

APARTMENT DIGEST

NEW Housing Rules and Their Effect

Economic Indicators:

Real GDP Growth Q1 2017	3.7%
Toronto Employment Growth Apr 2017	1.1%
Toronto Unemployment Rate Apr 2017	6.9%
Inflation Apr 2017	1.6%
Bank of Canada Overnight Rate May 2017	0.5%
Prime Rate May 2017	2.7%
5 Year Mortgage Rate Fixed May 2017	4.6%

Shortly after the Provincial government's introduction of the Fair Housing Plan for Ontario, a new report from the Toronto Real Estate Board (TREB) is showing the first signs of a cooldown for the region's hot housing market. While April 2017 saw a 33.6% year-over-year increase in new listings at 21,630, total sales declined by 3.2% in the same period. It isn't yet clear whether this year-over-year decline is directly correlated with the new Provincial policy, or if it instead can be attributed to fewer working days in April due to the date Easter fell on this year.

"The fact that we experienced extremely strong growth in new listings in April means that buyers benefitted from considerably more choice in the marketplace. It is too early to tell whether the increase in new listings was simply due to households reacting to the strong double-digit price growth reported over the past year or if some of the increase was also a reaction to the Ontario Government's recently announced Fair Housing Plan," said TREB President Larry Cerqua in a prepared statement.

This decline in sales was accompanied by the MLS Home Price Index Composite

Benchmark Price increasing by 31.7% year-over-year in April 2017, while the average selling price for all home types jumped by 24.5% to \$920,791 in the same period. Jason Mercer, TREB's Director of Market Analysis, calls these figures "encouraging," and expects to see more balanced market conditions develop if new listings continue to outpace sales growth.

Analyzing property assessment and land registry data, TREB's report presents statistics that are positioned to counter the theory that foreign buyers, speculation, and flipping are the primary factors in inflating home prices. This data shows that between January and April of this year, only approximately 7% homes were bought or sold within a year of the original transaction. At the same time, only 6.2% of properties are owned by purchasers that own multiple properties in the Greater Golden Horseshoe region, and less than 1% of buyers have mailing addresses outside of Canada. An Ipsos survey of TREB Members from last Fall estimated that only 4.9% of property transactions between the fall of 2015 and the fall of 2016 were sold to foreign buyers.

A report from real estate analysis firm Urbanation builds on TREB's report, placing focus on the GTA

housing market's continued lack of new housing inventory, and a growing disparity between supply and demand. According to the Urbanation report, the inventory of unsold condos dropped to 6,481 units in Q1 2017, with a 61% annual decline bringing unsold inventory to the lowest levels recorded in the last decade and a half of the condo building boom.

The first quarter of 2017 saw 9,932 new condo units sold in the GTA, a massive 73% year-over-year increase that represents a new quarterly high. The quantity of new condo units launched for pre-construction sales in Q1 2017 more than doubled, with 6,293 new units compared to 3,061 units launched during Q1 2016. At the current pace of sales, less than three months of housing inventory is available, and a substantial number of new launches will be needed to balance the growing supply-demand disparity. This is evidenced in the record number of units pre-sold during the quarter, rising to 94% from an 86% share in 2016's first quarter, and an 84% share the year before.

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StatsCan – Building Permits – Down

Canadian municipalities issued \$7.1 billion worth of building permits in April, down 0.2% from March. Lower construction intentions for single-family dwellings were mainly responsible for the national decrease. The value of building permits declined in four provinces in April, led by Ontario and Alberta.

The value of residential building permits issued by Canadian municipalities fell 2.5% in April to \$4.5 billion, marking a third consecutive monthly decrease. Lower construction intentions for single-family dwellings more than offset a moderate gain in the multi-family component. In April, three provinces posted declines in the residential sector, led by Ontario.

Construction intentions for single-family dwellings fell 8.1% in April to \$2.5 billion. The decrease stemmed primarily from single-detached homes in Ontario, specifically the Toronto census metropolitan area (CMA), while five other provinces also reported declines in the single-family building component.

Conversely, multi-family dwelling construction intentions rose 5.6% in April to just under \$2.0 billion, largely due to gains in seven provinces, led by British Columbia. The increase followed a 21.1% drop in March and was moderated by a notable decline in the apartment building category in Alberta.

Canadian municipalities approved the construction of 16,701 new dwellings in April (down 0.7% compared with March), consisting of 6,015 single units (-1.5%) and 10,686 multi-family units (-0.2%).

Municipalities issued \$2.6 billion worth of building permits for non-residential structures in April, up 4.1% from the previous month. The increase was mainly the result of higher construction intentions for institutional and industrial structures, with both components rising for a second consecutive month. Eight provinces registered gains in the non-residential sector in April, led by British Columbia.

The institutional component rose 10.7% in April to \$790 million, following a 18.3% increase in March. Higher construction intentions for government administration buildings and medical facilities, including a major hospital renewal project in Ontario, contributed most to the gain. The institutional component rose in six provinces in April, led by British Columbia.

The value of building permits issued for industrial structures rose 14.6% to \$512 million in April, following a 12.3% gain the previous month. The increase in April was mainly attributable to manufacturing plants, utility buildings, and maintenance facilities.

In contrast, the commercial component decreased 3.0% in April to \$1.3 billion, largely due to lower construction intentions for warehouses in Ontario.

Ontario and Alberta led the decrease in the total value of building permits in April, moderated by an increase in British Columbia.

The decline in Ontario marks a fourth consecutive monthly decrease in both the value of residential building permits and the total number of new dwelling units approved. Meanwhile, the industrial component increased for a second consecutive month in April, rising above \$200 million for the first time since August 2016.

In Alberta, the decline was led by apartment buildings and industrial structures. The decline in April follows the approval of a large bus storage facility project in March. The decrease was moderated by the single-family component, which posted a fourth consecutive monthly gain in April.

In contrast, every building component in British Columbia rose in April. The value of institutional building permits increased for a second consecutive month, partly due to construction intentions for a new university building in the Vancouver CMA.

In April, the value of building permits fell in 11 of 36 CMAs, led by Toronto.

The single-family component was primarily responsible for the decline in the Toronto CMA, which registered both the lowest level of single-family construction intentions and the lowest number of new single-family dwelling units approved since January 2016.

Source: StatsCan

Con't NEW HOUSING...

The number of projects to sell out in Q1 2017 more than tripled from last year's figures, with 80 sold-out projects versus the 25 recorded in Q1 2016.

Urbanation's report diverges from the TREB narrative in regards to condominium flipping practices, noting an increase in resale activity within newly-built condo developments. The 1,059 re-sales recorded in Q1 2017 represent a 69% jump over the 625 units resold in Q1 2016, while 249 re-sale units were sold for the second time within the past year, a 53% growth from Q1 2016.

"The shortening of holding periods for some condo buyers is an outcome of the rapidly accelerating market," said Shaun Hildebrand, Urbanation's Senior Vice President. "Although the share of short-term condo market participants still appears relatively low, it will be important to monitor the situation closely going forward as market conditions evolve," added Hildebrand.

Source: Urban Toronto



OUR CURRENT LISTINGS

Address	Suites	Price MM	Price Per Suite	Cap Rate
2 Regal Road Toronto	105	NA	NA	NA
2198 Queen Street East Toronto	19	NA	NA	NA
1609 Queen Street East Toronto	Retail	\$2.8MM	NA	4.0%
Kitchener	21	\$2.8MM	\$133,300	4.75%
60 Dundas Street East Mississauga	Retail Land	\$23.0MM	NA	NA
Approved Condo Site Brampton	1.8 acres	\$18.0MM	NA	NA

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