Commercial Focus Realty Inc., Brokerage

Volume 10, Issue 4
April 2017

APARTMENT DIGEST

New Ontario Housing Rules

The Ontario government has announced what it calls a comprehensive housing package aimed at cooling a red-hot real estate market. Here are the 16 proposed measures:

A 15-per-cent non-resident speculation tax to be imposed on buyers in the Greater Golden Horseshoe area who are not citizens, permanent residents or Canadian corporations.

Expanded rent control that will apply to all private rental units in Ontario, including those built after 1991, which are currently excluded.

Updates to the Residential Tenancies Act to include a standard lease agreement, tighter provisions for "landlord's own use" evictions, and technical changes to the Landlord-Tenant Board meant to make the process fairer, as well as other changes.

A program to leverage the value of surplus provincial land assets across the province to develop a mix of market-price housing and affordable housing.

Legislation that would allow Toronto and possibly other municipalities to introduce a vacant homes property tax in an effort to encourage property owners to sell unoccupied units or rent them out.

A plan to ensure property tax for new apartment buildings is charged at a similar rate as other residential properties.

A five-year, $125-million program aimed at encouraging the construction of new rental apartment buildings by rebating a portion of development charges.

More flexibility for municipalities when it comes to using property tax tools to encourage development.

The creation of a new Housing Supply Team with dedicated provincial employees to identify barriers to specific housing development projects and work with developers and municipalities to find solutions.

An effort to understand and tackle practices that may be contributing to tax avoidance and excessive speculation in the housing market.

A review of the rules real estate agents are required to follow to ensure that consumers are fairly represented in real estate transactions.

Education for consumers on their rights, particularly on the issue of one real estate professional representing more than one party in a real estate transaction.

The launch of a housing advisory group which will meet quarterly to provide the government with ongoing advice about the state of the housing market and discuss the impact of the measures and any additional steps that are needed.

A partnership with the Canada Revenue Agency to explore more comprehensive reporting requirements so that correct federal and provincial taxes, including income and sales taxes, are paid on purchases and sales of real estate in Ontario.

Set timelines for elevator repairs to be established in consultation with the sector and the Technical Standards & Safety Authority.

Provisions that would require municipalities to consider the appropriate range of unit sizes in higher density residential buildings to accommodate a diverse range of household sizes and incomes, among other things.

Source: Canadian

Economic Indicators:

Real GDP Growth	Q4 2016	2.6%
Toronto Employment Growth	Mar 2017	1.2%
Toronto Unemployment Rate	Mar 2017	7.1%
Inflation	Mar 2017	1.6%
Bank of Canada Overnight Rate	Apr 2017	0.5%
Prime Rate	Apr 2017	2.7%
5 Year Mortgage Rate Fixed	Apr 2017	4.6%

CVA – Still Not GOT it RIGHT

More than 9,200 commercial, industrial and multi-residential properties in Toronto are still officially overtaxed nearly 20 years after interim measures were introduced to ease tax shifts related to Ontario's 1998 adoption of current value assessment (CVA). Under the rules of the intervention program, CVA-related tax increases for benefiting properties have been limited to capped annual increments, while prospective tax decreases are clawed back from other properties to make up for that loss of revenue.

"After all this time, I think owners see it as just another issue they have to deal with," observes Stephen Longo, a property tax specialist and partner with Walker West Longo LLP. "It's one of those crazy transitional things that continues."

However, later this week Toronto Council will consider mechanisms to pick up the pace of the program that is otherwise projected to take another 19 years to run its course. A city staff report outlines how caps and clawbacks could be phased out 10 years earlier than previously foreseen if Council takes advantage of the extra manoeuvring room the provincial government now offers. Several other Ontario municipalities already adopted these measures for the 2016 tax year when Toronto kept allowable CVA-related tax increases capped at 5 per cent of the previous year's CVA-level taxes.

Last year, 4,955 or 15 per cent of Toronto's commercial properties were still under the cap, which 7,107 or 22 per cent of commercial properties funded via clawbacks. In the multi-residential class, only 55 or 2 per cent of properties were beneficiaries of the cap, while 850 or 24 per cent of properties paid toward it.

The staff report recommends lifting the cap to 10 per cent of the previous year's CVA taxes and simply removing the cap and requiring full payment from any property that is within $500 of its CVA taxes. If implemented for the 2017 tax year, this could cut the number of capped properties by 57 per cent by 2020.

"If no other options are subsequently applied, the implementation of a 10 per cent cap and a $500 threshold will allow for industrial properties to be out of the capping and clawback system by 2025 and commercial and multi-residential properties by 2026, barring adjustments resulting from the 2020 and 2024 assessment cycle," the report notes.

Last year, the Ministry of Finance projected that all but 14 Ontario municipalities should be able to phase out caps and clawbacks by 2020, but even property tax experts express surprise at the number of Toronto properties still enmeshed. "After 19 years, I would have guessed there would be about half that many," says David Gibson, a director with Yeoman and Company Paralegal Professional Corporation.

"Most of the properties I have been looking at do not have a lot of capping left on them," Longo concurs.

Yet, the lengthy timeline makes mathematical sense given the phase-in of sometimes multi-million-dollar impacts in relatively modest increments. "The 1998 assessment was the first reassessment since 1954, updating from a 1940 base, so the swings in value were tremendous throughout most of the province," Gibson recalls.

Caps and clawbacks were a provincially instituted counterbalance that municipal governments have subsequently had to administer. Toronto Council is expected to pass the annual by-law fixing the 2017 clawback rate later this week.

Source: REM

Bank of Canada Keeps Rates As Is

The Bank of Canada held rates once again at 0.5% on Wednesday, as expected.

The bank now expects real GDP growth of 2.5% in 2017 and just below 2% in 2018 and 2019.

"Global economic growth is strengthening and becoming more broadly-based than the Bank had expected in its January Monetary Policy Report, although there is still considerable uncertainty about the outlook," the bank said in the accompanying statement.

"In the United States, some temporary factors weighed on economic activity in the first quarter but the drivers of growth remain solid," it added. "The US is close to full employment, unlike many other advanced economies, including Canada, where material slack remains."

The US is close to full employment, unlike many other advanced economies, including Canada, where material slack remains. Global financial conditions remain accommodative. The Bank expects global GDP growth to increase from 3 1/4 per cent this year to about 3 1/2 per cent in 2018 and 2019.

The bank previously held rates at its March meeting, as well. Economists suggested that the bank is still waiting to see what US President Donald Trump, who during his campaign espoused a protectionist agenda and articulated his intention to "renegotiate" the North American Free Trade Agreement, or NAFTA, will do.

In Canada, recent data indicate that economic growth has been faster than was expected in the January MPR. Growth was temporarily boosted by a resumption of spending in the oil and gas sector and the effects of the Canada Child Benefit on consumer spending. Residential investment has also been stronger than expected. Employment data have been robust, although gains in hours worked are still soft. Meanwhile, export growth has been uneven in the face of ongoing competitiveness challenges.

Further, despite a recent uptick in sentiment, business investment remains well below what could be expected at this stage in the recovery. Accordingly, while the recent rebound in GDP is encouraging, it is too early to conclude that the economy is on a sustainable growth path.

During the rest of this year and into 2018 and 2019, growth in Canada is expected to moderate but remain above potential. At the same time, its composition is expected to broaden as the pace of household spending, especially residential investment, slows while the contributions from exports and business investment increase. The Bank now projects real GDP growth of 2 1/2 per cent in 2017 and just below 2 per cent in 2018 and 2019.

Meanwhile, the Bank has revised down its projection of potential growth, reflecting persistently weak investment. With this combination of a higher profile for economic activity and a lower profile for potential, the output gap is projected to close in the first half of 2018, a bit sooner than the Bank anticipated in January.

CPI inflation is now at the 2 per cent target, largely because of the transitory effects of higher oil prices and carbon pricing measures in two provinces, as well as other temporary factors. The Bank's three measures of core inflation, on the other hand, have been drifting down in recent quarters and wage growth remains subdued, consistent with material excess capacity in the economy. CPI inflation is expected to dip in the months ahead, as the temporary factors unwind, and then return to 2 per cent later in the projection horizon as the output gap closes.

Source: Bank of Canada

RECENT SALES – GTA

Address/City	Suites	Price MM	Price Per Suite	Cap Rate
110 Maitland St.	36	$13.04	$362,230	NA
1675 & 1685 Eglinton W	72	$9.125	$126,700	4.3%
1001 O'Connor Dr.	83	$10.375	$125,000	4.3%
93 Neptune Dr.	10	$2.2	$220,000	3.1%
110 Wellesley St. E.	48	$13.775	$286,980	NA
84-99 Silverspring Blvd.	430	$84.00	$195,350	NA

Source: Realtrack,

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