

APARTMENT DIGEST

Financing in Today's Competitive Market

Economic Indicators:

Real GDP Growth	
Q2 2014	+3.1%
Toronto Employment Growth	
Sep 2014	-1.6%
Toronto Unemployment Rate	
Sep 2014	8.2%
Inflation	
Sep 2014	2.0%
Bank of Canada Overnight Rate	
Oct 2014	1.0%
Prime Rate	
Oct 2014	3.0%
5 Year Mortgage Rate Fixed	
Oct 2014	4.79%

With 2014 winding to a fast finish, First National's Peter Cook and Robert Fleet answer some important questions about apartment financing in today's competitive market. Read on for their thoughts on rates, trends and a glimpse at what they believe is in store for the apartment sector in 2015.

Where have interest rates gone in 2014?

In January of 2014 bond rates were at their highest point since July of 2011. Early in the first quarter bond rates declined sharply. During the second and third quarter this decline continued at a much slower pace. Early in the fourth quarter there has been another sharp decline in bond rates largely due to the instability of global markets. As of October 15th of this year the five year bond has dropped over 40 basis points and the ten year bond is down approximately 75 basis points.

What were apartment building sales in Canada like in 2014?

Sales have declined over 30 percent in 2014 compared to the previous year. The shortage of supply continues to contribute to a seller's market. Prices continue to climb to record highs with the

average per suite sale price exceeding 30 percent from the prior 12 months. Offers to purchase with no or few conditions are now the expected.

What recent trends have you noticed in the apartment market?

The number one trend is an increase in the number of applications for purpose built rental construction loans. There are many reasons for this:

- * Increasing demand for high-end rentals
- * cooling of the condo market
- * extremely low cap rates
- * shortage of rental supply
- * low cost of borrowing for construction financing
- * Aging rental stock requiring extensive capital improvements

Another trend we have noticed is many of our clients are taking advantage of the low rates and unlocking equity to make major capital improvements to their buildings. Landlords have also been borrowing to improve curb appeal, add amenities, green their buildings and modernize suites to increase rents.

Where are we heading in 2015?

We expect that 2015 will continue to be a seller's market with strong demand

for multi-family properties. We also anticipate that we will see even greater construction activity across Canada in the apartment sector. Landlords will continue to re-invest in their properties by taking advantage of the low rates.

The speculation by many experts these days seems to be rates will eventually increase over the next few years. This will happen if there is a firm economic recovery and we overcome the most recent global turmoil. However in our opinion we are not convinced these conditions will improve anytime soon. Borrowers should be grateful for extremely low interest rates currently available to refinance or acquire new properties.

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Source: REMI

Chinese Developer Buys Downtown CONDO Site

A major Chinese development company has added Canada to its aggressive international acquisitions binge, buying up the proposed King Blue condo project in the entertainment district.

The deal between Shanghai-based Greenland Holding Group. Co. and Toronto's Easton's Group of Hotels, for an undisclosed amount of money, isn't expected to change plans for the one-acre site, which is being renamed King Blue by Greenland.

Construction of a hotel and two residential condo towers — one 450 units and 44-storeys, the other 425 units and 48 storeys — is likely to begin next spring, says Steve Gupta, founder of Easton's Group, which bought the site at the corner of King St. and Blue Jays Way back in 2011.

Greenland is best known for buildings far more ambitious in scale. It currently has 23 mega high-rise buildings completed or under construction around the world, four of which are among the world's tallest buildings. Shanghai-based Greenland, which was founded in 1992 and is ranked 268th on the Fortune 500 Global 500 list for 2014, has expanded into nine countries over the last two years. Six of those acquisitions, into countries such as the United States, Australia, the U. K., Germany, Spain and South Korea, have taken place just since the start of this year.

Gupta says Greenland chairman and President Yuliang Zhang was looking for a "centre-ice location" in Toronto's "robust" downtown condo market. "They wanted a trophy project here and it's very difficult to find prime downtown sites now," says Gupta.

"Toronto is Canada's economic and cultural capital as well as one of the strongest real estate markets in North America," said Zhang in a statement announcing the deal. "We believe this city will continue to grow and thrive creating other investment opportunities for Greenland Group (Canada) in the Greater Toronto Area and beyond."

Gupta, who went to China to see some of Greenland's projects before finalizing the deal, says it may open the door for Toronto-based Easton's Group — which owns over 7,000 rental apartments, 3,000 hotel suites and has just moved into condo development — to do some joint projects.

Gupta says he made sure that buyers of the 370 units already sold "are completely, 100 per cent protected."

Greenland has already moved to apply for a building permit for the site, which includes the historic former Westinghouse factory sales building, says Gupta. Its brick façade is slated to become the face of a new downtown hotel.

The sale of a condo development site, especially so close to actual construction, usually

sets off alarm bells in the condo industry. And rumours have been rampant that sales have been very sluggish for King Blue.

Gupta acknowledged that "it was a little bit slow" when sales launched in October of 2012, as the condo market was heading into what many feared was a crash after 2011's record year of sales.

But now, 85 per cent of the units in south tower are sold, he said. Easton's Group was about to launch sales of the north tower units when the deal happened, says Gupta.

Things today are much different, stressed Gupta: Last February, Easton's Group launched a second condo project, Dundas Square Gardens at the corner of Dundas and Jarvis Sts. and sold 90 per cent of the units in six months.

"The condo market hasn't peaked. There is no bubble to be burst," says Gupta, in explaining why Greenland was keen to expand into Canada.

"Toronto is a very different market, we don't have a lot of new rental accommodation, there are 100,000 people moving to the GTA every year and young people want to live downtown."

Source: Toronto Star
Susan Pigg

Condo Market Still Strong

July 18, 2014 -- Toronto Real Estate Board President Paul Etherington announced robust results for the condominium apartment market in the second quarter of 2014. Q2 sales were up by 10.4 per cent compared to the same period in 2013. New listings were up over the same period, but by a lesser 4.4 per cent.

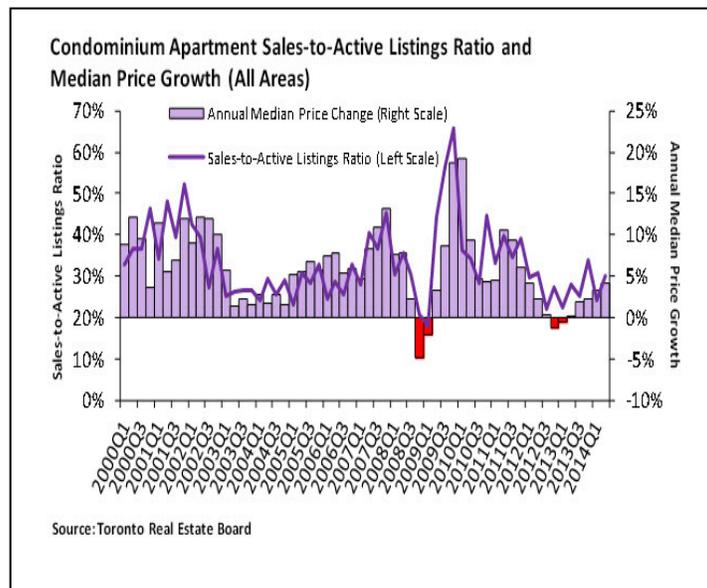
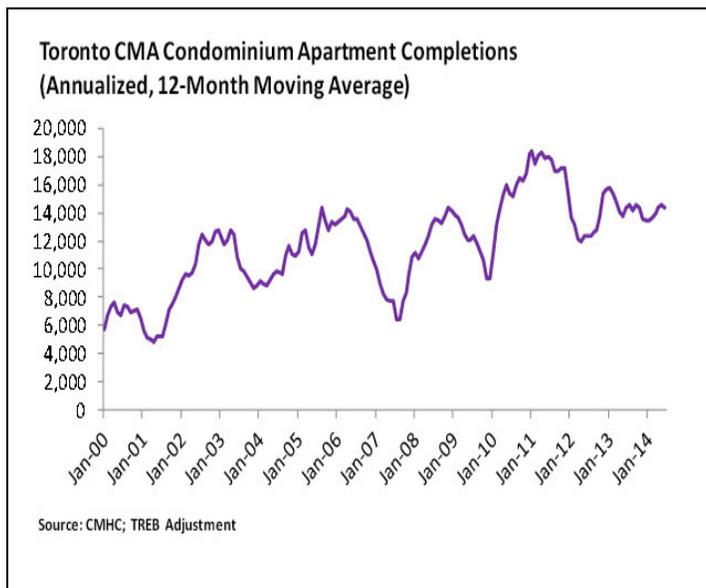
“Condominium apartments represent an affordable entry point into the market for first time buyers. On top of this, some condo properties cater to households looking to move out of their traditional low-rise home, and we are increasingly seeing

households choose condos as the place where they will raise a family. This diversity of buyers explains why sales more than kept up with increased listings in the second quarter,” said Toronto Real Estate Board President Paul Etherington.

The average selling price for condominium apartments in the second quarter was up by 5.5 per cent year-over-year to \$367,010. In the City of Toronto, which accounted for 71 per cent of total sales, the average selling price was \$392,739, representing an increase of 5.3 per cent.

“Even though inventory levels for condo apartments have been higher compared to inventory of low-rise home types like singles, semis and towns, there has been enough demand relative to supply to see strong price growth. Even as inventory levels increase due to record occupancies in 2013, we should see enough demand to sustain price growth above the rate of inflation in the second half of this year,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

Source: Treb



OUR Sales & Listings

Address	Suites	Price	Price Per Suite	Cap Rate
1145 Midland Ave. Sold – Scarborough	42	\$7,100,000	\$169,050	6.25%
75 The Esplanade Sold – Toronto	Land	\$23,850,000		
1801 Eglinton Ave. W. Sold – Toronto	47 + Retail	\$14,500,000	\$308,510	4.5%
118 Pembroke Ave. For Sale – Toronto	8	\$3,100,000	\$387,500	4.0%
118 St. Josephs Dr. For Sale – Hamilton	30	\$2,550,000	\$85,000	4.5%
Confidential For Sale London	+160	Negotiable		

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About The Apartment Group

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.

COMMERCIAL FOCUS REALTY inc.

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