

# APARTMENT DIGEST

## Ontario Government CAPs Rental Increases

### Economic Indicators:

<b>Real GDP Growth</b> Q1 2012	+1.9%
<b>Toronto Employment Growth</b> April 2012	-0.1%
<b>Toronto Unemployment Rate</b> April 2012	8.4%
<b>Inflation</b> April 2012	+2.0%
<b>Bank of Canada Overnight Rate</b> May 2012	1.0%
<b>Prime Rate</b> May 2012	3.0%
<b>5 Year Mortgage Rate Fixed</b> May 2012	5.34%

The passage of the Residential Tenancies Amendment Act will cap the maximum amount most landlords can increase a sitting tenant's rent during the year at 2.5%.

The Rent Increase Guideline was solely based on the Ontario Consumer Price Index (CPI) and still is but there will now be placed a cap on the increase.

Back in the fall the Government in its "wisdom" floated this idea of cap rental increases but also proposed setting a minimum increase as well. I guess there are more renters who vote than landlords and the floor

increase has "disappeared".

Capping the Rent Increase Guideline is part of the McGuinty government's plan to provide affordable housing for Ontario families. Tenants will benefit from more predictable and stable rents so they have safe and affordable housing.

For landlords the Government suggest that this will ensure a fair return so they can properly maintain and repair rental properties. We fail to see how this cap ensures a "fair" return in this regard.

The original theory about having the annual guideline increase tied to the CPI was to

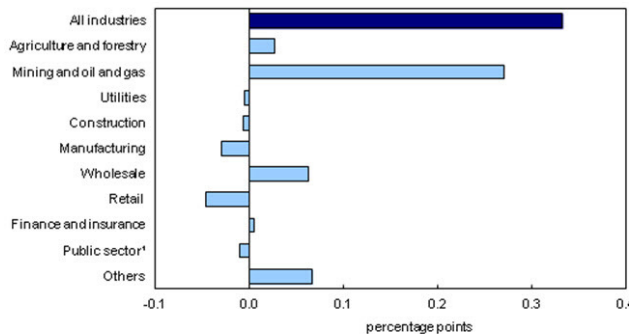
eliminate the political influences on the guideline increase which in most instances favored tenants. Landlord complained that their costs usually grew at a higher level than the guideline. The solution was to use the CPI instead. This was seen as a fair compromise.

No one was up in arms with the increase was 0.7% in 2011. We all know that hydro and water costs alone saw double digit increases, realty taxes as well.

The Government needs to address the aging stock of buildings in Ontario and the costs landlords are going to face moving forward. This is the elephant in the room no one wants to speak of.

The Apartment Group

Main industrial sectors' contribution to the percent change in gross domestic product, April 2012



1. Education, health and public administration.

## Condo Market Report GTA

Greater Toronto Relators reported 5,027 condominium apartment transactions in the first quarter of 2012. This result was up by 2% in comparison to the first quarter of 2011.

Over the same period, the number of new listings of condominium apartments was up by 14%.

“With sales increasing moderately year-over-year and listings growing strongly, the condo apartment market became better supplied in the first quarter.

With more choice for buyers in the condo market segment compared to the low-rise segment, the average selling price for condos grew at a slower pace in comparison to some low-rise types including detached homes,” said Toronto Real Estate Board President Richard Silver.

The average selling price for condominium apartments in the first quarter of 2012 was \$334,952 – up by 3.7% from \$322,857 in the first quarter of 2011.

“Condominium apartment completions were at the highest level ever in 2011. As projects completed, some units held by investors were listed for sale.

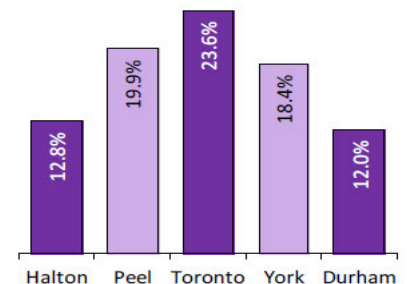
As a result, it is not surprising that we saw more moderate rates of price growth in the first quarter. However, the fact that annual price growth remained above the rate of inflation is testament to the fact that demand remains strong for this home type,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

Source: TREB

### Condominium Apartment Market Summary First Quarter 2012

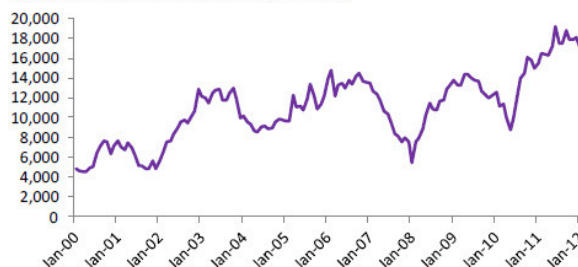
	2012		2011	
	Sales	Average Price	Sales	Average Price
Total TREB	5,027	\$334,952	4,932	\$322,857
Halton Region	82	\$295,979	53	\$276,566
Peel Region	768	\$246,688	734	\$231,010
City of Toronto	3,546	\$360,892	3,539	\$348,779
York Region	507	\$324,182	506	\$303,506
Durham Region	108	\$208,544	92	\$202,384
Other Areas	16	\$217,000	8	\$198,800

### Share of GTA Condo Apartments In Rental



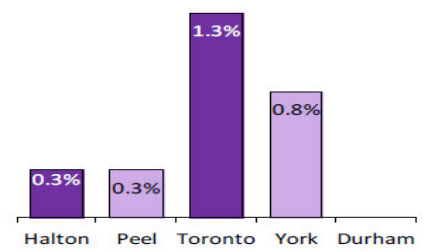
Source: CMHC, 2011 Fall Rental Market Survey

### Toronto CMA Condominium Apartment Completions (Annualized, 12-Month Moving Average)



Source: CMHC, TREB Adjustment

### GTA Condo Apartment Vacancy Rate



Source: CMHC, 2011 Fall Rental Market Survey

## Apartment Group Listings

Address/Type	City/Status	Units	Price	Price/Unit	Cap Rate
74 High St. Apartment	Barrie Firm	20	\$2,750,000	\$137,500	6.8%
3967 Lawrence E. Apartment	Scarborough For Sale	102	\$10,000,000	\$98,000	5.0%
11 Yorkville Lease	Toronto For Lease	2,200 sf	\$75/sf Gross	----	----
NA Apartment	Barrie Conditional	48	\$7,500,000	\$156,250	5.0%
2141 Bloor St. W. Mixed Use	Toronto For Sale	15 + Retail	\$8,000,000	----	4.25%
920 Yonge St. Retail	Toronto For Sale	23,500 sf	\$9,500,000	\$405/sf	----

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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 \$2.0 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?***

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