

APARTMENT DIGEST

Condo Rental Market – Q3 Trends

Economic Indicators:

Real GDP Growth	
Q3 2012	+0.6%
Toronto Employment Growth	
Oct. 2012	+3.1%
Toronto Unemployment Rate	
Oct. 2012	8.6%
Inflation	
Oct. 2012	+1.2%
Bank of Canada Overnight Rate	
Nov. 2012	1.0%
Prime Rate	
Nov. 2012	3.0%
5 Year Mortgage Rate Fixed	
Nov. 2012	5.24%

Toronto, October 16, 2012 — Greater Toronto Area REALTORS® reported 5,241 rental transactions involving condominium apartments through the TorontoMLS system in the third quarter of 2012. This result represented a three per cent increase compared to the third quarter of 2011.

Over the same time period, the number of condominium apartments listed for rent increased by 18 per cent annually to 8,845.

“The high number of condominium apartment completions in the GTA in 2011 and the beginning of 2012 has been well-documented. Some of these newly completed units

are owned by investors who have a longer term investment time horizon. These investors have chosen to rent their units out to generate cash flow,” said Toronto Real Estate Board (TREB) President Ann Hannah.

One-bedroom and two-bedroom condominium apartments accounted for 95 per cent of rental transactions in the third quarter. Average rents were up on a year-over-year basis for both apartment types, increasing by almost 3.5 per cent for one-bedroom units and over two per cent for two-bedroom units.

“Rental market conditions remained tight in the third quarter, but average annual rent increases were not as strong compared to most of the previous year.

Growth in rental listings outpaced growth in rental transactions over the past six months. Prospective renters had more units to choose from, which led to less upward pressure on rents,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

Source: TREB

Rental Market Summary: Third Quarter 2012 Apartments^{1,2,3}

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q3 2012	8,845	5,241	119	\$1,336	2,733	\$1,605	2,250	\$2,097	139	\$2,660
Q3 2011	7,484	5,073	132	\$1,278	2,647	\$1,552	2,187	\$2,053	107	\$2,360
Yr./Yr. % Chg.	18.2%	3.3%	-9.8%	4.6%	3.2%	3.4%	2.9%	2.2%	29.9%	12.7%

Townhouses^{1,2,3}

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q3 2012	808	416	4	\$1,363	44	\$1,390	134	\$1,759	234	\$2,014
Q3 2011	630	381	2	\$1,325	34	\$1,278	103	\$1,677	242	\$1,924
Yr./Yr. % Chg.	28.3%	9.2%	100.0%	2.8%	29.4%	8.8%	30.1%	4.9%	-3.3%	4.7%

US Housing Market **UPTREND** to 2014 !!!!

The housing market recovery should continue through the coming years, assuming there are no further limitations on the availability of mortgage credit or a "fiscal cliff," according to forecast presentations at a residential forum here at the 2012 Realtors® Conference and Expo.

Lawrence Yun, chief economist of the National Association of Realtors®, said the housing market clearly turned around in 2012. "Existing-home sales, new-home sales and housing starts are all recording notable gains this year in contrast with suppressed activity in the previous four years, and all of the major home price measures are showing sustained increases," he said.

"Disruption from Sandy likely will be temporary, notably in New Jersey and New York, but the market is likely to pick up speed within a few months with the need to build new homes in damaged areas," Yun added.

Yun sees no threatening signs for inflation in 2013, but projects it to be in the range of 4 to 6 percent by 2015. "The huge federal budget deficit is likely to push up borrowing costs and raise inflation well above 2 percent," he said.

Rising rents, quantitative easing (the printing of money), federal spending outpacing revenue, and a national debt equal to roughly 10 percent of

Gross Domestic Product are all raising inflationary pressures.

Mortgage interest rates are forecast to gradually rise and to average 4.0 percent next year, and 4.6 percent in 2014 from the inflationary pressure.

With rising demand and an ongoing decline in housing inventory, Yun expects meaningfully higher home prices. The national median existing-home price should rise 6.0 percent to \$176,100 for all of 2012, and increase another 5.1 percent next year to \$185,200; comparable gains are seen in 2014.

"Real estate will be a hedge against inflation, with values rising 15 percent cumulatively over the next three years, also meaning there will be fewer upside-down home owners," Yun said. "Today is a perfect opportunity for moderate-income renters to become successful home owners, but stringent mortgage credit conditions are holding them back."

Existing-home sales this year are forecast to rise 9.0 percent to 4.64 million, followed by an 8.7 percent increase to 5.05 million in 2013; a total of about 5.3 million are seen in 2014.

New-home sales are expected to increase to 368,000 this year from a record low 301,000 in 2011, and grow strongly to 575,000 in 2013. Housing starts are forecast to rise to 776,000 in 2012 from 612,000 last year, and

reach 1.13 million next year. "The growth in new construction sounds very impressive, and it does mark a genuine recovery. "Unless building activity returns to normal levels in the next couple years, housing shortages could cause home prices to accelerate, and the movement of home prices will be closely tied to the level of housing starts."

Yun projects growth in Gross Domestic Product to be 2.1 percent this year and 2.5 percent in 2013. The unemployment rate is showing slow, steady progress and is expected to decline to about 7.6 percent around the end of 2013.

Regardless, Yun said that four years from now there will be an even greater disparity in wealth distribution. **"People who purchased homes at low prices in the past couple years, including many investors, can expect healthy growth in home equity over the next four years,** while renters who were unable to get into the market will be in a weaker position because they are unable to accumulate wealth," he said. **"Not only will renters miss out on the price gains, but they'll also face rents rising at faster rates."**

Source: National Realtors Ass.
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Market Watch – Fewer Sales Prices Up in Oct.

November 3, 2012 -- Greater Toronto Area REALTORS® reported 6,896 transactions through the TorontoMLS system in October 2012 – a decrease of 7.1 per cent compared to October 2011. There were two more business days in October 2012 versus October 2011. On a per business day basis, transactions were down by 15.6 per cent.

“Sales have decreased in the second half of this year compared to 2011, especially since the onset of stricter mortgage lending guidelines at the beginning of July.

The prospect of higher monthly mortgage payments due to the reduced maximum amortization period has prompted some households to delay their home purchase,” said Toronto Real Estate Board (TREB) President Ann Hannah.

The average selling price for October transactions was \$503,479 – up 6.2 per cent compared to October 2011. The MLS® Home Price Index composite benchmark price, which allows for an apples-to-apples comparison in terms of home attributes, was up by 5.1 per cent.

“We continue to see price increases well above the rate of inflation. Active listings have remained low from a historic perspective, so substantial competition between buyers still exists, especially for low-rise homes,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

“It should be noted, however, that the annual rate of price increase has been edging lower over the past few months as the market has gradually become better supplied,” continued Mercer.

Source: TREB

Bulk Purchasing Utilities – Good or Bad?

There have been many bulk utility packages offered out in the past and currently. Some even from the utility providers themselves, but do they really save you money in the long run?

For apartment building owners most bulk purchasing agreements relate to the gas market. Hydro is next in line and water is a distant third.

How these programs worked historically is a bit like looking at fixed or variable rate mortgages. We all know that long term sticking with a variable rate mortgage will get you the lowest average mortgage rate. However, you will be

be subject to fluxuations and uncertainty.

Getting a fixed rate, meant you paid a slightly higher rate but it was locked in and you had some degree of security. You hopped that rates would sky rocket and you would reap the benefits. However, if rates went down then you used foul language.

The above happened in the gas market over the past few years. Natural gas prices crashed and those in contracts were screaming and are still are.

As well, the theory was that purchasing in bulk resulted in the lowest per unit rate as a result of volume.

While this is true, most of this was erased given the layers of middle men and providers down the supply chain.

In our opinion and through our affiliations, we feel that locking into hydro contracts to be the most logical as well all know rates are going up. CFR has found a new company that has created an innovative program to save you the MOST on your hydro.

They go direct to the provider and cut out all the middle men. They also do not lock you into 5 year deals. They have 1-3 year time lines and can save as much as 30%. **Contact us for more info.**

OUR CURRENT LISTINGS

Address	City	Units	Price	Notes
Highway A1A S.	Orlando	9	\$3,500,000	9 unit luxury resort / family compound – 8.5% cap
200 Keele Street	Toronto	15	\$5,800,000	15 unit townhouse and development land – High Park
477 Dean Avenue	Oshawa	50	\$7,100,000	Condo titled rental townhouses 5.75% cap rate
25 Dallner Road	North York	71	\$13,000,000	Rental apartment building with 2 and 3 bedroom suites
189 Vaughan Road	Toronto	16	\$2,250,000	Rental apartment building with low rents
920 Yonge Street	Toronto	NA	\$9,500,000	Condo titled retail prime downtown 24,000 sf
1801 Eglinton W	York	49	\$14,000,000	Rental apartments and 10,000 sf retail – Tim's McDonalds IDA

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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 \$3.0 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.

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We have a collection of seasoned Agents that can serve your needs. Whether you are buying or selling, let us show you how we can help. On staff we have appraisers, accountants, mortgage brokers and planners. **This is a total one stop real estate company that can assist you through the entire process.**

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