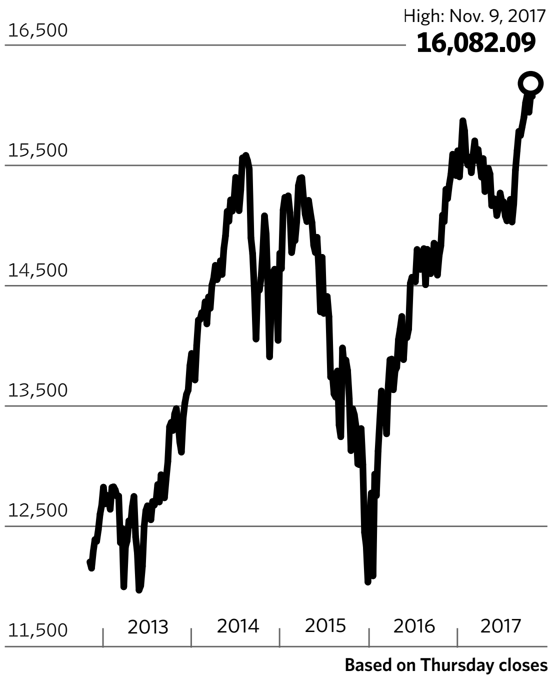
Past 5 years



Based on Thursday closes

S&P/TSX composite index

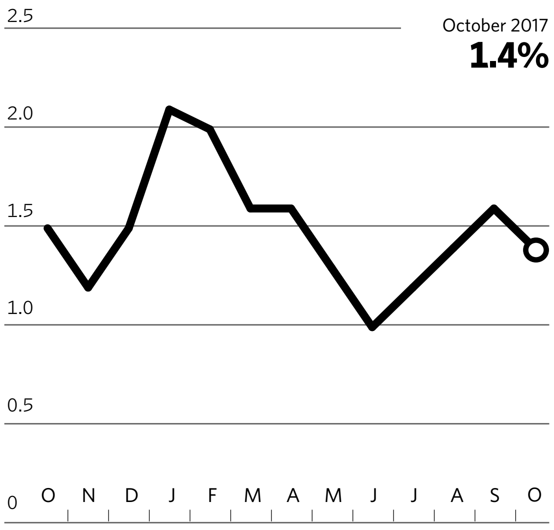
Past 5 years



Based on Thursday closes

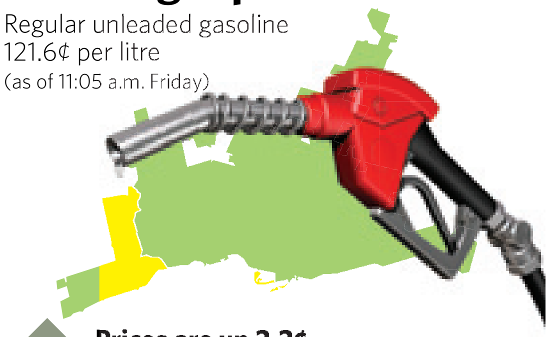
Inflation

Annual percentage change in the Consumer Price Index over the past year



Toronto gas prices

Regular unleaded gasoline
121.6¢ per litre
(as of 11:05 a.m. Friday)



Prices are up 2.2¢
from last week's average of 119.4¢

Prices are up 2.9¢
from last month's average of 118.8¢

Prices are up 21.4¢
from last year's average of 100.2¢

* Prices are steady when change is less than plus or minus 0.5¢

Source: gasbuddy.com, The Canadian Press