

# Greater Toronto Area



## Quick Stats

**\$1.3 billion**

Total GTA multi-residential transaction volume in the third quarter

**88,637**

Condominium units under construction across the GTA – a record high

**\$2,304**

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

**3.3%**

Average capitalization rate across all GTA multi-residential property types

**62**

Number of investment sales transactions during the third quarter, down from 67 in the previous quarter

The Greater Toronto Area (GTA) multi-residential investment market continued its hot pace in the third quarter of 2021, building on the second quarter’s momentum. Market fundamentals have strengthened in consecutive quarters, increasing stakeholders’ optimism. Sectoral tailwinds are strong, as eased lockdown measures and accelerated immigration targets are expected to increase demand for multi-residential assets. Across the GTA, a total of 4,061 units traded during the third quarter, up from 3,109 one quarter earlier and 1,929 in the third quarter of 2020.

The average price per unit for assets of at least 20 units that traded in the third quarter was \$317,480, a significant increase over the average of \$265,975 one quarter earlier and \$296,589 in the third quarter of 2020. This quarter’s average represents the second highest on record, behind the fourth quarter of 2020, though far fewer assets traded during that period.

## Investment trends

Demand for housing remains strong across the GTA, and a limited supply of housing continues to make the multi-residential sector a highly sought-after asset type. Multi-residential investment volume totaled \$1.3 billion during the third quarter (19% of the GTA total) – up 65% quarter-over-quarter and 133% compared with the third quarter of 2020. The sector’s year-to-date tally of nearly \$2.8 billion already exceeds 2020’s full-year figure, along with every previous annual result except the \$3.8-billion record set in 2019 – putting a new record well within reach by year-end. The sale of the two-building Weston Common complex was the quarter’s largest transaction, as the 841-unit mixed-use asset was purchased by Dream Unlimited from Rockport Group for nearly \$402,000 per unit.

Between the second and third quarters of 2021, average multi-residential cap rates decreased by 20 basis points

(bps) to 3.3%. Over the same period, the benchmark 10-year bond yield increased by approximately 10 bps to 1.5%. Despite higher yields, investor appetite for multi-residential assets remains strong and the spread between yields and cap rates continues to compress.

# \$136

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

to accelerate its immigration targets, leasing fundamentals should continue to strengthen. The GTA is traditionally the country's most popular destination for new immigrants – a group that is primarily in the market for rental housing – adding demand to an already undersupplied market. From 2021 to 2023, Canada is targeting 401,000, 411,000, and 421,000 immigrants each year. In comparison, Canada admitted 341,180 permanent residents in 2019.

**Leasing activity**

According to Urbanation, vacancy in purpose-built rental buildings completed in the GTA since 2005 declined from 5.1% in the second quarter to 3% at the end of the third quarter. The market built on the momentum achieved in the second quarter, when rents rose for the first time since the start of the pandemic. Low vacancy and several high-end buildings completed in the past year pushed rents up to an average of \$2,389 (\$3.30 psf), a rise of 1.7% compared with the same period in 2020.

**Development activity**

Activity in the GTA condo sales market accelerated rapidly in the third quarter, as the market is on track to reach the second highest annual unit count on record, behind 2017. According to Urbanation, new condo apartment sales in the GTA totaled 7,773 units in the third quarter of 2021 – up from 6,386 during the same period in 2020. 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 an all-time high of \$1,231 psf. The

# 3.8%

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

average price in the City of Toronto is \$1,328 psf and \$1,002 psf in the 905 regions, representing quarter-over-quarter increases of 2.4% and 10.6%, respectively.

New condo construction starts in the GTA declined to 5,582 units in the third quarter from 6,029 in the second quarter and 7,149 in the third quarter of 2020, according to Urbanation. Despite the decline in construction starts, the total number of condos under construction in the GTA increased from last quarter's record high of 86,149 units, reaching 88,637 units. Rising construction costs, inclusionary zoning, and the projection that interest rates will rise within the next year are supply-side barriers and could curb development activity over the short-to-medium term. 8,672 units were completed in the third quarter of 2021, a modest increase over the 8,490 delivered in the second quarter of 2020.

# 219 bps

Cap rate / bond yield spread

After four consecutive quarters of rising vacancy and declining rents, the market has bounced back in the two most recent quarters. The relaxation of economic restrictions and the return of residents to the core has pushed rents up and vacancy down. As Canada begins

**Rising inflation**

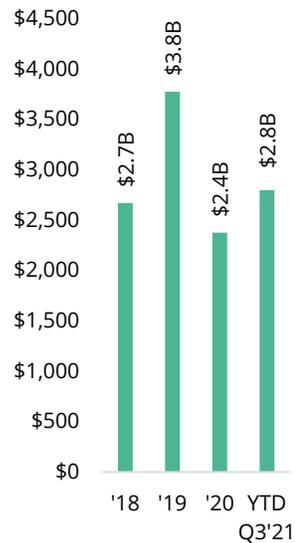
Canada's annual inflation rate reached an 18-year high in September, driven by sharp increases in fuel, food, and housing. The homeowners' replacement cost index, the central bank's measure of the cost of new homes, continued to rise at the fastest rate in 30 years. Low supply, high construction costs, and low interest rates are contributing to the rising cost of housing and further exacerbating the crisis the country faces.

The Bank of Canada has maintained that rising costs are transitory, due to supply chain and labour disruptions

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



**GTA Multi-Residential Investment Volume**



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



caused by the pandemic, but it will face pressure to raise interest rates sooner than expected if inflation continues at its current pace. As of October, the bank was forecasting rate hikes in the middle quarters of 2022. Historically, inflation has been a tailwind for multi-residential rental rates and price appreciation.

**Inclusionary zoning**

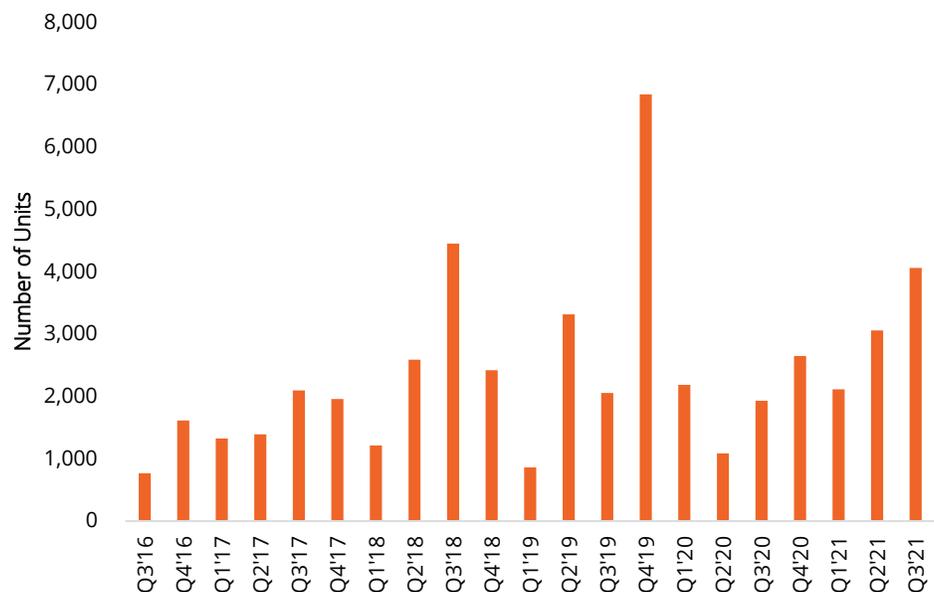
Toronto City Council has adopted the controversial Inclusionary Zoning (IZ) policy framework, making it mandatory for developments in strong and/or moderate market areas, of 100-plus units, and within Protected Major Transit Stations Areas to include affordable rental and ownership units beginning September 18, 2022 at the earliest. The implementation of IZ will be two-phased. The first phase will require 5-10% of applicable developments' units to be affordable from 2022 to 2029. The second phase will increase that proportion to 8-22% from 2030 onwards. The impact of IZ on developers and the city's housing supply will be a prominent topic of discussion heading into the new year.

The proposal will allow complete applications filed prior to September 18, 2022 to be exempt from IZ requirements. Nevertheless, landowners and developers should be aware of the implications on future projects to ensure that they properly account for the City's new regulations.

**Conclusion**

The market for multi-residential assets continues to perform well, the spread between cap rates and yields have compressed, and prices have increased quarter-over-quarter. Limited housing supply and strengthened fundamentals drove investors to multi-residential assets in the third quarter and should continue to do so going forward. The effect of inclusionary zoning and inflation in construction costs will likely exacerbate that supply shortage, decreasing the amount of new supply brought to market in the future. Overall, affordability in the housing market is likely to become an even greater issue through the fourth quarter of 2021 and into 2022.

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

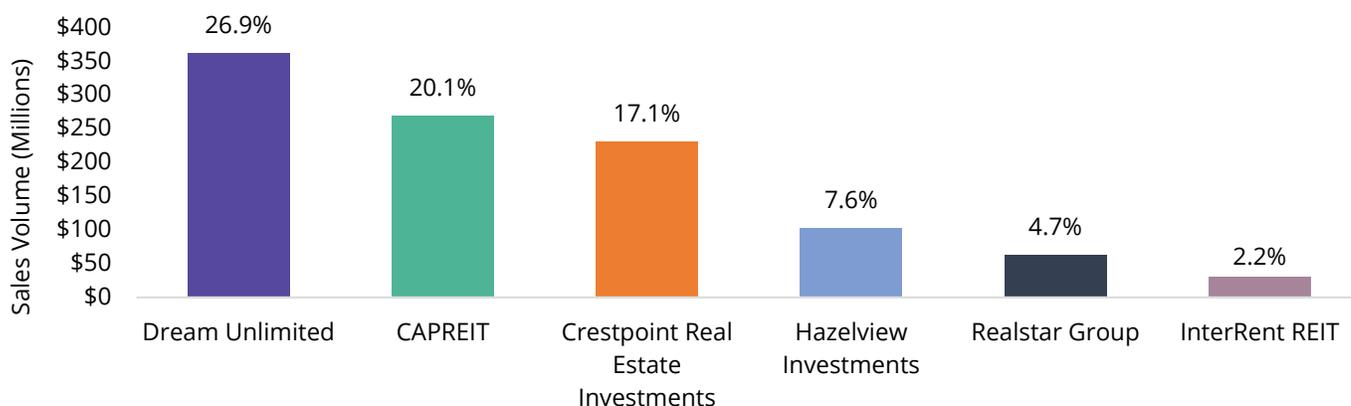


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**49**  
High-density residential land transactions in third-quarter 2021



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



## Significant GTA Transactions by Sale Price

Sector				
Multi-Residential	Total Price	Price per unit	Purchaser	Vendor
Weston Common	\$338,000,000	\$401,902	Dream Unlimited	The Rockport Group
330 Spadina Rd.	\$110,000,000	\$780,142	CAPREIT	330 Spadina Road Inc.
30 Tichester Rd., 1531, 1535 & 1539 Bathurst St.	\$81,000,000	\$361,607	Hazelview Investments	Starlight Investments
2, 6, 7 & 8 Park Vista Dr. (50% interest)	\$72,097,707	\$390,773	CAPREIT	PVP Realty
1287 Costigan Rd.	\$62,550,000	\$595,714	Realstar Group	T. Valeri Construction
High-Density Residential Land	Total Price	Price psf buildable	Purchaser	Vendor
363-391 Yonge St.	\$168,737,563	\$167	Concord Adex	Cresford Developments
1141 Bloor St. W., 980 Dufferin St. & 90 Croatia St.	\$151,499,700	n/a	Hazelview Investments / Fitzrovia / AIMCo	Toronto District School Board
1799 St. Clair Ave. W. & 296 Old Weston Rd.	\$75,000,000	\$64	Sequoia Grove Homes	Delta Bingo and Gaming
849 Eglinton Ave. E.	\$65,000,000	n/a	Pemberton Group	Mercedes-Benz
50 & 64 Merton St.	\$60,000,000	n/a	Diamond Corp. / Alterra	Girl Guides of Canada

**Get more market information**

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