Outlook for Q3 2022: Higher Rental Rates!

Description

Renters in Canada face the same financial strain as homebuyers because of the rising inflation and multiple rate hikes by the Bank of Canada. Industry analysts say the rate advantage of city renters during the pandemic is fading fast. Thus, existing tenants should expect higher rental payments at renewal.

Rentals.ca reports that list prices for new rentals in major cities have gone up by about 20% in May compared to same month in 2021. It attributes the price hike to the return of remote workers and students to urban centres, not to mention immigrants. Also, prospective homebuyers are delaying purchases and turning to rentals amid the uncertainty in the real estate market.

Rent control

The main issues in the tight rental market are rent control and security of tenure. For example, landlords in Alberta and Saskatchewan have no cap or limit; therefore, they have the liberty of increasing rent prices. In Ontario, there are no rent controls on units initially occupied after November 15, 2018.

Rental housing experts warn renters, especially in hot markets with unrestricted increases, not to expect rent discounts. However, Kerry Hunter, owner of Property Solutions Real Estate Group, said that many landlords are open to some discount if asked. She added, “Tenants can also ask about what the best term would be, and possibly get a better rate by signing on to a longer-term lease.”

Still, Kerry believes there’s a smaller window for reduced rental rates due to rising costs. The expected increase for existing tenants is between 5% and 10%, but higher for new tenants. For Christan Bosley, president of Bosley Real Estate, landlords are usually more lenient to qualified tenants that consistently pay on time and take care of the property.

Investors’ preference

Many real estate investors are foregoing direct property ownership and shifting to real estate investment trusts (REITs). Apart from a lower cash outlay, there are no maintenance costs and other related expenses when investing in REITs.

The heavyweight in the residential sub-sector is **H&R** (TSX:HR.UN). This $3.59 billion REIT has repositioned and it now more concentrated on higher growth asset classes (residential and industrial properties) within strong urban markets. In Q1 2022, net income rose 508% to $969.99 million versus Q1 2021.

H&R CEO Tom Hofstedter said, "Our strong first quarter financial results mark a pivotal moment in the continuation of our transformation and the surfacing of the embedded value within our portfolio. He added that the quarterly results reflect the quality of H&R's properties, platform, and strategic plan. If you invest today, the share price is $12.50, while the dividend yield is 4.41%.

Protection and predictability

The recent panel discussion by the Canadian Urban Institute confirms that housing advocates are in favour of rent controls, not vacancy decontrol. Some said that it's also advantageous to landlords and builders because they guarantee a base-level rental income.

Nemoy Lewis, an assistant professor at Toronto Metropolitan University, said rent control should apply to all buildings — not just old ones. The suggestion should give renters some form of predictability. They can plan ahead if they know how much rental rates will increase.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. TSX:HR.UN (H&R Real Estate Investment Trust)

PARTNER-FEEDS

1. Business Insider
2. Koyfin
3. Msn
4. Newscred
5. Quote Media
6. Sharewise
7. Smart News
8. Yahoo CA

PP NOTIFY USER

1. cliew
2. kduncombe

Category

1. Dividend Stocks
2. Investing

Date
2025/09/18
Date Created
2022/07/06
Author
cliew