

THE LAND DIGEST

Construction Slowdown?

Two reports this week may help ease concerns of overbuilding in Canada's housing market.

First, Statistics Canada on Monday releases its report on building permits issued across the country, which BMO Nesbitt Burns forecasts will show an increase of 3 per cent in May, compared with April's 1.1 per cent. But the May number is expected to be driven by permits for non-residential construction.

What will be widely watched is whether construction starts fell back into line with the pace of increase in the number of households being formed in Canada. That is what's expected in the wake of May's report, which showed a much higher annual rate of 198,300.

That annual pace is believed to have eased to somewhere between 181,000 and 190,000, based on the forecasts of several economists.

"Housing starts look to pull back to 185,000 units annualized in June, slightly below the 12-month average of 190,000," said BMO senior economist Benjamin Reitzes. "That's more or less in line with household formation, which should ease fears of excess building."

Notably, National Bank Financial expects to see a drop in Montreal and Toronto in starts on condo construction, an area of particular concern.

Most Canadian economists, and the Bank of Canada, believe the overall housing market is heading for a soft landing, rather than a meltdown.

"Canada's housing market continues to defy skeptics, with a solid spring selling season and rising prices," Mr. Reitzes said. "The construction side is in decent shape as well, settling into a soft landing."

Economists at CIBC World Markets expect to see that the pace of starts slowed to only 181,000 in June, a rate "not very far" from the trend they predict for the rest of 2014. "The Canadian housing market has remained relatively robust, despite many calling for a slowdown, or even a collapse," they said in a research note.

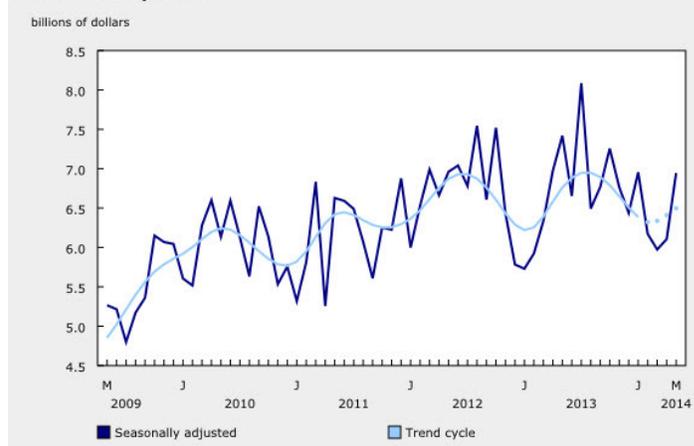
"And with many mortgage lenders competing with increasingly attractive financing rates, all while the Bank of Canada stands pat on rates until the latter half of 2015, a sharp rotation from housing to exports and investment isn't likely."

Source: Globe and Mail

Economic Indicators:

Real GDP Growth	
Q4 2013	+2.9%
Toronto Employment Growth	
Mar 2014	+2.1%
Toronto Unemployment Rate	
Mar 2014	8.0%
Inflation	
Mar 2014	+1.5%
Bank of Canada Overnight Rate	
Apr 2014	1.0%
Prime Rate	
Apr 2014	3.0%
5 Year Mortgage Rate Fixed	
Apr 2014	4.99%

Total value of permits



Toronto Developer Buys in the US – too much red tape here & prices too high!

Canada's largest developer of new houses has bought its biggest piece of land ever – and it's in the United States.

Mattamy Homes Ltd., which bills itself as "Canada's largest new home builder," is increasingly looking south of the border for expansion as it grows frustrated with the limited supply of land that's available for new homes in cities like Toronto and Ottawa because of red tape and efforts to contain urban sprawl.

Its U.S. ambitions have taken a leap forward with an \$86.25-million (U.S.) purchase of more than 9,600 acres of land in the Sarasota area of southwest Florida. The land is roughly the size of Newmarket Ontario, and Mattamy is hoping that over the next 20 to 25 years close to 15,000 homes might be built on it (it's currently zoned for about 11,000). The deal closed about three weeks ago.

The deal comes about six months after Mattamy bought land in Jacksonville that will hold about 4,500 units.

"You don't buy 4,500 units in Canada, it's just not possible," chief operating officer Brian Johnston says. "It's just way too big. We did a deal for about 500 units in Milton, and that was really big for us."

Mattamy is still forming its plans for the Sarasota land, but it expects that 10 to 15 separate communities will be developed on it, each having somewhere between 700 and 2,000 units. "One might be a lake community, another might be a golf course community, another might be a higher-density single-family community, another one could just be open spaces with walking trails," Mr. Johnston says.

The plans will mainly be designed for empty-nesters and retirees. Mattamy might not chew off all of the development by itself, and is already receiving calls from local builders who are looking at buying pieces.

The Canadian home builder has been active in the U.S. for more than a decade, but until recently its presence has been relatively small.

But now the company is restraining itself in its home market because of a dwindling supply of available land for new houses.

"We've basically taken the view we're going to control the size of our business in Canada, so we've more or less capped it," Mr. Johnston says.

"Buying land is very difficult. If it's got approvals, it's incredibly expensive. If it doesn't have approvals you're waiting a long time... "We've created such an onerous planning system in this country, and I would argue that's one of the reasons that we see such significant house price inflation. We've made it difficult for ourselves to get land through the planning system, and that's creating this supply constraint. So you're seeing much higher (house) prices, and a lot more high-rise condominiums."

Mattamy toyed with the idea of building condos in Toronto, going so far as to buy land to do so, but backed out after deciding against the idea.

*Source: Globe & Mail
Tara Perkins Jun. 20/14*

Recent Sales

Address/City	Area (Ac)	Price	Notes
88 Queen St. E.	2.47	\$87,500,000	Approved 1MM sf development
250 Lawrence W.	1.43	\$12,000,000	Medical offices future condos
235 Jarvis St.	0.246	\$12,000,000	Future development site condo
400 Bloor St. W.	0.18	\$10,000,000	Mixed Use Income future condo
102-104 Yorkville	0.10	\$14,000,000	Part of an assembly future condo

Source: CFAS and RealTrack

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The key members of the Land Development Group are well tied into the development community.

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The Land Development Group started in 2012 and to date has sold over \$80 million worth product.

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