

APARTMENT DIGEST

2011 Apartment Market - A Buyers Market?

Economic Indicators:

Real GDP Growth
Q4 2011 +1.8%

Toronto Employment Growth
January 2012 -0.6%

Toronto Unemployment Rate
January 2012 8.6%

Inflation
January 2012 +2.5%

Bank of Canada Overnight Rate
February 2012 1.0%

Prime Rate
January 2012 3.0%

5 Year Mortgage Rate Fixed
February 2012 5.24%

The apartment market in the GTA has recently been toted as a Seller's market. While this has some validity – increasing demand and declining supply – it is not 100% true in my opinion.

It is true that in 2011 cap rates have declined and prices have risen. But given the low financing rates there still is positive leverage for even the AAA properties.

The chart below shows the value trends in the past decade. Cap rates on average in the GTA are now under 6% and prices per suite are over \$95K on average.

Prices have continued to climb even through the recession as a result of various factors. The two main reasons are increasing demand and declining interest rates.

In 2011, demand increased for apartment buildings. More and more buyers were coming into this market from abroad – Iran, China and Germany to name a few. As well many owners of other real estate wanted to move into apartments as a diversification strategy. Still more were entering this market for the first time as they see this market segment as safe and secure.

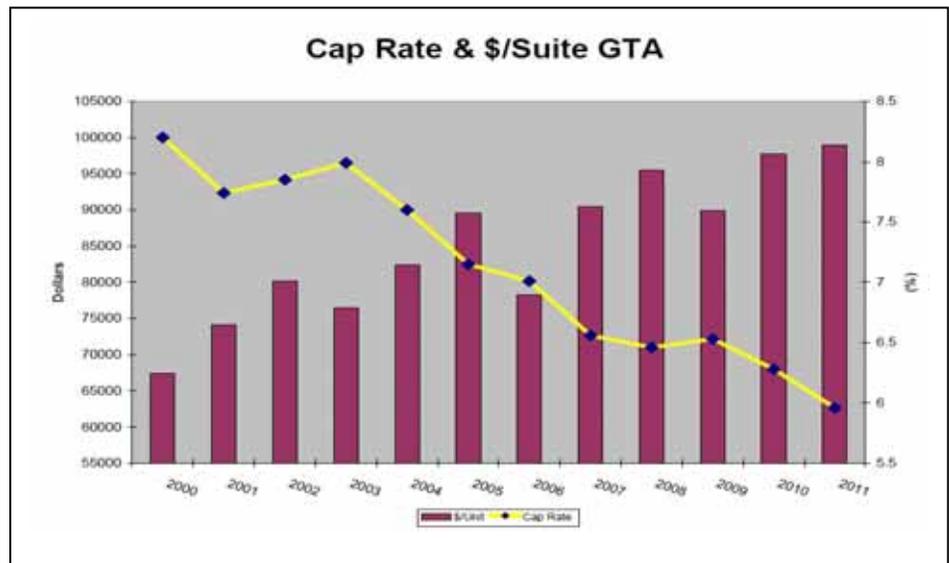
In 2011, long term Canada

Bonds fell by 33%! This meant a huge decline in interest rates especially for CMHC insured mortgages. Some of the deals we completed last year had buyer's arranging new mortgages as low as 2% for 5 year and 3% for 10 year.

This was a huge driver in increasing demand and pricing for buildings. Low interest rates had the effect of compressing cap rates.

Supply was still tight and Sellers were obviously in the drivers seat. However in 2011 there were also 140 deals completed up from 125 in 2010 and 80 in 2009. This shows that there was an increase in the amount of building on the market in 2011.

We will have a forecast of 2012 in our next Digest.



Market Watch – GTA Residential

March 5, 2012 -- Greater Toronto REALTORS® reported 7,032 sales in February 2012 – up 16 per cent compared to February 2011. New listings were also up over the same period, but by a lesser 11 per cent to 12,684. It is important to note that 2012 is a leap year, with one more day in February. Over the first 28 days of February, sales and new listings were up by ten per cent and six per cent respectively.

“With slightly more than two months of inventory in the Toronto Real Estate Board (TREB) market area, on average, it is not becomes better supplied,” said Toronto Real Estate Board President Richard Silver.

“It is important to note that both buyers and sellers are aware of current market conditions. This is evidenced by the fact that homes sold, on average, for 99 per cent of the asking price in February,” continued Silver.

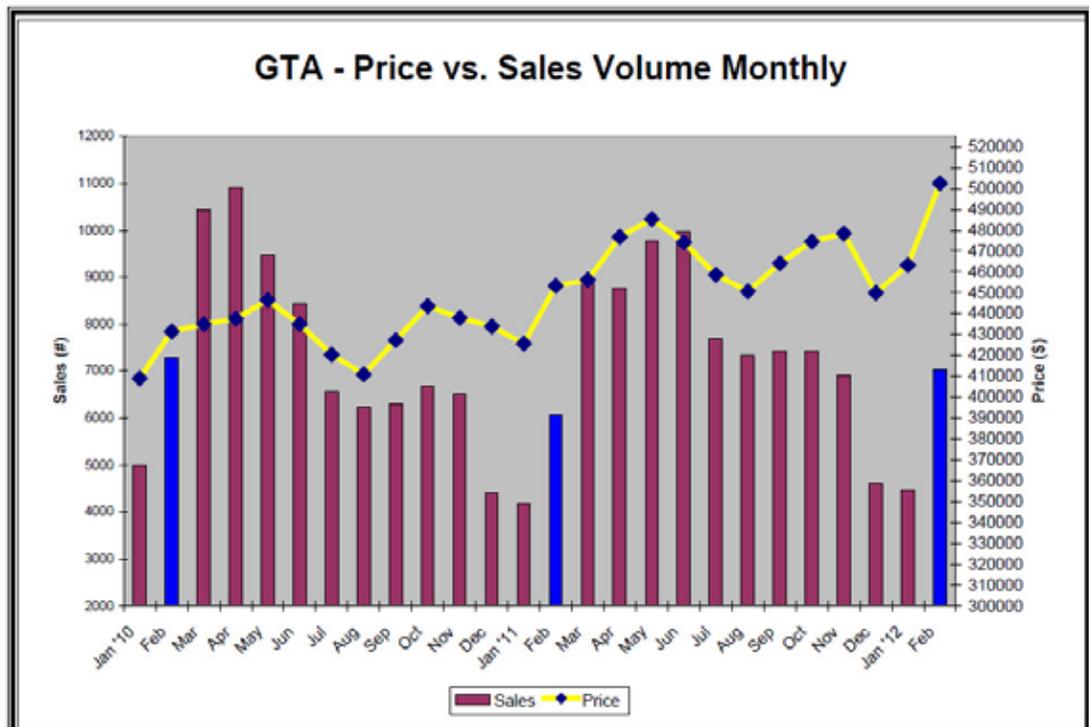
The average selling price in the TREB market area was \$502,508 in February – up 11 per cent compared to February 2011.

The Composite MLS® Home Price Index for TREB, which provides a less volatile measure of price growth compared to the average price, was up by 7.3 per cent compared February 2011.

“If tight market conditions continue to result in higher than expected price growth as we move into the spring, expectations for 2012 as a whole will have to be revised upwards,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

“While price growth remains strong, the average selling price remains affordable from a mortgage lending perspective for a household earning the average income in the GTA.”

Source: TREB



Recent Sales

Address	City	Units	Price	Price/Unit	Cap Rate
9-11 Wingreen Ct.	North York	22	\$2,700,000	\$122,700	NA
3000, 3015, 3017 Queen St. E.	Scarborough	136	\$17,500,000	\$128,675	NA
2507 Lakeshore B.	Etobicoke	22	\$2,050,000	\$93,180	5.5%
1143 O'Connor Dr.	East York	12	\$1,000,000	\$83,300	NA
330 Dundas St. E.	Belleville	118	\$10,500,000	\$88,980	NA
333 Brock St.	Peterborough	105	\$13,700,000	\$130,475	NA
324 Cambridge St.	Ottawa	187	\$13,500,000	\$72,200	NA

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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 \$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

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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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