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APARTMENT DIGEST

Condo Market Could Turn Volatile

An overbuilt and overpriced condominium market is posing a risk to Canadian households, banks and the economy in general, the Bank of Canada warned June 13 in its latest review of the health of the country's financial system.

The central bank particularly singles out the Toronto condo market, which it notes continues to carry a high level of unsold high-rise units in the pre-construction or under construction phases.

Overall, the bank says it believes both global and Canada financial conditions have improved somewhat despite the subdued pace of the economic recovery.

In Canada, the growth in household credit has continued to slow and has fallen broadly in line with growth in disposable income, and overall activity in the housing market has moderated.

But it is still worried about the housing market, and particularly condos in Toronto.

"If the upcoming supply of units is not absorbed by demand as they are completed over the next 12 to 30 months, the supply-demand discrepancy would become more apparent, increasing the risk of an abrupt correction in prices and residential construction activity," it says.

"Any correction in condominium prices could spread to other segments of the housing market as buyers and sellers adjust their expectations."

That could start what it terms a negative feed-back loop. A plunge in house prices bites into net household worth, shatters confidence and consumer spending, impacting income and job creation.

"These adverse effects would weaken the credit quality of bank's loan portfolios and could lead to tighter lending conditions for households and businesses. This chain of events could then feed back to the housing market, causing the drop in house prices to overshoot."

The warning comes as Statistics Canada reported the price of new homes nationally rose 0.2 per cent in April from the previous month. Economists had expected a 0.1 increase.

The bank cautions that its unravelling scenario is not what it is predicting. In fact, it still expects the correction in the housing market to go smoothly.

"Nevertheless, simple indicators continue to suggest some overvaluation in the housing market; house prices are high relative to income and housing affordability could become a concern when interest rates begin to normalize," it adds.

The continuing highlighting of household imbalances, despite noting that the risks have in fact lessened somewhat in the past six months, suggests the central bank remains worried that with interest rates likely to continue at near emergency low levels, the dangers of something going off the rails intensifies.

The OECD recently singled out Canada as one of three nations in the advanced economies with the most overvalued housing market, adding that despite that elevated status, prices continue to rise.

Any number of shocks could send Canada's house of cards tumbling, the bank says, particularly higher borrowing costs that pinches households already carrying record high levels of debt.

Source: Canadian Press

Economic Indicators:

Real GDP Growth	Q1 2013	+2.5%
Toronto Employment Growth	Apr. 2013	+4.2 %
Toronto Unemployment Rate	Apr. 2013	8.4%
Inflation	Apr.2013	+0.4%
Bank of Canada Overnight Rate	May 2013	1.0%
Prime Rate	May 2013	3.0%
5 Year Mortgage Rate Fixed	May 2013	5.14%

Residential Market Watch – GTA

June 5, 2013 -- Greater Toronto Area (GTA) REALTORS® reported 10,182 sales through the TorontoMLS system in May 2013, representing a dip of 3.4 per cent compared to May 2012. Sales of single-detached homes in the GTA were up by almost one per cent compared to the same period last year, including a three per cent year-over-year increase in the City of Toronto.

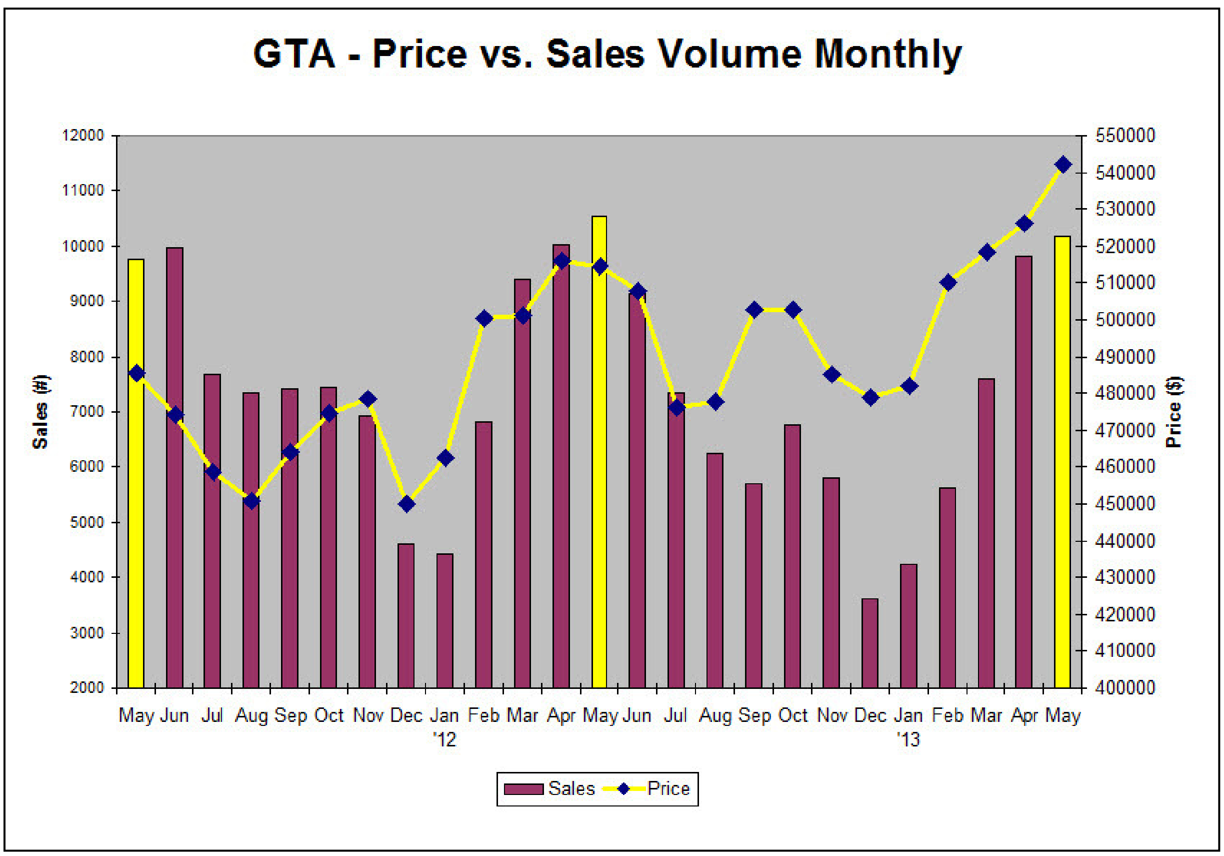
"The sales picture in the GTA has improved markedly over the past two months. While the number of transactions in April and May remained below last year's levels, the rate of decline has been much smaller. A growing number of households who put their decision to purchase on hold as a result of stricter lending guidelines are starting to become active again in the ownership market," said Toronto Real Estate Board President Ann Hannah.

The average selling price for May 2013 sales was $542,174 – up by 5.4 per cent in comparison to $514,567 in May 2012. The annual rate of price growth was driven by the tight low-rise segment of the market and particularly by single-detached and semi-detached home transactions in the City of Toronto. Average condominium apartment prices were also up slightly in comparison to last year.

The MLS® Home Price Index (HPI) Composite Benchmark was up by 2.8 per cent year-over-year.

"The annual rate of price growth in May was not surprising given the competition that still exists between buyers, particularly for low-rise home types such as single-detached and semi-detached houses. We remain on track for a three-and-a-half per cent increase in the average selling price for 2013 as a whole," said Jason Mercer, TREB's Senior Manager of Market Analysis.

Source: TREB



Pessimistic Outlook by Commercial Leaders

Despite continuing strong market fundamentals for real estate, commercial real estate leaders are more pessimistic about the future than they have been since 2009 due to rising concerns about the state of Canada's economy, according to the Second Quarter 2013 Canadian Real Estate Sentiment Survey released by The Real Property Association (REALpac) and FPL Advisory Group.

The quarterly survey measures the current and future outlook of Canada's top commercial real estate executives regarding overall real estate conditions, real estate asset values and availability of capital. Top findings for 2013's second quarter included:

The Q2 index of executive sentiment fell to its lowest level since 2009, due to concerns about the state of the Canadian economy.

The future interest rate environment is an area of anxiety for many Canadian market participants.

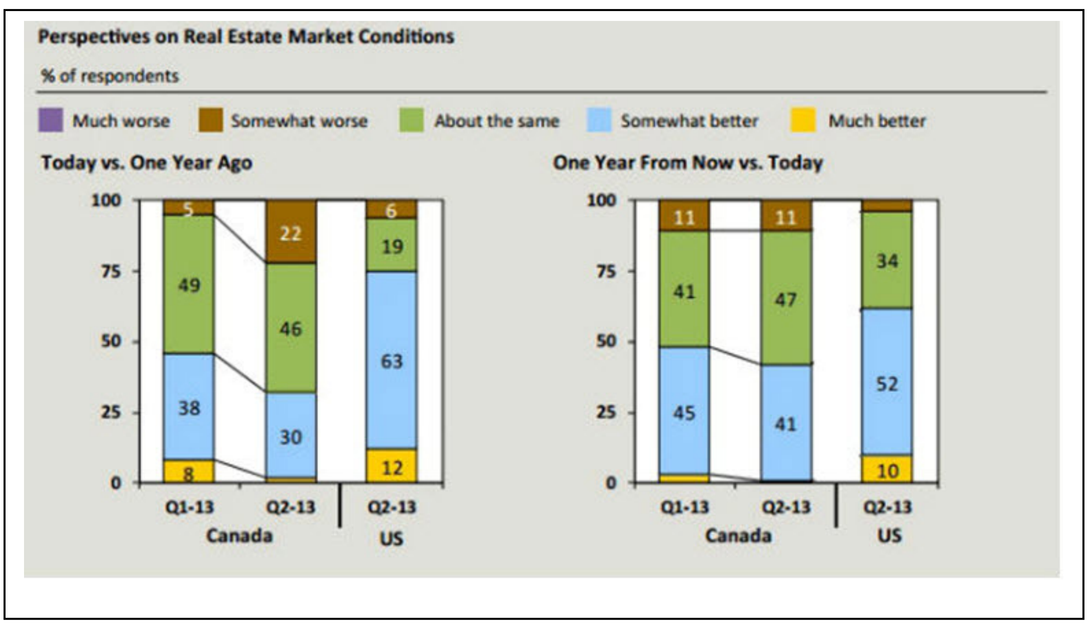
While real estate continues to trade at compressed cap rates, views regarding the sustainability of current asset pricing are mixed.

Debt is still seen as widely available; lenders are eager to lend and continue to search for returns.

Equity capital is also plentiful as investors continue to turn to real estate in search of higher returns.

“Canada's real estate industry has been on a tremendous run since 2009 and the question we keep hearing is how long will it last?" said Carolyn Lane, Vice President, Membership, Marketing and Communications of REALpac. "Our members are keeping a close watch on interest rates, economic growth, here and in the U.S., and also debating whether asset prices can keep rising."

Source: Canadian Property Management Magazine



Recent Sales - Toronto

Address	Units	Price	Price Per Unit	Cap Rate
77 Roehampton Avenue	81	$20,500,000	$253,100	3.40%
4 Treewood Street	82	$7,325,000	$89,330	5.15%
205-207 Morningside Avenue	214	$18,500,000	$86,450	6.25%
80 Blackfriar Avenue	45	$4,900,000	$108,890	6.81%
16 Albert Avenue	18	$2,100,000	$116,670	4.65%
2521 Lake Shore Blvd. W.	396	$56,156.535	$141,810	NA
Source: Realtrack and CFR				

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The Apartment Group is a dedicated team of professionals specializing in the sale of multi-residential investment properties. With over 40 years of combined experience, the team brings together their strengths including strong negotiation and sales skills along with highly technical market analysis and appraisal methods.

The Group has been involved in the sale and acquisition of all types of multi residential real estate from small 10 suite walk up to portfolios over 800 suites in scale.

The Group has experience with those first time buyers and sellers who need that extra level of attention and experience with larger institutional buyers and REITs.

Their success is proven with the fact that over the past decade they have sold over $3.0 billion worth of apartment buildings across Ontario and throughout Canada.

The market today is very tight. Having the right Broker working for you is more important than ever.

Can your Broker bring you off market deals? Can they realistically analyze the deals they bring you? Can they be creative and show you the upside? Can they assist you in working through the mortgage mind field today?

Please call us to see how we can help you.

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