

APARTMENT DIGEST

No Apartments to Buy – how about Student Res?

Economic Indicators:

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

WATERLOO—Robin Seergobin's carefully kept red-brick home is an island of calm in the midst of a coming tsunami of student housing.

A year ago the last of his long-time neighbours cashed out and moved on after many knocks on their doors from developers looking to buy their land. Shortly after that, the bulldozers and the backhoes arrived.

Now, 20 feet east of the Seergobin's two-storey home in this city's Northdale neighbourhood towers the shell of a six-storey private-sector built student condominium residence under construction.

To the west of his corner lot and its colourful gardens, backhoes are razing a whole block of the post-war housing that first drew Seergobin, 74, and his wife Evelyn, 73, to what was a family friendly suburban community 38 years ago.

Eight student rental buildings are slated for the site.

To the north, just beyond the couple's double driveway, cement trucks rumble back and forth all day, pouring the supports for another six-storey building targeted at students.

Across the street from their front door is the reason this residential pocket of Waterloo looks like a strange microcosm of Toronto's downtown building boom: Stretching into the sky is the metal skeleton of Wilfrid Laurier University's \$103 million Global Innovation Exchange, due to open in the fall of 2015.

The new business and math school has had developers sharpening their pens in anticipation of some 2,000 students — many of them from overseas — who will be moving here looking for a place to live.

Over the last five or so years, private-sector developers have largely taken over a role once dominated by public-sector post-secondary institutions: They have built about 20,000 beds of student housing on the fringes of university and college campuses right across Canada.

A stunning half of all that housing — about 10,000 beds — has been in Waterloo, with another 4,000 beds planned or already under construction within easy reach of Laurier, the University of Waterloo and Conestoga College.

There are 1 million post-secondary students in Canada, about half, who need housing. Some 100,000 post-secondary students come from overseas.

Yet the 80 or so major schools in the country have just 130,000 beds on campus, leaving about 370,000 students scrambling each year to find housing.

For decades now in Waterloo, they've crammed into what used to be pleasant little houses around the universities. That's because, as the schools expanded — Waterloo and Laurier have a combined 50,000 students — families moved out and landlords moved in, creating a student ghetto of post-war homes divided into eight, 10, 12-bedroom homes, most of which have seen better days.

For Rent signs are everywhere.

But, increasingly, students like Charlie Lindsay have been gravitating to landlords offering more than just the comforts of home — everything from rooftop gyms to saunas, yoga and games rooms, all of it backed by parents willing to pay extra for their child's comfort.

Cont'd Page – Student Residences

In Lindsay's case, that's about \$690 a month for a five-room suite in the 419-bed, 22-storey Luxe II which opened last September. The 2nd-year business student at Laurier gets his own furnished room with an ensuite bathroom, just like his four roommates with whom he shares a spacious living room and kitchen boasting granite countertops and stainless steel appliances.

"My husband refers to it as South Beach," jokes Lindsay's mom, Carol-Ann, unpacking her van outside the row of student highrises, including Luxe II and the four-year-old Luxe I, which now line busy King St. a short walk from Laurier.

All, including the nearby 22-storey luxury highrise 1 Columbia St. W., still under construction, have been built in the last five years by private developers.

Just down the street is the first of the newest trend in housing being built to feed the growing population of Waterloo post-secondary students, Sage I.

It's a 12-storey, 54-unit (with 233 beds) condominium building that has proven so popular with investors looking to buy a unit — or a few — and rent them out to students, builder IN8 Developments now has seven more projects in the works, all of them in Northdale.

They include the 25-storey, 199-unit condo building Sage II, where the foundation is still being poured, to the

complex enveloping Robin Seergobin's house. When done that block immediately north of Laurier's Globe Innovation Exchange will boast six-storey condo buildings and townhomes.

Parents make up just 20 per cent of buyers, largely because their kids will be done school by the time the units are built. (A few are buying when their kids are still in high school.) Asians and Indians have been big investors.

When Stage III, and a major rental complex of eight four-storey buildings proposed by Schembri Property Management right across the street from Laurier's new business and math school, are completed, they will have enough beds for more than 700 students.

There are mounting concerns that it's simply too much student housing for the demand, especially as enrolment growth appears to be slowing across Canada. (The University of Waterloo has plans for a 500-bed residence, aimed at first-year students.)

In fact, there are some signs the market is reaching saturation: Some Waterloo developers have started cutting rents, or offering grocery vouchers, to keep good tenants.

"We're seeing more five-bedroom suites than we would have liked," which really only works for students, says area city councillor and University of Waterloo employee Jeff Henry. "It's certainly been an interesting transition

from post-war to post-secondary. It's happened far faster than we anticipated."

Developers finally seem to be getting the message, however, that "a balanced, mixed neighbourhood is a good neighbourhood," says Henry.

IN8, for instance, is moving away from the five-bedroom suite model and even offering townhouses. There is hope that, in time, university as well as other professional workers will make their homes in its Sage communities where the first floor of condo buildings will have stores, cafes and restaurants, says IN8 co-founder Darryl Firsten.

Perhaps the person most at home with all the change, ironically enough, is Robin Seergobin. The retired construction worker half-jokingly offered to help build the Sage III complex surrounding his home.

Some area homeowners have held off selling, hoping the boom will only further drive up the value of their houses. But developers know the Seergobins are here to stay.

IN8 community liaison staffer Milosz Mazan drops by to see the Seergobins regularly, making sure cable lines get fixed quickly if they get cut inadvertently.

Source: Susan Pigg
The Toronto Star

Total Leased Space Up Q3 – 2014

October 3, 2014 -- Toronto Real Estate Board President Paul Etherington announced that TREB Commercial Network Members reported 6,059,755 square feet of leased industrial, commercial/retail and office space during the third quarter of 2014. This result was up by 5.3 per cent compared to the third quarter of 2013. The amount of space leased was up for all major market segments.

Average lease rate for properties leased on a per square foot net basis (where pricing was disclosed) were up for the industrial and commercial/retail market segments and down slightly for office properties. Some of the increase in average industrial and commercial/retail lease rates were due to a change in the mix and type of larger properties leased this year compared to last.

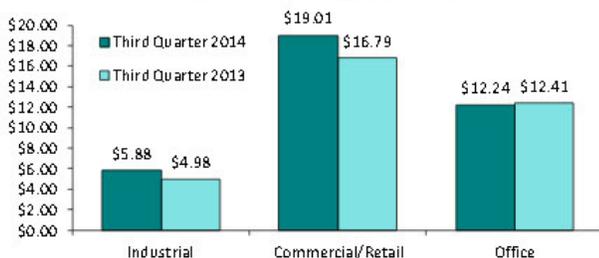
“We have seen solid growth in the Canadian economy recently. Some of this growth was based on strong export numbers, particularly as it relates to goods produced for markets in the United States. Export based production is obviously tied to industrial firms, so it makes sense that we saw an uptick in industrial leasing. Consumer spending has also remained an important driver of economic growth in this country. This bodes well for a continued uptrend in leased commercial/retail space,” said Mr. Etherington.

Total commercial sales in the third quarter, at 254, were down in comparison to the same period last year, when 279 properties were reported sold. While the number of transactions were down, average selling prices on a per square foot basis (where pricing was disclosed) were up for industrial, commercial/retail and office properties.

“By all accounts, the Canadian economy is on a solid footing. However, one component of growth that has lagged is business investment. As consumer spending remains strong and exports improve, the expectation is that business investment will also pick up. In all likelihood, this improvement would include an uptick in commercial property sales,” continued Mr. Etherington.

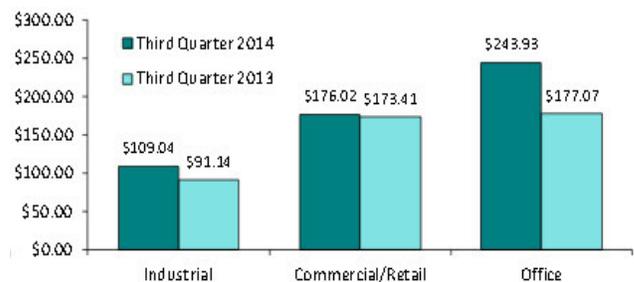
Source: TREB

TorontoMLS Average Lease Rates (\$/Sq.Ft. Net)*



* NOTE: Average lease rates are reported only for those properties sold on a per square foot net basis and for which the selling price was disclosed.
Source: TREB

TorontoMLS Average Sale Price (\$/Sq. Ft.)*



* NOTE: Average sale prices are reported only for those properties for which the selling price was disclosed.
Source: TREB

Recent Sales – Student Housing

Address	Rooms	Price	Price Per Room	Cap Rate
3170-90 Donnelly St. Windsor	117	\$5,900,000	\$50,430	6.3%
186 King St. N. Waterloo	120	\$10,900,000	\$90,835	5.9%
81-83 Columbia St. Waterloo	83	\$5,980,000	\$72,050	6.6%
335 Barrie St. Kingston	18	\$2,500,000	\$138,890	NA

Source: CFAS and RealTrack

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