

For many, Hamilton, Ontario is the City of choice when considering Student Housing in Canada. Of course there is student housing in many cities across Canada, but none have shown the consistent ROI numbers that Hamilton (and the surrounding area) has. Other municipalities have interfered with university/investor relations and, as a result, have driven investors out of their markets with their bylaws and restrictions (Waterloo and Vancouver). Others are simply in too highly-priced neighbourhoods (York, University of Toronto, University of British Columbia, etc.). And still others are, at time of print, too small to warrant wide-spread interest (scores of community colleges in every province). But also at time of print, there were several emerging markets that show potential (two of which are discussed in this book that are close enough to Hamilton to be worthy of consideration: St. Catharines and Brantford).

Hamilton hit the top of the roster when the Financial Times officially listed the steel town as the #1 City in Canada for investing in 2011. This launched an interest, nationwide, from all kinds of investors looking for all kinds of vehicles. From duplexes and triplexes (of which Hamilton has an abundance), to multi-level, multi-tenant apartment buildings. When Ontario passed legislation shortly thereafter, allowing owners of residential homes in suburbs to build legal apartments in their basement, the *Second Suite* phenomenon began and Hamilton became a leader in the retrofitting of bungalows into legal as well as non-conforming duplexes. And when the City lost its bid to license student housing in 2014, Hamilton became one of only a handful of thriving university municipalities with workable rules and regulations as it pertained to student home investing.

At the turn of the century student housing was a flourishing investment vehicle but wasn't well known. Most of the existing student residence investors were parents of children attending McMaster University, or locals who had recognized the opportunity early on.

But it didn't take long for the savvy investor--especially those in the lower price ranges (<\$300,000) to realize that with a combination of steady cash flow and a high resale value, this was a higher range ROI real estate investment. By 2000, market prices had risen and properties that had been held since the early 1980s were now being offered up for sale again... en masse. Locals were cashing out and out-of-town investors were catching the wave.

Since that time, many out-of-town investors have profited greatly both from a steady, above-average cash flow, and a high ROI upon sale of the property. On average, investors hold properties for five to ten years and experience a 6-10% annual ROI (some even higher) when assessing the combined cash flow and profit from sale. Much of the profit is garnered from appreciation and since this is not a factor used by 99.9% of real estate investors, student housing continues to thrive under the radar.

Student home prices have risen a minimum of 10% per year for the past decade and sales of these homes are still stronger than ever. This is, in part, due to the growth of McMaster University and its continued expansion into other sectors of the City. There is a continued need for more accommodations for students but there has not been a corresponding growth in new building development, and certainly no new student residences. I received a letter in early 2016 asking me to advise landlords that there was an abundance of foreign and first year students for the 2016/2017 semester and accommodations were going to be one of the major concerns for the

university. They were begging my clients to advertise their properties on the university website in order for these new students to finalize rooms up to eight months in advance.

Much of continued need for housing is the result of a City Council that continues to struggle with the concept, despite it being the elephant in the room. And so, in order to meet the needs of the University, residences that are sold within a 2-mile radius of the main campus are almost always reverted into student homes. At the turn of the century, the density of student homes to residences in the Westdale/Ainslie neighbourhoods (within 2 miles of campus) was roughly 50%. Today, it is 80% or higher.

The anomaly to all of this steady and seemingly secure income is that student housing is technically illegal. That is to say that, according to both Federal and Provincial law, there is no such housing category as “student residence”. The nearest category is “lodging house” which is the closest vehicle to a student residence but with several important differences. A lodging house consists of renters signing individual leases for individual rooms or suites or even small studio-style apartments, which they are allowed to lock when not in residence. Often, lodging home tenants share kitchens and even bathrooms, but rarely a common area. Each residence adheres to fire code and is completely cut off from other residences within the same building.

A student house, on the other hand, consists of rooms that students rent in a residential environment, and is categorized as *single family residential*. Students are technically not allowed to lock their doors (though many residences allow it; the owner of the home having a copy of each room’s key for emergencies). They share the kitchen, bathrooms and common areas and are, in fact, living as a single family. The distinction is that the tenants all sign one lease thereby complying with the ruling that a “single family residence be occupied by one family”. By signing

one lease, all the students (whether related or not) are becoming a family and are living as such in the home. By ensuring every tenant has access to every room in the home (above and below grade), the student residence is, in fact, a *single family residence*.

Despite making uninformed investors nervous, this anomaly has been in place for decades.

Although several City bylaws restrict the number of tenants in single family homes and dictate the number of parking spots required, they have rarely been enforced and only when the safety of the tenants was evident. Of course, when dealing with *shum lords* the City has the bylaws in place to quickly eradicate irresponsible landlords and they have been known to enforce compliance upon said landlords. But for the most part, there is a mutual understanding that since student housing is needed, and investors are willing to spend money on repairing, renovating, and improving homes in the area, then it is good for the City and will be allowed to flourish.

Permits allowing investors to renovate and improve student homes are readily granted, despite the *official* stance being that there is no such thing as student housing. Ironically, if you call City Hall on any given day and ask if student housing is allowed in the City, the official answer will be “No”. Yet the Building Department regularly approves requests for renovations that are blatantly changing three bedroom residences into eight to ten-bedroom student homes.

This book, therefore, discusses not only the opportunities available for investors, but also the do’s and don’ts of navigating and, indeed, manipulating the City’s regulations and requirements as it relates to student housing.

In the end, should you choose to invest, you'll have all the tools you need to do it properly, ensure a decent ROI, and be happy with the knowledge that you played a small role in shaping the future leaders of tomorrow.

