

# APARTMENT DIGEST

## Apartment Rents Grow Faster than Guideline!

From the Fall 2014 Canada Mortgage and Housing (CMHC) Rental Housing Survey, the average rent for two-bedroom apartments in structures that are common to the survey for both 2013 and 2014 have increased by 2.7% in the GTA, down from 3.0% in October 2013. This increase is well above the Ontario's annual rent increase guideline for 2014, which is 0.8%.

While overall rents have increased above the guideline, the rate of growth has slowed in 2014. Landlords have been forced to charge lower rents in order to remain competitive with rents charged in the rental condominium apartment market. Also, given that fact that the allowable rent increase for sitting tenants this year has dropped significantly from 2.5% in 2013, the overall rate of increase has slowed.

The guideline is the maximum amount that rents can increase for existing tenants during the year in buildings built before 1991. The wide gap between the guideline and actual increase points to a high level of tenant turnover in 2014. The movement appears to be within the purpose built rental market to newer and larger units found in convenient

locations, also confirmed by tightening vacancy rates in the highest rent quintiles. Rent increases are varied across the GTA. On a regional basis, rent increases have ranged from a low of 2.4% for two-bedroom purpose built rental apartment in Peel region, to a high of 3.9% in Halton region.

The primary rental market indicators in the GTA have recorded only minor changes in 2014. The average apartment vacancy rate in the purpose-built rental apartment market has shown no statistically significant change and is at 1.6% in 2014 compared to the previous year.

The corresponding rate in the Toronto Census Metropolitan Area (CMA) is also unchanged at 1.6% - the lowest level for the second consecutive year in the past 10 years.

The availability rate in the GTA, which captures the occupied units for which notice has been given in addition to vacant units slid to 3.0% in 2014 from 3.2% in the previous year. The average increase in rents from a fixed sample of units is 2.7% in 2014, down from 3.1 per cent a year earlier.

Despite low mortgage rates prevailing in the housing market, sluggish wage growth and rising house

prices appear to have prevented more households from leaving their rental lodgings in favour of homeownership.

Employment growth among millennials (young adults in their 20s and early 30s), who are at an age when they are most likely to rent, also contributed to rental demand. While migration, and especially immigration, has traditionally driven up demand for rental housing, net migration in 2014 have been less supportive of rental demand in the GTA.

In the GTA, the highest rent is commanded in Toronto Central (Zone 1), with an average two-bedroom rent of \$1,823. The highly sought after neighbourhoods within Toronto Central continues to boast higher rents. This area has also seen growth in the fixed-sample of average rents of 3.5%, which is above the GTA average of 2.7%. The rents for the inner suburbs of Toronto are more affordable. North York has the highest average two-bedroom rent among these areas at \$1,192.

Source: CMHC

### Economic Indicators:

<b>Real GDP Growth</b> Q4 2014	+2.4%
<b>Toronto Employment Growth</b> Feb 2015	-1.0%
<b>Toronto Unemployment Rate</b> Feb 2015	7.6%
<b>Inflation</b> Feb 2015	1.0%
<b>Bank of Canada Overnight Rate</b> Mar 2015	0.8%
<b>Prime Rate</b> Mar 2015	2.9%
<b>5 Year Mortgage Rate Fixed</b> Mar 2015	4.74%

## Multi Family Starts are Driving the Market

According to the Canada Mortgage and Housing Corporation (CMHC), an increase in Ontario housing starts in the multi-family sector over the last several months can be attributed to low vacancy rates, growing prices in the detached housing market and increasing urban intensification.

In January, urban housing starts were three per cent higher than levels recorded at the same time last year, but the increases were only seen in the multi-unit sector.

“All of the increase in starts occurred in the less expensive multi-unit home sector which includes semi detached, row and apartment dwellings,” says Ted Tsiakopoulos, Ontario Regional Economist for CMHC. “Apartment starts, both ownership and rental, have regained momentum since August of 2014 and are solely responsible for recent increases in construction activity. Lower Ontario rental apartment vacancy rates, rising single detached home prices and increasing densification will continue to support apartment construction.”

Statistics from the CMHC’s February 2015 Preliminary Housing Start Data report indicate that total urban housing starts reached 59,316 units in January, up from 56,798 units in December 2014. Construction activity was based mostly in the Greater Toronto Area and southwestern Ontario.

Source: Canadian Apartment Magazine

## Toronto House Prices Hit RECORD Levels

Toronto Real Estate Board President Paul Etherington announced that Greater Toronto Area REALTORS® reported 8,940 sales in March 2015. This result represented an 11 per cent increase compared to March 2014. Sales were up for most major home types, both in the City of Toronto and the surrounding regions. New listings were also up, but by a lesser 5.5 per cent, indicating tighter market conditions.

“Home sales increased compared to last year as the cost of home ownership remained affordable, with lower interest rates going a long way to mitigate the effect of rising home prices. However, a substantial amount of pent-up demand remains in place, especially as it relates to low-rise market segments. This

suggests that strong competition between buyers, which has fuelled strong price growth so far this year, will continue to be experienced throughout the spring,” said Mr. Etherington.

In March, the average selling price for all reported transactions was \$613,933 – up 10 per cent year-over-year. The MLS® HPI Composite Index, which tracks benchmark homes with the same attributes from one period to the next, was up by 7.9 per cent. Average price growth was strongest for detached homes in the City of Toronto, at 15.9 per cent. Over the same period the detached MLS® HPI in the '416' area code increased 7.8 per cent.

The MLS® HPI provides a clear indication of price growth due to market

forces - the relationship between demand and supply. Comparing MLS® HPI growth to average price growth provides a sense of the changing mix of home types sold from one period to the next.

“It is clear that seller’s market conditions in many parts of the GTA are driving price growth. However, looking at the detached market segment in the City of Toronto in particular, growth in the average selling price outstripped growth in the MLS® HPI. This points to the fact that the mix of detached homes sold this year compared to last has shifted towards more expensive properties,” said Jason Mercer, TREB’s Director of Market Analysis.

Source: TREB

## Time to Build NEW Rental

Balliol Park, located on Davisville Road between Yonge Street and Mt Pleasant, is just one of Toronto's purpose-built apartments currently under construction. Developed by Shiplake Properties Limited and designed by the Diamond Schmitt Architects, when complete in 2016, the 30-storey tower and 14-storey building will offer 522 rental units to midtown tenants seeking condo-quality accommodations.

"Today's residents are looking for urban apartments with amenities, convenience and lifestyle choices reflecting both classic and modern living," says Hank Latner, VP Operations at Shiplake Properties Limited. "Many renters cannot necessarily afford to purchase a condominium, but they can find the same quality home in Balliol Park."

The striking new development isn't the only rental project Shiplake has on the horizon. Although still in the rezoning approval process with the city, Gallery Park is another large-scale, two-tower rental development poised to break ground in the Yonge and Eglinton neighbourhood sometime in the near future.

"Many older buildings have classic character, but are limited to the constraints of outdated designs and amenities," Latner says. "Some new apartment residences offer contemporary building features that have the benefit of modern

technology and sustainability. Balliol Park will be outfitted with a wide array of innovative amenities and conveniences, including in-suite energy efficient appliances, climate control and laundry."

Though statistically speaking, condominiums are still favoured by developers—particularly in Toronto where, according to published reports, only 830 new rental apartments have entered the market since 2009—real estate experts are noting a surge of interest in the purpose-built rental market.

The project that really marked the beginning of the movement in Toronto was Morguard's 'The Heathview' in 2014. Comprised of twin 30-storey towers, it was the first new apartment development to provide an alternative to condos in that prime, affluent community in more than forty years.

On the east side of town, a proposal for a new retirement living complex is still pending approval but speaks to the shortage of purpose-built seniors residences. If all goes according to plan, the eight-storey development on Laird Drive in Leaside will consist of 175 rental units (plus condominium units) among other features and services aimed exclusively at seniors.

Over in Calgary, Bentall Kennedy is busy constructing a new 26-storey high-rise apartment located at 121 13th Avenue SW. When complete the tower will offer a full slate of modern amenities and

energy-efficient features, including high-efficiency HVAC, windows, plumbing and lighting, and coatings with low emissions of volatile organic compounds. The 218-unit building was designed by Gibbs Gage Architects.

As of January 2014, the Greater Vancouver Area had 49 new purpose-built rental projects (5,849 suites), awaiting permits or already under construction. One of those projects sits at the corner of Richards Street and Pacific Boulevard in the dense Yaletown area. Developed by Onni Group, the proposed LEED Gold building is 24 storeys with 133 designated rental units.

Guillaume Neault, Principal, Market Analysis at CMHC (Halifax) notes, "In 2014, 854 out of a 1,757 total housing starts were rental. In 2013, we recorded 1,402 rental starts out of a 2,439 total housing starts. During the same period, we recorded 72 and 166 condominium starts respectively."

*Source: Erin Ruddy is the editor of Canadian Apartment Magazine.*

## GTA Sales Q1 – 2015

Address	Suites	Price	Price Per Suite	Buyer
103 Avenue Rd. (Tor)	124	\$42.2MM	\$340,325	Hollyburn
35 Walmer Rd. (Tor)	229	\$59MM	\$257,650	Starlight
1011 Simcoe N. (Osh)	69	\$7.5MM	\$108,700	Incompro
5693 Hwy 7 (Mkh)	52	\$10MM	\$192,300	Private
98 Leuty Ave (Tor)	15	\$3.17MM	\$211,335	Private
618 Evans Ave (Eto)	25	\$2.9MM	\$116,000	Private
10 Maynard Ave (Tor)	19	2.9MM	\$151,315	Private

Source: CFAS, RealTrack

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up to portfolios over 800 suites in scale.

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