

# APARTMENT DIGEST

## Where are the Apartment Sales?

### Economic Indicators:

<b>Real GDP Growth</b>	
Q1 2014	+1.2%
<b>Toronto Employment Growth</b>	
Jun 2014	+0.4%
<b>Toronto Unemployment Rate</b>	
Jun 2014	7.9%
<b>Inflation</b>	
Jun 2014	2.4%
<b>Bank of Canada Overnight Rate</b>	
Jul 2014	1.0%
<b>Prime Rate</b>	
Jul 2014	3.0%
<b>5 Year Mortgage Rate Fixed</b>	
Jul 2014	4.79%

After a record breaking year in 2013 in terms of sales volume and market pace, the first half of 2014 has seen a complete reversal of that trend in the GTA. It would appear given the market data and rise in pricing that many owners took advantage of the aggressive pricing and decided to sell.

The first half of 2014 saw a total of 45 deals go through as compared to 63 deals the same period in 2013. This is a 30% drop in deal volume. The last time deal flow was this low was in the first half of 2009 when on 33 deals were completed.

The data also indicates that only 2,401 suites were sold for an average building size trade of about 53 suites. This is down 60% from 2013 which had over 5,900 suites sold with the average building being just under 100 suites in scale.

In the first half of 2014 \$345MM worth of apartment buildings changed hands. This is also down 60% from the \$841MM sold in 2013. The \$345MM figure is also a bit misleading in that there were 2 deals alone in 2014 which totalled just over \$100MM and if they did not occur than the volume would have been around \$200MM. The last time deal volume was this low was in 2009 at \$138MM.

While there always a general imbalance between supply and demand in the apartment market it appears that perhaps the market is more "in" balance so far in 2014. There has been no real change in supply as there are deals available.

There is no clear data available but given that we have done about \$35MM of deals or 10% of the market in 2014, we have notice a bit of a decline on the demand side. It could be that given the low cap rates and

pricing that Buyers are being more cautious.

From a pricing perspective (see below) cap rates have been relatively flat in the past 6 quarters hovering around 5%. The cap rate for the first half of 2014 is around 4.85%. Price per suite also held relatively steady in the \$145,000 per suite range for the past year and a half.

Interest are low are expected to stay low for a while. As such, we expect the market to continue in a period of stability for the short term.

Akelius was the largest purchaser thus far in 2014 purchasing about \$50MM in 3 buildings. Starlight was a close second purchasing one building for \$44MM.

Source: The Apartment Group

Year	Deals		Suites		Ave Bld.	Dollar Volume	Per Suite	
2014	45	-29%	2401	-59%	53	\$ 345,347,500	\$ 143,835	-59%
2013	63		5905		94	\$ 841,755,160	\$ 142,550	
2012	74		4499		61	\$ 547,300,500	\$ 121,649	
2011	76		4920		65	\$ 472,816,877	\$ 96,101	
2010	67		3798		57	\$ 376,100,484	\$ 99,026	
2009	33		1565		47	\$ 138,547,000	\$ 88,528	

## Condos as Investments / Cottage Market

Canada Mortgage and Housing Corporation (CMHC) has released the results of its 2013 Condominium Owners Survey showing that 82.9% of condos are owned by their occupiers with 17.1% owned by investors. “As information on condominium investment is rather limited at this time, CMHC has gathered new data on a segment of domestic condominium investment activity in Toronto and Vancouver. While the results are not representative of other markets or all types of investors, the survey helps to shed some light on the profile and purchasing motivations of a segment of condominium investors in Toronto and Vancouver,” said Bob Dugan, Chief Economist at CMHC’s Market Analysis Centre.

The data shows that among the 17 per cent of owners that are investors, around half rent out their last-purchased properties. More than 42,000 households in the Vancouver and Toronto area were surveyed. The survey did not cover Canadian households that own condominium units in Toronto or Vancouver but do not reside in these CMAs. Foreign investors and corporate investors are also not included but Bob Dugan said: “CMHC continues to explore opportunities to enhance the availability of information on foreign and corporate investment activities in the housing market.”

A lack of availability in the cottage market is pushing prices higher. As more Canadians have chosen to buy at home rather than head to US markets it has put further pressure on the sector, which has seen building rates decline for a decade. In a research note, Bank of Montreal economist Sal Guatieri says that the number of permits issued for cottages in the last year is just 335, around 10 per cent of the number being built in the 70s. Although sales have been lower since the turn of the century, so has construction and as the demand has picked up since the recession and the cold winter, supply is now an issue.

Source: Canadian Real Estate Wealth

## Condos Prices Continue MOVIN UP

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

## Strong Growth in Condo Rentals

Toronto, July 18, 2014 – Toronto Real Estate Board President Paul Etherington announced that Greater Toronto REALTORS® reported 7,342 rental transactions through the TorontoMLS system in the second quarter of 2014. This result was up by 25.7 per cent compared to Q2 2013. The number of units listed for rent in the second quarter was up by 22.2 per cent on a year-over-year basis to 12,510.

“Condominium apartments rented out by investors represent an important component of the overall rental pool in the Greater Toronto Area. These units account for the majority of

newly completed apartments listed for rent in the marketplace today. Renters looking for apartments located in popular neighbourhoods with up-to-date designs and modern finishes are increasingly renting investor-owned units. This is why the number of rental transactions continued to increase last quarter,” said Mr. Etherington.

Average rents for popular one-bedroom and two-bedroom unit types dipped slightly on a year-over-year basis. The average one-bedroom rent in Q2 2014 was \$1,583; the average two-bedroom rent was \$2,142.

“Last quarter we saw stronger growth in the number of units rented relative to the number of units listed. This suggests that competition between renters increased. If this trend continues, we will likely experience renewed growth in average rents in the second half of 2014,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

Source: TREB

## Housing Price up 7.4% in June in the GTA

July 4, 2014 -- Stepping into his role as President of the Toronto Real Estate Board, Paul Etherington announced a strong increase in residential sales reported through the TorontoMLS system in June. Sales were up by 15.4 per cent year-over-year to 10,180 transactions. New listings were also up compared to the same period in 2013, but by a lesser annual rate. This means that competition between buyers increased in June.

“Home buyers in the Greater Toronto Area are confident in their ability to purchase and affordably pay for a home.

Generally speaking, buyers feel that ownership housing will be a good investment over the long term. This is why we continued to see increases in home sales in June for all major home types across the GTA. Given the degree of pent-up demand in the market today, I would expect to see sales growth continue through the summer,” said Mr. Etherington.

The average selling price for June transactions was \$568,953, representing an increase of 7.4 per cent compared to June 2013. The strongest price increase for the GTA as a whole was for semi-detached houses, with the

average price up by 9.7 per cent year-over-year. The pace of price growth for condominium apartments was also strong at 6.8 per cent.

“With less than two months of inventory in many parts of the GTA, it makes sense that we continued to experience very strong price growth in June. This is especially the case for low-rise home types like singles, semis and townhouses.” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

Source: TREB

## Recent Sales – GTA

Address	Units	Price	Price Per Unit	Cap Rate
523 Silverthorn Ave. York	6	\$1,100,000	\$183,300	4.50%
26 Gulliver Rd. North York	58	\$6,850,000	\$129,245	5.10%
25 Paisley Blvd. E. Mississauga	10	\$1,650,000	\$165,000	4.50%
143 Arlington Ave. Toronto	60	\$8,450,000	\$140,800	4.90%
1420 Kingston Road Toronto	36	\$4,625,000	\$128,500	NA

Source: CFAS and RealTrack

### COMMERCIAL FOCUS REALTY INC., BROKERAGE

35 The Links Road  
Suite 202  
Toronto, Ontario  
M2P 1T7

Phone:

(416) 972-9220

Fax:

(416) 972-9588

We're on the Web!

See us at:

[www.cfrealty.ca](http://www.cfrealty.ca)

## 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.

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# COMMERCIAL FOCUS REALTY inc.

Brokerage

**Lorenzo DiGianfelice, AACI**  
Broker of Record & Owner  
Direct – 416-907-8281  
[ldgianfelice@cfrealty.ca](mailto:ldgianfelice@cfrealty.ca)

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**Mitchell Chang**  
Salesperson, President & Owner  
Direct – 416-907-8280  
[mchang@cfrealty.ca](mailto:mchang@cfrealty.ca)