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Your Community Real Estate News *Spring 2012*

Market Watch

Greater Toronto REALTORS® reported 10,350 transactions in April 2012. This level of sales was 18 per cent higher than the 8,778 firm deals reported in April 2011. The strongest sales growth was reported in the single-detached market segment, with transactions of this home type up by 22% compared to a year ago. "Interest in single-detached homes has been very high, both in the City of Toronto and surrounding regions. Growth in single-detached listings has not kept up with demand, which means competition between buyers in this market segment increased. With this in mind, it was no surprise that the strongest annual price increase was also experienced in the single-detached segment," said Toronto Real Estate Board President, Richard Silver.

The average price for April 2012 transactions was $517,556 – up 8.5% compared to April 2011. While price growth was strongest for single-detached homes, the better-supplied condominium apartment segment experienced a more moderate annual rate of price growth, at 4%. The average selling price for condominium apartments in the first quarter of 2012 was $334,952 – up by 3.7% from $322,857 in the first quarter of 2011. TREB reported 5,027 condominium apartment transactions in the first quarter of 2012. This result was up by 2% in comparison to the first quarter of 2011. "Monthly mortgage payments remain affordable for home buyers in the Greater Toronto Area. While interest rates are generally expected to increase over the next two years, the extent and timing of rate hikes has been thrown into question by slower than expected economic growth in the first quarter of this year. On net, borrowing costs are expected to remain a positive factor influencing home sales through 2012," said Jason Mercer, TREB's Senior Manager of Market Analysis.

Updates From Our Office

Inside This Issue

Well, it wasn't as big as the Oscars, but our Team has been racking up awards since our last newsletter. Irene, Bridgette and I were the 2011 Top Earning Team for Keller Williams across Canada for the 2nd year in a row. We also once again won the Platinum Sales Award for KW International, and were in the top 25 for total units sold in 2011. We've also been profiled in OutFront Magazine, were both invited to be panelists at real estate conferences in Ottawa and Orlando, and have been frequent guests of the Globe and Mail's Real Estate "Done Deals" section. But don't worry, with no offers to star in Hollywood blockbusters tabled by Spielberg, Scorsese or even Judd Apatow, life here at the K/B Team offices remains as normal as always. The only gossip columns we've been mentioned in have had to do with the opening of a Keller Williams market center in the Bloor West/Kingsway area…and that's not gossip…that's a reality.

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Caviar Condos to Hit Toronto Market

(Excerpted from Reporting By Andrea Hopkins for Reuters; Editing by Janet Guttsman)

The model of ultra-fine condos attached to luxury hotels isn't new, cities like Hong Kong and New York are full of them. By the end of this summer, Toronto will have four such projects, the Four Seasons, Ritz Carlton, Trump and Shangri-La open massive towers in a city where a red-hot market for all types of housing has brought rising concern about a real estate bubble.

The granite-and-glass towers, including two of Canada's tallest residential buildings, are opening in quick succession, adding hundreds of hotel rooms and more than a thousand condominiums just as Canadian housing hype hits a fever pitch. Signs of success are mixed. None of the four projects, whose condos cost from just under C$1 million to C$28 million, has sold out, and the push by developers to sell their remaining units before a resale market kicks in has the feel of a ticking time bomb. With the Ritz Carlton already open and the other three not-fully-sold projects due to hit the market this summer, the developers will compete with sellers of their own luxury condos as speculators and investors try to cash in. While all four projects boast paper profits for early investors, the simultaneous sale of dozens - perhaps hundreds of exquisite suites may prove too much of a good thing. The Trump project, a 65-story paragon of glitz with a "champagne and caviar" theme, appears the most troubled. Plagued by bad press, construction delays, disgruntled buyers and a hybrid model of residences and pooled hotel condos, the project has the largest proportion of unsold units despite being the first to open its sales office, in 2004. Talon said 80% of the tower's 379 units have sold, powered by the hotel condos, currently priced from C$967,000. But 40% of the residential condos, priced between C$2.3 million and C$6.3 million, remain unsold. It said Trump has the most left to sell because it has twice the number of units as competitors at the Four Seasons and Ritz Carlton, and focused first on selling its hotel rooms. The Ritz Carlton, Four Seasons and Shangri-La projects have kept their condo and hotel rooms separate. The condo owners have access to hotel amenities but no direct stake in its operation.

Trump, on the other hand, is trying to sell all its hotel rooms to private investors as condos. Owners can live in the suites, or put the rooms into a rental pool and take a cut of income from the hotel guests staying there. The business structure means buyers of the pooled hotel condo units are subject to commercial tax rates rather than lower residential rates, and the bar for financing is higher. "I called every major lender regarding Trump, and the only one I could find that was willing to finance was HSBC," said Callum Ross mortgage consultant Jason Frieson. "There were some units that had C$20k annual property taxes for an C$800k or 1,500 square foot unit because it was zoned commercial. So lenders wouldn't touch it." [Editor's note: this was part of the issue that plagued the One King West project more than 5 years ago.] *Real estate lawyer Bob Aaron, who represents "a handful" of disgruntled Trump buyers, said some are trying to get out of their contract or walking away from C$250k down payments. "The monthly costs are too high, or they realized too late that they had overpaid, or can't finance it, or didn't realize they were getting into a business venture superimposed on property ownership," he said. "They had very smooth sophisticated marketing, and I think buyers were dazzled by being partners with Donald Trump." The American property mogul has licensed the Trump name to the project but has no part in owning or operating the tower.*

The debate about who is buying the units dogs Toronto's condo boom. There are no figures for foreign buyers in Canada, which is seen as a financial safe haven amid global woes, but talk of affluent Asian, European and Middle Eastern investors abounds. Janice Fox, director of sales at the Four Seasons, estimates 30 to 40% of buyers there have been foreign, but she said they intend to live in the units, at least part of the year. Some 90% of the Four Seasons 210 condos have been sold, including one last year for C$28 million, the highest price ever paid for a Canadian condominium. That buyer is foreign, but the family intends to move to Toronto, Fox said. The resale market may be a gold mine for early buyers, as some prices have doubled since the first investors signed on in 2004 or 2007. "There's been a big gain in price. There's probably a small group who bought in 2007 who has had a massive gain and want to cash out on that," said Michael Braun, marketing manager for Shangri-La developer Westbank Corp. With more than 50 of 393 units remaining to be sold before August, when contracts close and buyers can start re-selling, Braun says it could take until early 2014 before Shangri-La sells all of its units.

Realtors estimate between 10 and 20% of pre-construction sales are made by investors who intend to flip the units as soon as the deals close. The Ritz Carlton, open since mid-2011, is a cautionary tale of the risk of resale. More than 90% of its 159 units have been sold - but nearly two dozen are back on the resale market, diluting the sales power of the developer. "I think the values have been hurt at the Ritz, where you've had some powers of sale," said real estate agent Brian Persaud of our Keller Williams Advantage office, referring to forced sales due to mortgage default. As the summer openings of the three other projects approach, developers and investors seem to have one eye on the clock and one eye on historically low interest rates, desperate to sell before the talk of a bursting Toronto condo bubble comes true. Persaud believes all the luxury condos will be sold, especially once resale values stabilize and buyers can get a first-hand look at the finished five-star product. "I don't think they'll be vacant forever," he said. "Eventually the market will catch up to it, but there is going to be blood in the streets for a while."

Hottest Rental Markets in Southern Ontario
(Written by Peter Mitham)

Canada Mortgage and Housing Corp.'s latest survey of Canada's rental markets yields some surprising finds and some long-term winners. In times of economic uncertainties, both tenants and landlords want a property that makes the best use of their money. For landlords, however, cash flow remains king. Some perennially tight markets, like Vancouver, have been in vogue with foreign investors who see good, long-term potential in a market where new apartment blocks aren't being built. Many other markets in Canada are also seeing the purpose-built rental stock shrinking. (The total number of purpose-built rental units in Canada actually increased by 5,648 units last year, however.) The cities that showed the most potential to investors were those in transition, or on the fringes of tight markets. Suburbs of Montreal, the resource-driven economies of the Prairies that got a boost from resurgent oil and gas exploration last year and the rustbelt towns of southern Ontario were all where the opportunities were – and may well continue to be – through 2012. What follows is a series of Toronto area markets that repeatedly surface when the numbers from Canada Mortgage and Housing Corp.'s latest Rental Market Statistics publication are crunched and sorted. A wealth of additional information for each province and what the statisticians term "Census Metropolitan Areas" is available online at ***www.cmhc.ca****.*

Barrie

One of the fastest-growing metropolitan areas in Ontario, Barrie can attribute much of its growth to that of Toronto, 90 kilometres south. It effectively serves as a bedroom community of the larger metropolis, with a third of its residents commuting outside the municipality for work. Rental vacancies dropped 43.8% in 2011, and with minimal additions to the rental stock, tenant demand should continue to boost rents for select housing types. While one bedroom rents rose 3.9% last year to $884 a month, one of the biggest increases in the country, units of three bedrooms and more were unchanged at $1,120 a month and studio rents actually fell 1.3%. [Editor's note: we have just finalized the purchase of our second investment property in Barrie and would be happy to share our experiences with you.]

Belleville

The city's industrial base is complemented by proximity to CFB Trenton and several post-secondary and penal institutions in Kingston, an hour's drive east. Vacancies average 3.6%, but rents for one and two-bedroom apartments have posted increases that put them in the top-10 nationwide. One-bedroom apartments rent for an average of $735 a month, up 4.4% from last year, while two-bedroom suites lease for $840 a month, up 3.7% from last year.

Guelph

Guelph is close enough to Toronto to serve as a bedroom community, but its eponymous university also provides a stable base of institutional jobs and government-funded research programs. Auto parts manufacturer Linamar is the city's single-biggest employer, helping keep the local unemployment rate among the lowest in Canada. The various enterprises supports a rental market catering to students and residents connected to the city's institutions. Rental vacancies fell 62.5% last year, hitting 1.2%, a trend that promises upward pressure on rents which spent the last year lagging the inflation rate.

Oshawa

Hard times for auto manufacturers have hit Oshawa, but statistics show rental vacancies tumbled 43.3% here last year. Vacancies now sit at 1.7%, while two-bedroom rents have increased 4.1% to $941 a month. Other types of rental units have kept pace with inflation. Proximity to Toronto has undoubtedly helped the rental market here whether the economic storms of recent years, while being far enough out of the city means Oshawa offers a more relaxed pace of life.

Brantford

The last half of the 20th century was not kind to Brantford, but with vacancies down 53.8% in 2011 it has given landlords cause for cheer. Small additions to the rental stock underscore investor interest, driven by the presence of some large industrial concerns and proximity to Toronto. A bedroom community with jobs of its own to offer residents, it is bolstering its ability to weather economic storms. Studio rents posted the second-biggest increase of any metropolitan area in Canada last year, hitting $654 a month – a 10.5% increase from 2010. One-bedroom rents rose 4.5% to $726 a month.

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We're always interested in hearing your success stories from experiences you've had with service and trades people. Please let us know if you think someone you've worked with in the past would be a good addition to this directory.