

APARTMENT DIGEST

Boosting Canada's low income rental market

Economic Indicators:

Real GDP Growth Q2 2015	-0.5%
Toronto Employment Growth Jul 2015	4.2%
Toronto Unemployment Rate Jul 2015	6.6%
Inflation Jul 2015	1.3%
Bank of Canada Overnight Rate Aug 2015	0.5%
Prime Rate Aug 2015	2.7%
5 Year Mortgage Rate Fixed Aug 2015	4.6%

Affordability is a concern for many Canadians, but low-income rental households face the greatest set of challenges. With the federal election fast approaching, party leaders have been busy unveiling plans to tackle what is now readily known as an “affordable housing crisis.”

According to new data released in the Rental Housing Index, Canada has more than four million renter households, of which 40 per cent are spending 30 per cent or more of their gross income on rent. This is above the level experts say is sustainable, particularly in cities like Toronto and Vancouver, where rising home prices and rental stock shortages are already limiting factors.

“Traditionally, spending over 30 per cent of income on rent was considered the threshold of problems,” says Greg Suttor, researcher at Wellesley Institute. “A more stringent indicator often cited is 50 per cent or more. Households in that situation are at high risk of arrears and of losing their homes. Most renter households below median income are spending 40 per cent, at least in cities such as Toronto and Vancouver, and this per cent of income is clearly too high.”

The Wellesley Institute recently updated its “Long Term Affordable Housing Strategy,” noting that 60,000 to 80,000 low-income renter households are added each decade to the wait-list in Ontario. At the current rate, only one third of the waiting list will ever be accommodated.

“Additional supply of affordable rental units each year falls far below the ongoing increment in low-income renters,” Suttor warns. “We estimate that production in the programs for new affordable housing (in any given year) is about one-fifth the scale of the ongoing increase in low-income renters. And not all low-income housing units are low-rent—some just have low-end market rents, meaning the imbalance is actually worse than one-fifth.”

Given the extreme deficit of low-income rental housing, it's no surprise that campaigning federal leaders have been vocal about the need to tackle this growing national crisis. In early September, the Liberals unveiled a plan to provide \$125 million per year in tax incentives for developers and landlords to build and renovate rental units. The party has also promised to make investment in affordable housing and residences for seniors a high priority on their agenda.

“Investing in social housing is much more than putting a roof over people's heads,” Liberal leader Justin Trudeau said during his speech at the Alexandra Park Community Centre in Toronto on September 9th. “It also creates stable, well-paid jobs that families can rely on.”

NDP leader Tom Mulcair has pledged in a similar fashion to create 10,000 new social housing units in Vancouver should his party get elected to government. Mulcair had previously announced plans to work with Canada Mortgage and Housing Corporation on an income tax incentive that would allow those investing in rental housing units to avoid capital gains taxes by putting money back into more affordable rental housing investments.

Back in June, the NDP leader spoke specifically to Vancouver's severe shortage of rental stock and urgent need for affordable housing. “We're working on very concrete proposals that would be very creative when it comes to fiscal incentives to build more affordable rental housing,” he said.

Cont'd Page 2...

Boosting Canada's low-income cont'd

"We have to make sure that a city like Vancouver is no longer in that trap that the people who work here can't afford to live in the city where they work."

Meanwhile, Green Party leader Elizabeth May announced her plan to introduce a three-pronged national housing strategy aimed at helping seniors and low-income Canadians. The strategy promises more funding for co-operative housing and will require that a percentage of all new housing units be reserved for affordable housing. May also plans to implement a guaranteed livable income to help low-income Canadians and youth buy homes.

"It's time the federal government gets back into the business of investing in social housing, instead of off-

loading its responsibilities onto cash-strapped municipalities," she said.

To date, the Conservatives party has not made its affordable housing policy known, but rather has focused on home ownership and plans to offer young families incentives and tax credits toward purchasing and investing in their first homes. If re-elected, the party will raise the amount that first-time homebuyers can withdraw tax free from RRSPs up to \$35,000. The party says it will also track the impact of home purchases by foreign, non-residents to ensure this doesn't skew the market against Canadian buyers.

On September 9th, The Federation of Rental-housing Providers of Ontario hosted its first new rental housing summit in Toronto, gathering housing experts, policy makers and

the housing provider sector to hear first-hand solutions about how to increase the supply of new and affordable rental housing.

Also up for discussion was the need to build stronger partnerships between the government, the private and the non-profit sectors in an effort to ensure a joint commitment to supplying new rental housing, and that public policies must address housing needs across the entire continuum—from homeless shelters and supportive housing, to rental housing and more affordable homeownership options.

*Source: Erin Ruddy
REMI*

Residential Market GTA Prices UP

Toronto Real Estate Board President Mark McLean announced that Greater Toronto Area REALTORS® reported 7,998 residential transactions through the TREB MLS® System in August 2015. This result represented a 5.7 per cent increase compared to 7,568 sales reported in August 2014. On a GTA-wide basis, sales were up for all major home types.

The annual growth rate in new listings was greater than the annual growth rate in sales, but active listings at the end of August were still down compared to last year. This suggests that

sellers' market conditions remained in place, especially where low-rise home types like singles, semis and townhouses were concerned.

"Buyers in the GTA remain confident in their ability to purchase and pay for a home over the long term. They see ownership housing as a quality investment that has historically produced positive returns while at the same time providing owners with a place to live in their chosen community," said Mr. McLean. Both the MLS® Home Price Index (HPI)

Composite Benchmark and the average selling price for all home types combined were up substantially in August compared to the same period in 2014, with both increasing by approximately 10 per cent year-over-year.

Source: TREB

Rental Demand Remains Strong – Toronto

Toronto Real Estate Board President Mark McLean announced that GTA REALTORS® reported 8,821 condominium apartment rentals through TREB's MLS® System in the second quarter of 2015. This result represented a 20.3 per cent year-over-year increase compared to 7,333 condo apartment rentals reported in Q2 2014.

Growth in the number of units rented tracked growth in supply quite closely, with the number of condo apartments listed for rent during the second quarter increasing by 23 per cent annually.

"The demand for rental accommodation in the Greater Toronto Area

increased in the second quarter in response to the sustained population growth we continue to enjoy as a result of our region's status as one of the best places to live and do business," said Mr. McLean.

"Many renter households continued to focus their attention on investor - Owned condominium apartments. So much so that the strong growth in the supply of units for rent was closely matched by the growth in the number of units rented, indicating that there exists a certain degree of pent - up demand in some segments of the rental market," McLean continued.

For TREB's market area as a whole, average rents for one - bedroom and two bedroom apartments, which made up a combined 94 per cent of rental transactions, were up by 1.5 and 4.5 per cent respectively to \$1,608 and \$2,239.

"Growth in average rents is generally impacted by both market conditions and the type and size of units rented from one period to the next. Both of these factors played into rent increases over the past year, but the bottom line is that despite robust listings growth, strong renter demand has provided a firm foundation for rents," said Jason Mercer, TREB's Director of Market Analysis.

Source: TREB

Rental Market Summary: Second Quarter 2015

Apartments^{1,2,3}

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q2 2015	15,323	8,821	328	\$1,334	5,161	\$1,608	3,157	\$2,239	175	\$2,649
Q2 2014	12,476	7,333	195	\$1,328	4,327	\$1,584	2,658	\$2,143	153	\$2,612
Yr./Yr. % Chg.	22.8%	20.3%	68.2%	0.4%	19.3%	1.5%	18.8%	4.5%	14.4%	1.4%

Townhouses^{1,2,3}

	All Bedroom Types		Bachelor		One-Bedroom		Two-Bedroom		Three-Bedroom	
	Listed	Leased	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent	Leased	Avg. Rent
Q2 2015	987	518	3	\$817	58	\$1,445	183	\$1,991	274	\$2,057
Q2 2014	865	444	1	\$1,020	53	\$1,400	134	\$1,858	256	\$2,039
Yr./Yr. % Chg.	14.1%	16.7%	200.0%	-19.9%	9.4%	3.2%	36.6%	7.1%	7.0%	0.9%

Recent Sales

Address/City	Suites	Price MM	Price Per Suite	Cap Rate
646 Oakwood Avenue York	21	\$3.24	\$154,285	4.7%
280 Morningside Avenue Scarborough	165	\$18.9	\$114,545	4.8%
170 Park Road South Oshawa	35	\$4.2	\$120,000	4.0%
1637 Bathurst Street Toronto	25	\$9.5	\$380,000	3.8%
33 Fraserwood Road North York	6	\$1.64	\$273,300	3.4%
836 Roselawn Avenue York	26	\$4.385	\$168,650	NA

Source: CFAS & RealTrack

COMMERCIAL FOCUS REALTY INC., BROKERAGE

35 The Links Road
Suite 201
Toronto, Ontario
M2P 1T7

Phone:

(416) 972-9220

Fax:

(416) 972-9588

We're on the Web!

See us at:

www.cfarealty.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.

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.

Brokerage

Lorenzo DiGianfelice, AACI

Broker of Record & Owner
Direct – 416-907-8281
ldigianfelice@cfarealty.ca

We have a collection of seasoned Agents that can serve your needs. Whether you are buying or selling, let us show you how we can help. On staff we have appraisers, accountants, mortgage brokers and planners. **This is a total one stop real estate company that can assist you through the entire process.**

Mitchell Chang

Salesperson, President & Owner
Direct – 416-907-8280
mchang@cfarealty.ca