

THE LAND DIGEST

Gap Between Condo & House Prices Record High

Economic Indicators:

Real GDP Growth	
Q3 2014	+2.8%
Toronto Employment Growth	
Nov 2014	-1.0%
Toronto Unemployment Rate	
Nov 2014	7.8%
Inflation	
Nov 2014	+2.0%
Bank of Canada Overnight Rate	
Dec 2014	1.0%
Prime Rate	
Dec 2014	3.0%
5 Year Mortgage Rate Fixed	
Dec 2014	4.79%

The growing price gap between condominiums and houses hit a record high last year in the Toronto area, as the market saw a huge jump in the number of newly built condos and buyers battled over a persistent shortage of houses.

The average price of a low-rise home in the Toronto area hit \$705,813 in 2014, up 8 per cent from the year before, while the average price of a high-rise unit rose just 4 per cent to \$454,476, according to new data from real estate research firm RealNet Canada Inc. and the Building Industry and Land Development Association.

The gap between condos and houses grew 16 per cent in December compared to a year earlier, hitting a record of more than \$251,000. (Low-rise homes consist of houses, including detached and semi-detached houses, townhomes and link homes, while high-rises encompass all condos and lofts.)

The growing price divide comes as developers have been under pressure to shrink the size of new condo units to keep costs down, while an insatiable appetite for houses, coupled with a shortage of supply, has driven up the cost of low-rise development.

"It's creating a bit of an extremity condition in the market," said RealNet president George Carras. "Living in a ground-oriented home is really becoming further and further out of reach."

The story is largely one of government policy, not of low interest rates and easy credit, Carras says. Provincial intensification and land-use policies have limited new development in the greenbelt around the Greater Toronto Area and encouraged more density, helping to drive up the price of new homes and increase the supply of new condos. Last year saw a near-record number of 25,571 condo completions in the region, up from about 16,668 the year before.

While much of the jump in condo development is concentrated in the downtown Toronto core, the price gap between the two forms of housing has been spilling outward into suburbs like Mississauga and Vaughan, where detached homes can sell for as much as \$1-million and a shortage of available land has also driven development toward high-rise projects.

Despite the growing price disparity, 2014 was a good year for sales of both houses and condos, with house sales jumping 46 per cent to 17,745 and condo sales up 38 per cent to 21,991. After years of shrinking condos, the average unit size increased slightly last year, from 796 to 816 square feet.

The average price per square foot jumped 2 per cent to \$557. Condo developers also shifted back toward building more two-bedroom condos after years of building mainly one-bedroom units. The proportion of new condos that were two bedrooms rose from 31 per cent in 2013 to 40 per cent last year, while one-bedroom units fell from 61 per cent to 48 per cent.

Source: Globe and Mail
TAMSIN MCMAHON

The State of Real Estate In Toronto

A housing boom in the Toronto area is masking the growing challenges to the market, according to a report from TD Economics released Monday.

The report said experts have been distracted by a housing boom in the Greater Toronto Area, with resale value increasing steadily over the past 10 years.

The 20-page report was prepared by together by TD's Deputy Chief Economist and Vice President Derek Burleton and Economist Diana Petramala.

More people are moving to the GTA, leading to an increase in demand for homes. And it's that increase in demand that is also partially to blame for the raise in housing costs, the report said.

But that boom also created jobs in the area. TD estimated that about 25 per cent of jobs created in the last decade were in some way related to the housing boom.

However, the report said that media coverage of the boom has overshadowed growing challenges to the market. Many can't afford to own homes, and there are very few options. The report also criticizes public transit in the Toronto area.

Here are five numbers from the report that may surprise you:

1. Nearly half of GTA renters are spending 50 per cent of their pay cheques on rent. TD looked at earners in the bottom 40 per cent, and found that average rent was about half of their annual income.

TD also found that those with higher income levels and homeowners are also spending similar amounts on housing.

"What's more, rising costs have been instrumental in driving up average debtloads in the region, leaving households vulnerable to any unanticipated negative economic shock," the report said.

2. Likely as a result of the steady growth in resale value, more Torontonians own houses. Approximately 20 years ago, the number of renters and owners in the GTA were split about 50-50. In 2011, the homeownership ration tilted, with about seven in 10 choosing to own.

3. In the 1990s, approximately 25,000 new households were created each year. Since the early 2000s, the average has been closer to 36,000. TD also said that the number of single women owning homes has increased by three percentage points during that period.

4. In the late 1990s, about 40 per cent of new homes built were condo units. By 2014, 80 per cent of new households built were condos, and half of them were built downtown.

5. Condo market and Toronto Community Housing Corporation estimates suggest that approximately 40 per cent of condo units currently under construction will be used as rental properties.

The stakes are high surrounding the fortunes of the Greater Toronto Area (GTA) housing market. A healthy housing system is critical a region's economic fortunes. And with the GTA key to Canada's economic engine, the success or failure of housing in this region carries significant national importance.

That being said, there are two sides to every coin. The strength has concealed some growing challenges that have been percolating under the surface, of which include deteriorating affordability, an increasingly weak diversity of housing choice and a transportation system that is struggling to keep up. Addressing these challenges through a more collaborative regional approach will be critical to securing economic, social and environmental prosperity in the future.

Source: REP Magazine

RECENT SALES

Address/City	City	Price	Notes
19 Glen Agar Dr.	Toronto	\$18,200,000	6 acre school property
Highway 7 N/S	Markham	\$9,500,000	7.5 acre future townhouse site
4151 Kingston Rd.	Scarborough	\$2,250,000	½ acre ready to condo \$23/sfb
3765 St. Clair E.	Scarborough	\$2,700,000	1 acre res development
291 College St.	Toronto	\$7,700,000	½ acre Future high rise site
335-355 King St. W.	Toronto	\$113,000,000	Approved condo site +800 units

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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