Commercial Focus Realty Inc., Brokerage
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APARTMENT DIGEST

GTA Rental Market Still TIGHT in 2012

Economic Indicators:

Real GDP Growth
Q3 2012 +0.6%

Toronto Employment Growth
Nov. 2012 +4.1%

Toronto Unemployment Rate
Nov.2012 8.4%

Inflation
Nov.2012 +0.8%

Bank of Canada Overnight Rate
Dec.2012 1.0%

Prime Rate
Dec.2012 3.0%

5 Year Mortgage Rate Fixed
Dec. 2012 5.21%

Average vacancy rates for purpose built private apartments in the Greater Toronto Area (GTA) edged slightly higher to 1.7 per cent in 2012 from 1.4 per cent in 2011, the lowest level over the past 10 years. The availability rate, which measures units that are vacant or occupied but notice has been given, moved up by a lesser amount to 3.1 per cent.

The average increase in rents from a fixed sample of units was 2.8 per cent, close to the provincial guideline increase amount for 2012. Demand continued to receive support from improving employment conditions for most renters, favourable demographic trends, and less activity from first-time buyers.

However, continued weakness in employment for young adults, slower net migration, and supply competition for units in the upper end of the market caused the number of occupied rental units to decline slightly. Rental market conditions were tightest within the Former City of Toronto. Everywhere else in the region, vacancy rates saw a modest increase.

A significant share (approximately one-third) of newly constructed condos continued to flow into to the rental market. Owners were assisted to do so as their carrying costs could be covered by rent levels.

Out of the 12,000 condo units created in the 12 months ending in the second quarter of 2012, average carrying costs are estimated at approximately $1,700 per month1 — equivalent to the average rent achieved by the same set of units.

Carrying costs were held down due to low borrowing costs and the fact that most of the newly completed units were purchased roughly four years ago at significantly lower prices.

On average, these new units had project opening prices that were 22 per cent lower than their resale prices after registration. This large appreciation in value encouraged owners to hold onto their units.

Outlook -
Rental market conditions in the GTA will remain stable in 2013, with the average vacancy rate edging down to 1.5 per cent.

While a higher number of rental completions are expected next year, supply growth will remain minimal. At the same time, rental demand will strengthen as employment opportunities and migration levels improve while activity from first-time buyers stays muted for most of the year.

The decline in the number of occupied units for which notice has been given may be an early indicator of a slower outflow of renters. Higher-priced units will face relatively stronger supply competition as condo completions move higher and a large share of units continue to flow into the rental market.

Rent growth should remain in line with the provincial guideline amount of 2.5 per cent for 2013. Average two-bedroom rents in the GTA are expected to increase to $1,200.

Source: CMHC

How Smart is YOUR Building?

It's challenging and difficult enough to get your tenants to be mindful of their behaviours that result in excessive consumption of major utilities - electricity, gas and water. Such tenant behaviour translates into higher building operating cost, but to encourage your building and equipment itself to engage in such behaviour is like….well……like that metaphorical frog we discussed in our last article. I know, I know - you are asking yourself how is it that I, as a building owner/operator, am encouraging my building to engage in excessive consumption of major utilities?

The answer is quite simple – if you haven't invested in smartening up your building then you are like the "boiling frog" in that building operators/owners should make themselves aware of how and why their buildings are consuming excessive amounts of utilities lest they suffer eventual undesirable consequences.

Water and sewage cost have risen by nearly 100% since 2005, energy prices have also almost doubled since 2003. History is often a reasonable predictor of the future and the historical trends show the cost of utilities continuing to rise unabated for many more decades. This indisputable fact calls into question - why then are building owners/operators not doing everything in their power to mitigate, as best as possible, this eventuality?

Perhaps to many of them feel helpless, in fact almost powerless in the face this indisputable fact - utility cost will continue to rise.

The foregoing should give building owner/operators pause for thought - what can I do to maximize the efficiency of my building so that I can better manage my operating cost? Just as you wouldn't drive your car without following regular maintenance and tune-up schedules so you can maximize your cars performance, why then would you operate your building without tuning it up – making it smarter.

Unless tenants are provided with incentives to modify their energy conservation behaviour they will always be a major contributor to excessive utility consumption resulting in higher building operating cost. Making your building smarter requires investing in innovative new and existing technologies that can reduce your utility consumption without every requiring your tenants to altering their behaviour.

The first step for creating a smarter building requires deploying an interactive energy Measurement and Verification (M&V) technology solution that provides managers with the ability to track, capture, assess, manage, alert and predict energy consumption of their building.

Implementing energy M&V solutions can reduce your energy consumption by at least 5% (The Carbon Trust) by identifying and verifying efficiency improvements. These technologies are key to a building's life-cycle-management and continuous re-commissioning and can provide a return on investment within less than 18 months. With the ability to manage the data captured they can give early warning alerts for unexpected excessive consumption caused by equipment malfunctions, maintenance errors and other equipment abnormalities.

In addition to savings realized through reduction in consumption, additional benefits are realized with improved preventative maintenance measures, ensuring preservations of building assets and thus also adding to the bottom line by reducing maintenance cost and ultimately increasing the value of your building. There are other intangible outcomes that also add to your buildings bottom line.

Smarter buildings improve building dynamics resulting in better indoor comfort; air quality; overall tenant well being leading to lower vacancies rates.

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How Smart – Cont'd from page 2

Beyond looking at energy procurement opportunities for securing fixed rate agreements to protect you against future rate increases, an M&V solution is a key part of your Conservation and Demand Management (CDM) strategy that should be taken to make your building smarter. Here at CFR we will continue to introduce you to innovative CDM technologies, through our contacts, that when coupled with an M&V strategy can greatly reduce your building's operating cost.

We are aware of specific CDM technologies that can reduce your water and thus sewage usage by up to 40%; for buildings that have centralized cooling we are aware of a technology that can reduce electricity cooling cost by up to 40%. It is worth noting here again that all these technology solutions are not dependant on modifying tenant behaviour. Tenant's behaviour can remain status quo and yet buildings can still realize tremendous energy savings through reduced consumption. To fully understand how these technologies can assist you with avoiding/reducing building operating cost please contact us.

Source: Encompass Group
M&V and CDM technology solutions for your business
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3.9MM Square Feet Leased in Q4

January 4, 2012 -- Toronto Real Estate Board (TREB) Commercial Division Members reported transactions amounting to almost 3.9 million square feet of leased space through the TorontoMLS system in the Fourth Quarter of 2012. This result was down by 30 per cent compared to the Fourth Quarter of 2011. Industrial properties accounted for 83 per cent leased space reported in the last three months of 2012.

The average industrial lease rate, for properties leased on a per square foot net basis and for which pricing was disclosed, was down slightly from last year, at $4.65 for Q4 2012 versus $4.92 for Q4 2011.

"There were a substantial number of lease transactions in the Fourth Quarter of 2012, but the level of activity remained lower than in the same period in 2011. While the Canadian economy continued to grow in 2012, the pace of growth was somewhat anemic, especially where the export sector was concerned.

The high value of the Canadian dollar continued to be a competitive disadvantage to export-focussed firms. In addition, economic uncertainty in the United States coupled with global economic headwinds, prompted many exporters to remain on the sidelines in 2012 with regard to real estate investment," said TREB Commercial Division Chair Cynthia Lai.

There were 214 commercial property sales reported through the TorontoMLS system in the Fourth Quarter of 2012 – down from 300 sales in the Fourth Quarter of 2011. Sales were down for all property types on a year-over-year basis. The number of industrial sales was closest to last year's level – down by 17 per cent to 97 transactions. Commercial/retail and office transactions were down by 28 and 49 per cent respectively.

Average sale prices per square foot, based on transactions for which selling prices were disclosed, were up substantially for the industrial and commercial/retail segments. Over the same period, the average selling price for office properties was down.

Source: TREB

Some Recent Sales - Ontario

Address	City	Units	Price	Price Per Unit
1 Rosemount Drive	Scarborough	110	$12,500,000	$113,635
2548 Kipling Avenue	Etobicoke	153	$12,000,000	$78,430
263 Russell Hill Road	Toronto	100	$19,175,000	$191,750
125 Wellington St. North	Hamilton	283	$14,025,000	$49,560
1090 Kristin Way	Ottawa	102	$10,320,000	$101,250
5 Dufrense Court	North York	218	$23,332,000	$107,030
Source: Realtrack and CFR				

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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.

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We have a collection of seasoned Agents that can serve your needs. Whether you are buying of 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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