

APARTMENT DIGEST

New Mortgage Rules = Higher Rents

Toronto's rental market is the hottest it has been in years, with bidding wars breaking out and rents soaring, according to a new study that predicts Ottawa's new stricter mortgage qualification will make the region's rental market even less affordable.

The average monthly rent for a condominium in the Greater Toronto Area rose an annualized 9 per cent in the third quarter, to \$1,986, Toronto market research firm Urbanation Inc. wrote in a new report released Friday. The study tracks condo units rented through a realtor over the Toronto Real Estate Board's Multiple Listings Service.

Within the City of Toronto, the rent on an average 717-square-foot condo unit reached \$2,044 in the third quarter, breaking the \$2,000 monthly price barrier for the first time. In the city core, average rents rose 10 per cent to \$2,145, or \$3.10 a square foot. Condo rents grew nearly as quickly in the suburbs, rising 7 per cent from the third quarter of last year to \$1,749.

"We've never seen numbers like these," said Shaun Hildebrand, senior vice-president of Urbanation, which has been tracking quarterly GTA condo rental statistics since 2011.

The typical rental condo spent an average of just 12 days on the market, with roughly a quarter of all units witnessing a bidding war among renters. The number of condos rented for over asking price in the region has doubled since the same time last year, Urbanation found.

Skyrocketing demand for rental units is being fuelled by strong job growth in the region and a jump in people migrating to the GTA from other provinces, which this year is the highest in 10 years, Mr. Hildebrand said.

At the same time, the supply of new condo units in the GTA dropped 30 per cent from year-ago levels as developers have launched fewer new projects amid a shrinking supply of available land, lengthening permitting delays and warnings from analysts about an oversupply of condos. The number of new condo rental listings fell to a five-year low of just 930 units in the third quarter.

A 10 per cent rent increase in a single year is an astonishing leap in a city where rents typically have risen by 2 to 3 per cent a year and had been flat for several years until recently, providing some relief to residents priced out of the hot housing market, Mr. Hildebrand said.

"[Rental] was kind of the one area of the market where there was some balance and some level of affordability and that was being maintained," he said. Now "there really is no balance in the marketplace, ownership or rental."

Recent reforms to mortgage-insurance regulations announced last week by federal Finance Minister Bill Morneau will likely only add fuel to Toronto's overheated rental market, Mr. Hildebrand said.

He estimates that the typical buyer will need to earn \$86,000 a year to afford a condo under stricter mortgage qualification rules that kick in on Monday, a 17 per cent increase from \$73,000 under the existing laws. That will push some prospective buyers into the rental market instead.

New regulations effective Nov. 30 will prohibit mortgages on investment properties from being covered by government-backed insurance, which could make financial institutions less willing to lend to condo investors.

Economic Indicators:

Real GDP Growth Q2 2016	-1.6%
Toronto Employment Growth Sep 2016	-0.2%
Toronto Unemployment Rate Sep 2016	7.1%
Inflation Sep 2016	1.3%
Bank of Canada Overnight Rate Sep 2016	0.5%
Prime Rate Sep 2016	2.7%
5 Year Mortgage Rate Fixed Sep 2016	4.6%

Higher Rents – Cont'd

Combined, the changes are likely to drive up demand for rental units while shrinking the supply of new rental investors, Mr. Hildebrand said. "It sort of seems to be to be the wrong time to be doing this," he said. "Even before the changes come into effect, we're seeing the lowest level of supply in the rental market that we've seen in years."

New apartment buildings are also being constructed in the suburbs, with projects opening in Mississauga, Brampton and Vaughan. Many new apartment buildings have been completely filled up within six months of opening, with some projects under construction already "pre-leasing" a large share of their units.

Even so, the number of new apartment buildings under construction is still too small to meet the record demand for rentals, which is set to only increase in the coming months as more buyers are priced out of the housing market.

"With the government moving to effectively raise rental demand and restrict supply I don't see any relief for renters in the near-term," Mr. Hildebrand said.

One upside to Toronto's overheated rental market: rents have grown so fast that developers are now beginning to shift their focus away from condos toward apartment

buildings. The number of planned new rental apartments in the region has more than doubled in the past year, to more than 20,000, hitting its highest level in nearly 25 years. Rents in the city core have hit \$3 a square foot, the level at which new rental projects become economically viable, Mr. Hildebrand said.

Source:
Globe & Mail
Tamsin McMahon

TD Raises Interest Rates

TORONTO -- TD Bank (TSX:TD) is raising the interest rate it charges customers with variable-rate mortgages.

The bank is increasing its TD Mortgage Prime rate to 2.85 per cent from 2.7 per cent, effective Tuesday. Customers with fixed-rate mortgages are unaffected by the change.

TD's prime rate for other products with a variable interest rate, such as lines of credit, are not affected as that rate remains at 2.7 per cent.

Borrowers with variable-rate mortgages often negotiate a discount to the prime rate, but the rate they pay still goes up and down as the prime rate changes.

The increase means borrowers with variable-rate mortgages at TD will see a larger portion of their mortgage payment go toward paying interest instead of repaying principal if their payment remains the same.

TD's prime rate had been at 2.7 per cent since July 2015 when it was cut in the wake of a decision by the Bank of Canada to reduce its overnight rate target by a quarter of a percentage point to 0.5 per cent.

TD initially lowered its rate to 2.75 per cent from 2.85 per cent following the July 2015 central bank decision, but later cut it to 2.7 per cent to match the moves by the other big Canadian banks.

Source: CP24

GTA Apartment Condo Rents Tighten

TORONTO, October 24, 2016 – Toronto Real Estate Board President Larry Cerqua announced that the number of lease agreements signed for condominium apartments listed on TREB's MLS® System was down by 4.8 per cent on a year-over-year basis to 9,164 in the third quarter of 2016 compared to 9,629 a year earlier.

Over the same period, the number of condominium apartments listed for rent was down by a greater annual rate of 17.3 per cent. "Demand remains very strong for condominium apartments in the Greater Toronto Area.

The key issue in the third quarter was the fact that there was a pronounced decline in the number of

units available for rent. The dip in the supply of available rental units can be attributed, at least in part, to fewer condominium project completions during the first three quarters of 2016 compared to last year. This suggests that there were fewer newly completed investor-held units available for rent," said Mr. Cerqua.

Average one-bedroom and two-bedroom condominium apartment rents were up substantially in the third quarter compared to 2015. The average one-bedroom rent was up by 7.2 per cent to \$1,777. The average two-bedroom rent was up by 7.9 per cent to \$2,419.

"Conditions in the condominium apartment rental market tightened substantially in the third quarter, with listings down on a much greater basis relative to rental transactions. This means that competition between renters was enhanced, which fed through into average rent increases well-above the rate of inflation," said Jason Mercer, the TREB's Director of Market Analysis.

Source: TREB

Rental Market Summary: Third Quarter 2016

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
Q3 2016	12,093	9,164	377	\$1,488	5,285	\$1,777	3,333	\$2,419	189	\$3,058
Q3 2015	14,622	9,629	324	\$1,375	5,486	\$1,657	3,610	\$2,241	209	\$2,693
Yr./Yr. % Chg.	-17.3%	-4.8%	16.4%	8.3%	-4.0%	7.2%	-7.7%	7.9%	-9.6%	13.6%

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
Q3 2016	945	604	3	\$1,375	54	\$1,537	217	\$2,142	330	\$2,176
Q3 2015	1,030	577	3	\$1,292	65	\$1,478	174	\$1,872	335	\$2,066
Yr./Yr. % Chg.	-8.3%	4.7%	0.0%	6.5%	-16.9%	4.1%	24.7%	14.5%	-1.5%	5.3%

RECENT SALES – Toronto

Address/City	Suites	Price MM	Price Per Suite	Cap Rate
31 & 35 St. Dennis Drive*	329	\$57.0	\$173,250	4.25%
33 Gamble Avenue	28	\$4.3	\$153,570	3.30%
300 & 313 The Kingsway	31	\$5.7	\$185,250	NA
28 Wasdale Crescent	11	\$2.1	\$197,730	NA
6-8 Lowther Avenue	8	\$5.0	\$625,000	NA

Source: Realtrack, CFAS * SOLD BY THE APARTMENT GROUP

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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 **\$4.0 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?

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