

APARTMENT DIGEST

Apartment Market is “On Fire” – 20 yrs of Growth

In the past 2 decades the only direction in the Apartment Market in the GTA has been UP. This unprecedented trend continues throughout 2013 and is expected to move into 2014 as well.

The attached graph shows cap rates and prices per suite over the past 20 years. With minor dips the trend is overtly clear. In 2013 the average price per suite was \$144,770 which reflects an annual increase of 15% in the past 20 years. Add to that equity returns internally of around 10% and that is an increase of 25% per annum. Impressive indeed.

I have also looked at around 15 deals that occurred in 2013 and tracking the last time the buildings were purchased. Of those deals, the average holding period for the investment was around 10 years. I looked at the equity invested at the first sale and compared it with the equity pulled out at the final sale. The average ROI per annum was 55%. Now I did not account for capital work done to the building to increase rents etc. However the point is taken that the returns are very strong.

2013 saw some record breaking deals. It appears that owners who were fence sitters a few years back are

now selling. This could be a result of market timing or that many owners are older and no others in the family want to carry on in the business.

2013 saw a total of 137 deals completed in the GTA over 6 suites. This is the second highest amount in the last 20 years recorded and much higher than the 79 deals done in 2009 and the 123 done last year.

There were 9,700 suites sold in 2013. The average building sized was 70 suites given the 137 deals done. This is 57% higher than reported in 2009 which was the peak of the economic downturn. In 2012, 7,430 suites were sold and the average deal size was 60 suites.

A record \$1.4 billion worth of deals transacted in 2013. This is 33% higher than 2012 and 73% higher than in 2009. The 2013 record is not only a result of the higher volume of deals but also a result of rising values.

As mentioned, the average price per suite in 2013 was \$144,770 which is up 14% from one year ago. In fact, in the past 5 years prices have risen by 39% or 7.5% per year. Inflation for that period was under 1% per annum.

Along with the precious trends cap rates set a record benchmark low in the GTA sitting at 5.05% in 2013 which a decline of 5% from the previous year. The last time cap rates increased year over year was between 2002 and 2003 – over a decade ago!

The value increase are not only a result of the imbalance of supply and demand (low supply and high demand) but because of falling interest rates which still are at 30 year lows. As well over the past decade owners have improved the bottom line by renovating units on turnover and getting higher rents; applying guideline increases to existing rents as a result of a tight rental market; reduced expenses through energy efficiency tools; etc.

The outlook for 2014 is more of the same. If our pace in the last three months is any barometer for 2014, it will be another record setting year. In the past four months we have Firm or Closed over \$35MM worth of product with over \$25MM under contract.

Source: The Apartment Group

Economic Indicators:

Real GDP Growth	
Q3 2013	+2.7%
Toronto Employment Growth	
Dec 2013	+1.7%
Toronto Unemployment Rate	
Dec 2013	8.4%
Inflation	
Dec 2013	+1.2%
Bank of Canada Overnight Rate	
Jan 2014	1.0%
Prime Rate	
Jan 2014	3.0%
5 Year Mortgage Rate Fixed	
Jan 2014	5.24%

Rental Market Report – Condo Rentals GTA

Toronto, January 22, 2014
Greater Toronto Area REALTORS® reported an 18% year over year increase in condominium apartment rental transactions in the fourth quarter of 2013.

There were a total of 4,305 condo apartments leased compared to 3,644 during the last three months of 2012. Over the same period, the number of condominium apartments listed for rent was up by 31%.

“The construction of purpose built rental properties has been a tough sell over the past decade. This means that investor owned condominium apartments have increasingly filled the void in terms of meeting the needs of renters.

People looking to rent modern apartments in popular neighbourhoods close to work and leisure opportunities have been focused on rental condos. Investor owners have moved to meet this demand by listing their units for rent in greater numbers,” said Toronto Real Estate Board President Dianne Usher.

The majority of condominium apartment rental transactions approximately 95% involved one bedroom and two bedroom apartments.

Rent growth for these unit types was mixed. The average one bedroom rent was down by 1.6% year over year to \$1,600, whereas the average two bedroom rent was up by 3.7% to \$2,165.

“Condominium apartment completions were up in the GTA in 2013. Some of these newly completed units are owned by investors with a longer term outlook. Many of these individuals will have listed their apartments for rent. In all likelihood we will continue to see an increase in the number of apartments listed for rent in 2014.

The degree to which the increase in listings is balanced out by an increase in demand will dictate the pace of average rent growth over the next 12 months,” said Jason Mercer, the Toronto Real Estate Board's Senior Manager of Market Analyst.

Source: TREB

Rental Market Summary: Fourth Quarter 2013

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
Q4 2013	9,356	4,305	110	\$1,288	2,495	\$1,600	1,609	\$2,165	91	\$2,523
Q4 2012	7,139	3,644	81	\$1,359	1,981	\$1,626	1,483	\$2,087	99	\$2,327
Yr./Yr. % Chg	31.1%	18.1%	35.8%	-5.3%	25.9%	-1.6%	8.5%	3.7%	-8.1%	8.4%

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
Q4 2013	737	285	2	\$1,125	19	\$1,489	97	\$1,840	167	\$1,946
Q4 2012	642	254	2	\$975	33	\$1,338	77	\$1,881	142	\$1,880
Yr./Yr. % Chg	14.8%	12.2%	0.0%	15.4%	-42.4%	11.3%	26.0%	-2.2%	17.6%	3.5%

Market Watch – Residential GTA Homes

February 5, 2014 -- Home ownership in the Greater Toronto Area remains affordable and there are many people looking to purchase a home. In January, the number of homes listed for sale was down quite strongly compared to last year, which means that it was difficult for some buyers to find a home.

Greater Toronto Area REALTORS® reported 4,135 sales through the TorontoMLS system in January 2014. This result was down by 2.2 per cent in comparison to January 2013. New listings entered into the system were down over the same period by 16.6 per cent to 8,822.

“Looking forward, it is possible that strong price growth, and therefore an increase in home equity, will act as a trigger for more households to list their homes for sale. This is especially the case for households whose life styles are changing, including those with an expanding family looking for a larger home or empty nesters looking to downsize,” said Dianne Usher, President, Toronto Real Estate Board.

The average selling price for January 2014 sales was \$526,528 – up by more than nine per cent compared to \$482,080 in January 2013.

“The pace of price growth will remain strong in 2014. Similar to last year, competition between buyers for singles, semis and town homes in the City of Toronto and surrounding regions will continue to exert upward pressure on selling prices. At the same time, mortgage rates will remain near historic lows, so despite strong price growth, home ownership will remain affordable for the average household in the GTA,” said Jason Mercer, TREB’s Senior Manager of Market Analysis.

Source: TREB

Sales & Average Price By Major Home Type** January 2014

	Sales			Average Price		
	416	905	Total	416	905	Total
Detached	463	1,413	1,876	\$888,210	\$620,654	\$686,688
Yr./Yr. % Change	-4.3%	-6.5%	-6.0%	14.8%	10.5%	12.0%
Semi-Detached	134	287	421	\$622,319	\$416,441	\$481,970
Yr./Yr. % Change	-5.0%	-8.9%	-7.7%	6.1%	6.3%	6.6%
Townhouse	174	503	677	\$439,401	\$396,320	\$407,393
Yr./Yr. % Change	7.4%	0.0%	1.8%	4.6%	10.4%	9.0%
Condo Apartment	767	319	1,086	\$366,020	\$299,118	\$346,369
Yr./Yr. % Change	7.4%	1.6%	5.6%	7.6%	11.2%	8.7%

Year-Over-Year Summary^{1,1}

	2014	2013	% Chg.
Sales	4,135	4,229	-2.2%
New Listings	8,822	10,577	-16.6%
Active Listings	11,903	14,231	-16.4%
Average Price	\$526,528	\$482,080	9.2%
Average DOM	36	37	-2.7%

Recent Sales

Address	Units	Price	Price Per Unit	City
220-230 Woolner Avenue	260	\$21,850,000	\$84,000	York
175 Bronson Avenue	129	\$17,500,000	\$135,600	Ottawa
225 Willbrod Street	60	\$7,500,000	\$125,000	Ottawa
2328 Islington Avenue	68	\$8,700,000	\$127,900	Etobicoke
5-11 Birchlea Avenue	52	\$5,725,000	\$110,000	Etobicoke
42 Campbell Court	78	\$6,615,000	\$84,800	Stratford
320 Queen Street East	20	\$1,535,000	\$76,700	Fergus

Source: CFAS and RealTrack

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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 \$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.

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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.**

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