

# Greater Toronto Area



## Quick Stats

**\$815 million**

Total GTA multi-residential transaction volume in the second quarter

**86,149**

Condominium units under construction across the GTA – a record high

**\$2,124**

Average monthly rental rate for GTA condo apartments in the second quarter

**3.5%**

Average capitalization rate across all GTA multi-residential property types

**67**

Number of investment sales transactions during the second quarter, up from 51 in the previous quarter

The Greater Toronto Area (GTA) multi-residential investment market continued to build momentum in the second quarter of 2021. Eased lockdown measures, mass vaccine adoption, and the expectation that immigrants and international students will return to the city should provide support to an already strong market. Across the GTA, a total of 3,057 units traded during the second quarter of 2021, up from 2,162 one quarter earlier and 1,085 in the second quarter of 2020.

### Investment trends

Investors remain drawn to multi-residential assets despite the relative scarcity of assets available on the market. Multi-residential transaction volume totaled \$815 million in the second quarter – up 27% quarter-over-quarter and 163% compared with the second quarter of 2020. Year-to-date volume of nearly \$1.5 billion represents more than 60% of the full-year 2020 figure. As is often the case,

the sector's biggest transaction during the quarter was a portfolio sale – CAPREIT'S purchase of a four-property, 485-unit portfolio in Oshawa at an aggregate price per unit of \$213,720.

Between the first and second quarters of 2021, average multi-residential cap rates remained unchanged at 3.5%. Over the same period, the average benchmark 10-year bond yield increased from 1.15% to 1.49% – a 34-bps rise. The spread between cap rates and bond yields continues to tighten as investor appetite for multi-residential assets remains strong. As leasing fundamentals continue to improve, this trend is likely to continue over the short-to-medium term.

According to Bullpen Research & Consulting and Batory Management, high-density development land in the GTA sold at an average price-per-buildable square foot (pbsf) of \$114 in the second quarter of 2021. This represents an 8.6% increase compared

with prices in the second quarter of 2020, but a modest decrease from the \$116 average in first-quarter 2021. High-rise land sold at an average of \$135 pbsf in the City of Toronto and \$49 pbsf in the 905 regions.

# \$135

Average price pbsf for high-rise land in the City of Toronto

Despite the rise in new condo prices over the course of 2020 and through the first two quarters of 2021, high-density land values remained relatively flat during the same period. High construction costs, development charges, inclusionary zoning, and pandemic-related factors have led to caution among developers looking to purchase high-rise land. At the same time, the GTA's residential market remains structurally undersupplied and will only require more housing units as Canada begins to accelerate its immigration targets. Over the long term, significant demand for new housing supply should ease any short-term concerns that developers have.

### Leasing activity

The GTA rental market posted a surge in leases, reduced vacancy, and rising rents as lockdown measures eased and mass

vaccination brought residents back to metropolitan areas. According to Urbanation, vacancy in purpose-built rental buildings completed in the GTA since 2005 fell from 6.5% in the first quarter to 5.2% at the end of the second quarter. Vacancy in the City of Toronto fell from 8.8% in the first quarter to 2.7% in the second quarter, further emphasizing the strength of demand in the market. In the 905 regions of the GTA, conditions remain tight as vacancy fell from 1.5% in the first quarter to 0.8% in the second quarter. Overall vacancy in the GTA is still higher than the 2.1% recorded at the same time last year, but all signs indicate that market fundamentals are strengthening.

Due to the rise in net absorption and decrease in vacancy among purpose-built rentals, rents have risen to an average of \$2,289 (\$3.18 per square foot (psf)) per month across the GTA. Average rents are still down from the pre-pandemic highs observed at the start of 2020 but rose 1.9% quarter-over-quarter. The increase was the first observed quarterly rise in rents since the start of the pandemic.

# 2.5%

Quarterly rise in average City of Toronto purpose-built rental rates

The overall rise in rent is due to strong results in the City of Toronto, where average rents increased 2.5% quarter-over-quarter to \$2,359 (\$3.45 psf). In the 905 regions, rents decreased 1.2% quarter-over-quarter to \$2,060 (\$2.46 psf).

### Development activity

Second-quarter activity in the GTA condo sales market not only represented a full recovery from the pandemic but indicated that the market is returning to pre-pandemic record highs. According to Urbanation, new condo apartment sales in the GTA totaled 9,001 units in the second quarter of 2021 – up from 1,637 during the same period in 2020. New condo launches were absorbed at a record rate of 81% during the second quarter, selling for an average price of \$1,110 psf. The 905 regions continued to lead condo market activity, with a 58% share of sales, as buyers direct their attention to more affordable areas in the GTA.

# 253 bps

Cap rate / bond yield spread

New condos under construction in the GTA exceeded the record set last quarter: 86,149 units are currently underway across the region, an increase of 3.2% quarter-over-quarter. Despite the record number of units under construction, just 19,006 units are expected to be completed in 2021 – a 15% decrease compared with the 22,473 units that were brought to market in 2020. In the short term, the decrease in new inventory should continue to support rising condo prices.

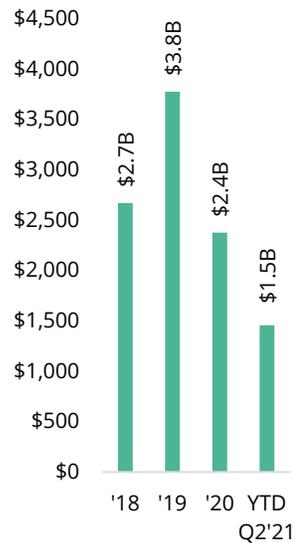
### 2021 federal election

There has been speculation ahead of each federal budget in

### GTA Multi-Residential Cap Rates and Bond Yields



**GTA Multi-Residential Investment Volume**



**GTA High-Density Residential Land Investment Volume**



recent years that the government will increase the capital gains inclusion rate to offset its spending deficit. After the 2021 federal budget omitted any changes to capital gains rates, most concerns over an increase to the inclusion rate passed. However, the government’s decision to call an election in the fall of 2021 renews the possibility that a future budget, passed under a potential majority government, could include an increase to the capital gains inclusion rate.

The federal election will also bring attention to policies aimed at addressing the Canadian housing crisis. Both the Conservative Party and New Democratic Party have brought forth policy initiatives to bring new housing supply to the market. The existing Liberal government has policies in place to address affordability, yet average home prices across the country have risen from \$433,800 when it took office to \$734,500 as of August 2021.

**Delta variant**

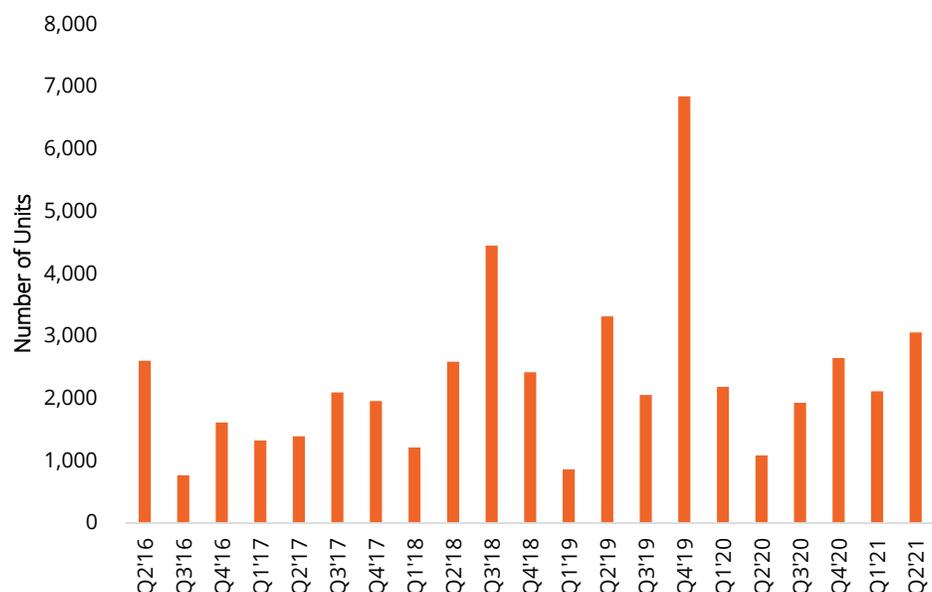
As the Canadian economy looks to move forward from the impact of the pandemic, the looming threat of the

Delta Variant and the “fourth wave” raises uncertainties over the duration of economic recovery. Canada’s high vaccination rate has helped it avoid the variant’s worst impacts so far, but its spread abroad, particularly in the United States and China, poses a potential headwind for the global economic recovery. The initial spread of the pandemic led Ontario to enter a complete lockdown that affected rental rates, the demand for urban properties, and the value of residential land. The question regarding the spread of the Delta variant is whether the fourth wave will be different.

**Looking ahead**

Multi-residential assets remain a primary target for investors due to the sector’s positive performance. Leasing fundamentals improved considerably during the second quarter, in addition to strong quarterly sales activity and tightening spreads between cap rates and bond yields, all of which supported investor demand. Looking forward, activity is expected to remain strong as the sector navigates the federal election and concerns surrounding the Delta variant.

**GTA Multi-Residential Unit Sales by Quarter**

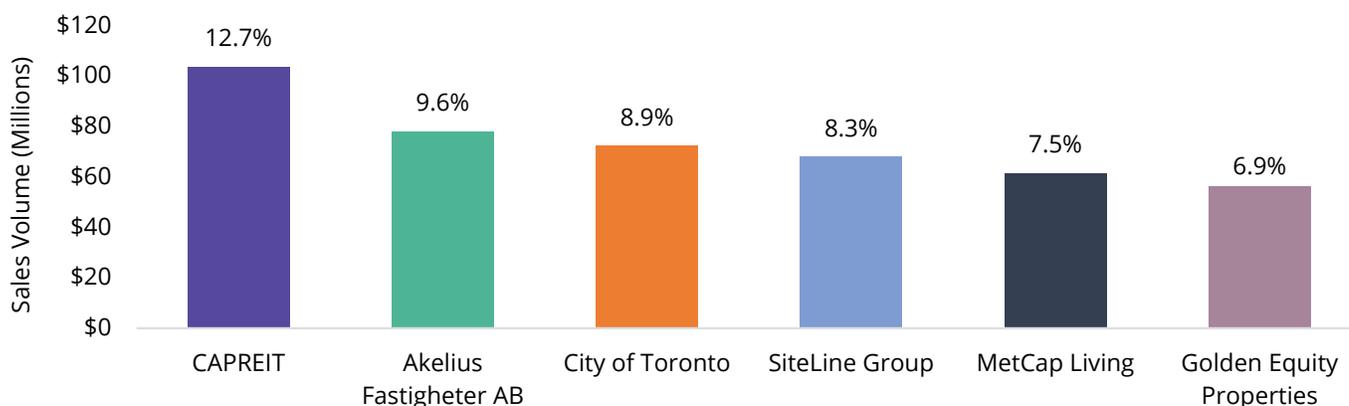


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**44**  
High-density residential land transactions in second-quarter 2021



## Top GTA Multi-Residential Purchasers by Market Share – Second Quarter 2021



## Significant GTA Transactions by Sale Price

Sector				
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
Borges & Reynar – CAPREIT Portfolio	\$103,653,993	\$213,720	CAPREIT	Borges & Reynar Inc.
333 Sidney Belsey Cres.	\$78,000,000	\$295,455	Akelius Fastigheter AB	BGS Homes Inc.
877 Yonge St.	\$72,325,000	\$289,300	City of Toronto	2692518 Ontario Inc.
7555 Goreway Dr.	\$68,000,000	\$250,000	SiteLine Group	Peconic Holdings Ltd. / Tauben Investment (Canada) Ltd. / Montego Investments Inc. / Steven-Irwin Holdings Inc.
3434 Eglinton Ave. E.	\$61,500,000	\$284,722	MetCap Living	Associated Capital Corp.
High-Density Residential Land	Total Price	Price psf buildable	Purchaser	Vendor
1467 Bathurst St. & 490 St. Clair Ave. W.	\$204,864,220	\$232	Canderel	KingSett Capital / BentallGreenOak
261-283 Queen St. E., 360 & 410 Richmond St. E. & Brigden Pl.	\$128,969,000	\$157	Tricon Residential	ONE Properties
470 Front St. W. – Tower E	\$56,025,857	-	Tridel Corp.	RioCan REIT / Allied Properties REIT / Diamond Corp.
2189 Lakeshore Blvd. W.	\$40,000,000	-	Marlin Spring	Mac's Convenience Stores
1100 Sheppard Ave. W.	\$38,500,000	\$121	CentreCourt	Idomo

**Get more market information**

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