

APARTMENT DIGEST

Focus On Kitchener Waterloo

Economic Indicators:

Real GDP Growth Q1 2012	+1.9%
Toronto Employment Growth June 2012	+0.2%
Toronto Unemployment Rate June 2012	8.6%
Inflation June 2012	+1.5%
Bank of Canada Overnight Rate July 2012	1.0%
Prime Rate July 2012	3.0%
5 Year Mortgage Rate Fixed July 2012	5.24%

The **Regional Municipality of Waterloo** is a regional municipality located in southwestern Ontario. It consists of the cities of Kitchener, Cambridge, and Waterloo, and the townships of Wellesley, Woolwich, Wilmot, and North Dumfries.

The Region is 1369 square kilometres in size and its regional seat of government is in Kitchener. The Region's population was 507,096 as of the 2011 census.

For more than 100 years, the Waterloo Region has used new technology to its economic advantage in numerous industries. Recognizing the Region's emergence as an advanced technology and innovation centre of excellence, for the last 20 years, the Waterloo Region has also been known as Canada's Technology Triangle.

The area's attractions are the diversity of the employment opportunities, excellent education, urban amenities, rural attractions, affordability, strong sense of community and a personally and professionally rewarding lifestyle.

Employment opportunities are

diverse in one of Canada's most dynamic economies. Median household income (2005) is 6% above the Ontario average. Commute times are short, with 80% of people living less than 30 minutes from work (2006).

The Waterloo Region has an attractive cost of living. The Region's cost of living index is 73.8 compared to 100 in Toronto (2005).

From an apartment investment perspective, this region has always been noted as one of the top places to invest in by many groups. WHY? Simple. Strong employment in the major growth industries currently and moving forward. Above average family income levels. Strong and growing educational infrastructure to support the growing industries and proximity to major markets.

Kitchener has a diverse rental stock. In total there are over 28,260 units in the area according to Canada Mortgage and Housing (CMHC). This has changed very little in the last five years. Over 17,100 units are two bedroom.

Vacancy rates in the region have dramatically declined in the last 5 years from over 3.5% to 1.4% in 2011 (CMHC).

Average rents in the area have increased from \$775 in 2007 to \$842 in 2011 (CMHC). This is an average of 1.75% per annum. This growth mirrors that of Toronto.

Price have risen in Kitchener for apartments as they have in all areas of the Province. However, cap rates and prices per suite are still reasonable when compared to Toronto for comparable product with similar growth expectations.

For example, a AAA location in Toronto would today sell around a 5% cap and over \$150,000 per unit. The same building in Kitchener with identical rental upside would be trading around a 6% cap and around \$80,000 per suite. Financing would be the same for both buildings and as such the ROI would be much higher on the Kitchener building.

As well, many investors like this area, especially townhouses and conversion to condo, while not guaranteed is much easier. This unlocks further upside for these types of buildings.

Demand for buildings in this area has been strong and will continue.

Commercial Realty Watch Q2 – 2012

July 5, 2012 -- Toronto Real Estate Board (TREB) Commercial Division Members reported almost 3.5 million square feet of total leased space in the second quarter of 2012.

This figure represented a decline of 22 per cent compared to 4.4 million leased square feet in Q2 2011. While the amount of space leased was down year-over-year, average lease rates were up for industrial, commercial/retail and office properties.

Industrial properties accounted for close to 80 per cent of total leased space through the TorontoMLS system in the second quarter, with deals completed for over 2.7 million square feet of industrial space – down by seven per cent compared to Q2 2011.

The average lease rate for industrial properties transacted on a per square foot net basis and for which pricing was disclosed was \$4.92, representing a 13 per cent increase year-over-year.

“Given the degree of economic uncertainty that has characterized the Canadian economy this year, it is not surprising that the amount of space leased was down in the second quarter compared to the same period in 2011. With this said, while some firms may have temporarily taken a step back from further real estate investment, we continued to see enough demand for average lease rates to remain buoyant over the past year,” commented TREB Commercial Division Chair Cynthia Lai.

Sales of industrial and commercial properties, with 98 and 95 transactions respectively, were down in comparison to the second quarter of 2011. There were also 50 office transactions representing a slight increase over Q2 2011. Changes in average selling prices compared to last year were mixed.

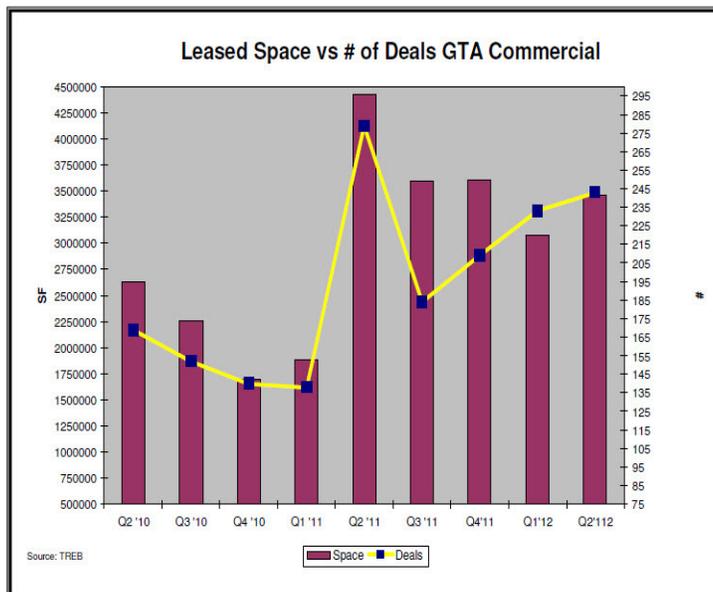
The average price per square foot for sold industrial properties was up substantially on a year-over-year basis, whereas the average selling prices for commercial/retail and office properties were down.

“Price change can often be driven by a change in the composition of sales from one year to the next. This was certainly the case for industrial transactions in the second quarter.

Last year, larger industrial properties, which generally sell for less on a per square foot basis, accounted for a much greater share of transactions compared to 2012.

This compositional shift was the main driver of the jump in the average industrial selling price,” continued Lai.

Source: TREB



GTA Residential Market Watch – July 2012

Greater Toronto REALTORS® reported 7,570 sales in July 2012, representing a decline of 1.5 per cent compared to 7,683 sales reported in July 2011.

The decline was most pronounced in the condominium apartment segment in the City of Toronto. Total sales in the rest of the Greater Toronto Area (GTA) were up compared to the same period last year.

“Very strong annual sales growth in the first half of 2012 and an earlier peak in sales this spring compared to 2011 help explain more moderate sales this summer.

New mortgage lending guidelines and the additional upfront cost of the City of Toronto land transfer tax also prompted some households to put their buying decision on hold,” said Toronto Real Estate Board (TREB) President Ann Hannah.

The average selling price in July 2012 was \$476,947 – up by four per cent compared to July 2011.

The MLS® Home Price Index (MLS® HPI)* composite index, which allows for an apples-to-apples comparison of benchmark home prices from one year to the next, was up by 7.1 per cent year-over-year.

“The GTA housing market became better-supplied in recent months. Buyers benefitted from more choice in the market place, resulting in less upward pressure on the average home price in July,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

“The mix of homes sold in July 2012 versus July 2011 also appears to have changed, further influencing the average selling price. This is evidenced by the different annual rates of growth between the overall average price and the MLS HPI®,” continued Mercer.

Source: TREB

Sales & Average Price By Major Home Type^{1,7} July 2012

	Sales			Average Price		
	416	905	Total	416	905	Total
Detached	852	2,729	3,581	\$752,431	\$552,239	\$599,869
Yr./Yr. % Change	-4%	-1%	-2%	8%	5%	6%
Semi-Detached	272	509	781	\$526,979	\$389,592	\$437,440
Yr./Yr. % Change	-14%	2%	-4%	5%	5%	4%
Townhouse	323	980	1,303	\$416,084	\$357,166	\$371,771
Yr./Yr. % Change	-5%	24%	15%	3%	5%	4%
Condo Apartment	1,246	507	1,753	\$347,996	\$279,603	\$328,216
Yr./Yr. % Change	-13%	-2%	-10%	-1%	1%	-1%

RECENT SALES – Focus The Kitchener Market

Address	City	Units	Price	Price/Unit
41-61 Valleyview Rd.	Kitchener	76	\$5,925,000	\$71,960
125 Indian Rd.	Kitchener	73	\$5,985,000	\$74,130
247-251 Erb St. W.	Waterloo	40	\$3,050,000	\$76,250
66 & 88 Mooregate Crs.	Waterloo	401	\$23,030,000	\$57,300
101-105 Church St.	Kitchener	40	\$2,300,000	\$58,750
Source: Realtrack				

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 \$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?

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
ldgianfelice@cfrealty.ca

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.**

Mitchell Chang

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