

# THE LAND DIGEST

## Purpose Built RENTAL NOT CONDO....

### Economic Indicators:

<b>Real GDP Growth</b>	
Q4 2014	+2.4%
<b>Toronto Employment Growth</b>	
Feb 2015	-1.0%
<b>Toronto Unemployment Rate</b>	
Feb 2015	7.6%
<b>Inflation</b>	
Feb 2015	+1.0%
<b>Bank of Canada Overnight Rate</b>	
Mar 2015	0.8%
<b>Prime Rate</b>	
Mar 2015	2.9%
<b>5 Year Mortgage Rate Fixed</b>	
Mar 2015	4.74%

Maurice Wager knows a thing or two about the mindset of Toronto renters, having spent almost a decade managing rental buildings for Shiplake Properties and several years building condominium towers and retirement homes with various partners throughout the GTA. With so many people craving high-rise living but not everyone able to afford to buy, he's confident that units at Shiplake's latest venture will be snapped up in no time.

"Rental is here to stay," says Mr. Wager, vice-president of development at the privately owned firm run by Toronto's Latner family, which has been managing rental properties for more than 60 years. "What we've learned in the recent timeframe is that condos have been the de facto rentals. And that tells us one thing: The demand is there."

Shiplake has four new rental buildings on the go in mid-town: at Yonge Street and Davisville Avenue is Balliol Park, currently under construction, which comprises a 30-storey, 320-unit tower and a 14-storey, 179-unit building; and, at Yonge and Eglinton Avenue East, two rental towers of 24 and 26 storeys called Lillian Park totalling 520 units and awaiting city approval. All four properties promise the same

amenities found in the slew of high-rise condos dotting the city's skyline — from hardwood floors, high-end appliances and in-suite controlled heating and air conditioning to fitness and yoga studios, theatre rooms and party rooms. There will even be in-suite washer/dryers, ending the chore of carting dirty clothes to the laundromat or down the basement for that dreaded communal laundry experience.

By Toronto's standards, it's definitely a long time coming. The city's high-rise watchers took note last month when two prominent developers chucked their construction plans and, within weeks of each other, decided to turn their planned condo towers into rental buildings instead.

First up was The Selby Condos at Bloor and Sherbourne streets, which was set to incorporate the historic Gooderham Mansion into a 49-storey condominium tower plus townhouses. It will now become a rental building after reportedly being snatched up by a pension fund (possibly based in the United States, though there hasn't been confirmation). Then word got out that Urbancorp was transforming its Kingsclub condo complex on King Street West into rentals, too, leaving pre-construction buyers disappointed.

*As the dust starts to settle, those looking for a new high-rise address are seeing a silver lining. It's called purpose-built rental, and it's coming soon to a neighbourhood near you.*

The difference with purpose-built rentals is you know your landlord, you know it's professionally managed, and it offers the security of tenure," Mr. Wager says. "A private owner may want to take possession of their condo at any time, and they're entitled to do so. So if you have to make a choice between renting a condo [from an owner or the developer], you know there's the security in the tenure. By that same token it grants a sense of freedom: When you want to move, you give your notice and there are a lot less headaches."

Perhaps it's a combination of high rental demand and low vacancy rates that has spurred a new interest in purpose-built rental.

Cont'd Page 2.....

## Purpose Built Rental – Cont'd

A recent study of five such Toronto buildings by Urbanation, an independent condo-industry analytics firm, found they got an average 4.4% higher per-square-foot rents than their surrounding condo projects, with renters favouring a professionally managed and secure source of housing. Given that condos represent 99% of new rental supply in the GTA, the study concluded that values in new purpose-built projects likely also received a boost due to their scarcity.

“We’re not seeing a lot of new purpose-built still being constructed, but at least we’re hearing a lot more talk of it,” says Shaun Hildebrand, Urbanation’s senior vice-president.

“Developers are recognizing that the strongest area of opportunity in the market these days is really on the rental side.”

One developer that is in it for the long haul is Concert Properties. The Vancouver-based company has been building rentals in Vancouver since 1989, with another 2,300 new rental units built in Toronto in the past decade at such projects as Motion on Bay Street, One32 in Corktown and Prelude near Yonge Street and Sheppard Avenue West.

Though the firm still builds high-rise condos, president and chief operating officer Brian McCauley says purpose-built rental is “a core piece” of Concert’s business.

Still, he’s not surprised that some condo projects end up switching to rentals. From a developer’s standpoint, he says, the cost of land and the cost of construction in Toronto are high and the returns on building rentals are low. It’s not something a developer can make a lot of money on in a short period of time, he stresses. Rather, it’s a long-term investment.

“There are many developers that when the market slows down or their pre-sales aren’t there, they consider either building their buildings and then having what’s called an ‘end sale agreement,’ or a large institutional buyer [buys] the building when it’s complete,” he explains. “The developer has a chance of getting their land values out and their development profits out without having the risk of unsold condominiums. So there’s quite a large appetite for larger investors to buy full buildings. That’s one of the reasons it’s becoming more prevalent today.”

Daniels Corp. has included a 25-storey, 324-unit rental building at Eglinton Avenue West and Erin Mills Parkway as part of its Erin Mills master planned community. The tower — a partnership between Daniels and Sun Life Financial — will be nestled near two condo high-rises, with 74 low-rise condo townhomes to be built not too far away. The rental building will feature an attractive lobby, Wi-Fi lounge, outdoor BBQ terrace, party room, business centre, fitness centre, in-suite laundry and community garden plots.

“[Purpose-built rental] is just another form of housing,” Mr. Pugh says. “If it makes fiscal sense to do it, it gives us the ability to provide that niche that so desperately needs to be filled. ... Our portfolio has been very successful. We definitely know there’s a need, a want, a gap when it comes to new rental stock. I would guess we’ll probably do it again.”

*Source: National Post  
Suzanne Wintrob*



## RECENT SALES

Address	City	Price	Notes
592 Sherborne St	Toronto	\$33MM	\$80 psf approved condo site
1884 Queen E	Toronto	\$6.24MM	\$90 psf proposed mid rise
12 Bonnycastle St	Toronto	\$25.2MM	Future mixed use condo site
4800 Yonge St	North York	\$12.7MM	Parking lot future development
159 Wellesley E	Toronto	\$15.9MM	Form gas station future devel.
1771 St. Clair W.	York	\$9.5MM	Sale lease back future dev.

Source: CFAS and RealTrack

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