



SkyViews

Apartment Report - Winter 2018

DANNY'S CORNER



A belated Happy Holidays to you and your loved ones! I trust the season, for you, was filled with joy and quality time with your family and friends. Every year at

this time, we remember the value of those treasured relationships. As much as we can get caught up in the day-to-day operations of our businesses ultimately, as they say, the most important things in life aren't things.

The end of the calendar year brings with it CMHC's Rental Market Surveys and the findings that their surveys reveal about the Ontario marketplace. In this edition we are sharing some of the key findings throughout the province, along with an updated chart on the vacancy rates in our major cities. As demand for rental units continue to drive those vacancy rates lower, we are also seeing an increased demand in the market for apartment buildings to purchase. If you are considering selling your property, now would be a great time, as buyers are excited to find good 'product' throughout the province. I welcome your call to Skyview to show you how my team can assist you in the disposition process.

There are a number of developments potentially coming down the pipe in the new year as it relates to taxes and how the government views your investment portfolio. In our next newsletter edition, we hope to bring you some insight on these as we learn more about the implications of the proposed tax changes. Stay tuned!

- Danny Iannuzziello

Key Findings from 2017 CMHC Rent Market Survey by Canada Mortgage and Housing Corporation

Vacancy Rates Drop as Demand Outstrips Supply

According to Canada Mortgage and Housing Corporation's (CMHC) Fall Rental Market Survey, Ontario vacancy rates moved lower to 1.6% in the fall of 2017, from 2.1% in the fall of 2016. New units added to the rental apartment universe fell short of increases in rental demand - resulting in lower apartment vacancy rates. Ontario vacancy rates hit their lowest levels since October of 2000.

The province registered a broad based decline in vacancy rates with 10 out of 15 urban centres posting declines. The sharpest declines in vacancies were in Kingston, Thunder Bay and Hamilton while Oshawa was the only CMA posting increases in vacancies. Toronto, Guelph and Kingston posted the lowest vacancy rates across the province.

Demand and Supply Factors Impacting Vacancy Rates

Several factors added to rental demand and exerted downward pressure on vacancy rates. A synchronized expansion in the global economy has lifted growth prospects this year especially in Europe and Canada. The Ontario economy, has benefitted from this and is set to grow at its fastest pace since 2010. Similarly, Ontario employment levels in 2017 are on track to grow at one of the strongest rates in recent years. Since last fall, job creation was exceptionally strong particularly for households aged 15 to 24. Younger residents have a high propensity to rent and when job markets improve

renter household formation follows as some young adults are encouraged to leave the family home and seek rental accommodation. Indeed, there is a strong positive correlation between unemployment rates and vacancy rates across time in the province of Ontario suggesting the rental market is pro-cyclical.

A second factor supporting rental demand, was the rising cost gap between ownership and rental accommodation. Despite some cooling in home prices in the second quarter, Ontario monthly mortgage carrying costs are up strongly and were outpacing the growth in incomes and average apartment rents in 2017. Some prospective first time buyers were able to purchase a home but chose not to as the introduction of new policy measures reduced the urgency to act. Indeed, CMHC Ontario data for both high and low ratio first time buyers shows a decline in mortgage approvals from the same period one year ago. This suggested fewer renter households were vacating their rental units in favour of home ownership.

A third factor exerting downward pressure on vacancy rates was continued population growth. Roughly three quarters of growth in Ontario's population is driven by migration. While International migration dipped from the near term high reached in 2016, immigration levels in 2017 will be the second highest since 2001. Immigrants lack the savings, job and credit history required for mortgage financing. As such, about two thirds move into rental accommodation immediately upon arrival in Canada. Besides permanent

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immigrants, Ontario also registered strong growth in non-permanent residents which includes temporary workers on work visas and international students. Both groups, due to the temporary nature of their status, typically live in rental accommodation.

Declining rental vacancy rates in recent years, encouraged more investment activity - resulting in more primary and secondary rental completions during the current year. More specifically, Kitchener, Barrie and Guelph registered the strongest increases in the primary rental universe - growing well above the provincial rate. In addition, condominium apartment completions, some of which are owned by investors, rose from this time last year, exerting upward pressure in the condo rental universe particularly in Kitchener and Ottawa. Historically, both new primary and secondary rental units added to the rental stock compete with newer existing units in the primary market that charge comparable average rents.

Turnover Rates Remain Stable But Low

The Ontario turnover rate stood at 18.3% in the fall of 2017, unchanged from the fall of 2016. The turnover rate measures the share of units changing occupancy in the past 12 months. The majority of CMAs saw turnover rates drop or remain stable. In general, low first time buyer activity resulted in fewer tenants vacating their existing rental accommodation - keeping turnover rates stable. The highest turnover rates were recorded in markets with above average vacancy rates. This includes, Barrie, Windsor and Thun-

der Bay. High vacancy rates provided more choice in the market and encourages more mobility.

Meanwhile, the lowest turnover rates were recorded in Toronto and Peterborough CMAs which were home to rental markets with below average vacancy rates. Markets with low vacancy rates enable landlords to pass on higher rent increases when units become vacated. Less choice in the marketplace and a higher potential to face above guideline rent increases discourages mobility among prospective tenants.

Ontario Fixed Sample Rents Grew by 3.8% in 2017

Apartment rents for all structures that were common to both 2016 and 2017 fall surveys rose by 3.8%, up from 3% in 2016. Fixed sample apartment 2-bedroom rents grew well above provincial averages in the GTA, Hamilton and Belleville markets. Meanwhile, St. Catharines-Niagara and Ottawa markets posted increases below provincial averages. Generally, historically low vacancy rates and sharp increases in ownership prices, conditions present in the GTA and Hamilton markets, supported fixed sample rent increases well above provincial averages.

Visit CMHC's Website at: www.cmhc-schl.gc.ca

Visit Skyview Realty's Website to Access the 2017 CMHC Rental Market Survey Reports:

www.skyviewrealty.com/cmhcreports.html

Vacancy Rates: 2013 - 2017

FOR APARTMENT BUILDINGS, 6 UNITS AND ABOVE

LEGEND:

- ↑ Trending Upward
- ↓ Trending Downward
- ** Unreported

VACANCY RATE (%)						VACANCY RATE (%)						VACANCY RATE (%)					
AREA	2013	2014	2015	2016	2017	AREA	2013	2014	2015	2016	2017	AREA	2013	2014	2015	2016	2017
Aurora, Newmarket, Stouffville	2.1	1.8	0.9	2.0	2.0	Kingston	2.3	1.9	2.8	2.6	0.7 ↓	Peterborough	4.8	2.9	3.7	1.0	1.1 ↑
Barrie	3.0	1.6	1.3	2.2	2.7 ↑	Kitchener/Waterloo/Cambridge	2.9	2.3	2.4	2.2	1.9 ↓	Pickering/Ajax/Uxbridge	1.2	1.1	1.0	3.9	1.1 ↓
Belleville	5.4	5.1	4.5	3.4	2.2 ↓	London	3.3	2.9	2.9	2.1	1.8 ↓	Rich.Hill/Vaughan/King	1.6	1.1	1.6	1.1	1.1
Bradford, West Gwillimbury	2.9	2.1	1.6	1.6	4.3 ↑	Markham	0.9	1.6	2.5	1.4	0.9 ↓	Scarborough	1.5	1.4	1.3	1.2	0.8 ↓
Brampton	2.3	1.9	1.0	1.2	1.3 ↑	Midland	3.2	2.6	3.4	**	1.0 ↓	St Catharines-Niagara	4.1	3.6	2.8	2.2	1.5 ↓
Brantford	2.9	2.4	2.4	2.1	1.3 ↓	Milton, Halton Hills	1.4	2.5	1.6	1.1	0.3 ↓	Stoney Creek Grimsby	3.6	0.6	3.8	4.9	**
Burlington	1.9	1.5	1.5	1.1	1.4 ↑	Mississauga	2.3	1.7	1.7	1.4	0.9 ↓	Toronto	1.6	1.6	1.6	1.3	1.0 ↓
Clarington	1.5	1.0	0.0	0.2	0.4 ↑	Niagara Falls	4.2	4.3	3.2	2.3	2.1 ↓	Welland	4.4	2.7	1.8	1.4	1.4
Collingwood	4.4	1.1	5.1	1.4	1.1 ↓	North York	1.4	1.3	1.4	1.3	0.7 ↓	Whitby	2.0	1.5	1.4	1.1	1.3 ↑
Dundas Town	2.2	0.9	1.6	2.0	1.9 ↓	Oakville	1.3	1.5	0.7	1.1	1.0 ↓	Windsor	5.9	4.3	3.9	2.9	2.4 ↓
Etobicoke	1.9	2.2	1.9	1.1	1.2 ↑	Orangeville	0.7	2.7	0.0	1.0	0.9 ↓	Woodstock	2.1	1.4	1.5	0.7	2.2 ↑
Guelph	1.9	1.2	1.2	1.0	1.2 ↑	Orillia	3.2	2.9	1.3	2.5	1.4 ↓	York Region	1.6	1.5	1.6	1.5	1.3 ↓
Haldimand	1.3	1.3	2.7	1.2	0.0 ↓	Oshawa	2.1	1.8	1.7	1.7	2.2 ↑						
Hamilton	3.4	2.2	3.4	3.8	2.4 ↓	Ottawa	2.9	2.6	3.4	3.0	1.7 ↓						

Source: CMHC Rental Market Reports 2017

PROPERTIES CURRENTLY OFFERED FOR SALE

NIAGARA FALLS

MANY RECENT UPGRADES **TREAT AS CLEAR**




Principals Only Please

10 Suites

- Asking \$1,230,000
- Asking \$123,000 per Suite
- Located in Residential Neighbourhood close to the Falls and Tourism Area
- Many Recent Improvements including Complete Electrical Updating, Common Area Improvements, and Suite Renovations
- 2 x Bachelor
- 8 x Two Bedrooms
- Significant Unused Space in Basement - Potential Development
- Potential Upside in Rents on Turnover
- Large Bedrooms in All Two Bedroom Units
- 5.0% CAP Rate
- Treat Financing as Clear!

NORTH YORK

EXCELLENT UPSIDE **BATHURST & WILSON**



Principals Only Please

34 Suites

- Asking \$7,250,000
- Asking \$213,235 per Suite
- Quiet Residential Neighbourhood with Excellent Proximity to 401
- Lower than Average Rents, Excellent Upside on Turnover
- Tenants Pay their Own Hydro
- Walking Distance to Many Amenities along Bathurst Corridor
- 4 x Bachelor
- 11 x One Bedrooms
- 19 x Two Bedrooms
- Bus Stop Directly Across the Street
- Good Size Units, Well Kept Building with Elevator
- Walk to Park (behind building) and to Baycrest Hospital
- Treat Financing as Clear!

TORONTO

STEPS TO NEW LRT! **EXCELLENT UPSIDE**



Principals Only Please

24 Suites

- Property is Not Priced
- Property Fronts on Eglinton Avenue West near Keele St
- Clean, Very Well Kept Property with Good Tenants
- Low Current Rents; Excellent Upside on Turnover of Tenants
- Newer High Efficiency Heating System Approx. 3 Years Old
- Flat Tar & Gravel Roof Approx. 5 Years Old
- 3x Bach, 1x Jr 1 Bed, 20x1 Bed
- Four Storey Walk-Up
- Seller Reserves Right to Refuse Any and All Offers
- Inspections by Appointment Only; Inspection Dates will be Provided to Interested Parties
- Treat Financing as Clear. No VTB Option Available.

RED ROCK

NEAR THUNDER BAY **AFFORDABLE INVESTMENT**



Principals Only Please

17 Suites

- Asking \$795,000
- Asking \$46,765 per Suite
- Well Maintained Property; Excellent Superintendent on Site
- About 50% of Units Have New Carpeting in Last 5 Years
- Hallways Painted; Carpets & Flooring in Common Areas Replaced
- Tenants Pay Their Own Hydro
- 3 x 1-Bed
- 12 x 2-Bed 2 x 3 Bed
- Approx. 1.49 Acre Lot Area; 281.66" Frontage; Irregular
- Quiet Small Town Atmosphere with Great Quality of Life & Sense of Community
- Treat Financing as Clear

OSHAWA

TREAT AS CLEAR **BUILT IN 1980's**



Principals Only Please

17 Suites

- Asking \$2,125,000
- Asking \$125,000 per Suite
- Well Maintained Building Located North of Highway 401 in Oshawa
- Sloped Shingled Roof in Good Condition
- Good Property Manager Already in Place
- Upside in Rents on Turnover
- 8 x One Bedrooms
- 9 x Two Bedrooms
- Good Sized Units with Carpeting Throughout
- Located on Quiet Cul-de-Sac
- Treat Financing as Free and Clear!

VICTORIA

6.3% CAP RATE **LARGE SUITES**



Principals Only Please

9 Suites

- Asking \$650,000
- Asking \$72,222 per Suite
- Schoolhouse Converted to Apartments in the 1980's
- Owner Managed & Well Maintained
- Quaint Small Town Feel and a Short Drive to Port Dover in Norfolk County
- 3 x One Bedrooms
- 6 x Two Bedrooms
- Tenants Pay for Own Heat and Hydro
- Approx. 1 hour South of Hamilton
- Backs onto City Park
- 6.3% CAP
- 16.3 % R.O.I.
- Treat Financing as Clear

We Don't Just List Apartment Buildings...WE SELL THEM!

If you are considering selling your multi-unit residential property, give the Skyview Sales Team a call at 416-444-6545!



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Sales Representative



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industry report

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Want an Offer?

Skyview Realty has a good number of active and qualified buyers who are looking for multi-unit residential buildings throughout Ontario.

If you are considering selling your property, we may be able to bring you an offer immediately.

For more information, contact us at
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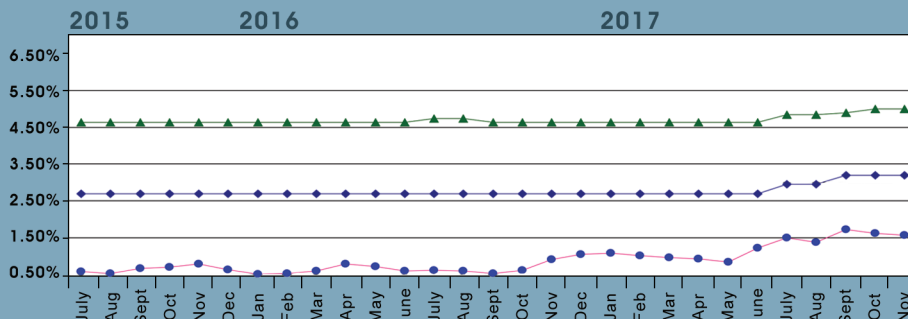
We Have Buyers!

MULTI-UNIT RESIDENTIAL - RECENT TRANSACTIONS

3 East 37th St, Hamilton	Aug. 28, 2017	74 Suites @ \$152,027	\$11,250,000
365 Eglinton Ave E, Toronto	Aug. 29, 2017	48 Suites @ \$301,458	\$14,470,000
133 Herkimer St, Hamilton	Aug. 31, 2017	48 Suites @ \$185,417	\$8,900,000
1854 - 1856 Main St W, Hamilton	Sep. 6, 2017	286 Suites @ \$178,449	\$51,036,456
145 & 165 Queen St S, Hamilton	Sep. 6, 2017	250 Suites @ \$142,853	\$35,713,275
16 Helen St, Dundas	Sep. 6, 2017	102 Suites @ \$204,382	\$20,846,947
222 Gage Ave S, Hamilton	Sep. 6, 2017	103 Suites @ \$165,314	\$17,027,361
334 East 14th St, Hamilton	Sep. 6, 2017	105 Suites @ \$153,227	\$16,088,834
255 Bold St, Hamilton	Sep. 6, 2017	82 Suites @ \$168,860	\$13,846,498
200 Park St S, Hamilton	Sep. 6, 2017	60 Suites @ \$176,197	\$10,571,837
99 Herkimer St, Hamilton	Sep. 6, 2017	48 Suites @ \$161,769	\$7,764,892
304 Simcoe St, 9 & 17 Quebec St, Oshawa	Sep. 6, 2017	45 Suites @ \$64,444	\$2,900,000
38 Barton Ave, Toronto	Sep. 7, 2017	18 Suites @ \$277,778	\$5,000,000
364-366 Sidney St, Belleville	Sep. 19, 2017	24 Suites @ \$87,500	\$2,100,000
457 Marlee Ave, North York	Oct. 10, 2017	31 Suites @ \$245,161	\$7,600,000
492-496 Montrose Ave, Toronto	Oct. 31, 2017	26 Suites @ \$238,462	\$6,200,000

SOURCE: Realtrack Inc. www.realtrack.com 1-877-962-9033

WATCH ON INTEREST RATES



◆ Canadian Prime Rate (5 Year)
● Canadian Bond Rate (5 Year)
▲ Residential Mortgage Rate (5 Year)

SkyViews

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