

# THE LAND DIGEST

## Move Up Buyers Paralyzed By HIGH Prices

### Economic Indicators:

<b>Real GDP Growth</b>		
Q2 2014	+3.1%	
<b>Toronto Employment Growth</b>		
Jul 2014	-0.6%	
<b>Toronto Unemployment Rate</b>		
Jul 2014	8.2%	
<b>Inflation</b>		
Jul 2014	+2.1%	
<b>Bank of Canada Overnight Rate</b>		
Aug 2014	1.0%	
<b>Prime Rate</b>		
Aug 2014	3.0%	
<b>5 Year Mortgage Rate Fixed</b>		
Aug 2014	4.79%	

It's not just first-time buyers who are finding themselves priced out of Toronto's fast-appreciating housing market — the high price tag of properties is also starting to "paralyze" the move-up market, says a CIBC economist.

It's one of the first times that a bank economist is saying publicly what realtors have been saying quietly for the last couple of years: That homeowners are opting to stay put and renovate instead because it's just too expensive, and stressful, to make a move in pricey urban centres like Toronto and Vancouver.

"This has major implications for the market," Benjamin Tal, deputy-chief economist at CIBC World Markets, said in a telephone interview. "It means that the market (in booming cities like Toronto, Vancouver and Calgary) is even tighter than it appears."

Sure, low- to mid-range homes — under \$500,000 in Toronto and under \$600,000 in Vancouver — have been appreciating rapidly the last few years, says Tal, deputy-chief economist at CIBC World Markets.

But higher-end, move-up homes — \$500,000 to \$1.1 million — have been

skyrocketing at an even faster rate, meaning that the gap has been increasingly significantly between starter home and dream home, he said in an economic note released Monday.

**Condos have turned out to be an "important stabilizing force" in the housing market — not the destabilizing force many have feared** — by providing a substantial **supply of affordable alternatives** to house ownership in major urban centres.

The end result of the move to simply stay put has played out to dramatic effect in the Toronto market, in particular.

New listings are down while demand remains strong, fuelled by low interest rates. That's resulted in a frenzy of bidding wars that have dramatically driven up prices in many areas of the sought-after City of Toronto and those bidding wars have been creeping recently into up-and-coming areas of the GTA still considered a reasonable commute to the core. Traditionally, Canadians finish school, get a job, get married, buy a starter home, have a family and then, after some years, move up to their dream home.

"However, there are many indications that this cycle that dominated the

Canadian housing market for decades, is breaking," Tal says, with more first-time buyers locked out and price appreciation "starting to paralyze the "move up" market."

It's also led to a massive boom in home renovations over the last five years, says Tal: Spending on renovations now accounts for an unprecedented 46 per cent of total residential investment in Canada.

"Renovation activity will remain robust and, in fact, might accelerate in the coming years."

While Canadian home sales have remained relatively steady the last few years, at about 35,000 to 40,000 homes per month, "this apparent stability masks a more complex story," notes Tal.

Sales of low- and mid-range properties have fallen "notably" while sales of higher-end properties have "advanced rapidly." The home ownership rate of Canadians aged 25 to 35 has actually fallen from 55 per cent in 2012 to a current level of about 50 per cent.

Source: Susan Pigg  
The Toronto Star

## CONDO Boom in the 905

Markham lead the way for new housing starts in August as the condo boom continues to take hold in the 905 regions.

Oakville recorded the second-highest number of high-rise starts while the building boom eased in the City of Toronto, according to housing starts figures released by the Canada Mortgage and Housing Corporation Tuesday.

Canadian housing starts — considered a major indicator of economic health and activity — dipped slightly in August to 192,400 units on an annualized basis, down from 199,800 in July.

The vast majority of the new homes on which construction began were high-rise condos (110,800) compared to new low-rise homes (64,800) as

intensification continues its march skyward in the country's major urban centres. Housing starts in Toronto were down slightly in August to 30,093 on an annualized basis, compared to 32,449 in July, mainly due to a slowdown in high-rise starts, said CMHC.

Building starts have slowly been trending lower across the GTA as the record number of condo units sold in 2011 get built out and sales of new projects remain well below those record levels.

There was strength in the suburbs such as Markham, however, which recorded 460 units started in August. Oakville was second at 331 units.

That compares to 204 units in Toronto, down significantly

from the 1,168 units that were started as of August of 2013.

BMO economists noted that Ontario starts may be slightly below historic averages, but “the condo market (in Toronto) continues to significantly outrun the single detached (house) market where supply is constrained in the GTA.”

CIBC World Markets cautioned that “despite recent resiliency, we still expect housing's contribution to (economic) growth to slowly wane as we progress through this business cycle, with affordability concerns and a weak labour market putting pressure on the building sector going forward.”

But it also called the CMHC numbers “expected.”

*Source: Susan Pigg  
The Toronto Star*

## Ontario Allows 6 Storey WOOD Buildings

Ontario builders will be allowed to construct six-storey buildings out of wood starting in 2015, the province announced Tuesday.

The limit for wood-framed buildings has been four storeys. Politicians from Northern Ontario have pushed for the change for years, hoping that it'll spur demand for northern lumber.

Advocates of wood construction say that rules requiring steel or concrete skeletons for taller buildings are obsolete in an era of

“engineered” wood products, now that layers of wood can be laminated together to make beams and joists whose properties are as predictable as any steel beam.

Also, obviously, wood burns in a way that concrete and steel don't. Modern sprinklers and fire-resistant walls minimize the risks from fires in completed buildings, although they are more vulnerable during construction, several studies have found. British Columbia has allowed six-storey wood structures since 2009 and they haven't

proven to be more dangerous than other kinds of buildings.

Besides creating demand for Ontario lumber, wooden buildings are supposed to fill a tricky gap in urban construction. Lots of people seem to be content to see buildings of about six storeys added to downtown neighbourhoods where cities like Ottawa and Toronto want more people to live, but those buildings are rarely cost-effective for developers if they have to be made out of relatively expensive concrete and steel.

*Source: David Reevely  
Ottawa Citizen*

## Recent Sales – Toronto

Address/City	Area (Ac)	Price	Notes
<b>75 The Esplanade. *</b>	0.64	\$23,850,000	Future high rise condo
<b>335 King St. W.</b>	0.95	\$113,000,000	Approved 807 condo units
<b>46 Charolette St.</b>	0.14	\$12,718,740	Power of Sale approved condo site
<b>215 Church St.</b>	0.41	\$23,000,000	Future high rise condo
<b>387 Bloor St. E.</b>	0.61	\$36,205,000	Future high rise condo and retail
<b>122 Peter St.</b>	0.17	\$10,621,596	Power of Sale future high rise condo

Source: CFAS and RealTrack

*\*Sold by the Land Development Group*

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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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