

Quick Stats

\$236 million

Total GTA multi-residential transaction volume in the first quarter

\$266,763

Average price per unit for buildings of 20 units or more – up 19.5% year-over-year

\$2,376

Average monthly rental rate for condominium apartments in the GTA in the first quarter of 2019

3.7%

Average capitalization rate across all GTA multi-residential product types

40

Number of investment sales transactions during the first quarter

First Quarter 2019 / Multi-Residential Investment Review

Greater Toronto Area

During the first quarter of 2019, the Greater Toronto Area (GTA) rental housing market once again posted rising rental rates amid tight supply – despite above-average deliveries of new rental and condo units. However, this influx impacted rental-rate growth only slightly, as average rates for condos leased during the first quarter were still up 7.7% (\$170) year-over-year to \$2,376 per month, according to Urbanation.

The reason that the uptick in housing supply had minimal impact on rental-rate growth was that demand continued to rise as well. The GTA's population grew by a record of more than 150,000 residents during 2018, putting additional pressure on demand for housing. The high cost of renting in downtown Toronto is pushing demand outwards, causing rental rates outside the core to increase more rapidly than those downtown. Year-over-year rental growth in the "outer 416" areas of Toronto (6.5%) and the suburban "905" regions (10.9%), outpacing the downtown core (4.5%).

The positive outlook for ongoing sound market fundamentals, along with the loosening of rent control for newly occupied units that took effect in late 2018, have continued to encourage new development proposals for purpose-built rental buildings. First-quarter 2019 was the first full quarter that followed the Ontario government's announcement of the change in rent control, and a total of 2,203 new rental units were proposed during the quarter, representing a 12% increase compared with the first quarter of 2018.

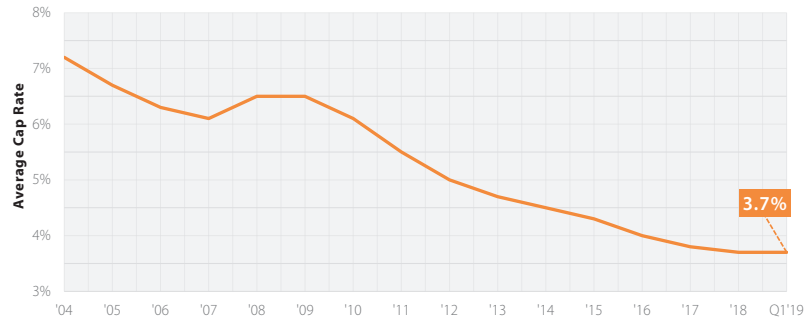
It remains to be seen how much higher rents can go in the core of the city, what the effect of new supply deliveries will be, and how these forces will affect the balance of demand between the urban and suburban rental markets.

Nonetheless, all these factors – tight supply, growing demand and resulting rental-income increases – continue to drive record-breaking valuations for existing purpose-built rental buildings.

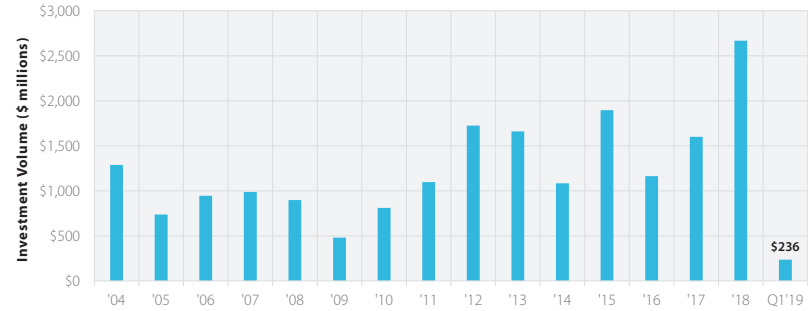
Sales volume for multi-residential assets in the GTA remains characterized by tight supply rather than lack of investor interest. In the first quarter of 2019, \$236 million in assets changed hands (9% of overall GTA investment volume). This represents a relatively slow start compared with the record-breaking \$2.7 billion in total sales volume during 2018. However, there is no reason to doubt the market’s potential to exceed that result by the end of 2019, given asset prices that continue to outperform the market, safe returns, cheap financing and strong market fundamentals.

Among buildings of 20 units or more that sold during the quarter, the average price per unit was \$266,763 – up 19.5% compared with the first quarter of 2018. The top transaction was the \$30-million sale of 15 Walmer Rd. in Toronto’s Annex neighbourhood, representing nearly \$385,000 per unit and a cap rate of 2.2%. Starlight Investments, among the sector’s most active players in 2018, also made the top five with its purchase of a 79-unit Mississauga townhouse complex for almost \$27 million.

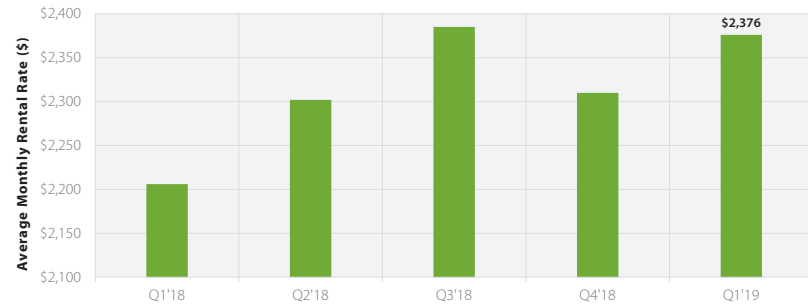
GTA Multi-Residential Capitalization Rates



GTA Multi-Residential Investment Volume



GTA Condominium Apartment Rental Rates



SIGNIFICANT MULTI-RESIDENTIAL SALE TRANSACTIONS – FIRST QUARTER 2019

Property	Total Price	Price per unit	Purchaser	Vendor
15 Walmer Road	\$30,000,000	\$384,615	Belgrove Capital	Rialto Apartments Ltd.
1539-1647 Williamsport Drive & 3468-3532 Fieldgate Drive	\$26,750,000	\$338,608	Starlight Investments	Private individual(s) / Amaranth Resources Ltd. / Fleetwood Holdings Ltd.
1056 Queens Avenue	\$25,500,000	\$286,517	Green Eitz (Oakville) Inc.	Caretenders Financial Services Inc.
29-31 Upper Canada Drive	\$23,400,000	\$205,263	Westdale Properties	Lipman Management Inc.
65 Times Avenue	\$21,000,000	\$328,125	Equiton Partners	KingSett Capital



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