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Rob Tetrault, manager at Tetrault Wealth Advisory Group, insists profitable investments in real estate need not be restricted to high-net-worth individuals.

Possible to diversify portfolio without ever flipping or owning property: expert

Investing in real estate without the stress

MARTIN CASH

SOME way or another, regardless of expertise, experience or any other measure of sophistication, we all believe we could make money investing in real estate.

That's why real estate investing is often the stuff of get-rich quick schemes.

We've all heard the stories where managing "income" properties ends up requiring more time and resources than your real job.

Rob Tetrault of Tetrault Wealth Advisory Group, which is part of Canaccord Genuity Wealth Management in Winnipeg, has a professional portfolio manager's option that's probably a lot less stressful than the do-it-yourself version.

"I have owned real estate personally," he said.

"You interview prospective tenants, change the locks... it is a pain. You may generate a tiny bit (of income) if everything goes well. But for the majority of us — unless you have a competitive advantage like carpentry skills and can (add value and) flip the property — it makes way more sense to be invested alongside the best and brightest at doing this."

Tetrault has built a good book of business for his clients investing in real estate in what he refers to as alternative asset class — like private real estate investment trusts or private debt.

As part of a regular series of investment-themed events, Tetrault's firm has presented recently in Winnipeg, next week he's hosting one featuring the CEOs of some of the largest and most successful firms that might loosely be referred to as alternative investment real estate firms.

The title of the event next Wednesday evening at the RBC Convention Centre tells it all: "How To Diversify & Mitigate Risk in Your Portfolio by Investing in Real Estate Assets, Without Ever Flipping or Renting Property Yourself."

Although it is nominally targeted at high-net-worth individuals, Tetrault insists it does not have to be so exclusive.

Armin Martens, CEO of Winnipeg's own Artis REIT, is one of the speakers and anyone can buy units in that publicly traded REIT.

"The tax treatment is ridiculously favourable," Tetrault said. "It makes so much sense and there is much less volatility."

Having said that, Artis's unit price took a big nose dive in the fourth quarter of last year along with the rest of the asset class, but professional management has it back on track.

While publicly traded REITs are subject to the vicissitudes of the equity markets, Tetrault points out that private REITs — not publicly traded — are only re-valued every quarter, eliminating the daily volatility.

"The buildings themselves are not half-empty all of a sudden just because a REIT is trading at a 30 per cent discount," he said.

In addition to Martens from Artis, the event also features Cam Goodnough, CEO of Timbercreek Financial, a non-bank, commercial real estate lender providing short-term, structured financing solutions to commercial real estate investors — private debt, in other words — and Cameron Hurst, CEO of Equium Capital, which manages private equity funds that focus exclusively on real estate development.

While Tetrault is a big advocate of having a portion of an investment portfolio in such an asset class, he also cautions that there are a lot of low-quality options out there and, like everything, investors need to do their due diligence. In many cases, access to high-quality options are only available to investors through professional advisers.

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Don't expect big housing changes: analysts

IAN BICKIS

TORONTO — The re-election of Justin Trudeau's Liberals on Monday will likely result in potential new barriers for foreign real estate investors as well as some help for first-time buyers, but not the more significant changes that opposition parties had promised.

Liberal promises on housing included some expansion of its first-time buyers assistance program, and a one per cent tax on vacant homes owned by non-Canadians.

The Liberal minority victory means there won't be the more aggressive stimulus promised by opposition parties to relax mortgage rules that would have led to higher home prices, said John Pasalis, president of the Toronto-based firm Realosophy Realty Inc.

"The big thing is certainly that we're not going to see the demand-side stimulus that was promised by both the NDP and the Conservatives in the form of longer amortization and potential easing of the stress test. That's a good thing, because those policies would have probably just pushed prices up further."

The vacancy tax, modelled on one already in place in British Columbia, could also help limit home price increases, he said.

"That policy could end up having a pretty big impact on the market both in Toronto and in other regions that have had a big uptick in investor demand, like Montreal and Ottawa... it's kind of what we need right now, to cool things down rather than heat things up."

While the new tax could have some effect, overall there is little relief for housing affordability, Brian DePratto, senior economist at TD Bank, said in a note.

"Housing affordability remains a major concern for Canadians in the Toronto and Vancouver markets (among others). However, the measures in the Liberal platform are only likely to add further fuel to prices at a time when the market has already been gaining strength."

He said the higher price cap in major cities for the Liberal's first-time buyer program could provide short-term relief to buyers, but modeling shows that together with existing programs, it could help drive home prices two to three per cent higher over the next few years than they would otherwise be.

The Liberals' first-time buyer program provides a loan of up to 10 per cent of the home's value. The amount to be paid back is determined on the value of the home at the time of repayment.

Phil Soper, president of Royal LePage, said he wasn't supportive of the Conservatives' plan to cut the mortgage stress test because supply need to be addressed before government props up more demand, but he also sees the vacancy tax as having little effect.

He would like to see the Liberals improve on the national housing strategy they brought forward in the last term, which he said was the first federal modern effort to bring all three levels of government together to address housing shortages.

"I believe now they'll probably move it farther along in terms of its ability to bring more housing to our biggest cities."

In 2017, the Liberals introduced a 10-year, $55-billion housing strategy to build up to 125,000 units.

The NDP pledged in this election to build 500,000 affordable homes over 10 years.

Soper said he would like to see the federal government use its funding influence on other levels of government, like it does in transit or health care, to reduce development costs and time for all types of housing.

"I think it will very much be an issue for the new government, and unlike energy and the environment, it will be one in which consensus will be easier to reach. So it may be one of those files that gets surprising attention so they can chalk up some wins."

— The Canadian Press

Business sentiment up despite Prairie woes

SHELLY HAGAN

CANADIAN firms reported a slight increase in sentiment in the third quarter, with a pickup in investment intentions and capacity constraints that may give the central bank less reason to lower rates.

The Bank of Canada's autumn survey of executives showed a moderate outlook for future sales along with "healthy" spending plans outside the Prairie provinces, and robust employment intentions in the central part of the country and British Columbia. That's despite concern that firms will be negatively affected by slower U.S. economic growth.

The central bank's composite gauge of sentiment moved up slightly, but remains below the high levels reached in 2017 and 2018.

The Ottawa-based central bank changed the methodology for the indicator, resulting in revisions in the data set back until 2003.

"Results from the autumn Business Outlook Survey indicate that business sentiment improved slightly, but regional differences are more pronounced," the Bank of Canada said in a release.

"Positive views in Central Canada contrast with widespread weakness in the Prairies."

The survey is the last public communication from the Bank of Canada before its Oct. 30 interest rate decision and Monetary Policy Report. Economists are split on whether the central bank will cut rates before the end of this year.

Businesses are citing immigration and strong activity in the information technology and non-residential construction industries as factors supporting sales.

However, for companies tied to the energy sector, this reflects simply modest improvement from falling sales.

The survey also found the share of companies nearing capacity constraints and reporting tighter labour markets rose for a second straight quarter, to elevated levels.

Key insights

● The improved outlook for business sentiment is a surprise given continued trade rhetoric between the U.S. and China, suggesting some executives are brushing off some of the shifting nuances of the negotiations.

● Bank of Canada Governor Stephen Poloz puts significant weight on the survey, which he considers an important supplement to harder economic data. The survey, however, suggests both soft and hard data are telling the same story of a still-healthy economy not headed for an overly sharp slowdown in the second half of this year.

● "Add it all up, and it's in line with an economy growing somewhere close to its non-inflationary potential in Q3, a picture that likely leaves the central bank waiting to see how Q4 shapes up before signalling a move on rates," Avery Shenfeld, chief economist at Canadian Imperial Bank of Commerce, said in a note to investors.

● The BOS indicator rose to 0.4 from -0.1, which is slightly above the 10-year historical average but still well below the 2018 peak.

● Stronger sentiment among firms in Quebec and Ontario is linked to higher demand from immigration, the information technology and non-residential construction sector.

● The Prairies, where sentiment is negative, are experiencing continued challenges in the energy sector; firm responses to business activity, capacity pressures and prices in the regions deteriorated to low levels.

● A majority of businesses still anticipate inflation will be in the lower half of the Bank's one per cent to three per cent inflation-control range over the next two years; Quebec is an outlier, citing rising labour costs stimulating inflation.

● Business in Central Canada and British Columbia reported robust hiring intentions; limited plans to hire in energy producing regions have driven down opinion on employment intentions below the historical average.

● Firms' expectations of U.S. economic growth has weakened, with some businesses expecting a "small" U.S. recession over the next 12 months.

— Bloomberg