

APARTMENT DIGEST

UP Go Interest Rates – 1st Time in 7 Years!!

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%

The Bank of Canada has raised its key interest rate as expected to 0.75 per cent — the central bank's first move upward in the cost of borrowing in seven years.

The bank's target for the overnight rate — at which major financial institutions make one-day loans to each other — moved up by one-quarter of a percentage point from 0.50 per cent.

Interest rates have finally increased: How that could affect your loans - Interest hike will affect lines of credit: here's how to manage it

In a statement accompanying the rate decision, the central bank said the Canadian economy has been robust, fuelled by household spending.

"As a result, a significant amount of economic slack has been absorbed," the bank said, adding that the remaining slack is expected to be gone around the end of this year, which is earlier than the bank anticipated in its April Monetary Policy Report.

The move means consumers will likely pay more for borrowing such as variable-rate mortgages and lines of credit.

In the wake of the rate hike, the Canadian dollar shot up. The loonie was trading up 0.64 at 78.03 cents US late Wednesday morning.

The interest rate increase had been widely expected after senior Bank of Canada officials signalled in speeches and interviews over the past weeks that lower rates had done their job, and the Canadian economy was performing well.

RBC chief economist Craig Wright thinks the bank's move signals a turning point to a longer-term trend in rising interest rates.

"I think it's the Bank of Canada having confidence that the breadth and durability of the expansion in Canada can sustain these small these increases in interest rates," Wright told CBC News Network. "We're going to see more [rate hikes] as we move forward, assuming growth holds up," he said.

Sherry Cooper, chief economist at Dominion Lending Centres, said she expects another rate hike in the fourth quarter of this year.

"The Federal Reserve will also likely increase rates in [the fourth quarter]," Cooper said in a release. "Look for a slow crawl upward in interest rates from both central banks in 2018.

The Bank of Canada hadn't increased the overnight rate since August 2010, when it nudged it up to one per cent. After Stephen Poloz took over as governor of the bank, the rate was lowered twice in 2015 to 0.5, where it remained until Wednesday.

With the economy performing well, the bank has also nudged up its forecast for growth this year. The bank said real gross domestic product (GDP) is now expected to grow by 2.8 per cent in 2017, up from the April outlook of 2.6 per cent.

The central bank said growth is expected to moderate over the next two years, coming in at two per cent in 2018 and 1.6 per cent in 2019.

Source: CBC News

More Interest Rate Hikes in the US Coming

Federal Reserve chair Janet Yellen told Congress on Wednesday that the central bank expects to keep raising a key interest rate at a gradual pace and also plans to start trimming its massive bond holdings this year.

In her semiannual testimony on the economy, Yellen took note of a number of encouraging factors, including strong job gains and rising household wealth that she said should fuel economic growth over the next two years.

She blamed a recent slowdown in inflation on temporary factors. But she says Fed officials are watching developments closely to make sure that annual price gains move back toward the Fed's two per cent target.

Many economists believe the Fed, which has raised rates three times since December, will hike rates one more time this year.

In her prepared testimony before the House financial services committee, Yellen repeated the message she has been sending all year: the economy has improved enough that it no longer needs the extraordinary support the central bank began providing in 2008 in the wake of a severe financial crisis and the deepest recession since the 1930s.

She noted that since the depths of the recession, unemployment is now down to 4.4 per cent, near a 16-year low. And while the economy started the year with a sluggish growth rate of

just 1.4 per cent, it has regained momentum in recent months, helped by strong job gains, a revival of business investment and a strengthening of overseas economies.

But Yellen cautioned that "considerable uncertainty always attends the economic outlook." Those include whether inflation will indeed pick up, as well as questions about how much of President Donald Trump's economic program will make it through Congress. She noted that while the global economy appears stronger, "a number of our trading partners continue to confront economic challenges."

"At present, I see roughly equal odds that the U.S. economy's performance will be somewhat stronger or somewhat less strong than we currently project," she said.

Yellen made no reference in her prepared remarks to what many investors see as one of the biggest unknowns at the moment: whether Trump will ask Yellen to remain as Fed leader when her current term ends next February. Yellen so far has deflected questions about whether she would accept a second four-term term as chairman if Trump asked her to remain.

She also did not mention the potential impact of Trump's other Fed nominations on central bank interest rate decisions and its approach to its other job, regulating the nation's largest banks.

During last year's presidential campaign, Trump was critical of the central bank for its low-rate policies, which he said were helping Democrats, and for its efforts to enact tougher regulations on banks in response to the 2008 financial crisis.

On Monday, the administration announced that it had chosen Randal Quarles, a Treasury Department official under two Republican presidents, to serve as vice chairman for supervision, the Fed's top bank regulatory post.

Including the post Quarles would fill, the Fed has three vacancies on the seven-member board. All of Trump's nominations will require Senate approval.

The Fed slashed its key policy rate to a record low near zero in December 2008 to combat the worst economic downturn since the 1930s — and kept it there for seven years until nudging it up modestly in December 2015. It then left the rate unchanged for another year until raising it again in December of last year, followed by increases in March and June this year. Even so, the rate remains in a still-low range between 1 per cent and 1.25 per cent.

At its June meeting, the Fed signalled that it expected to begin shrinking its \$4.5 trillion US balance sheet later this year, a step that could put gradual upward pressure on longer-term rates for such items as home mortgages.

Source: Canadian Press

Foreign Buyers – the Reality...

TORONTO - Newly released data from the Ontario government shows half of real estate transactions involving a foreign buyer in the Greater Golden Horseshoe region took place in Toronto the month after the province introduced a new tax on non-residents.

The Ontario government says there were 857 residential and agricultural real estate purchases by foreigners in the Greater Golden Horseshoe -- which stretches from the Niagara Region to Peterborough, Ont. -- between April 24 and May 26.

Half of those foreign-bought properties were in Toronto and 21 per cent were in York Region.

Foreign buyers were responsible for nine per cent of total transactions in York Region and seven per cent in Toronto, with lower percentages in surrounding areas.

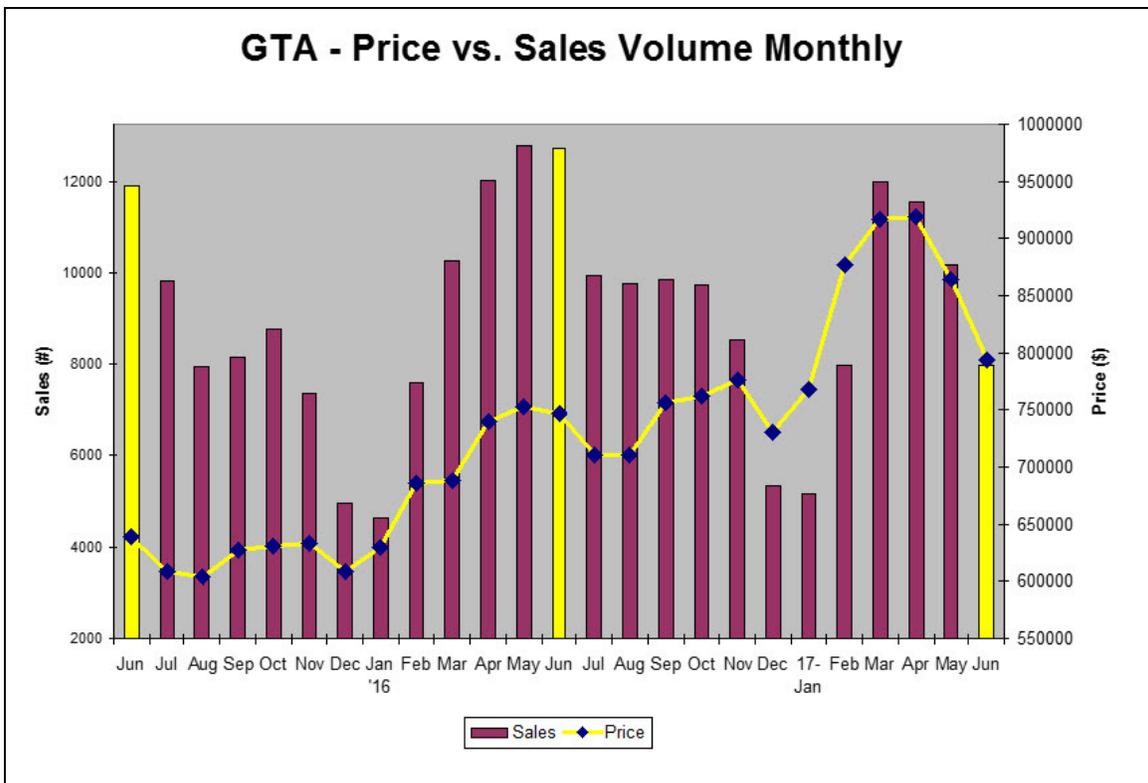
The government said last week that nearly five per cent of home purchases in the Greater Golden Horseshoe region were made by non-residents since the foreign buyer tax was announced.

The non-resident speculation tax came into effect in April, the same month the government first began collecting information from real estate buyers concerning their citizenship, residency and their intentions for their property.

The 15 per cent tax applies to purchases by people who aren't citizens or permanent residents, and by foreign corporations.

The tax was one part of a housing plan the government introduced in an effort to cool down the market in the Toronto area and beyond.

Source: Canadian Press



RECENT GTA SALES

Address	Suites	Price MM	Price Per Suite	Cap Rate
22 Robina Avenue	20	\$3.39	\$169,500	3.6%
8 Hill Street	18	\$3.0	\$183,340	4.2%
190 Exbury Road	308	\$65.7	\$213,300	3.5%
2777 Kipling Avenue	325	\$55.0	\$169,230	NA
688 Sheppard Avenue East	35	\$12.4	\$354,860	Land Value
2901 St. Clair Avenue East	12	\$1.83	\$152,500	NA

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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.

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Their success is proven with the fact that over the past decade they have sold over **\$4.0 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.

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