

APARTMENT DIGEST

Stricter Rules for Apartment Owners

Toronto city council has approved a plan that will impose stricter rules on apartment building owners, but may inadvertently lead to higher rents for tenants.

The new regulatory program, which is expected to cost \$5 million and aims to be in place by the summer of 2017, will require rental property owners to register their buildings with the city for an annual registration fee of \$10.60 per rental unit and comply with an ongoing inspection regiment.

While intended to be a solution to tenant dissatisfaction, over-taxed landlords and building owners in the GTA are seeing the program as just another penalty that will impede affordability.

“The real question tenants should be asking is, will this new registration fee increase the quality and quantity of rental housing in the city? The answer is no,” says Scott Andison, president and CEO of The Federation of Rental Housing Providers of Ontario (FRPO). “The city already has the necessary powers to enforce sanctions on landlords operating poor quality buildings—instead of taking action to help tenants in poorly run apartment buildings, council is focused on simply raising costs on tenants. We think council’s

approach is wrong.”

On the flipside, city councillor Josh Matlow and tenant advocacy group, Acorn, have been pushing for an apartment licensing program all year and are positive the new plan will only improve conditions for tenants, requiring that landlords maintain better properties.

“For far too long, too many landlords have been able to keep their buildings in disrepair, leaving renters in shameful conditions without as much accountability and consequences as we need,” Matlow told the Toronto Star on Wednesday following the vote. “This demonstrates that Toronto councillors as a whole recognize that tenants need us to take substantive action to make sure that they are better protected.”

To kick start regulatory efforts, city staff will be performing a city-wide audit of the 3,500-plus rental buildings and 200,000 rental units that currently house about half of Toronto’s population.

Apartment buildings and management will need to meet specific criteria to be eligible for the license—including, having a comprehensive pest management plan that employs only licensed professionals; using licensed contractors for all building repairs; and having a state of good

repair capital plan. It will also require a process to track tenant complaints, and ask for hard targets so city staff can ensure issues are being identified and resolved.

While the aim is to penalize bad landlords who aren’t already providing these services, Andison believes the approach is wrong. “The city has now turned its focus on tenants to raise money to finance a bloated bureaucracy. Council is focused on its own well-being, not the well-being of tenants,” he asserts.

Kitchener adds that at a time when affordable housing is lacking in the GTA, landlords should be given more incentives to lower their rents—not reasons to increase them. “We have essentially created a service that already exists,” he says.

As part of the proposal, a ranking system similar to the city’s DineSafe program, is under consideration. This might consist of a colour-graded sign that apartment building owners would be required to post in their lobbies, indicating their rating within the system.

Source: REM Erin Ruddy

Economic Indicators:

Real GDP Growth	
Q3 2016	3.5%
Toronto Employment Growth	
Oct 2016	-0.4%
Toronto Unemployment Rate	
Oct 2016	7.1%
Inflation	
Oct 2016	1.5 %
Bank of Canada Overnight Rate	
Nov 2016	0.5%
Prime Rate	
Nov 2016	2.7%
5 Year Mortgage Rate Fixed	
Nov 2016	4.6%

TD Raises Interest Rates AGAIN

The world's first central power plant was opened in New York nearly 135 years ago. It used an energy efficient technology that's only now gaining widespread adoption.

Built by Thomas Edison's company in 1882, the Pearl Street Station was the world's first combined heat and power (CHP) plant. It harnessed the heat emanating from its steam engines to warm nearby buildings. But it's only recently that the practice of cogenerating heat and electricity has started to see widespread adoption.

Cogeneration is gaining fresh momentum because it saves money and alleviates the electricity demand on the grid. Worldwide, there are more than 15,500 GE Jenbacher gas engines powering CHP systems in 100-plus countries. For example, a 12-MW CHP system powered by four Jenbacher gas engines provides onsite power and heat at a 55-acre tomato greenhouse complex in Ontario. Operated by Great Northern Hydroponics, the system also produces a ready supply of CO₂ to fertilize the facility's tomato crop. Or take a beverage facility in the GTA, where a 2MW CHP system powered by one Jenbacher engine is currently being installed. The system will provide power for the plant as well as steam and hot water that will be used in their bottling process. **Many governments around the world have legislated incentives to improve the uptake of CHP technology, including Ontario, which covers up to 40% of the capital cost of an installation.**

Richard Laszlo, director of Research & Strategic Initiatives at Quality Urban Energy Systems of Tomorrow (QUEST), a non-profit organization that promotes smart energy communities in Canada, says the incentive can shave one to three years off a project's expected payback time. **"Ontario is showing real leadership on this," Laszlo says. "It's one of the things they have done with energy policy that makes a lot of sense."**

But favourable governmental policies are just one of the three big factors driving interest in CHP. Under Ontario's Conservation First Framework, the government recognizes CHP projects as conservation measures, because they decrease demand from the grid. The government has set a conservation target of seven terawatt-hours over the next six years, a goal that local distribution companies say can only be achieved through increased use of cogeneration.

Another factor driving interest is that the "spark spread" is increasing. Spark spread is the difference between how much electricity costs from the grid and how much it costs companies to produce it themselves with natural gas. In other words, it can be cheaper for companies to produce more power behind the meter, although they still have to remain connected to the grid in Ontario to qualify for the government's incentives.

A third major reason is that while there haven't been huge leaps in terms of the basic technology behind CHP, it's much simpler to install now because CHP manufacturers have made it

more modular, almost like "plug and play," Laszlo says. "The packaging is much easier."

When you consider these three elements together—conservation benefits, energy efficiency, and ease of use—it's clear why CHP is gaining interest among customers and industry players alike.

CHP works best at facilities with a consistent heating or cooling load, but for those without, there are still attractive onsite power options. In Ontario, the Industrial Conservation Initiative (ICI) offers a strong incentive to large electricity consumers who reduce their electricity consumption during peak times. Those who participate can reduce their electricity bill by up to 50%. For now, this initiative is restricted to customers with a monthly peak demand greater than 3000 kW, but recently, Ontario has proposed expanding the incentive to include customers greater than 1000 kW. Through a combination of software and onsite power, GE is helping customers reduce their peak load and achieve these outcomes.

Source: National Post

The Apartment Group is affiliated with a company that specializes in cogeneration technology. They have devised a device that is really suitable for the apartment building.

We have begun discussions with some of our clients regarding this technology and so far they have been positive. We have completed three installations thus far. One REIT will shortly be installing CHP in all buildings in their portfolio that fit the CHP profile.

Generally, CHP is suitable for buildings with hydro is bulk metered and the buildings are generally larger than 100 units. Many owners are finding out that it is great to install hydro saving devices but the rates are going up so fast that it eats into the savings. The like CHP as it pulls them more and more OFF the GRID.

If you want to learn more please call John Kutchera 647-975-3396.

GTA Residential Housing Market Conditions

December 2, 2016 -- Toronto Real Estate Board President Larry Cerqua announced that Greater Toronto Area REALTORS® reported 8,547 home sales through TREB's MLS® System in November 2016. This result represented a 16.5 per cent increase compared to November 2015.

For the TREB market area as a whole, sales were up on a year-over-year basis for all major home types. The strongest annual rates of sales growth were experienced for the townhouse and condominium apartment segments.

"Home buying activity remained strong across all market segments in November. However, many would-be home buyers continued to be frustrated by the lack of listings, as annual sales growth once again outstripped growth in new listings. Seller's market conditions translated into robust rates of price growth," said Mr. Cerqua.

The MLS® Home Price Index (HPI) Composite Benchmark was up by 20.3 per cent compared to November 2015. The average selling price at \$776,684 was up by 22.7 per cent on a year-over-year basis.

"Recent policy initiatives seeking to address strong home price growth have focused on demand. Going forward, more emphasis needs to be placed on solutions to alleviate the lack of inventory for all home types, especially in the low-rise market segments," said Jason Mercer, TREB's Director of Market Analysis.

Source: TREB

Sales & Average Price By Major Home Type^{1,7} November 2016

	Sales			Average Price		
	416	905	Total	416	905	Total
2016						
Detached	1,009	2,881	3,890	\$1,345,962	\$957,517	\$1,058,273
Semi - Detached	283	515	798	\$906,353	\$618,860	\$720,815
Townhouse	343	975	1,318	\$674,761	\$571,581	\$598,432
Condo Apartment	1,718	691	2,409	\$471,256	\$374,792	\$443,586

Year-Over-Year Per Cent Change

Detached	12.9%	13.6%	13.4%	32.3%	25.5%	27.6%
Semi - Detached	-3.1%	12.2%	6.3%	20.3%	22.5%	19.8%
Townhouse	15.1%	15.2%	15.2%	22.8%	24.1%	23.7%
Condo Apartment	27.9%	20.8%	25.8%	13.5%	18.9%	15.1%

RECENT SALES – GTA

Address/City	Suites	Price MM	Price Per Suite	Cap Rate
822 Glen Street – Oshawa	93	\$11.16	\$120,000	NA
2892 St. Clair West – East York	34	\$5.06	\$148,825	4.00%
60 Wasdale Cres. – Toronto	11	\$1.66	\$150,900	3.75%
2-4 Greentree Crt. – York	115	\$14.07	\$122,920	4.25%
35 St. Dennis Dr. – North York*	329	\$57.00	\$173,250	4.25%
33 Gamble Av4e. – East York	28	\$4.30	\$153,570	3.30%

*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?

Please call us to see how we can help you.

COMMERCIAL FOCUS REALTY inc.

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