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Apartment Digest

Building Activity in Canada Down

Canadian municipalities issued $7.5 billion worth of building permits in August, down 5.5% from July. This was the second consecutive monthly decrease. Despite these declines, the year-to-date value of building permits (January to August) is up 8.7% compared with the same period in 2016, reflecting a $3.1 billion increase in multi-family dwellings.

The value of multi-family permits in the census metropolitan area (CMA) of Montréal outpaced single-family permits by $278.0 million in August, the greatest value difference between these two components on record for this CMA. Historically, multi-family permits have posted higher values every month since December 2010.

Similarly, the value of multi-family permits in the CMA of Vancouver topped single-family permits by $236.0 million in August, and by $425.3 million in July. For both months, construction intentions in the City of Vancouver were the main contributor to the total value of multi-family dwelling permits.

Population density may be driving this development. Results from the 2016 Census (census subdivision [municipalities] with 5,000-plus population) show the City of Vancouver as having the highest population density in the country, with a rate of 5,492.6 people per square kilometre. As for the City of Montréal, it ranks near the top, with a population density of 4,662.1 people per square kilometre. With little space to 'grow out', construction intentions in these municipalities have continued to favour 'growing up' with multi-family dwellings being constructed in order to fulfill housing needs.

The Toronto CMA has not followed the multi-family trend to the same extent as Montréal and Vancouver. The value of permits for single-family dwellings outpaced the value of multi-family dwellings in 2015 and 2016. However, based on the year-to-date value for 2017, the multi-family component has led the residential sector with just over 50% of the total value.

In British Columbia, the value of permits for multi-family dwellings has outpaced single-family dwellings every year since 2012. So far this year, the multi-family component has exceeded the value of the single-family component by more than $1.6 billion.

In Quebec, the value for multi-family permits has led the residential sector every year since 2013. Thus far, in 2017, Quebec municipalities have issued $3.8 billion worth of multi-family permits, almost $1 billion more than the single-family component. In contrast, the value of single-family permits in Ontario has led the residential component every year, and for year-to-date 2017, the single-family component has surpassed the multi-family component by $2.1 billion.

Within the Prairie and Atlantic regions, the value of permits for single-family dwellings continues to lead the residential sector each year. In August 2017, the value of single-family dwelling permits led the residential sector by $180.3 million in Alberta, $32.2 million in Saskatchewan and $27.7 million in Manitoba. However, for the current month, the value of multi-family permits in Nova Scotia led the residential sector by $3.3 million, bolstered by activity in the CMA of Halifax.

Source: Statscan

Economic Indicators:

Real GDP Growth Q2 2017	4.5%
Toronto Employment Growth Jul 2017	1.3%
Toronto Unemployment Rate Jul 2017	6.9%
Inflation Jul 2017	1.2%
Bank of Canada Overnight Rate Aug 2017	0.75%
Prime Rate Aug 2017	2.95%
5 Year Mortgage Rate Fixed Aug 2017	4.8%

Apartment Rents Up 10% in the GTA

Reticent home buyers, who are staying in their apartments longer, have helped push up Toronto region condo rents 10 per cent in the third quarter compared to the same time last year.

The supply of smaller apartments also dwindled during that period, according to a third-quarter study by real estate market research company Urbanation.

It found the average monthly rent of condos offered for lease on the Toronto Real Estate Board's Multiple Listing Service (MLS) averaged $2,220 — $220 higher than a year ago.

The rental squeeze was attributed to a surge in migration and declining home ownership following a peak in housing prices earlier this year, combined with tougher lending rules and the Ontario government's housing market cooling policies, including a foreign buyers tax.

"This has been compounded by lower tenant turnover, which has been further encouraged through the extension of rent control and a slowdown in completions of condominium and purpose-built rentals," an Urbanation press release said.

While the total number of leases signed during the last quarter remained flat at 7,761 units, the smallest apartments were scarce.

The number of available one-bedroom units without dens dropped 11 per cent and studio inventory was down 3 per cent.

Rents on those tight condos rose, however, by about $200 over last year to $1,839 for the one-bedrooms and $1,672 on the studios.

The average two-bedroom apartment rented for $2,498 — $2,510 with a den. Three-bedroom units averaged $3,065.

Tenants had to be fast to snap up the rental condos, too. The average listing lasted only 10 days, the briefest period on record.

Meantime, the ratio of leases to listings hit an all-time 88-per-cent high. The 1,048 MLS condo lease listings at the end of September was the equivalent of two weeks' supply, Urbanation said.

Its report was released the same day the Ryerson City Building Institute and Evergreen, an urban sustainability agency, released a joint report calling for 8,000 new purpose-built rentals to be built annually for the foreseeable future.

That would return the Toronto region's vacancy rate to a healthy 3 per cent, about double the current rate, that report said.

The Ryerson Institute and Evergreen also called for less reliance on condo rentals, believed to account for about a third of all rental housing in Toronto.

Urbanation's Shaun Hildebrand said about 70 per cent of those are listed on MLS.

There were proposals to build 30,980 purpose-built rentals in the Toronto region in the third quarter of the year — about the same number as the second quarter.

The number of rental apartments under construction increased to 6,146, the highest level in two years, Urbanation said. That is despite the conversion of some projects from rentals to condos following the province's expansion of rent controls to newer buildings.

About 1,700 rentals currently under construction are expected to be occupied by the end of the year.

Source: The Star
Tess Kalinowski

Bank of Canada Maintains Interest Rate 1%

The Bank of Canada today maintained its target for the overnight rate at 1 per cent. The Bank Rate is correspondingly 1 1/4 per cent and the deposit rate is 3/4 per cent.

Inflation has picked up in recent months, as anticipated in the Bank's July Monetary Policy Report (MPR), reflecting stronger economic activity and higher gasoline prices. Measures of core inflation have edged up, in line with a narrowing output gap and the diminishing effects of lower food prices. The Bank projects inflation will rise to 2 per cent in the second half of 2018. This is a little later than anticipated in July because of the recent strength in the Canadian dollar. The Bank is also mindful that global structural factors could be weighing on inflation in Canada and other advanced economies.

The global and Canadian economies are progressing as outlined in the July MPR. Economic activity continues to strengthen and broaden across countries. The Bank still expects global growth to average around 3 1/2 per cent over 2017-19.

However, this outlook remains subject to substantial uncertainty about geopolitical developments and fiscal and trade policies, notably the renegotiation of the North American Free Trade Agreement.

Canada's economic growth in the second quarter was stronger than expected, and was more broad-based across regions and sectors. Growth is expected to moderate to a more sustainable pace in the second half of 2017 and remain close to potential over the next two years, with real GDP expanding at 3.1 per cent in 2017, 2.1 per cent in 2018 and 1.5 per cent in 2019. Exports and business investment are both expected to continue to make a solid contribution to GDP growth.

However, projected export growth is slightly slower than before, in part because of a stronger Canadian dollar than assumed in July. Housing and consumption are forecast to slow in light of policy changes affecting housing markets and higher interest rates. Because of high debt levels, household spending is likely more sensitive to interest rates than in the past.

The Bank estimates that the economy is operating close to its potential. However, wage and other data indicate that there is still slack in the labour market.

This suggests that there could be room for more economic growth than the Bank is projecting without inflation rising materially above target.

Based on this outlook and the risks and uncertainties identified in today's MPR, Governing Council judges that the current stance of monetary policy is appropriate. While less monetary policy stimulus will likely be required over time, Governing Council will be cautious in making future adjustments to the policy rate.

In particular, the Bank will be guided by incoming data to assess the sensitivity of the economy to interest rates, the evolution of economic capacity, and the dynamics of both wage growth and inflation.

Source: Bank of Canada

RECENT SALES IN THE GTA

Address	Suites	Price MM	Cap Rate	Notes
3638 Bathurst St.	48	$11.9	2.8%	New Private investor buyer
2808 Keel St.	105	$11.15	3.8%	Institutional Buyer
496 Montrose Ave.	26	$6.2	3.2%	New Private investor buyer
130 Macpherson Ave.	27	$5.4	2.7%	New Private investor buyer
110 Broadway Ave. (120)	118	$57.4	NA	Development site
2185 Lawrence Ave. E.	142	$25.0	NA	Private investor buyer

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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.

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