

2012 GTA RENTAL APARTMENT SALES

Source: Marshnet.com

There have been only a few sales of apartment buildings in the GTA since the beginning of the year and most of them are comparatively small.

PROPERTY ADDRESS	Municipality	Date of Sale	SALE PRICE	No of Suites	\$ per Suite
1307 Bayview Ave.	Toronto	30-Jan-12	\$1,140,000	5	\$228,000
803 Eglinton Ave. E.	Toronto	6-Jan-12	\$1,400,000	5	\$280,000
882 Broadview Ave.	Toronto	4-Jan-12	\$1,143,000	6	\$190,500
179 St. Clair Ave. E.	Toronto	16-Jan-12	\$1,800,000	7	\$257,143
319 Augusta Ave.	Toronto	1-Feb-12	\$1,850,000	9	\$205,555
429 Crawford St.	Toronto	31-Jan-12	\$2,150,000	9	\$238,889
1480 Eglinton Ave. W.	Toronto	8-Feb-12	\$1,140,000	11	\$103,636
2818 Keele St.	North York	1-Feb-12	\$1,250,000	11	\$113,636
3 Elm Grove Ave.	Toronto	19-Jan-12	\$1,506,000	12	\$125,500
4 Newbold Ave.	Toronto	17-Feb-12	\$1,138,000	12	\$94,833
570 Eglinton Ave. W.	Toronto	10-Jan-12	\$1,764,000	12	\$147,000
91 Neptune Dr.	Toronto	21-Feb-12	\$1,260,000	12	\$105,000
2424 New St.	Burlington	23-Jan-12	\$1,600,000	15	\$106,667
370 Penn Ave.	Newmarket	31-Jan-12	\$1,610,000	19	\$84,736
1268 King St. W.	Toronto	1-Feb-12	\$1,250,000	22	\$56,818
2507 Lakeshore Blvd. w/ 17 Summerhill Rd.	Etobicoke	17-Feb-12	\$2,050,000	22	\$93,182
307 The Kingsway	Etobicoke	19-Jan-12	\$3,400,000	25	\$136,000
384 St Paul St.	Burlington	3-Jan-12	\$3,900,000	30	\$130,000
825 Wilson Ave.	North York	1-Feb-12	\$3,150,000	33	\$95,455
75 Irwin Rd.	Etobicoke	18-Jan-12	\$5,750,000	53	\$108,491
551 Eglinton Ave. E.	Toronto	26-Jan-12	\$8,150,000	54	\$150,926
			\$48,401,000		

890 Jane Street – Toronto – A rental apartment with 140 suites located south of Eglinton Avenue West. Closed January 12, 2012 at \$9,400,000 or \$67,143 per suite.

450 Winona Drive – Toronto – A rental apartment with 124 suites located east of Oakwood Avenue. Closed on January 18, 2012 at \$8,925,000 or \$71,976 per suite.

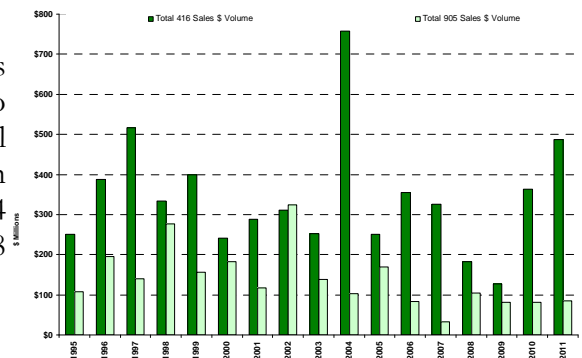


INDUSTRY COMMENTARY:

THE MARKET STILL LIKES GTA MULTI-UNIT APARTMENT PROPERTIES CASH-ON-CASH RETURNS REMAIN POSITIVE IN 2011.

Investment interest for multi-unit apartment properties remains high in the GTA and vendors have paid attention to these conditions and are clearly selling at these prices. The total dollar volume in sales of rental apartment buildings greater than 100 units in the GTA is up to \$571 million in 2011 and \$444 million in 2010 which is much higher than \$286 million and \$208 million in 2008 and 2009 respectively.

[Click here for more information](#) 




LIFE LESSONS at PETRUS COMMERCIAL REALTY CORP. - Lesson #53

The Famous One-Liners. Remember the Vaudeville comedians?

- Not a single swear word in their comic routines:

- I just got back from a pleasure trip. I took my mother-in-law to the airport.
- I've been in love with the same woman for 49 years. If my wife finds out, she'll kill me!

[Click here for more](#) 



NOW HIRING

We are seeking motivated licensed real estate agents to join our winning team.

[Click here for more information](#) 

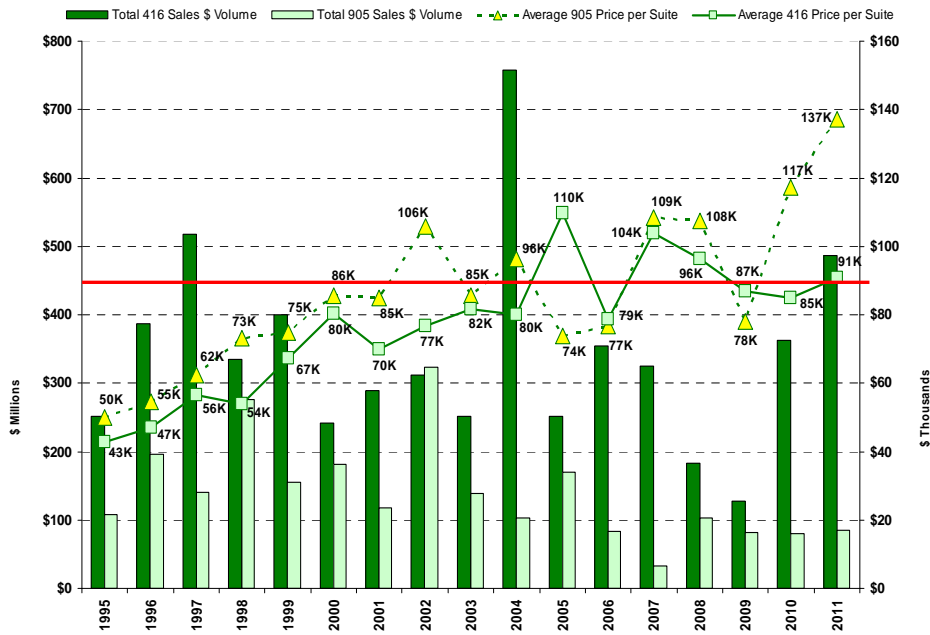
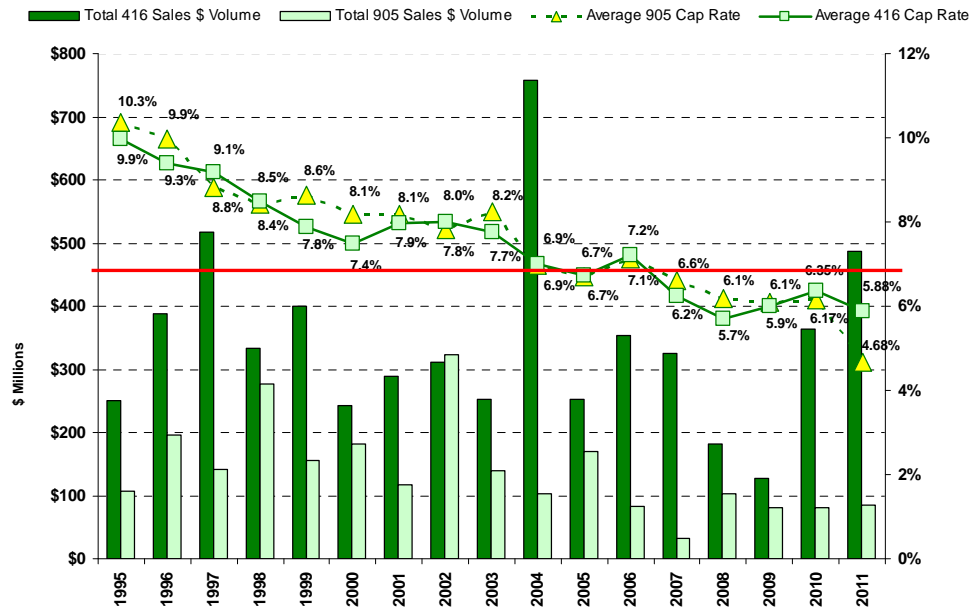


INDUSTRY COMMENTARY:

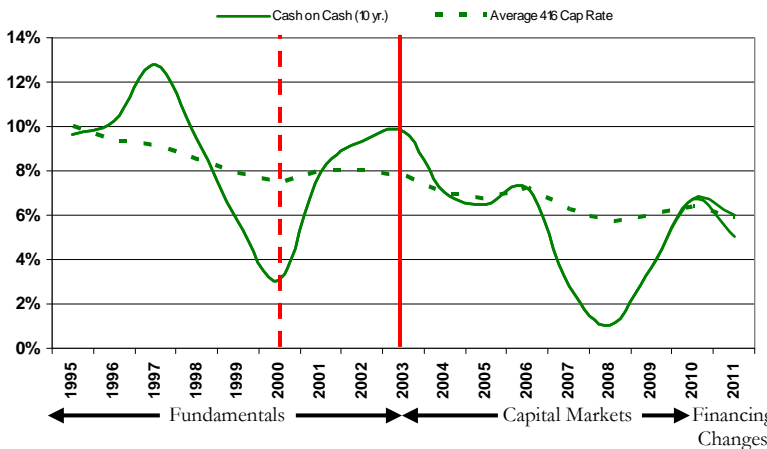
THE MARKET STILL LIKES GTA MULTI-UNIT APARTMENT PROPERTIES CASH-ON-CASH RETURNS REMAIN POSITIVE IN 2011.

Investment interest for multi-unit apartment properties remains high in the GTA and vendors have paid attention to these conditions and are clearly selling at these prices. The total dollar volume in sales of rental apartment buildings greater than 100 units in the GTA is up to \$571 million in 2011 and \$444 million in 2010 which is much higher than \$286 million and \$208 million in 2008 and 2009 respectively. Highlights are as follows:

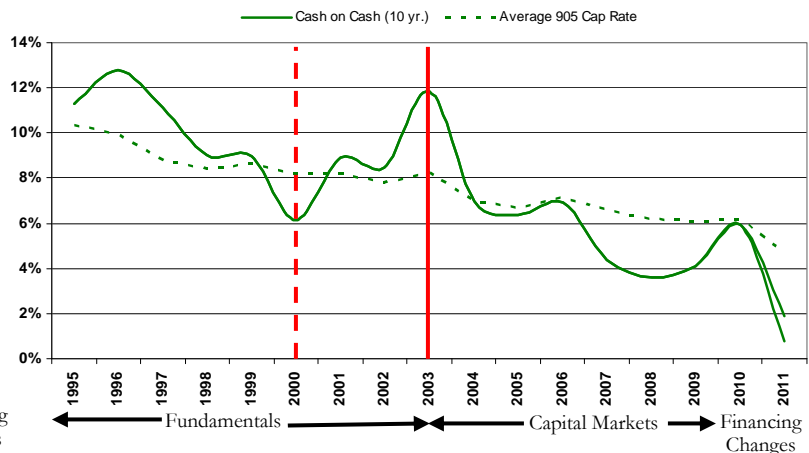
- Cash on cash returns (“CoCr”) in the GTA have retreated slightly in the 416 area and retreated more aggressively in the 905 area. These returns have historically been calculated using the average cap rate for the year, assuming that all purchases are NHA financed at an 80% loan-value ratio on a 5-year term and 25-year amortization. However, for the first time in 2011 we have modified our model to mirror the general trend of longer term and lower leverage and we have added a 65% loan-value ratio/ten-year term option.
- CoCr in 2008 had compressed to their lowest levels in 14 years, reaching 1.04% in the 416 area and 3.6% in the 905 area. CoCr increased in 2009 to 3.63% and 4.12% in the 416 and the 905 areas respectively and continued to increase to 6.71% and 5.93% in 2010.
- 2011CoCr-416 was 5.98% (5yt) and 5.03% (10yt) while the 2011CoCr-905 was 0.77% (5yt) and 1.87% (10yt). The 905 sample may be biased since there are only three sales represented.
- The lower CoCr is following the lower cap rate trend. Average 2011 cap rates were 4.68%-416 and 5.88%-905. These numbers are lower than the 2010 6.17%-416 and 6.35%-905
- Lower 2011 returns are a function of two factors. Obviously, increased availability of capital at lower cost within this alternative lower return environment is having a major impact. Another contributor is the flight to safety provided by the safe environment of apartment rental investment in the GTA, Canada’s major economic driving force and immigration draw. There is also a quality of asset factor that may affect returns. Returns are obviously lower for better quality assets. These lower returns may also indicate that vendors having sold lesser quality assets have now selected better quality assets to sell. Private investors have sold for strategic and planning issues while Institutional investors have not had serious reasons to sell assets.
- The common wisdom of the day is that pricing will remain at these levels as long as financing conditions remain. Purchasers can afford to pay these prices when financing markets are as attractive as they are today. Vendors on the other need to pay attention to the direction of such financing conditions because when the music stops, it will stop abruptly without much warning. In other words, the propensity for the values to improve further over the short term is a lot less than the propensity for values to deteriorate.



416 - Cash on Cash | Cap Rate



905 - Cash on Cash | Cap Rate



Retrospective

Market leasing fundamentals were the primary drivers from 1995 to 2003. Declining expected cash-on-cash returns from 1995 to 2000 reflected optimism and expectations of capital growth, based on favourable rental fundamentals such as low vacancies, guaranteed rental increases, minimal releasing costs, and low rollover.

Investors required a higher cash-on-cash return to cushion the weaker fundamentals beginning in 2000. A strong move to condominium rentals and to home ownership at the time caused vacancy rates to rise, depressing income gains and increasing releasing costs.

Leasing fundamentals had not improved by 2003-04 and yet cash-on-cash returns reversed back to their earlier downward trend. This trend continued through 2008. Capital markets had become a primary driver of the rental apartment market by that time. The cash-on-cash returns were driven lower by the lack of attractive alternative investment opportunities.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
905 Apartments																	
Total 905 Sales \$ Volume	\$106,970,000	\$195,382,000	\$140,627,986	\$276,357,327	\$155,897,327	\$181,914,000	\$117,861,550	\$323,716,702	\$138,756,824	\$102,675,873	\$170,055,930	\$82,903,600	\$32,455,000	\$103,590,000	\$81,390,000	\$80,700,000	\$84,510,000
Average 905 Price per Suite	\$49,841	\$54,670	\$62,458	\$73,196	\$74,866	\$85,505	\$84,976	\$105,640	\$85,426	\$96,460	\$73,916	\$76,818	\$108,515	\$107,570	\$78,035	\$117,354	\$137,204
Average 905 Cap Rate	10.35%	9.96%	8.81%	8.41%	8.63%	8.17%	8.19%	7.81%	8.23%	6.98%	6.70%	7.13%	6.60%	6.17%	6.10%	6.17%	4.68%
Average 905 Income per Suite	\$4,978	\$5,231	\$5,319	\$5,987	\$7,454	\$6,359	\$7,345	\$8,214	\$8,226	\$6,922	\$6,180	\$5,631	\$7,025	\$6,859	\$4,760	\$7,200	\$6,989
Total 905 Units	2,064	3,691	2,268	4,007	1,900	2,091	1,304	3,140	1,552	1,064	2,101	85	301	963	1,043	681	602
Average 905 Units	318	336	174	250	173	190	163	224	194	152	191	214	151	193	209	170	201
Mortgage Constant	9.69%	8.77%	7.81%	8.21%	8.44%	7.67%	7.67%	7.32%	6.89%	6.72%	6.55%	7.27%	7.52%	6.68%	6.44%	6.01%	6.11%
Cash on Cash (10 yr.)	11.28%	12.79%	11.15%	9.01%	8.96%	6.15%	8.91%	8.49%	11.82%	6.97%	6.36%	6.92%	4.37%	3.60%	4.12%	5.93%	1.87%
Cash on Cash (5 yr.)	11.28%	12.79%	11.15%	9.01%	8.96%	6.15%	8.91%	8.49%	11.82%	6.97%	6.36%	6.92%	4.37%	3.60%	4.12%	5.93%	0.77%
Income/Cost per Suite	9.99%	9.57%	8.52%	8.18%	9.96%	7.44%	8.64%	7.78%	9.63%	7.18%	8.36%	7.33%	6.47%	6.38%	6.10%	6.14%	5.09%
416 Apartments																	
Total 416 Sales \$ Volume	\$251,004,087	\$387,533,713	\$516,850,840	\$334,088,340	\$399,935,702	\$241,777,000	\$288,457,195	\$311,233,793	\$251,783,000	\$757,984,147	\$251,531,938	\$354,514,234	\$325,507,807	\$182,804,600	\$126,575,000	\$363,140,895	\$486,718,504
Average 416 Price per Suite	\$42,912	\$47,037	\$56,352	\$53,753	\$67,249	\$80,249	\$69,721	\$76,835	\$81,576	\$79,924	\$109,583	\$78,583	\$103,780	\$96,213	\$86,695	\$84,967	\$90,893
Average 416 Cap Rate	9.97%	9.38%	9.18%	8.50%	7.89%	7.47%	7.97%	8.01%	7.75%	6.99%	6.73%	7.20%	6.23%	5.70%	5.99%	6.35%	5.88%
Average 416 Income per Suite	\$4,343	\$4,037	\$4,722	\$4,533	\$5,266	\$5,639	\$5,409	\$5,650	\$5,820	\$5,788	\$7,597	\$5,405	\$5,431	\$5,423	\$5,191	\$5,738	\$5,394
Total 416 Units	7,905	9,530	10,935	6,924	5,886	2,990	4,199	4,603	2,839	9,611	2,328	4,321	3,259	1,900	1,460	3,971	5,330
Average 416 Units	439	307	296	192	294	214	200	354	258	331	259	216	326	211	146	199	333
Mortgage Constant	9.69%	8.77%	7.81%	7.92%	8.21%	8.44%	7.67%	7.32%	6.89%	6.72%	6.55%	7.27%	7.52%	6.68%	6.44%	6.01%	6.11%
Cash on Cash (10 yr.)	9.63%	10.27%	12.76%	9.40%	5.74%	3.11%	7.96%	9.36%	9.73%	7.01%	6.51%	7.22%	2.76%	1.04%	3.63%	6.71%	5.03%
Cash on Cash (5 yr.)	9.63%	10.27%	12.76%	9.40%	5.74%	3.11%	7.96%	9.36%	9.73%	7.01%	6.51%	7.22%	2.76%	1.04%	3.63%	6.71%	5.98%
Income/Cost per Suite	10.12%	8.58%	8.38%	8.43%	7.83%	7.03%	7.76%	7.35%	7.13%	7.24%	6.93%	6.88%	5.23%	5.64%	5.99%	6.75%	5.93%
Difference in Cap Rates	0.38%	0.58%	-0.37%	-0.09%	0.74%	0.70%	0.22%	-0.20%	0.48%	-0.01%	-0.03%	-0.07%	0.37%	0.47%	0.11%	-0.18%	-1.20%
BLENDED																	
Total Sales \$ Volume	\$357,974,087	\$582,915,713	\$657,478,826	\$610,445,667	\$555,833,029	\$423,691,000	\$406,318,746	\$634,950,495	\$390,539,824	\$860,660,020	\$421,587,868	\$437,417,834	\$357,962,807	\$286,394,600	\$207,965,000	\$443,840,895	\$571,228,504
Average \$ per Suite	\$46,377	\$50,853	\$59,405	\$63,475	\$71,058	\$82,877	\$77,349	\$91,238	\$83,501	\$88,192	\$91,749	\$77,701	\$106,147	\$100,033	\$83,086	\$90,365	\$98,205
Average Cap Rate	10.2%	9.7%	9.0%	8.5%	8.3%	7.8%	8.1%	7.9%	8.0%	7.0%	6.7%	7.2%	6.4%	5.9%	6.0%	6.31%	5.64%
Average Income per Suite	\$ 4,661	\$ 4,634	\$ 5,020	\$ 5,260	\$ 6,360	\$ 5,999	\$ 6,377	\$ 6,932	\$ 7,023	\$ 6,355	\$ 6,888	\$ 5,518	\$ 6,228	\$ 5,962	\$ 4,729	\$ 6,381	\$ 5,713
Total Units	9,969	13,221	13,203	10,931	7,786	5,081	5,503	7,743	4,391	10,675	4,429	4,406	3,560	2,863	2,503	4,652	5,932
Average Units	379	322	235	221	234	202	182	289	226	242	225	215	238	205	100,033	194	312
Mortgage Constant	9.69%	8.77%	7.81%	7.92%	8.21%	8.44%	7.67%	7.32%	6.89%	6.72%	6.55%	7.27%	7.52%	6.68%	6.44%	6.01%	6.11%
Apartment Cash on Cash Return	10.31%	11.01%	12.40%	9.27%	6.92%	4.54%	8.25%	8.82%	10.27%	6.66%	6.80%	8.79%	3.07%	1.47%	3.68%	6.53%	4.41%
Income/Cost per Suite	10.05%	9.11%	8.45%	8.29%	8.95%	7.24%	8.24%	7.60%	8.41%	7.21%	7.51%	7.10%	5.87%	5.96%	5.69%	7.06%	5.82%
5 year Bond Rate				5.13%	5.47%	5.96%	4.99%	4.58%	4.00%	3.82%	3.59%	4.12%	4.22%	3.01%	2.41%	2.45%	
10 year Bond Rate				5.30%	5.55%	5.89%	5.47%	5.29%	4.79%	4.59%	4.05%	4.22%	4.28%	3.58%	3.58%	3.20%	
Spread between cash on cash and 10 yr bond rates				3.97%	1.36%	-1.35%	2.78%	3.53%	5.48%	2.07%	2.75%	4.56%	-1.21%	-2.11%	0.10%	3.33%	4.41%
905 CoC less 416 Coc	1.65%	2.52%	-1.61%	-0.39%	3.22%	3.04%	0.95%	-0.87%	2.09%	-0.03%	-0.14%	-0.30%	1.61%	2.57%	0.49%	-0.78%	-3.16%