

THE LAND DIGEST

Condo Bubble – What Condo Bubble?

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%

Anecdotally, we've been hearing how strongly sales of condo units in Toronto bounced back in the first quarter of 2014. Investors swarmed some condo sales centres as soon as new projects were launched. In the resale market, some sellers were choosing among competing buyers for the first time in a long while.

Data this week from Urbanation Inc. puts some numbers to the rebound: The market research firm says sales of new condo units soared 88 per cent to 5,140 in the first quarter, compared with the 2,728 sold in the first quarter of 2013.

Urbanation senior-vice president Shaun Hildebrand cautions that the jump in sales is off of a particularly depressed level in 2012. He finds it more meaningful to look at the five-year average for first-quarter sales. In that comparison, the 2014 number is 5-per-cent higher than the five-year average.

When Mr. Hildebrand talks about the new condo market, his data encompasses projects that haven't broken ground yet all the way to those that are move-in ready but still have units sitting in the builder's inventory.

The new condo market had a

lot of momentum all the way through 2011 and into 2012, before that year ended in a slump following the tightening of mortgage-lending rules. Many developers put projects on ice in 2013.

But many investors felt renewed optimism in the opening months of 2014, says the analyst – partly because a robust resale market has helped to create an overall sense of stability. The mood was so buoyant that some openings were pulled forward from their scheduled launch in the spring.

"I think that a lot of people were expecting something terribly bad to happen in the market in 2013," says Mr. Hildebrand.

Meanwhile, lots of developers were offering enticing incentives. Some reduced deposits, some did away with assignment fees, while others offered up to \$30,000 cash back on a sale. Some builders capped the development levies that can be passed on to unit-holders at closing.

Mr. Hildebrand points to new projects such as Core Condos on Shuter Street and YC Condos on Yonge Street, which both reported strong sales very early in the year. That success encouraged other builders, he says.

"Really, developers are quick to respond to changes in the market that they see."

For the most part, investors continue to do the bulk of the buying in the new condo market, says the analyst, who adds that they favour central locations and buildings along transit lines or on well-known streets.

He estimates that prices in the new condo market have retreated to approximately the level of two years ago.

At the same time, the overall resale market was blazingly hot in the opening months of 2014. In the 416 area code, the average price for a detached house in April hit \$965,670 for a 13.2-per-cent jump from April, 2013. The average semi jumped an even more eye-popping 18 per cent in the same period to \$702,332 from April of 2013. The average price for a resale condo unit in April was \$384,758, which was a slim 1.8-per-cent increase from April of 2013.

Source:
Carolyn Ireland
The Globe and Mail
May 8, 2014

Q1 2014 GTA Condo Market – Strong Demand

April 15, 2014 -- Toronto Real Estate Board President Dianne Usher announced that “home buyers remained confident in purchasing condominium apartments during the first three months of 2014.

This included first-time buyers and seasoned home owners looking to change their housing situation. Despite the condo market segment being well-supplied, strong sales growth translated into a robust increase in the average selling price.”

Greater Toronto Area REALTORS® reported 4,454 condominium apartments sold through the TorontoMLS system in Q1 2014 – up nine per cent compared to 4,085 sales reported in Q1 2013. The average selling price for Q1 2014 transactions was up by 5.6 per cent year-over-year to \$351,213.

The City of Toronto accounted for 70 per cent of all condo apartment transactions, with 3,121 sales reported. The average selling price in the City was \$376,226.

The supply of condo apartments listed for sale also edged up in the first three months of 2014. New listings reported during the quarter were up by 3.1 per cent year-over-year. Active listings at the end of the quarter were up by 1.8 per cent.

“The number of new condominium apartment completions was up substantially in 2014. Because of this, we could see stronger growth in listings in the second half of 2014 as some investors choose to list their units for sale. If this occurs, buyers would benefit from more

choice in the marketplace and thus could have more negotiating power with regard to price,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

Source: TREB

Condominium Apartment Market Summary First Quarter 2014

	2014		2013	
	Sales	Average Price	Sales	Average Price
Total TREB	4,454	\$351,213	4,085	\$332,431
Halton Region	120	\$304,493	72	\$308,757
Peel Region	653	\$262,128	634	\$259,318
City of Toronto	3,121	\$376,226	2,900	\$354,977
York Region	437	\$353,660	370	\$319,131
Durham Region	114	\$224,590	102	\$223,458
Other Areas	9	\$248,727	7	\$199,571

OUR Current Listings

Address/City	Area (Ac)	Price	Potential
River Road Niagara Falls	1.2	\$3,750,000	Approved 119 apt. units – rental, condo, retirement, hotel...
Shade Street Cambridge	2.5	\$6,250,000	250 apt. units – downtown – grants
50 Kerr Street Cambridge	1.6	\$4,000,000	160 apt. units – downtown – grants
Wellington Street Cambridge	0.84	\$2,125,000	84 apt. units – downtown – grants
Bruce Street Cambridge	0.31	\$775,000	36 medium density – downtown - grants
Port Colborne	131	\$3,800,000	Mid rise, townhouses, commercial

Source: CFAS and RealTrack

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About The Land Development Group

CFR has quality agents and advisors who have been involved extensively in the purchase and sale of development lands.

Not only can we assist in the purchase and sale function, but CFR has the contacts and expertise to participate the whole development process. We have affiliations with planners, architects and other consultants which can assist our clients.

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

In many cases they have acted on their behalf in consulting situations. This allows the team great access to leading edge information regarding future growth areas, highest and best use, and new paradigms in development densities.

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

With an in house planner and accredited appraiser as part of the team, the Group can offer to its clients services like no other Brokerage. These professionals are quick to assess the potential development of property and its hidden values.

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