Commercial Focus Realty Inc., Brokerage

Volume 5, Issue 1

January 2012

Apartment Digest

Toronto Housing Outlook!

Noteables:

- Nov. '11 - Retail sales rose for a 4th consecutive month, increasing 0.3% to $38.7BB
- Sales in Ontario dged down 0.1% in Nov. '11, a 2nd consecutive monthly decline.
- Consumer prices rose 2.3% in the 12 months to Dec. '11, following a 2.9% increase in Nov.
- The difference was led by a slower increase in gasoline prices as well as declines for the purchase of passenger vehicles.
- Overall in 2011, the annual average increase in consumer prices was 2.9%, following a 1.8% rise in 2010. The faster growth in 2011 was largely attributable to higher prices for gasoline and food.

Toronto's housing market will see few changes next year as sales flatten out, prices stay near current levels and condominium apartment construction remains strong, according to Shaun Hildebrand, Canada Mortgage and Housing Corporation's (CMHC), Senior Market Analyst for the Greater Toronto Area.

CMHC released its latest forecast for the GTA at the annual Toronto Housing Outlook Conference on November 3, 2011. *"The market will feel somewhat slower than previous periods of high activity as buyers practice more restraint in light of slowing economic fundamentals,"* said Shaun Hildebrand.

"Low interest rates will help keep a decent sales pace, but expect resistance to price increases as more supply enters the market," added Hildebrand.

While the headline numbers won't change much in 2012, several subplots within the diverse GTA housing market will be worth paying attention to.

Resale market activity will hold steady in 2012. Sales will remain close to previous years with a total of 88,500 transactions, while prices will remain fairly flat with annual growth of one per cent.

New home construction will stay elevated next year at 35,000 units on the strength of condominium apartment construction. New home sales will moderate to 33,500 units in 2012.

Total employment will see little growth next year amidst a slowing global economy. The unemployment rate will remain above eight per cent and net migration will stay muted at 64,000.

High levels of condo construction will help alleviate some pressures on vacancy rates as rental demand remains strong.

The market for existing homes will continue along its steady path in 2012. The biggest movers of ownership demand — interest rates and employment — are expected to see little change next year.

Weakened financial market conditions and a slower profile for economic growth won't provide any stimulus for the housing market, however the lasting need for low interest rates will alleviate pressures on affordability. Increased supply and slower growth in prices should also help keep the door open for would-be homebuyers. All-in-all, resale market activity in 2012 will be largely unchanged from annual results tallied over the past few years.

In fact, excluding some volatility in 2007 and 2008, annual sales totals have remained within a tight range of between 85,000 and 90,000 since 2004. A good chunk of the pool of potential buyers from the past few years have already bought in advance of a couple rounds of mortgage policy changes as well as anticipated increases in borrowing costs.

While we could see activity rise in early 2012 as a reaction to improved affordability and higher listings, expect the number of potential owners to see limited expansion with the creation of fewer full-time positions and the slower immigration.

The shift towards more ffordable product occurring in the resale market will hold true for new development in 2012. Overall housing starts will slow by about 10 per cent next year, although the multi-family segment will remain steady and keep total construction elevated in comparison to the last couple years.

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Condominium apartment starts over the 2011-2012 period will be the highest ever recorded over a two year span. New condominium sales, however, should scale back after a record year to 18,000 units in 2012.

The weakest link for new housing development in 2012 will be found in the single detached segment, which will limit low rise sales to 15,500 units.

The rising supply of condos also plays a critical role in satisfying rising demand for rental accommodations. As first time buying pulls back and population growth for those aged 25-34 (which will become the largest cohort of renters) continues to pick up, rental demand will be at its strongest in several years.

And since purpose-built rental units typically make up less than 10% of apartment starts, the market will turn towards condo investors to list their units for rent.

About one quarter of newly completed condos are added to the rental pool, which has been expanding as condo completions are on track to hit a new record this year. Yet market conditions remain tight – the number of units rented through the MLS system has been rising even faster than the number of units listed.

This suggests that vacancy rates have stayed low through the fall and the market remains supportive of this elevated level of new condo supply.

The market for both condo rentals and apartment ownership should see more balance in 2012, but will emain stable as demand holds steady.

Condo rental supply will continue to grow as completions stay high and investors stay active in listing their units for rent.

Since most units that are expected to complete next year were purchased at pre-construction in 2008 or 2009, average rents should still be able to cover total carrying costs.

More investors may also be inclined to hold their units as price growth in the resale market begins to slow.

A flat profile for demand combined with rising resale listings (10-15% of new units are listed for sale within 12 months after registration) will lead current rates of appreciation to moderate in the coming quarters.

Source: CMHC

Market Watch Toronto Residential Market

Greater Toronto REALTORS® reported 4,718 transactions through the TorontoMLS® system in December 2011.

The December result capped off the second-best year on record under the current Toronto Real Estate Board (TREB) boundaries. Total sales for 2011 amounted to 89,347 – up four per cent in comparison to 2010. "Low borrowing costs kept Buyers confident in their ability to comfortably cover

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their mortgage payments along with other major housing costs," said TREB President Richard Silver.

"If Buyers had not been constrained by a shortage of listings over the past 12 months, we would have been flirting with a new sales record in the Greater Toronto Area," added Silver.

The average selling price in December was $451,436 – up four per cent compared to December 2010.

"TREB's baseline forecast for 2012 is for an average price of $485,000, representing a more moderate four per cent annual rate of price growth.

This baseline view is subject to a heightened degree of risk given the uncertain global economic outlook," continued Mercer.

Source: TREB

The Apartment Group Sample Listings

Property	City	Suites	Price	Cap Rate
High Street	Barrie	20	$2.75MM	6.75%
Huntingwood	Toronto	14	$3.00MM	5.00%
Waverly ***Conditional SOLD***	Oshawa	53	$7.50MM	6.00%
Whitlaw ***Conditional SOLD***	Paris	15	$2.70MM	6.00%
Downtown	Hamilton	20	$1.45MM	6.50%

COMMERCIAL FOCUS REALTY INC., BROKERAGE

35 The Links Road
Suite 202
Toronto, Ontario
M2P 1T7

Phone:
(416) 972-9220
Fax:
(416) 972-9588

We're on the Web!
See us at:
www.cfrealty.ca

About The Apartment Group

The Apartment Group is a dedicated team of professionals specializing in the sale of multi-residential investment properties. With over 40 years of combined experience, the team brings together their strengths including strong negotiation and sales skills along with highly technical market analysis and appraisal methods.

The Group has been involved in the sale and acquisition of all types of multi residential real estate from small 10 suite walk up to portfolios over 800 suites in scale.

The Group has experience with those first time buyers and sellers who need that extra level of attention and experience with larger institutional buyers and REITs.

Their success is proven with the fact that over the past decade they have sold over $1.5 billion worth of apartment buildings across Ontario and throughout Canada.

The market today is very tight. Having the right Broker working for you is more important than ever.

Can your Broker bring you off market deals? Can they realistically analyze the deals they bring you? Can they be creative and show you the upside? Can they assist you in working through the mortgage mind field today?

Please call us to see how we can help you.

COMMERCIAL FOCUS REALTY inc. Brokerage

Lorenzo DiGianfelice, AACI
Broker of Record & Owner
Direct – 416-907-8281
ldigianfelice@cfrealty.ca

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Mitchell Chang
Salesperson, President & Owner
Direct – 416-907-8280
mchang@cfrealty.ca