

Greater Toronto Area



Quick Stats

\$896 million

Total GTA multi-residential transaction volume in the fourth quarter

88,920

Condominium units under construction across the GTA – a record high

\$2,361

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

3.2%

Average capitalization rate across all GTA multi-residential property types

66

Number of investment sales transactions during the fourth quarter, up from 62 in the previous quarter

The Greater Toronto Area (GTA) multi-residential investment market continued to display strong fundamentals in the fourth quarter of 2021 and exhibited the reasons it remains a sought-after asset class for both institutional and private investors. Market fundamentals have strengthened over multiple quarters, increasing stakeholders' optimism, and pushing cap rates down. Growth in the sector is only constrained by the lack of assets available for sale. Across the GTA, a total of 2,797 units traded during the fourth quarter, down from 4,061 one quarter earlier and up slightly from 2,653 in the fourth quarter of 2020. Over the course of 2021, a total of 12,129 units traded, compared to 7,852 in 2020, and the record high of 13,206 in 2019.

Investment trends

The average price per unit for assets of at least 20 units that traded in the fourth quarter was \$314,835, relatively equal with the average of

\$317,480 one quarter earlier and down from the average of \$339,937 in the fourth quarter of 2020. However, the average price per unit in the fourth quarter of 2020 was the highest on record and this quarter's value is well above the long-term average.

With unquenchable demand for housing in the GTA, activity in the multi-residential sector is restricted mainly by the limited supply of assets offered for sale. Sales volume totaled \$896 million during the fourth-quarter of 2021 (12% of GTA total) – a decrease of 33% quarter-over-quarter but in line with the fourth-quarter result one year earlier. The sector's full-year investment total of \$3.7 billion represented a 55% increase year-over-year and nearly equaled the all-time high of \$3.8 billion set in 2019. Rigorous competition for assets drove multi-residential cap rates downward throughout 2021, as the average rate fell 40 bps to reach 3.2%. Over the same period, the average benchmark

10-year bond yield increased from 1.24% to 1.58%, a rise of 34 bps.

\$134
Average price pbsf for high-rise land in the City of Toronto

Leasing activity

According to Urbanation, vacancy in purpose-built rental buildings completed in the GTA since 2005 declined from 3.0% in the third quarter to 2.4% at the end of the fourth quarter. Low vacancy and several high-end buildings completed in the past year pushed rents up to an average of \$2,401 (\$3.27 psf), a rise of 4.8% over the same period in 2020. Rental demand has shifted back to the core of Toronto, reversing the “urban exodus” observed during 2020. Over the course of 2021, the downtown market exhibited the most growth, as leasing activity increased 27%, according to Urbanation.

As interest rates begin to rise, there is the potential for multi-residential fundamentals to continue to strengthen. Depending on the pace at which the Bank of Canada raises rates, home ownership could become increasingly costly for potential buyers, pushing them to seek rental housing instead.

Development activity

The GTA condo market closed 2021 on a strong note, selling 8,342 new units in the fourth quarter – a 76% increase over the same period in 2020. According to Urbanation, new condo apartment sales in the GTA totaled 30,825 units in the 2021 – up from 18,282 units in 2020 and just shy of the record 31,216 units sold in 2017. The market continues to tighten as unsold inventory fell to its lowest level since the first quarter of 2018. Across the region, new condo sales were absorbed at a record pace, pushing prices to all-time highs. The average opening price of new projects in the region rose to \$1,361 psf, a rise of 29% year-over-year.

Mirroring the activity in the leasing market, the strongest growth in condo prices occurred in the core of Toronto. The average selling price of new launches in the core rose to \$1,568 psf in the fourth quarter, a 19% increase year-over-year. After a relatively tepid year in 2020, attention was refocused on the core in 2021 as lockdown restrictions eased,

4.8%
2021 rise in average City of Toronto purpose-built rental rates

people returned to the office, and immigration accelerated.

According to Bullpen Research & Consulting and Batory Management, high-density land in the GTA sold at an average price-per-buildable square foot (pbsf) of \$110 in the fourth quarter of 2021. This represents a decline from the average of \$120 pbsf a quarter prior and \$112 pbsf in the fourth quarter of 2020. Despite the rapid acceleration of condo prices in 2021, high-density land values in the GTA have held relatively flat. Short-term concerns related to the inflation of construction costs and Inclusionary Zoning are preventing land values from rising in tandem with resale values.

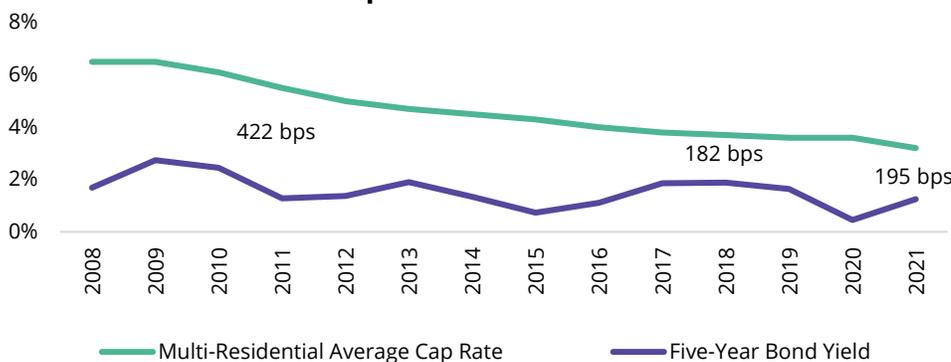
195 bps
Cap rate / bond yield spread

Ontario Housing Affordability Task Force

In February 2022, the Ontario Housing Affordability Task Force published its report of recommendations meant to increase the supply of housing in the province and lessen the effect of the housing crisis. The task force’s recommendations cover five main areas, all of which aim to meet a goal of 1.5 million new homes in the next 10 years:

1. Change planning and zoning policies to require greater density in underutilized areas.
2. Reduce and streamline urban design rules to lower the time and cost required to build new housing.
3. De-politicize the approval process to tackle NIMBYism and accelerate approval timelines.

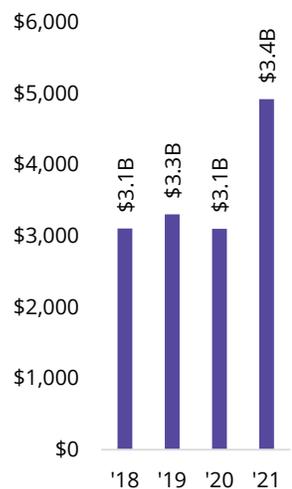
GTA Multi-Residential Cap Rates and Bond Yields



GTA Multi-Residential Investment Volume



GTA High-Density Residential Land Investment Volume



4. Re-shape the Ontario Land Tribunal to weed out or prevent appeals that are aimed purely at delaying projects and encourage the tribunal to prioritize cases that increase housing.

5. Encourage alignment between the federal and provincial government to provide incentives for municipalities that support new housing.

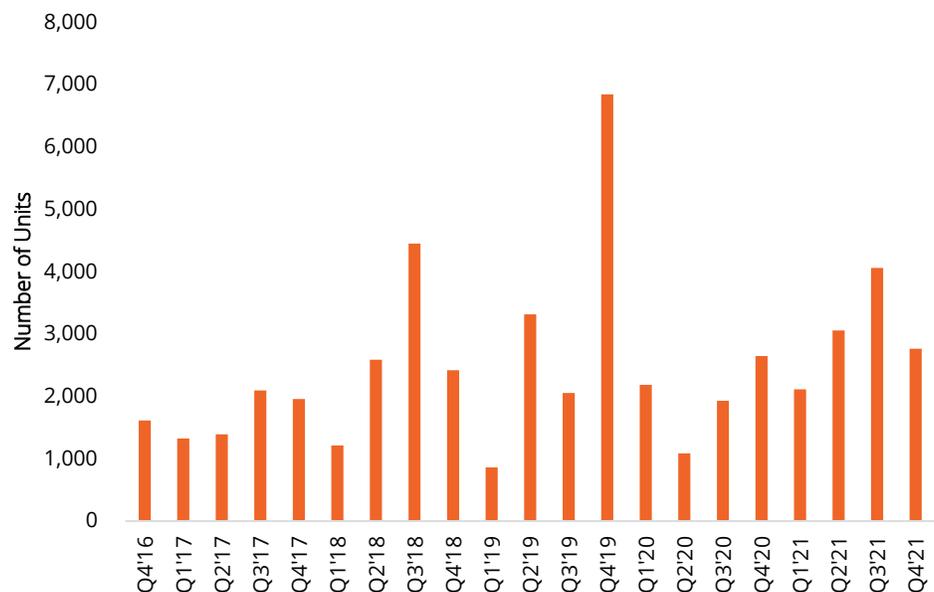
While not policy, the report brings necessary attention to the housing crisis facing the province and the supply-side solutions that are necessary to addressing it. Some of the report's recommendations could become policy before the provincial election on June 2nd, but the long-term effectiveness of the report will be dependent on the political will of future governments to enact the changes it recommends.

multi-residential fundamentals going forward. Housing affordability will likely be a significant issue in this summer's provincial election and will require bold policy decisions to accelerate the pace at which supply is brought to market.

Conclusion

Multi-residential assets continue to be in high demand among investors. The spread between cap rates and yields has compressed in successive quarters, indicating the desirability of the asset class. Limited housing supply, rising interest rates, and a return to the core of the city should strengthen

GTA Multi-Residential Unit Sales by Quarter

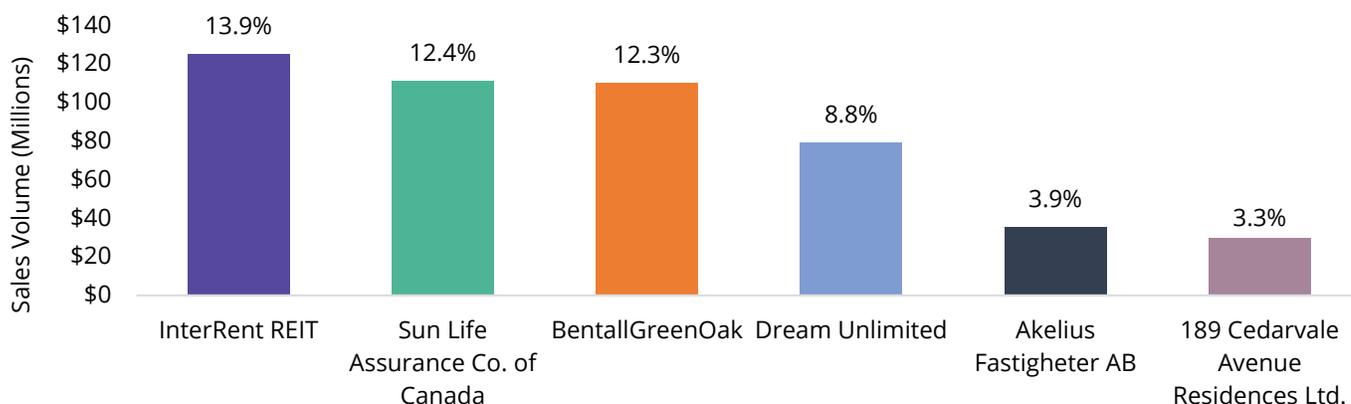


58

High-density residential land transactions in fourth-quarter 2021



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



Significant GTA Transactions by Sale Price

Sector				
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
D. Ross & Sons – InterRent Portfolio	\$125,000,000	\$438,596	InterRent REIT	D. Ross & Sons Ltd.
35 Greenfield Ave. (50% interest)	\$110,935,000	\$614,598	Sun Life Assurance Company of Canada	RioCan REIT
2051 Prospect St.	\$110,000,000	\$491,072	BentallGreenOak	Starlight Investments
Robinwood – Dream Portfolio	\$79,247,707	\$344,555	Dream Unlimited	Robinwood Management Corp.
189 Cedarvale Ave.	\$29,600,000	\$379,487	189 Cedarvale Avenue Residences Ltd.	Starlight Investments
High-Density Residential Land	Total Price	Price psf buildable	Purchaser	Vendor
260 King St. E.	\$184,600,000	n/a	HOOPP / Fitzrovia Real Estate	Northam Realty Advisors
354A & 356 Yonge St., 8 Elm St.	\$150,000,000	\$273	Reserve Properties	Pemberton Group
3201 Highway 7	\$130,790,000	n/a	Graywood Developments / Phantom Developments	Gupta Group
180 Steeles Ave. W.	\$120,000,000	\$69	Mizrahi Developments / Constantine Enterprises	562443 Ontario Ltd. / 742397 Ontario Ltd.
77 Union St.	\$92,500,000	n/a	H&R REIT	Consolidated Bottle Co. Ltd.

Get more market information

David Lieberman, MBA[†]
Principal
416.673.4013
david.lieberman@avisonyoung.com

Jonathan Hittner*
Principal
416.436.4417
jonathan.hittner@avisonyoung.com

Neil Musselwhite[†]
Principal
289.795.4430
neil.musselwhite@avisonyoung.com

Eamonn McConnell[†]
Associate
416.574.4890
eamonn.mcconnell@avisonyoung.com

**AVISON
YOUNG**

avisonyoung.ca

* Broker
† Sales Representative

