

APARTMENT DIGEST

Healthy Rental Market in the GTA

A new report from Urbanation indicates the GTA rental market is in healthy shape, with tightened conditions due to fewer completions and less turnover.

A notable surge in demand for rental was also cited in the report, attributable to several factors, including: the high cost of home ownership; the in-flux of millennials seeking independence from their parents; international immigration; and Canadians from other parts of the country moving to Toronto for work.

“Rental supply in the GTA has tightened due to fewer completions and less turnover, which is creating conditions for stronger rent growth,” said Shaun Hildebrand, Urbanation’s Senior Vice President. “With not as many would-be buyers vacating their units for the ownership market, competition among renters has increased over the past year.”

According to the report, applications for new rental developments continue to soar, with an additional 5,603 units proposed during Q2, bringing the total inventory in the current pipeline to 19,230 rental units.

Construction activity remained steady from the previous quarter at 6,354 units—up

from 3,939 units a year ago. Vacancy rates and rents within the 7,309 purpose-built units completed since 2005 averaged 0.4 per cent and \$2.41 per square foot, respectively.

Three new purpose-built rental apartment buildings, totaling 298 units, began occupying during the second quarter, with 66 per cent of units absorbed during the period. An additional 1,750 purpose-built units are scheduled for occupancy during the second half of the year and 2,486 units in 2017.

Across the 5,158 purpose-built rental units completed in the City of Toronto since 2005, surveyed rents averaged \$2.76 per square foot, slightly higher than the average for condo apartments in the 416 Region at \$2.74 per square foot and substantially higher than purpose-built units in the 905 Region (\$1.67 psf). Second quarter purpose-built vacancy rates were only 0.1 per cent in the 905 and 0.7 per cent in the City of Toronto.

Heading into the GTA rental market in the future, Urbanation’s tracking of commercial property transactions revealed that apartment development site sales reached 73 transactions during the first half of 2016, up from 47 acquisitions during the first half of 2015.

In a sign that more supply is The total value of apartment site sales increased by 13 per cent annually in the first half to \$971 million. More than 90 per cent of the total value of sales was located in the City of Toronto (\$904 million) and three quarters in the former City of Toronto (\$730 million).

Within buildings existing a year ago, leases grew by six per cent annually in the second quarter—a deceleration from same building growth of 10 per cent last year and 23 per cent recorded in 2014. Quarterly turnover (measured by leases as a percentage of the condo rental stock) declined to an estimated 5.5 per cent in Q2-2016 (21 per cent over the past year), down from 5.9 per cent in Q2-2015 and a recent high of 10.6 per cent in Q2-2012. Same sample rent growth edged up to 3.6 per cent from the 3.0 per cent annual pace in the first quarter.

Source: Erin Ruddy, REM

Economic Indicators:

Real GDP Growth	
Q2 2016	-1.6%
Toronto Employment Growth	
Jul 2016	1.2%
Toronto Unemployment Rate	
Jul 2016	6.4%
Inflation	
Jul 2016	1.3%
Bank of Canada Overnight Rate	
Aug 2016	0.5%
Prime Rate	
Aug 2016	2.7%
5 Year Mortgage Rate Fixed	
Aug 2016	4.6%

Development Moving East – Ajax is on Fire

Toronto's ever-increasing home prices continue to add fuel to the fire for many surrounding housing markets in the Greater Toronto Area. Located just 35 minutes from Union Station by GO train, Ajax offers a high quality of life with reduced housing costs. Local recreation offerings include 37 soccer fields, 18 baseball diamonds, 6 indoor ice rinks, and 7 kilometres of beautiful lakefront parks tied together by the Waterfront Trail.

Ajax will soon be getting a major addition of vitality in the form of LeMine Investment Group's Central Park Ajax, a new mixed-use development attractive to both end user homebuyers and investors. Several factors are making it an attractive investment, with rapidly appreciating home prices and proximity to the city among the most obvious. With zoning in place and the site plan for the development approved, the lack of remaining hurdles in the planning and approvals process hints at a faster turnaround for the final product to be built.

Figures from Statistics Canada show that Ajax's 10-year population growth of 48.6% is well over three times the provincial rate of 13.2%, and over four times the national growth rate of 12%. In the same ten-year timeframe, Ajax's population between the ages of 20 and 29 has grown 71%. Overall, Ajax's population is young and active, with a local average age of 36.

According to the Toronto Real Estate Board (TREB), Ajax witnessed the highest real estate appreciation rates in the GTA between 2012 and 2015, at 33%, compared with Toronto's rate of 22.53%.

TREB also cites Ajax properties' rental income ROI as 36% higher than Toronto, with average purchase pay-off times of 18.3 years versus Toronto's 24.8 years.

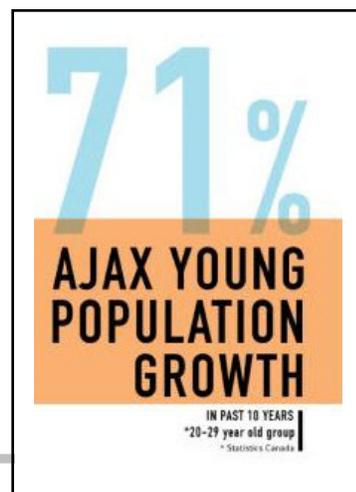
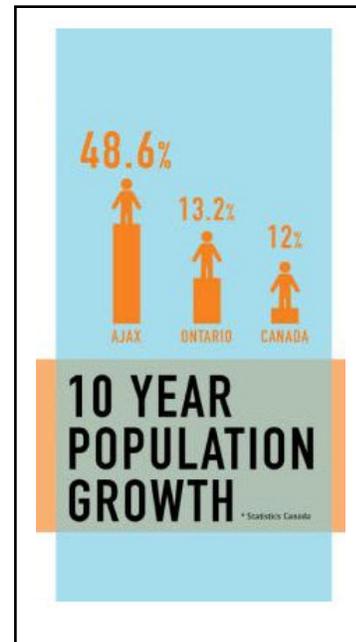
Affordability is clearly a major draw for this market as home prices in the central GTA continue to rise. It currently takes an average of 8.1 years for a Toronto homeowner to pay off their property, in contrast with just the 4.6 years average for Ajax. This can be partially attributed to Ajax's average household income of \$82,613, 20% higher than the Toronto average of \$69,321.

Speed of sales is another factor driving investors east on the 401, with TREB analysis showing that Ajax properties are on the market for an average of just 13 days, 10 less than the 23 day average Toronto properties stay on the market.

Though rents for one-bedroom units in Ajax between 2012 and 2015 are still well below the average Toronto rate, the average rental income increase of 34% greatly exceeds Toronto's 1% increase during the same period.

It's a win-win here: LeMine's Central Park Ajax will benefit from Ajax's qualities, while contributing to Ajax's ongoing improvement itself. More information and renderings can be found in the project's dataBase file, linked below. Want to get involved in the discussion? Check out the associated Forum threads, or leave a comment using the space provided at the bottom of this page.

Source: Urbantoronto
John Landau



Residential Market GTA Still Going UP

September 7, 2016 -- Toronto Real Estate Board President Larry Cerqua announced that Greater Toronto Area REALTORS® reported a record 9,813 sales through TREB's MLS® System in August 2016.

While this sales result was 23.5 per cent above the number of transactions reported for August 2015, it is important to note that the majority of sales are reported on working days and there were two additional working days in August 2016 compared to 2015. When the year-over-year discrepancy in working days is accounted for, the annual percentage change in sales is closer to 13 per cent.

"The conditions underlying strong demand for ownership housing remained in place, including a relatively strong regional economy, growth in average earnings and low borrowing costs. Unfortunately, we did not see any relief on the listings front, with the number of new listings down compared to last year. This situation continued to underpin very strong home price growth, irrespective of home type or area," said Mr. Cerqua.

The MLS® Home Price Index (HPI) Composite Benchmark for August 2016 was up by 17.2 per cent on a year-over-year

basis. Similarly, the average selling price for all home types combined was up by 17.7 per cent on an annual basis to \$710,410. Both the MLS® HPI benchmarks and average prices for low-rise home types were up by double digits percentage-wise.

Population in the GTA continues to grow. The resulting growth in households coupled with favourable economic conditions and low borrowing costs means that we remain on track for another record year for home sales.

Source: TREB

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

	Sales			Average Price		
	416	905	Total	416	905	Total
2016						
Detached	863	3,586	4,449	\$1,206,637	\$905,610	\$964,002
Semi - Detached	208	651	859	\$774,700	\$594,033	\$637,780
Townhouse	357	1,154	1,511	\$614,638	\$536,256	\$554,775
Condo Apartment	1,964	822	2,786	\$446,612	\$349,194	\$417,869

Year-Over-Year Per Cent Change

Detached	14.8%	24.0%	22.1%	18.3%	23.3%	21.5%
Semi - Detached	-8.8%	15.6%	8.6%	16.4%	20.6%	17.6%
Townhouse	14.1%	25.8%	22.8%	16.9%	18.4%	17.7%
Condo Apartment	33.5%	28.6%	32.0%	9.8%	9.2%	9.8%

OUR RECENT SALES – LISTINGS

Address/City	Suites	Price MM	Price Per Suite	Cap Rate
Toronto East (Firm)	325	\$57.0	\$175,385	4.5%
1726 Eglinton West (Cond)	7	\$2.8	Mixed Use	5.0%
Yonge & Eglinton (Cond)	NA	\$6.0	Mixed Use	4.0%
186 King St (For Sale) London	163	\$15.0	Mixed Use	6.0%
Apartment Kitchener (For Sale)	28	\$3.95	\$141,075	5.25%
100 Margaret Ave (For Sale) Kitchener	21	\$2.95	\$140,475	4.8%

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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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