The Altus Group Condominium Apartment Monitor

GTA Edition

Data as of August 2018

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August 2018			YTD August 2018	
Sales	Inventory	Benchmark Price	Sales	Benchmark Price
803	8,842	$784,512	11,494	$752,391
-1% ▼	18% ▲	22% ▲	-55% ▼	29% ▲
Lowest August since 2013	*2nd lowest August since 2001*	*Record high*	*Lowest YTD since 2013*	*Record high*

% change is from same period a year earlier

Highlights

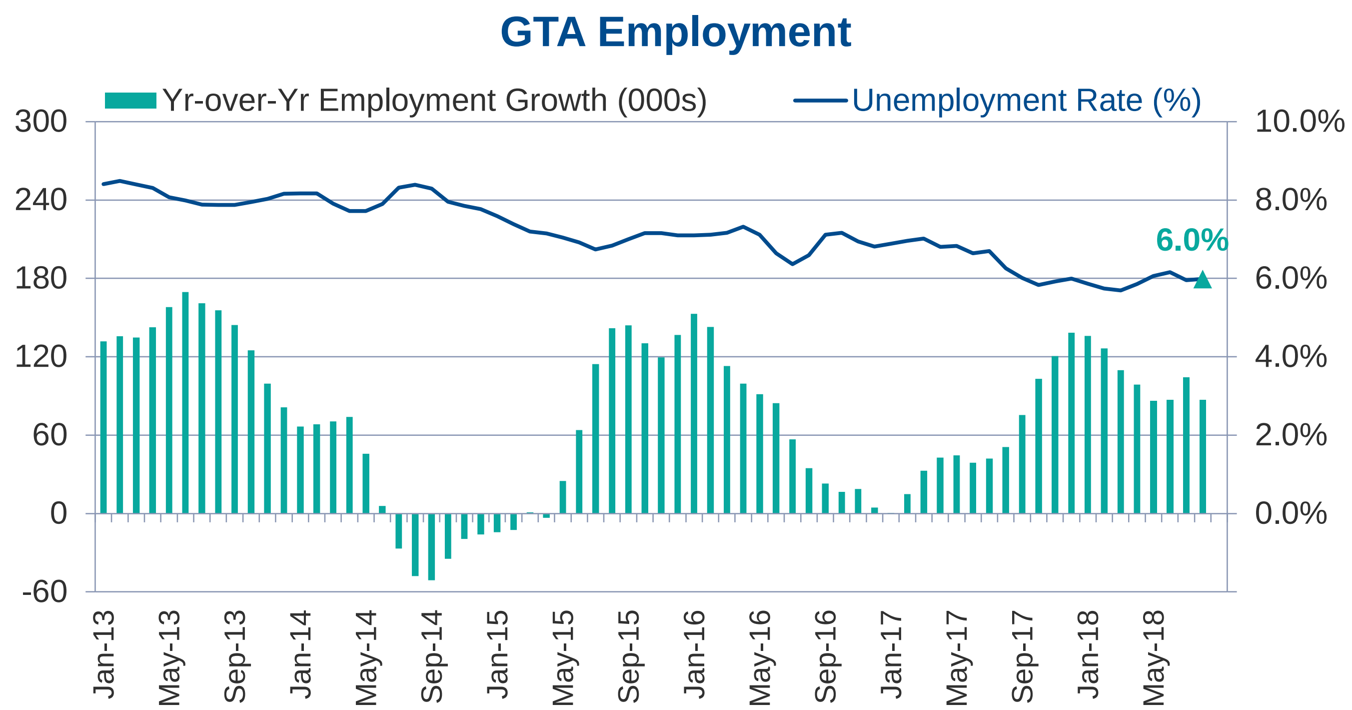
- **August was another very quiet month** in the GTA new condominium apartment market. However, August is typically one of the slowest months of the year for both sales and new project openings (along with December and January). While both buyers and builders are being cautious, some pickup in sales is expected this fall, as more new product launches.
- **The market going forward will be influenced by the cancellation of another high-profile, virtually sold out, project in September**. Some buyers from recently cancelled projects will be back in the market; their experience will likely lead them, as well as many other buyers, to opt for builders with more established track records. While well-located new product offerings will still be a key driver of sales, some buyers might be expected to shift their preference towards available product currently under construction, to ensure a higher degree of certainty of delivery.

GTA Condominium Apartment Key Performance Indicators

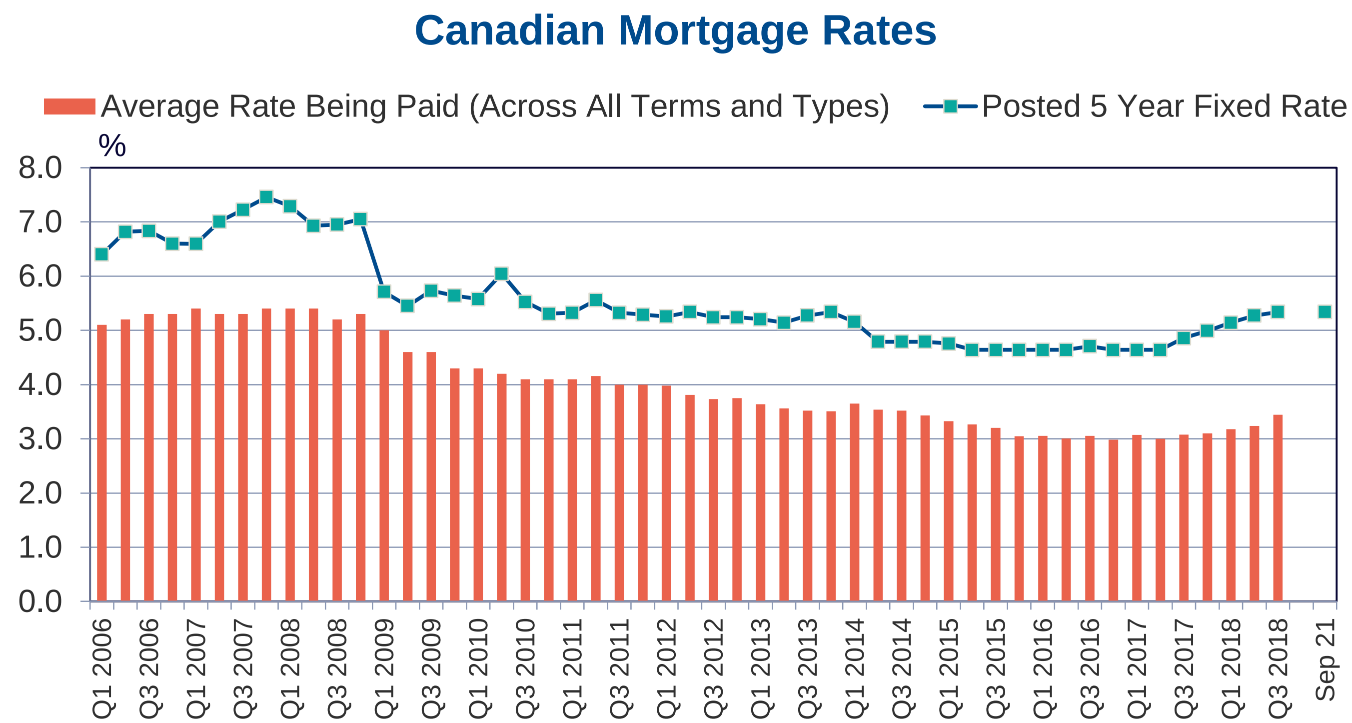
	Aug-17	Jul-18	Aug-18	*Yr-Over-Yr % Change*	YTD Aug 2017	YTD Aug 2018	*Yr-Over-Yr % Change*
New Condominium Apartments (Altus Group data)*					\		
Total active sites	256	302	301	*18%*	302	297	*-2%*
New projects opened	3	1	2	*-33%*	81	56	*-31%*
Units in new projects opened	861	331	494	*-43%*	22,292	12,753	*-43%*
Total sales (units)	812	891	803	*-1%*	25,431	11,494	*-55%*
Sales as % of total new & resale	*29%*	*31%*	*29%*		*57%*	*42%*	
Inventory (units)	7,474	9,282	8,842	*18%*	8,786	9,369	*7%*
Sales-to-inventory ratio	11%	10%	9%	*-16%*	37%	15%	*-59%*
Months of inventory	2.5	5.0	4.7	*91%*	3.2	4.2	*30%*
Benchmark price	$644,327	$774,759	$784,512	*22%*	$584,333	$752,391	*29%*
Price PSF Benchmark	$750	$863	$869	*16%*	$703	$841	*20%*
Unit size Benchmark (sq. ft)	859	897	903	*5%*	829	894	*8%*
Units completed	524	1,260	764	*46%*	9,693	10,099	*4%*
Resale Condominium Apartments (Toronto Real Estate Board data)							
Total sales (units)	1,996	2,002	2,000	*0%*	19,331	15,936	*-18%*
New listings (units)	2,914	3,383	2,961	*2%*	29,046	25,871	*-11%*
Inventory ("active listings", units)	3,593	3,984	3,592	*0%*	2,909	3,417	*17%*
Sales-to-inventory ratio	56%	50%	56%	*0%*	93%	58%	*-37%*
Months of inventory	1.5	2.0	1.8	*22%*	1.2	1.7	*47%*
Average price of units sold	$507,841	$546,984	$541,106	*7%*	$510,559	$547,964	*7%*
HPI constant quality price index (Jan 2005=100)	230.4	251.0	253.3	*10%*	220.6	246.7	*12%*

** see end of report for Definitions*

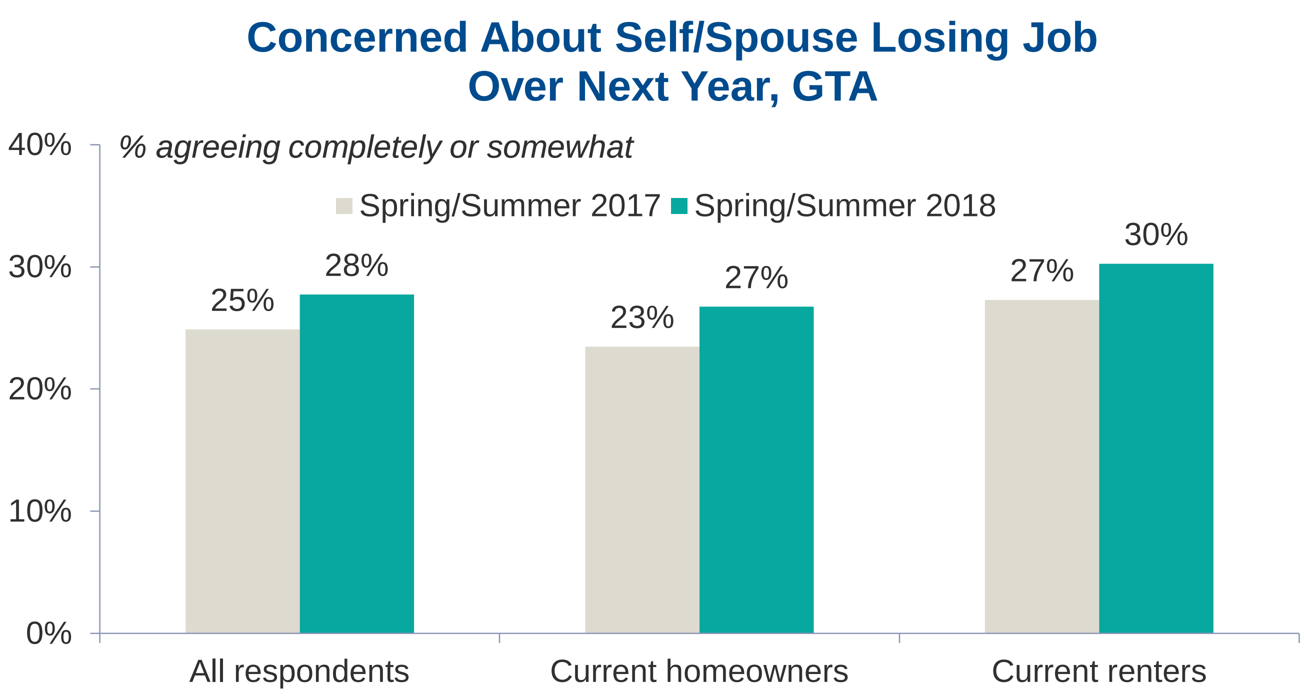
- **The unemployment rate held steady in August, despite a dip in total employment on a month-to-month basis.** On a year-over-year basis, employment remains well above last year.
- **After several modest bump-ups since the beginning of the year, posted mortgage rates have been relatively stable more recently** *(chart top of next page*), although effective rates continue to move up (according to Altus Group FIRM data) as more mortgage customers set up new mortgages, or renew, at higher rates than a year ago. The Bank of Canada maintained the target for the overnight rate at 1.5% at the latest rate announcement on September 5, but cautioned that future rate increases were still on the table: *"Recent data reinforce Governing Council's assessment that higher interest rates will be warranted to achieve the inflation target. We will continue to take a gradual approach, guided by incoming data. In particular, the Bank continues to gauge the economy's reaction to higher interest rates. The Bank is also monitoring closely the course of NAFTA negotiations and other trade policy developments, and their impact on the inflation outlook."* The next rate announcement is October 24.
- **Concern about potential job loss has increased recently and is higher than last year**, according to Altus Group's FIRM Survey (*chart bottom of next page*). So far, this does not seem to have translated into reduced homebuying intentions (which, as discussed last month, are up from last year).



Source: Altus Group based on Statistics Canada data



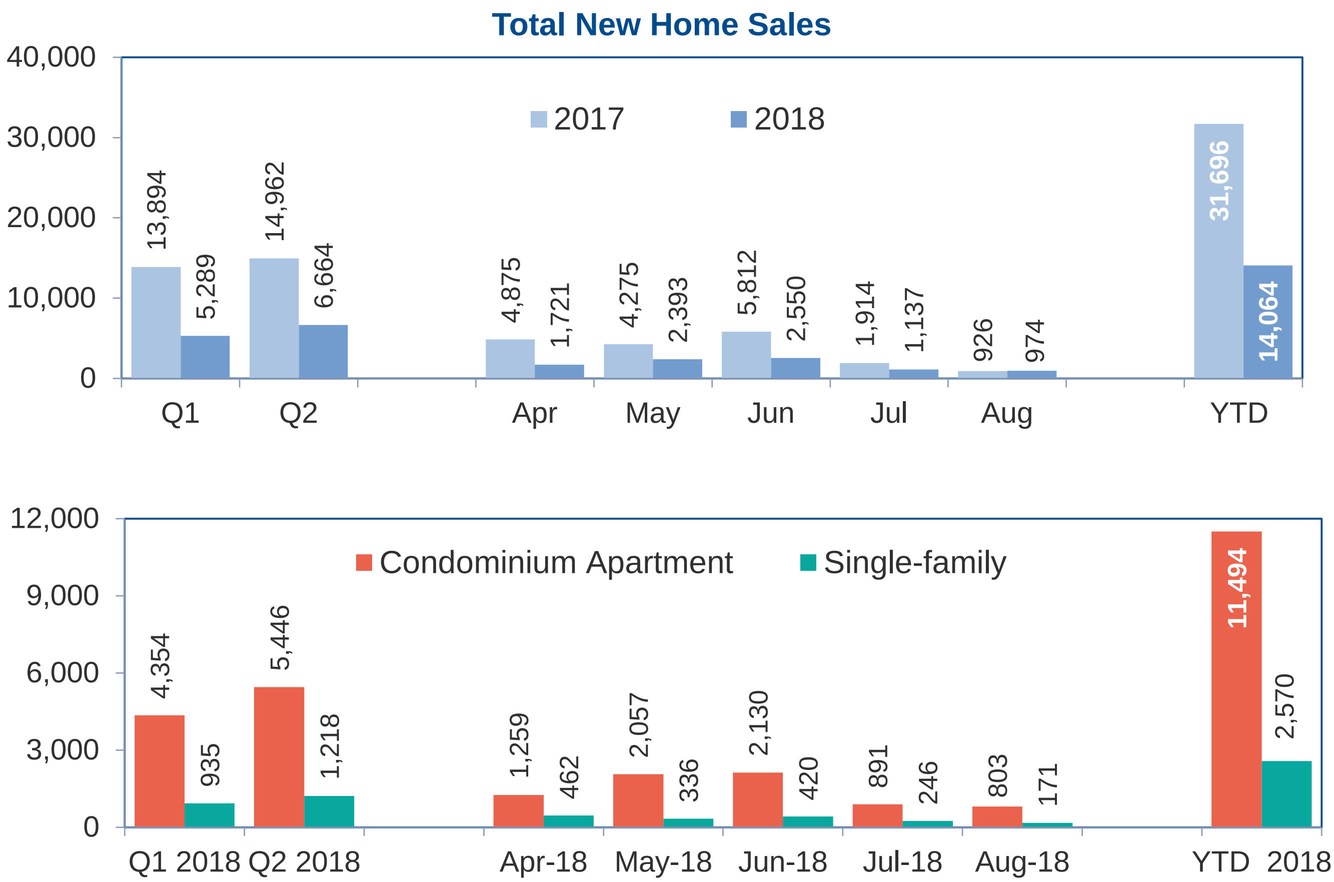
Source: Altus Group and Bank of Canada data



Source: Altus Group

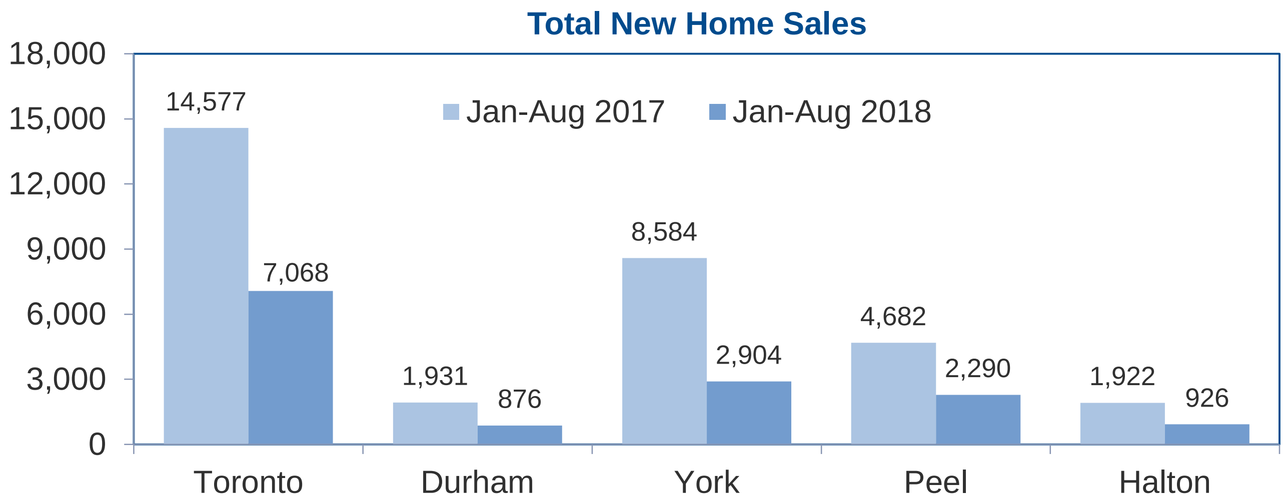
- **Total sales of new homes in the GTA were down in August compared to July**, which is the typical seasonal pattern. **August, however, was the first month this year where sales were above the comparable month in 2017.** This was entirely due to higher, but still historically low, single-family sales on a year-over-year basis; condominium apartment sales were slightly below last August.
- **Year-to-date total new home sales** remain well below last year, and **are at their lowest level in more than 20 years.**
- **New home sales year-to-date are down across the GTA regions compared to a year ago** (*charts next page*), for both single-family and condominium apartment sales.

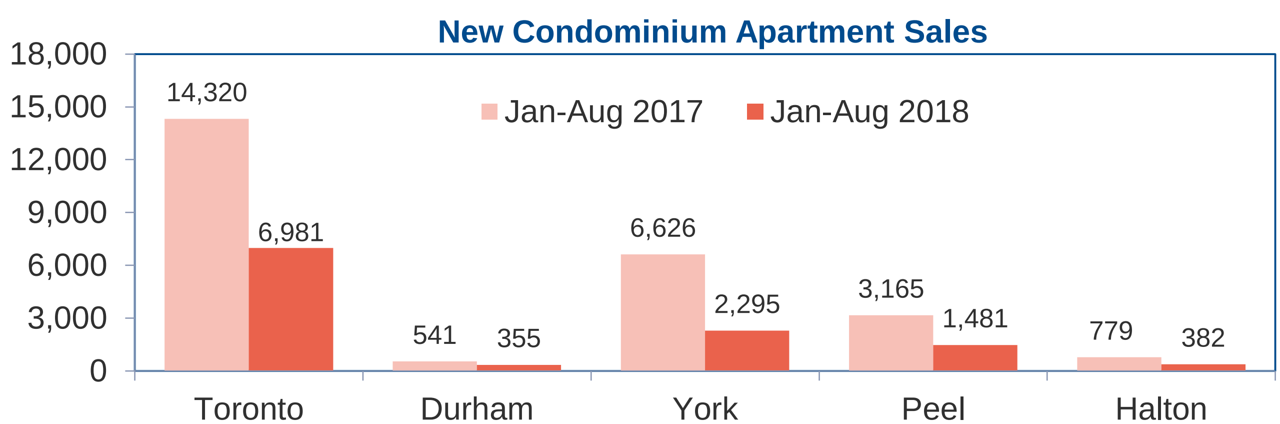
GTA New Home Sales

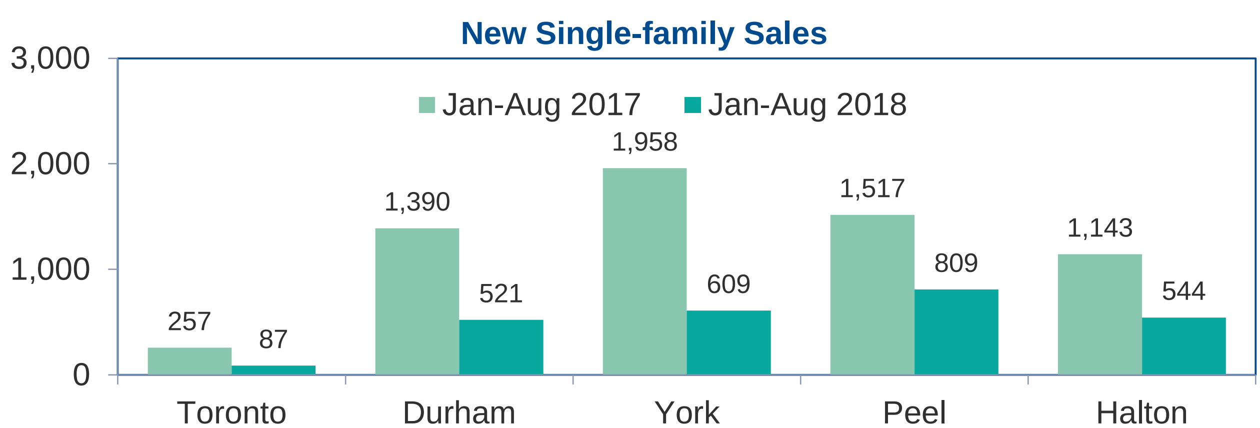


Source: Altus Group

GTA New Home Sales by Region

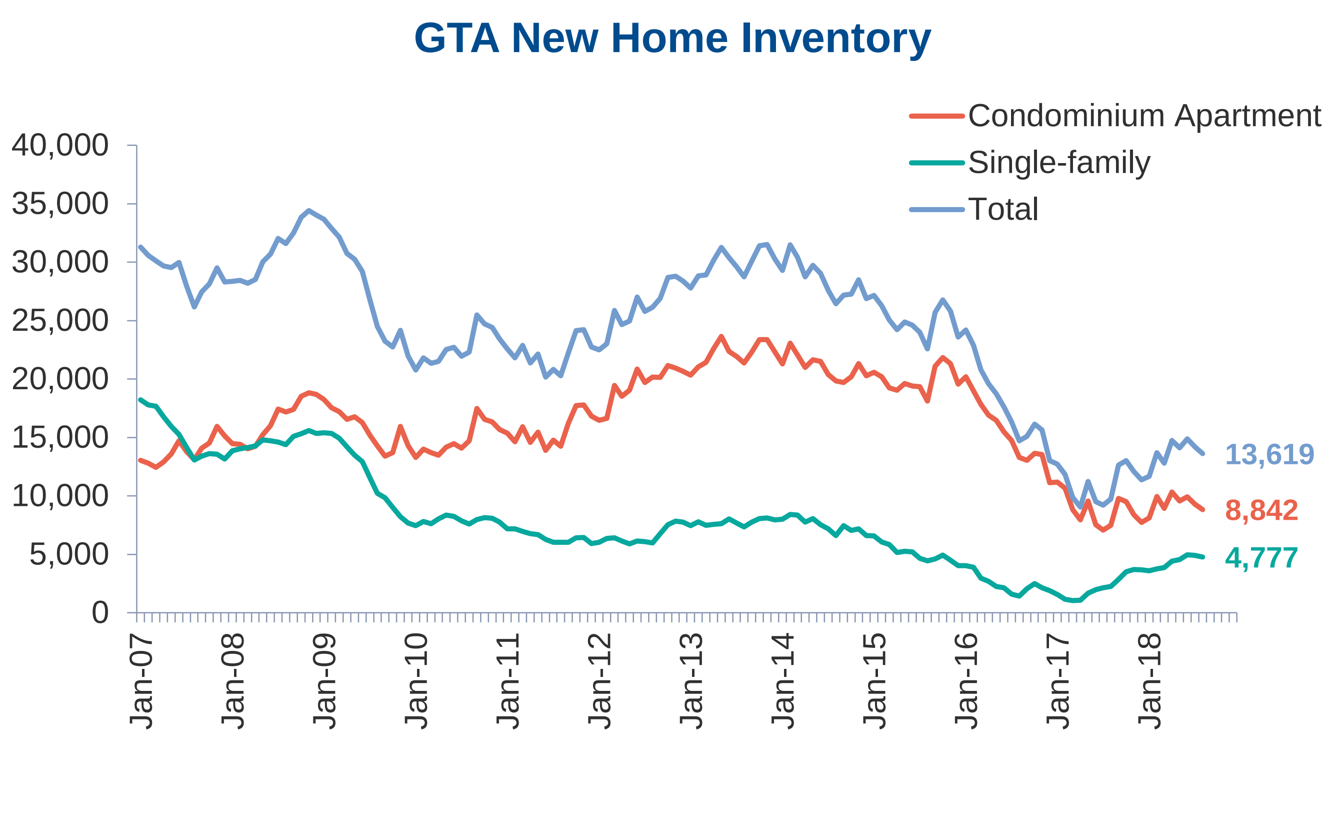






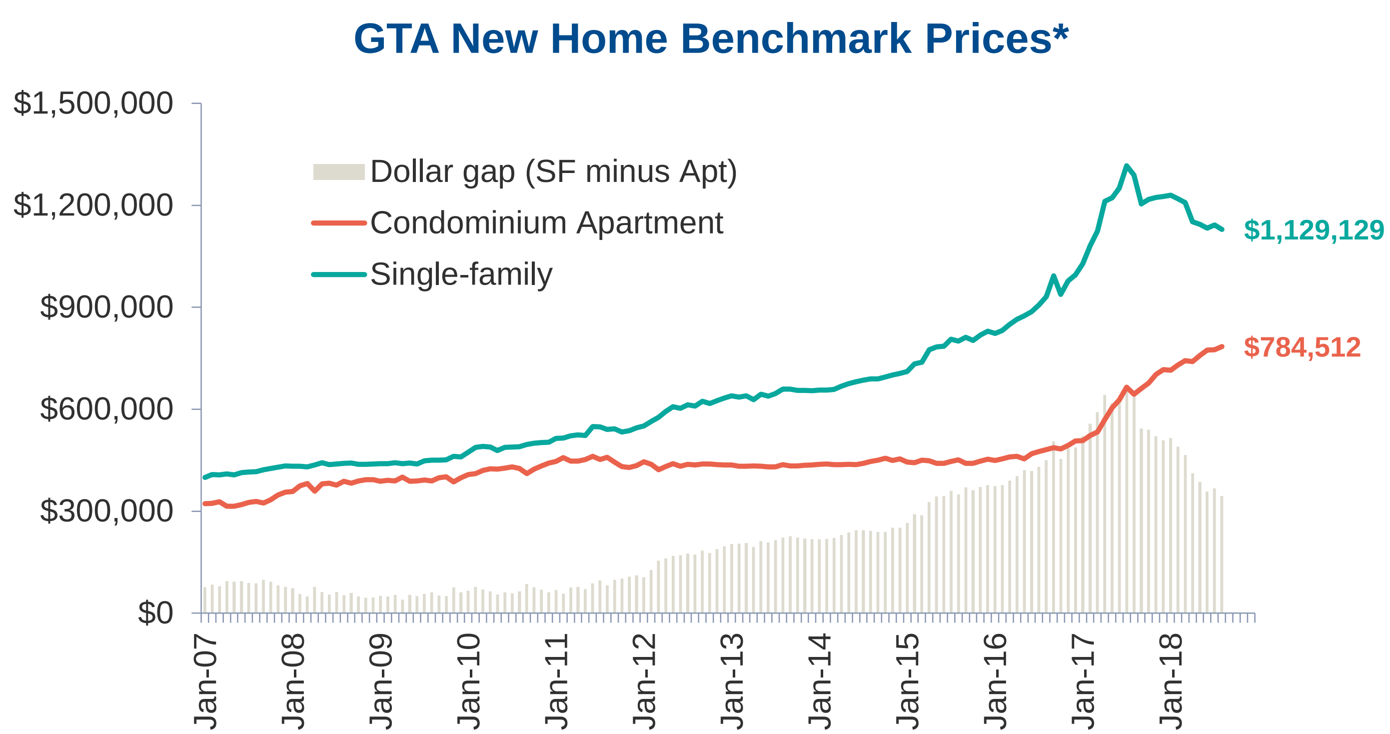
Source: Altus Group

- **Total new home inventory available to purchase was down again in August.** Lower inventories of both single-family and condominium apartment product contributed to the overall decline.
- The inventory of new single-family homes is up significantly from last year, although well below the levels from 10 years ago. **Affordability of available single-family units is still an issue**.
- **New condominium apartment inventory is also up from last August**, but still low in historical terms, at the 2nd lowest August level since 2001. Based on the pace of sales in the past 12 months, the inventory represents just under 5 months of sales, up from about 3 months a year ago, but still well below the average of about 11 months for August in the 2007-2016 period.



Source: Altus Group

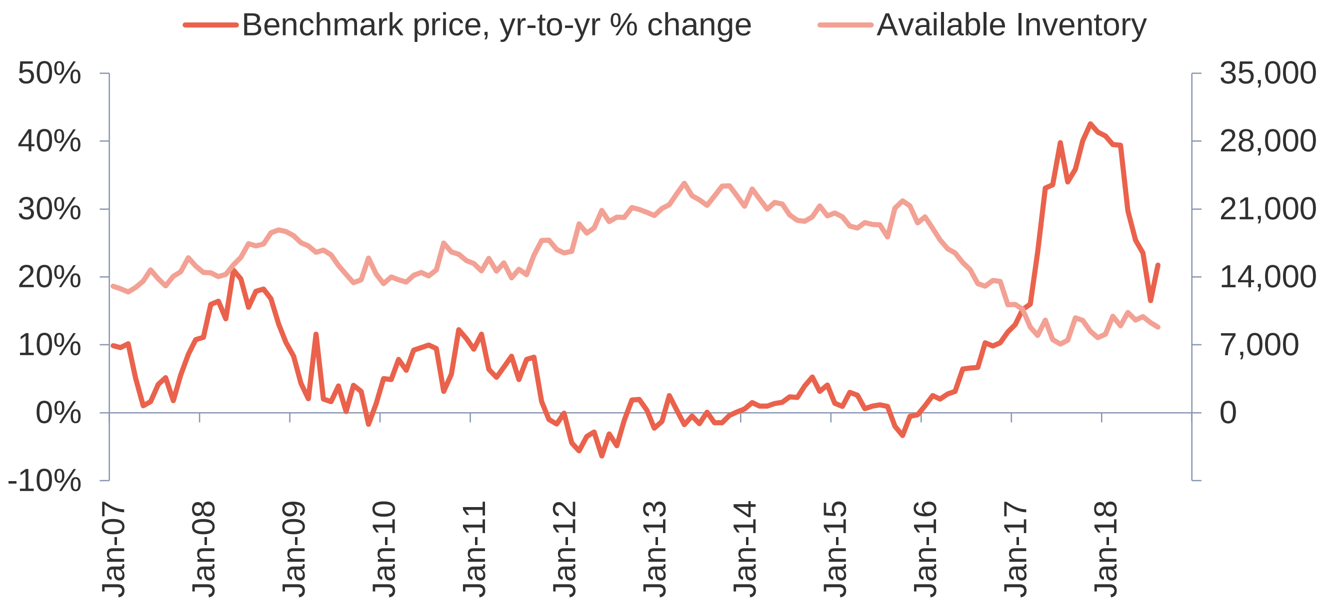
- **The Benchmark price for a new single-family home dipped in August**, and is 14% below the all-time peak set in July of last year (*chart bottom of next page)*.
- **The Benchmark price for a new condominium apartment set a new record again in August.** The August average asking price for available inventory is 22% above August 2017 (*chart top of next page*). Although year-over-year price increases had been moderating since last November, this trend reversed up in August.
- **The gap in price between a new single-family unit and condominium apartment unit has narrowed over the past year**, which has reduced some of the relative attractiveness of condominium apartments as a more affordable option.



* *Average asking price of available new home inventory at end of period with outliers removed*

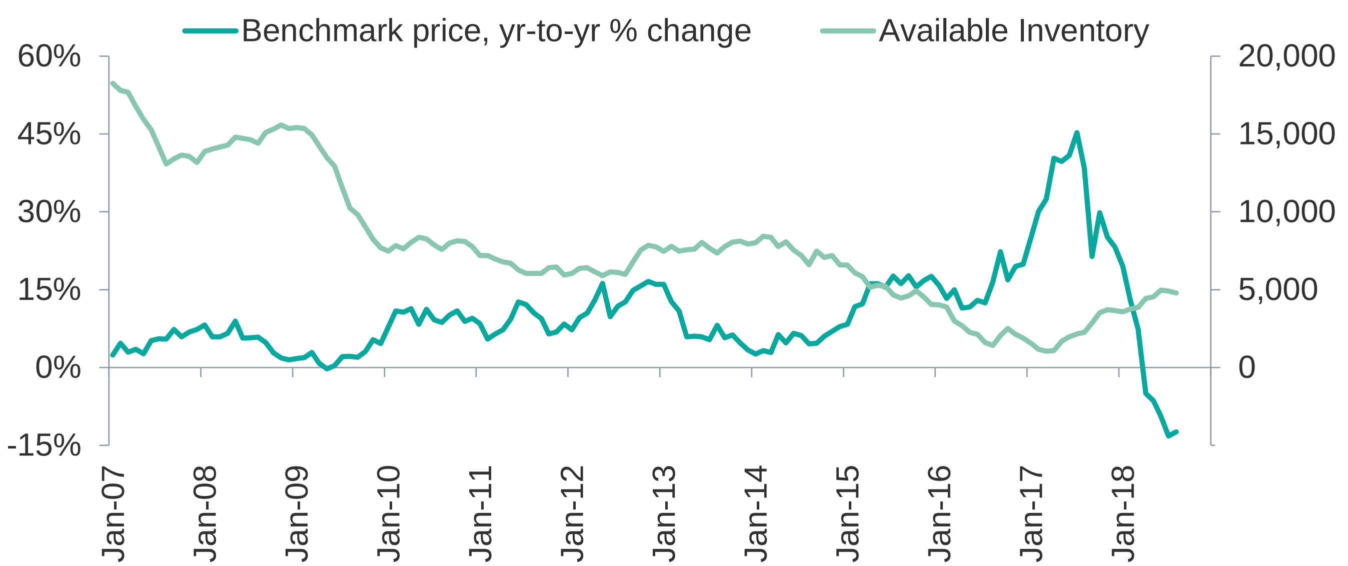
Source: Altus Group

GTA New Condominium Apartment Benchmark Price Changes and Available Inventory



Source: Altus Group

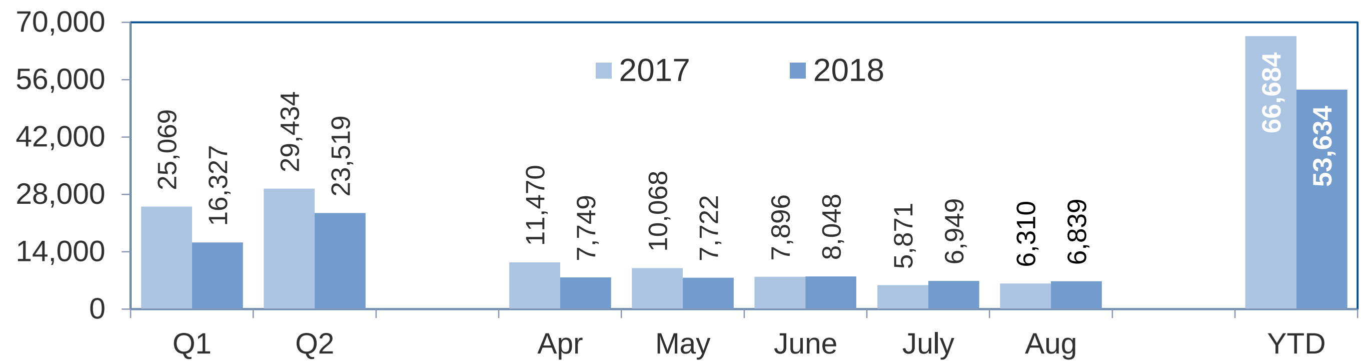
GTA New Single-Family Home Benchmark Price Changes and Available Inventory

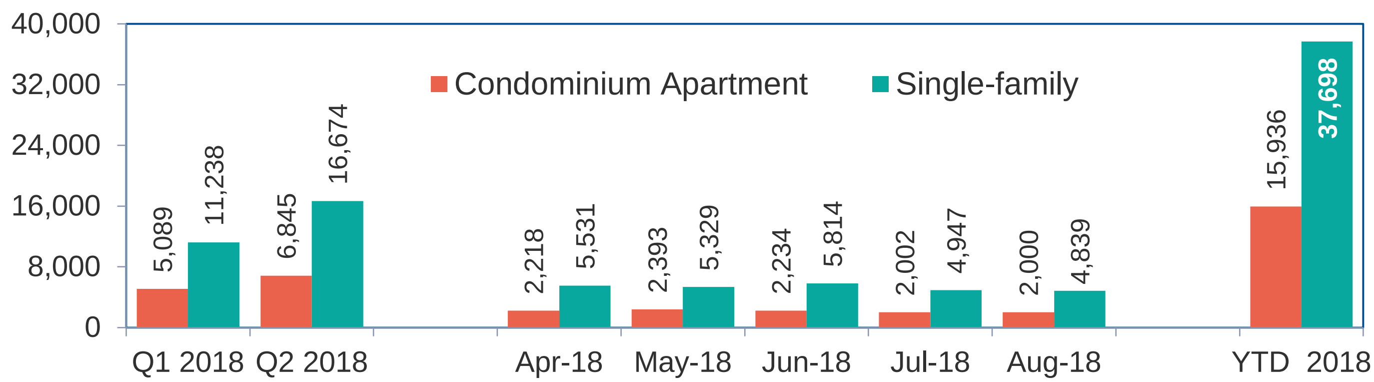


Source: Altus Group

- **Total sales of existing homes** (as reported by the Toronto Real Estate Board) **were down in August compared to July – but only slightly.** The typical seasonal pattern is for a more pronounced decline from July to August. August marked the 3rd month in a row that sales were above 2017 levels. The increase over last year was entirely due to the single-family sector.
- **Resale inventories were down slightly in August**, for both single-family and apartment product (*chart top of next page*). Single-family inventory, however, remains high in historical terms.
- **Average sales prices were down slightly in August, but ahead of last year** (*chart bottom of next page*). The overall average resale price in August was about 17% below the peak that occurred in April 2017.

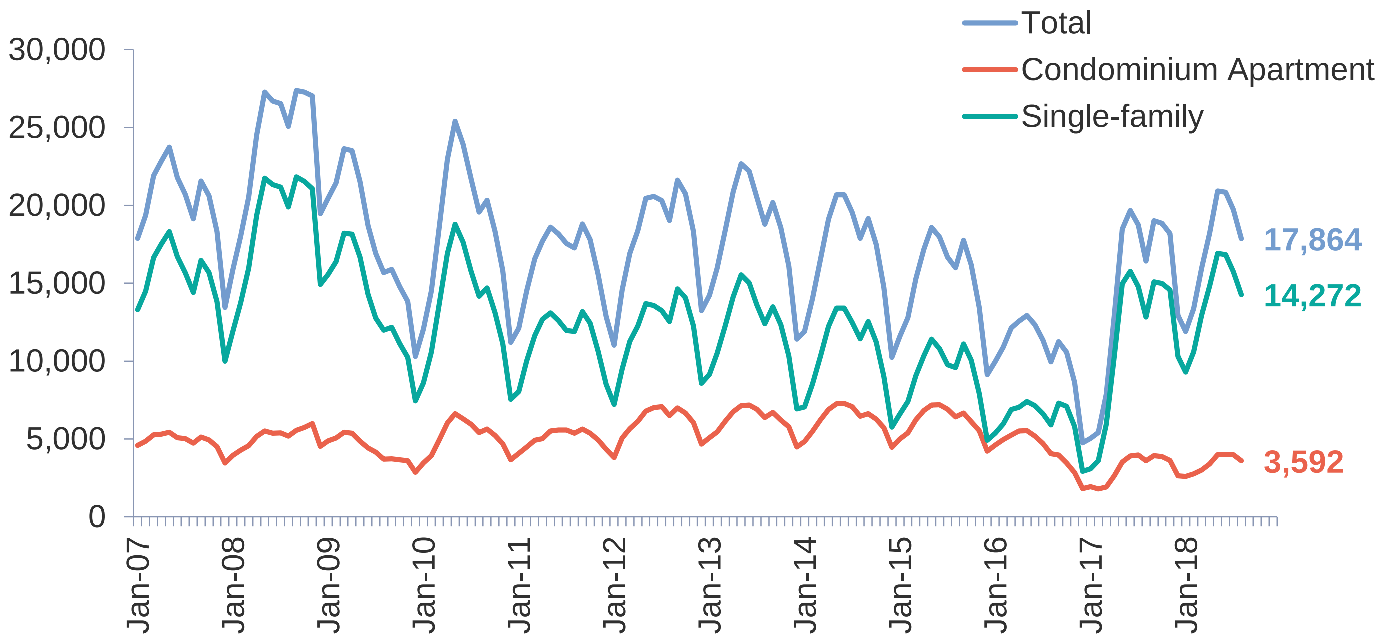
GTA Resale Home Sales





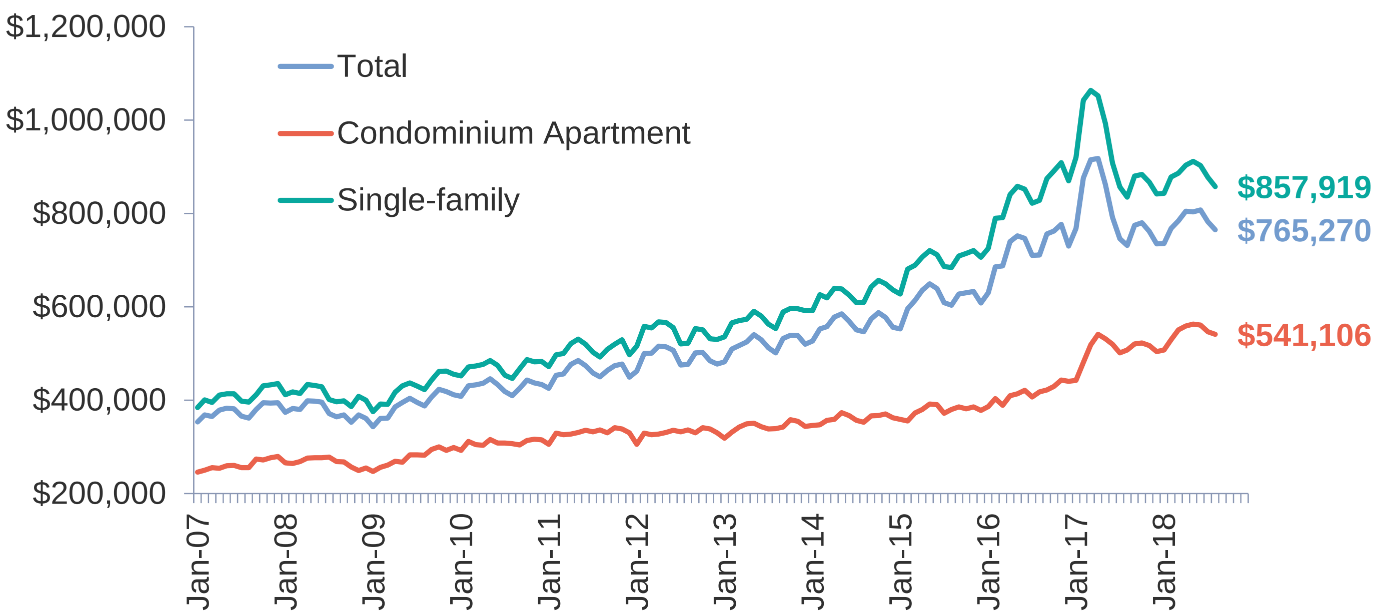
Source: Altus Group based on Toronto Real Estate Board data

GTA Resale Home Inventory ("Active Listings")



Source: Altus Group based on Toronto Real Estate Board data

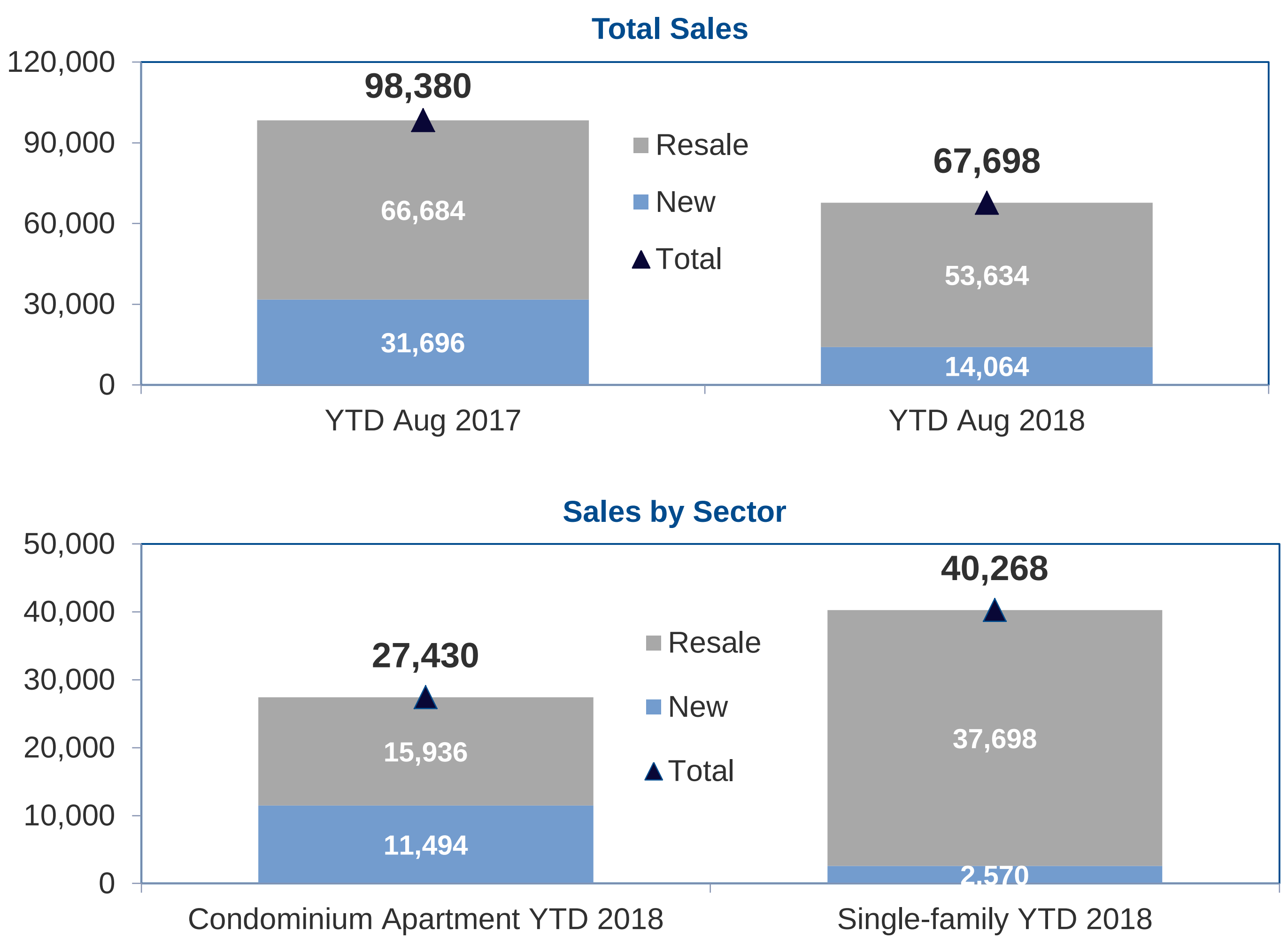
GTA Resale Home Prices



Source: Altus Group based on Toronto Real Estate Board data

- **Combined resale and new home sales** as measured by TREB and Altus Group, totaled about 67,700 units for year-to-date August 2018, **down about one-third** from the same period in 2017. Both the new and resale sectors contributed to the decline, although the drop has been much more pronounced for the new home sector (-56% vs. -20% for resales).
- **About 1 in 5 home sales thus far in 2018 have been new homes – compared to 1 in 3 a year ago**. The ratios however are quite different for single-family homes, with new accounting for less than 1 in 10 sales, and condominium apartments, where over 4 in 10 sales year-to-date have been new condos.

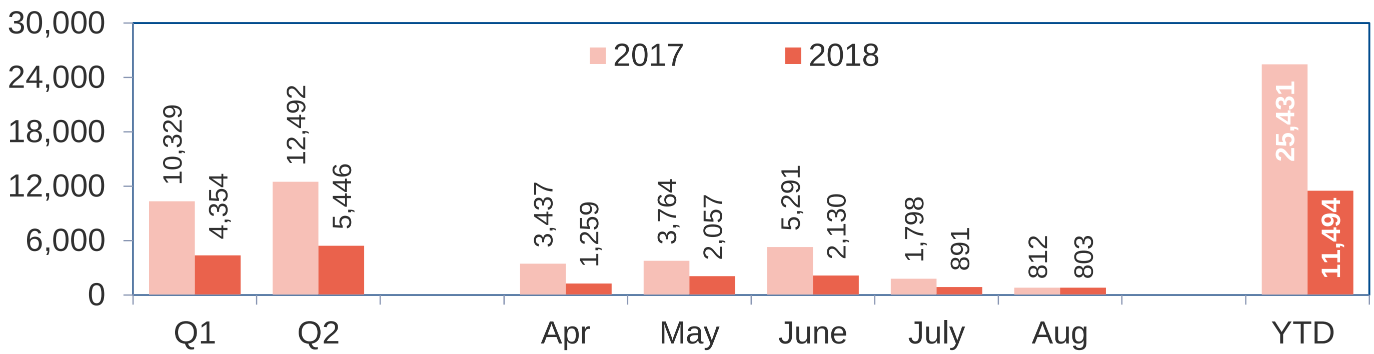
GTA Combined New & Resale Home Sales

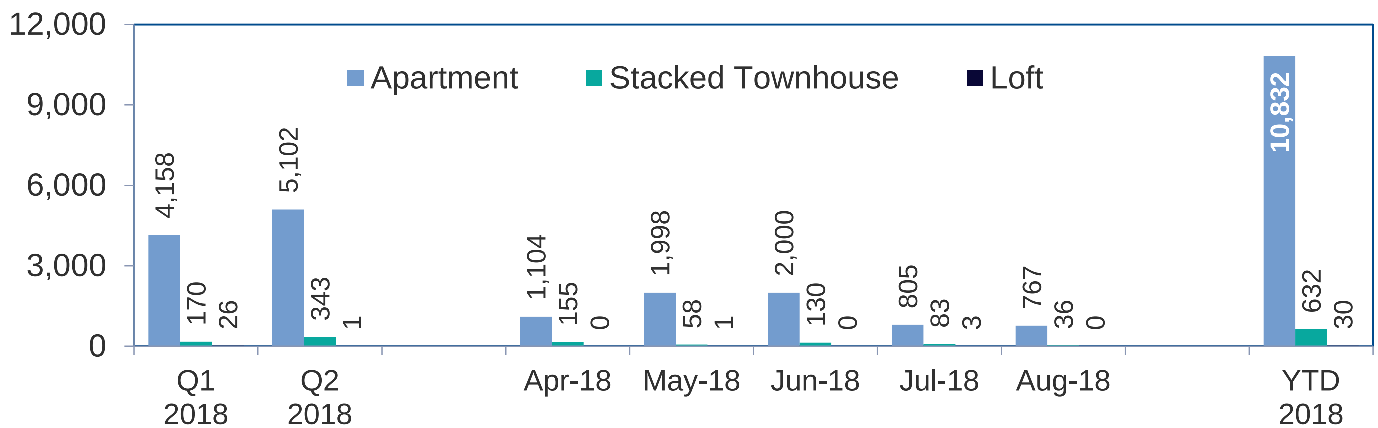


Source: Altus Group and Toronto Real Estate Board data

- **Total new condominium apartment sales remained quiet in August** – broadly similar to both July and August of last year.
- Year-to-date sales are less than half of last year's record performance, but are still tracking ahead of the downturns in 2008/2009 and 2013.
- **Stacked townhouses**, a component of total condominium apartment sales, **are trailing last year's level** (down by about 29% year-to-date).
- **New condominium apartment sales are down in all regions year-to-date** (*chart next page*). The City of Toronto is capturing a larger share of GTA-wide sales than a year ago, at the expense of York Region.

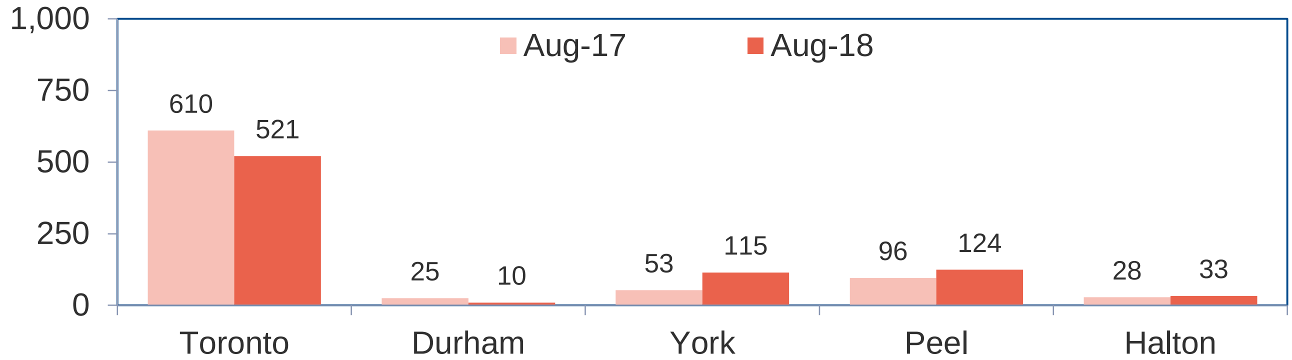
GTA New Condominium Apartment Sales

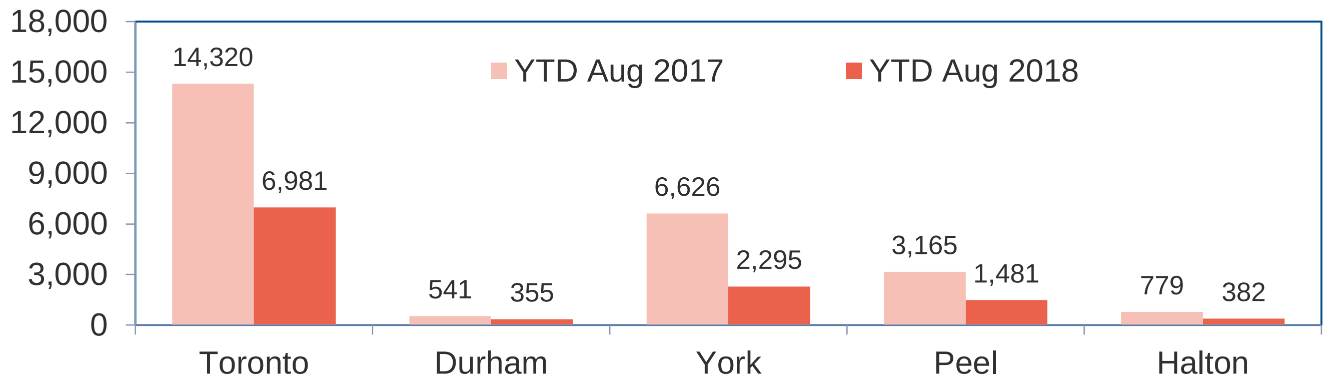


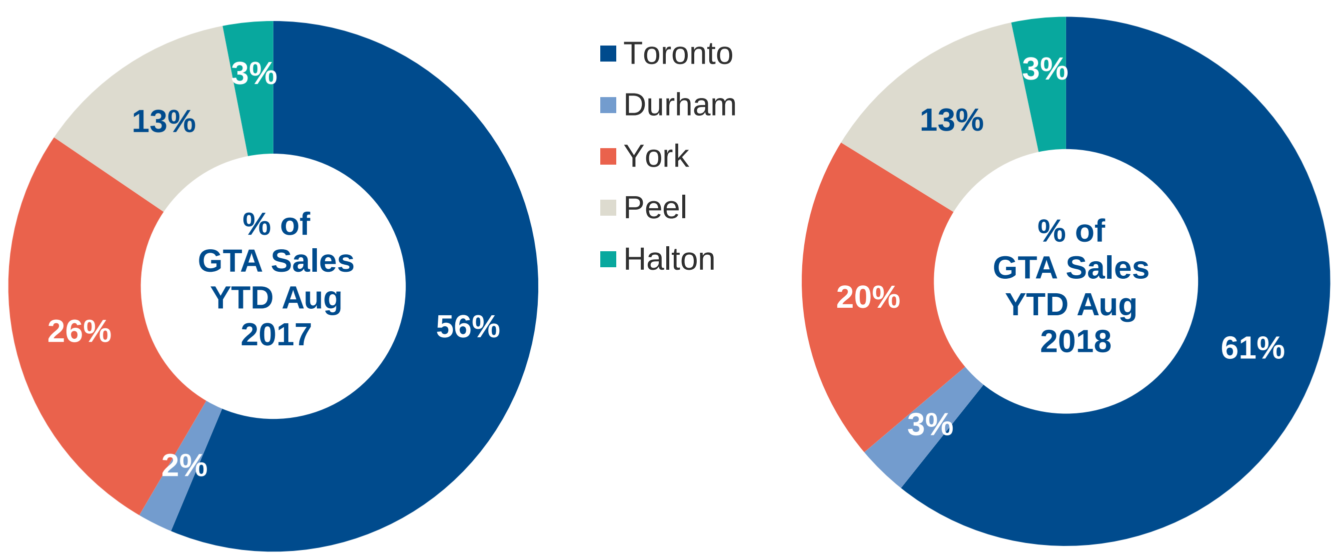


Source: Altus Group

GTA New Condominium Apartment Sales by Region



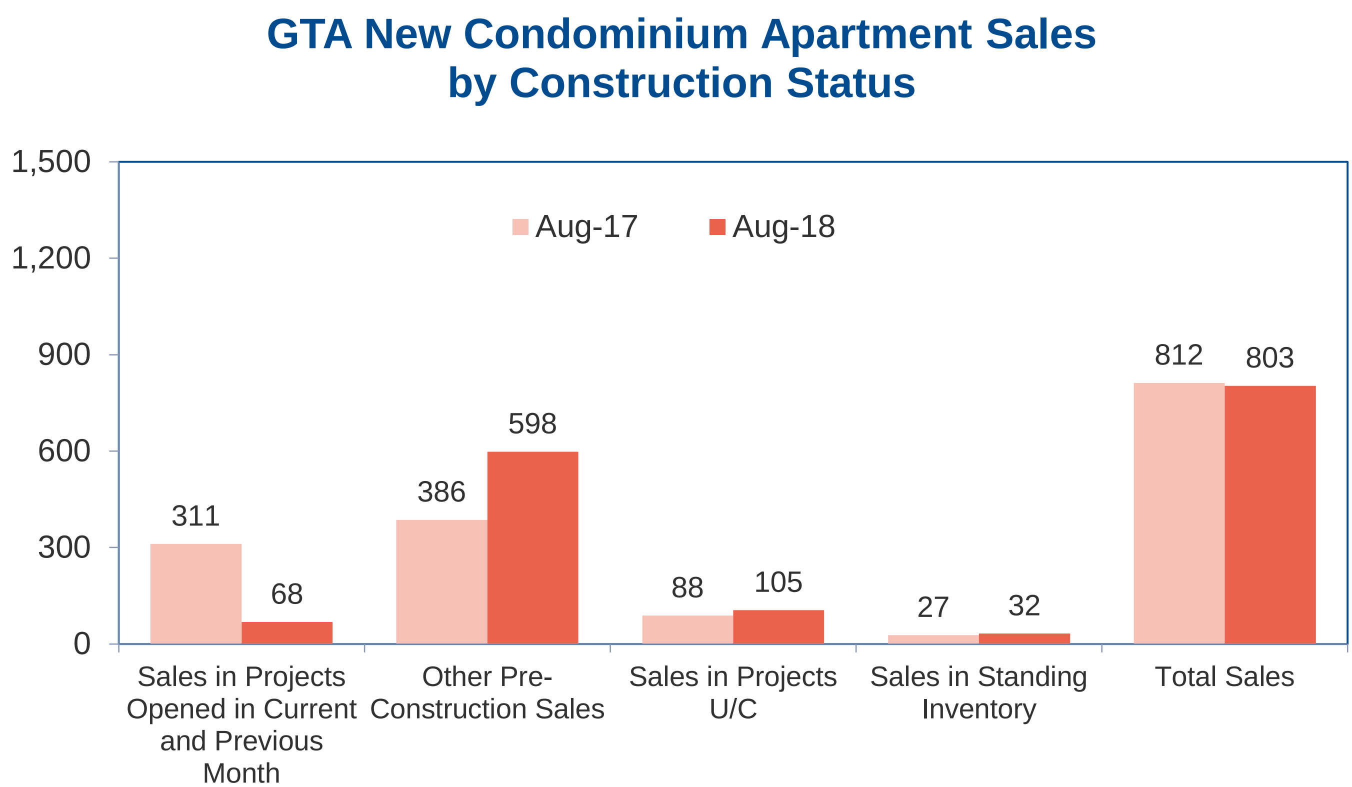




Source: Altus Group

New Condominium Apartments - Sales

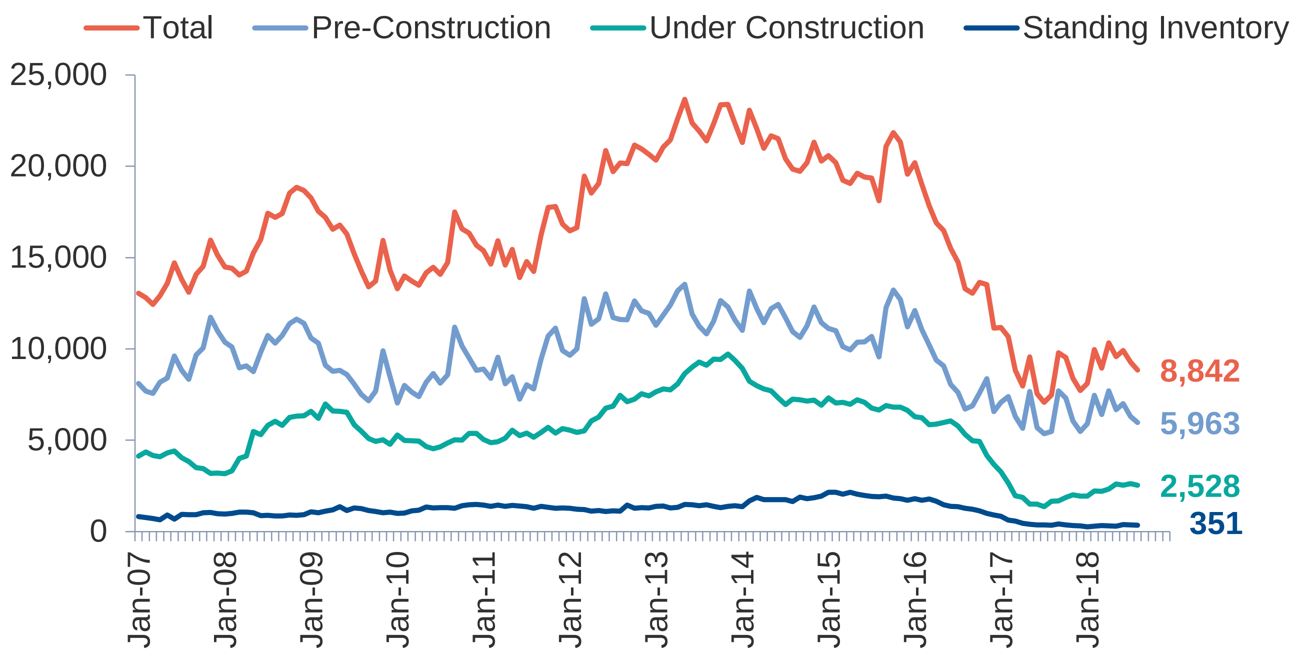
- **Less than 10% of the new condominium apartment sales in August were in projects opened in July or August** – largely due to minimal new product launched.
- Sales in under construction projects were up slightly from a year ago. The unsold inventory of units under construction has been increasing (see chart next page), as more projects move from the pre-construction to construction stage.

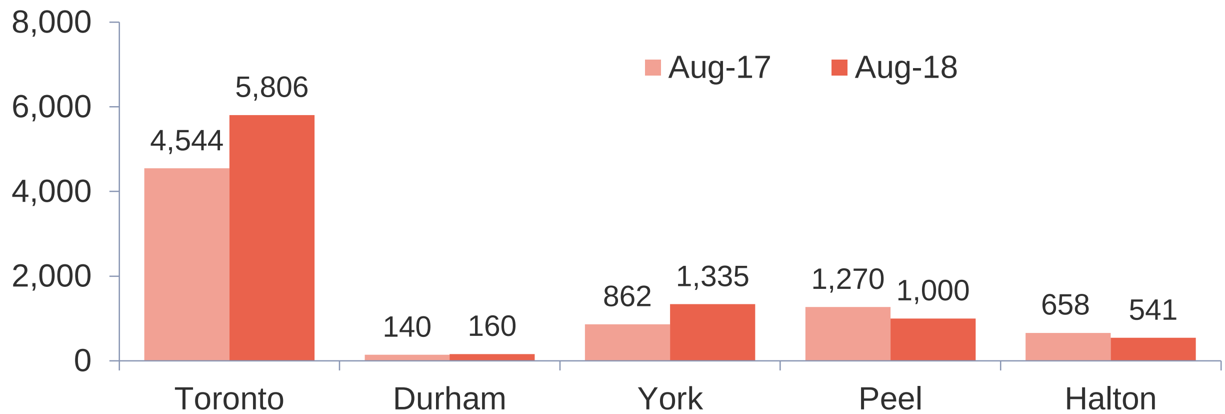


Source: Altus Group

- **New condominium apartment available inventory was down in August**, in part due to minimal new openings. Inventory however is above last August. Current inventory represents just under 5 months of supply at the pace of sales over the past year; this compares to the average of about 11 months for August in the 2007-2016 period.
- **Unsold inventory in projects under construction continues to inch up**, as projects move from the pre-construction to under construction phase. **There is still very little available to purchase for immediate occupancy** (i.e. units not yet sold in completed projects).
- The higher inventory levels compared to last August are focused in the City of Toronto and York Region.

GTA New Condominium Apartment Inventory

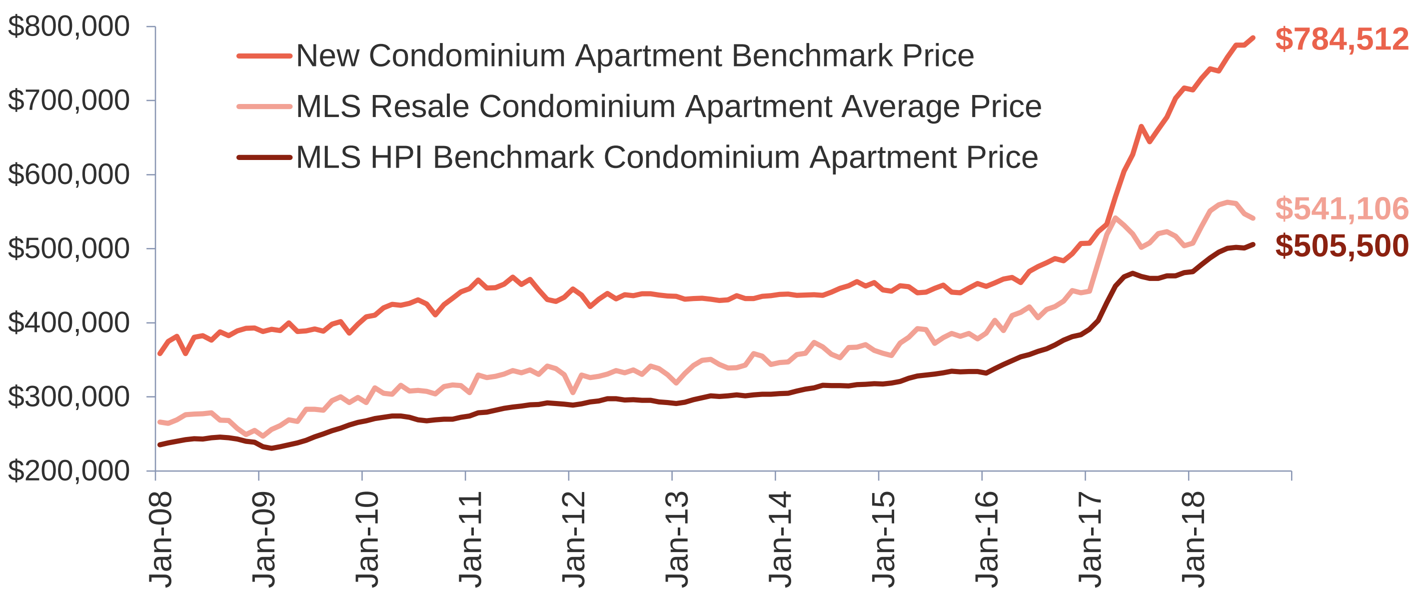


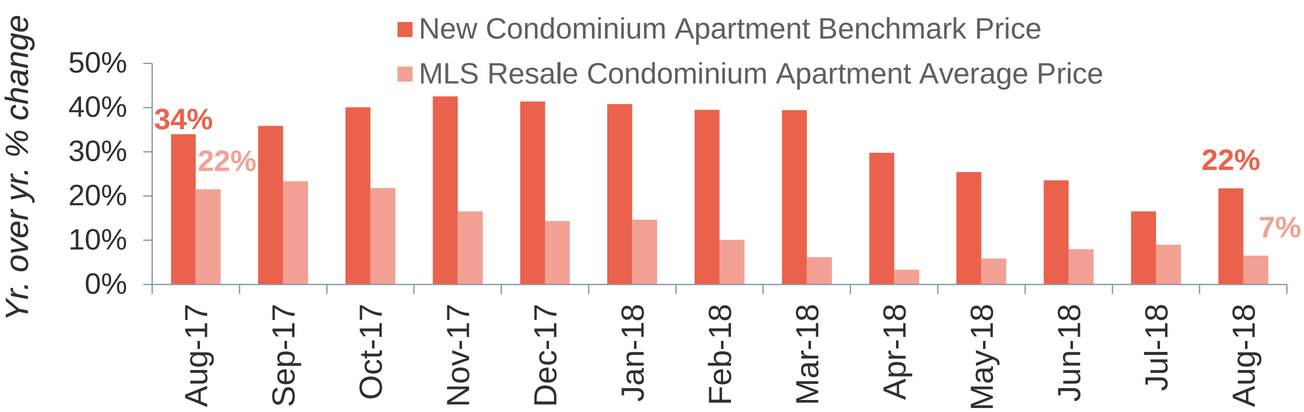


Source: Altus Group

- **New condominium apartment prices continued to set new records in August.**
- The average price of a resale condominium apartment continued to decline from the peak set in May 2018, but is still 7% above last August. This in part is due to more lower-priced product in the mix of sales – the HPI, which measures “constant quality” product, does not show a decline in prices emerging as yet.
- Given the relative price trends**, the gap in prices between average new and average resale condominium apartments has been growing again in recent months**. Therefore, not only are new condominium apartments now closer in price to new single-family homes (as discussed earlier), they are also less competitive, in terms of absolute price point, with resale condominiums.

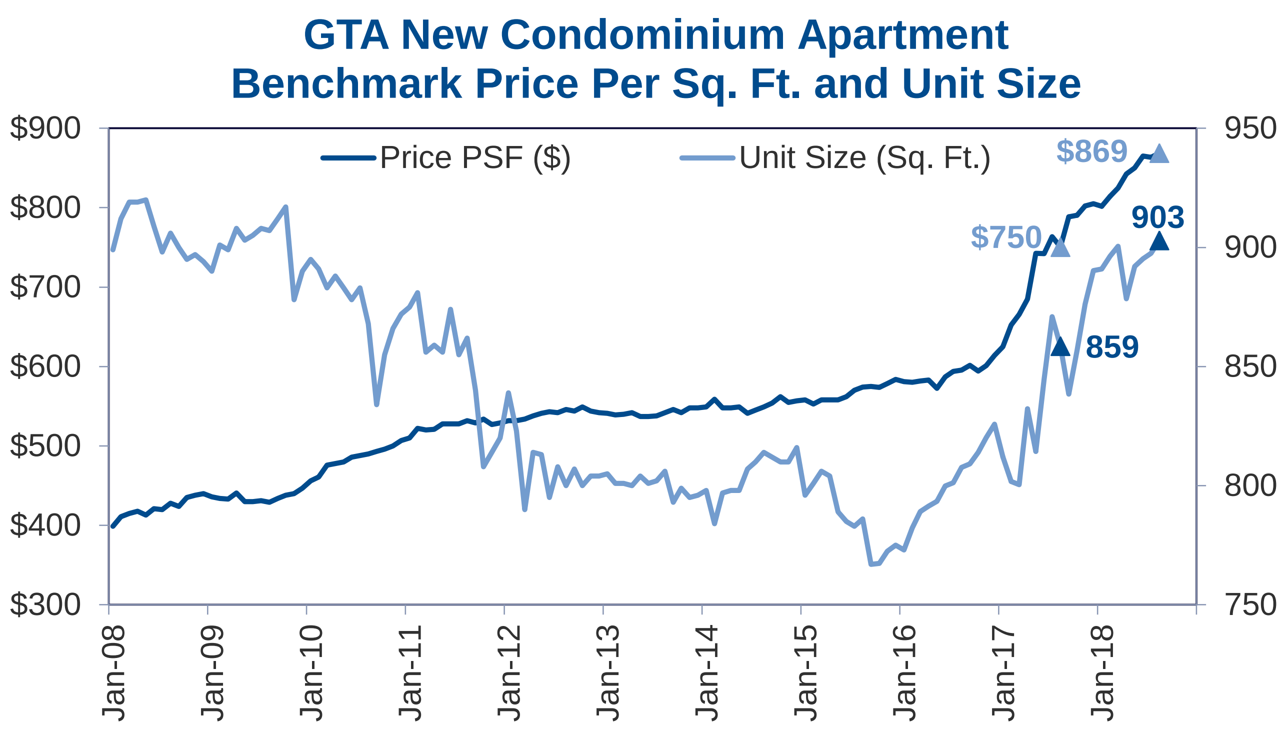
GTA New and Resale Condominium Apartment Prices





Source: Altus Group and Toronto Real Estate Board data

- The 22% increase in average asking prices for available new condominium apartments in August 2018 compared to a year earlier was a combination of two key factors:
  - **The price PSF Benchmark of remaining inventory was up 16% from a year earlier**, and remains the primary driver behind overall increases in the benchmark price.
  - **The unit size Benchmark was also up from a year ago** – i.e. the average size of units remaining in inventory - although this factor played a smaller role in the price increase.
- As discussed last month, the increase in the average size of remaining units has been driven both by a shift in the composition of inventory towards units with more bedrooms and slightly larger average sizes within most unit types.

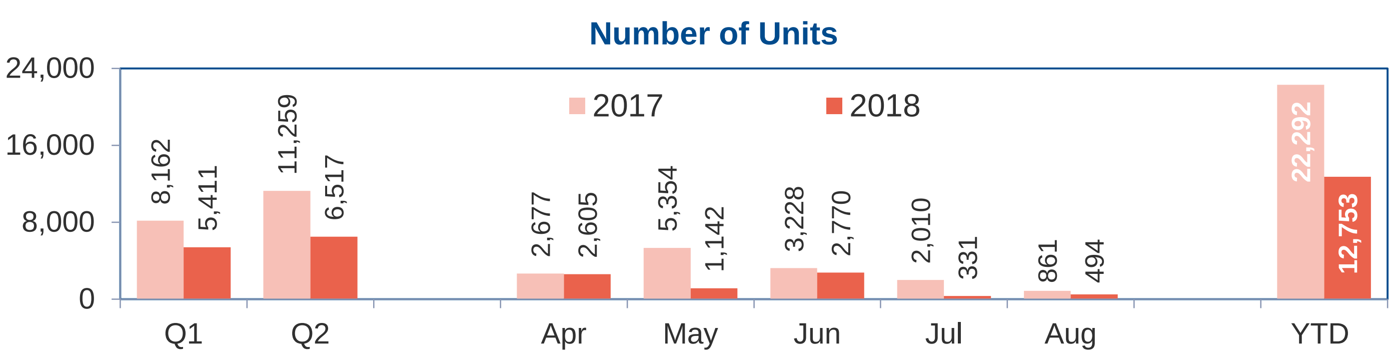


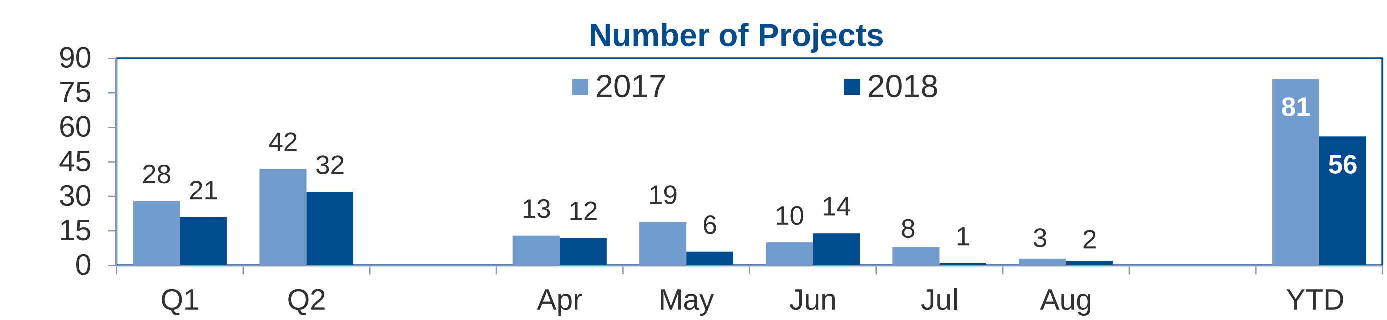
Source: Altus Group

New Condominium Apartments - Openings

- **Only 2 new condominium apartment projects launched in August** – this follows only 1 project launched in July, and comes despite the fact that there are numerous projects in the pipeline that could launch at any time. While August is not typically a high launch month (averaging about 3 projects over the past 10 years), the combined July/August pattern suggests not only buyers, but builders, remain very cautious. Year-to-date, there have been just under 13,000 units in new projects launched – down by 43% from the same period last year. The number of projects launched is however only down by 31%, as new projects have been relatively smaller in size.
- Compared to last year, a larger proportion of units in new project launched this year have been in the City of Toronto (*charts next page*). Within the City of Toronto, the former City has lost share to North York and Etobicoke.
- Following this page are maps showing the location of new projects launched in July and August, accompanied by summary tables with additional detail on each project.
- *Note: clicking on the "project record" link in the summary tables will take logged-in Altus Group RealNet GTA High-Rise module subscribers directly to the full on-line record for that project; as the on-line record becomes updated, specific data may be more up-to-date than information contained in the report here.*

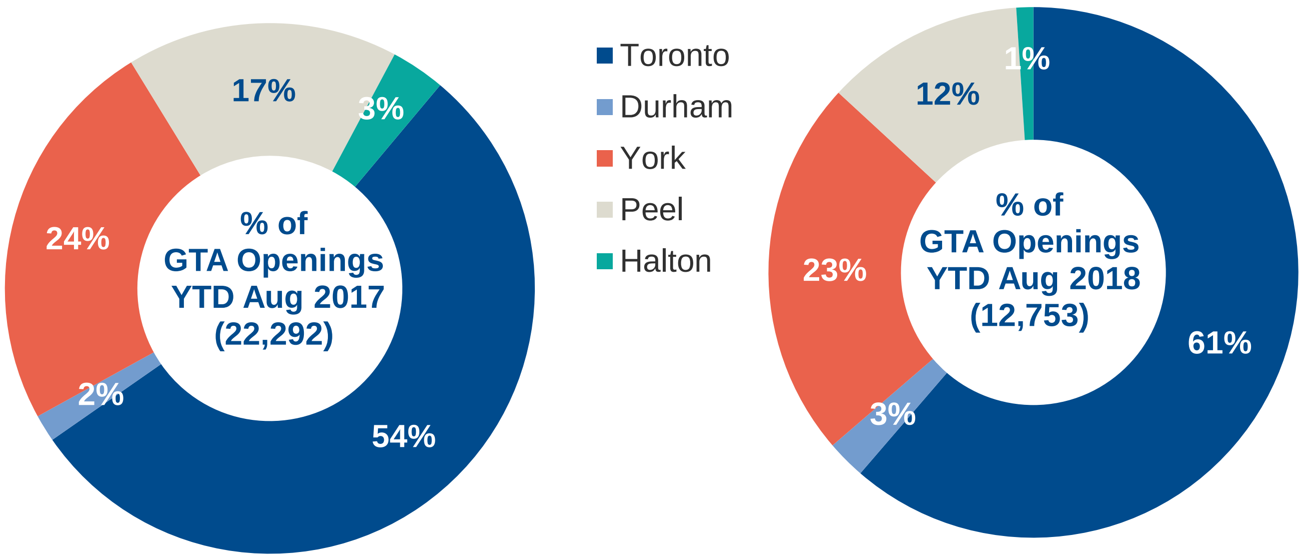
GTA New Condominium Apartment Project Openings





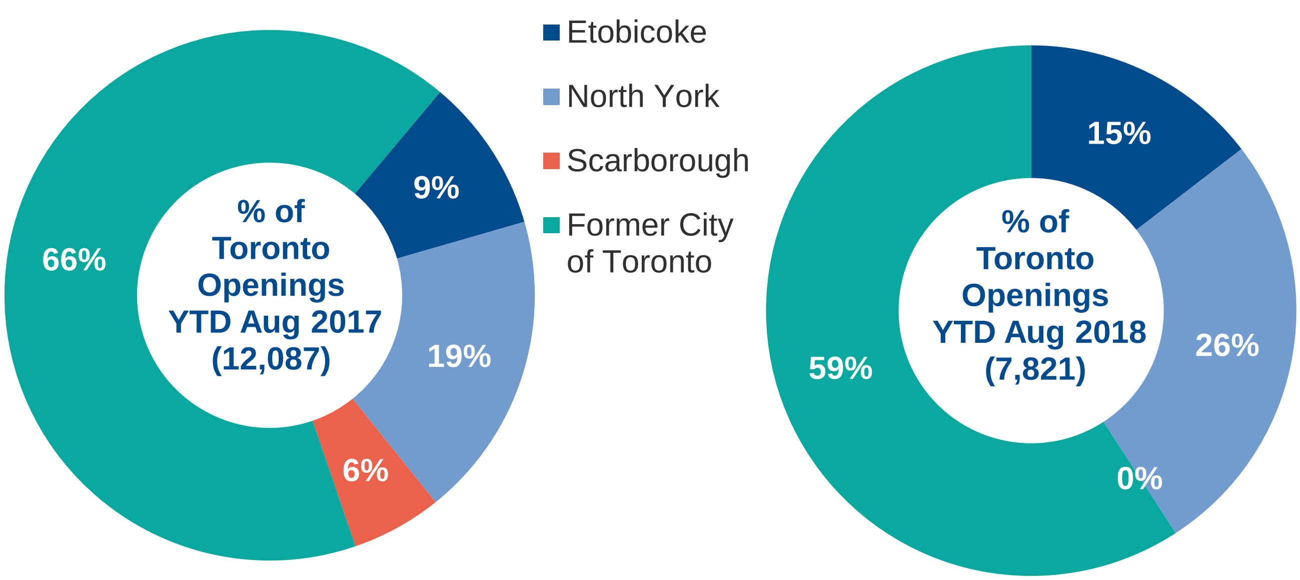
Source: Altus Group

GTA Condominium Apartment New Openings by Region



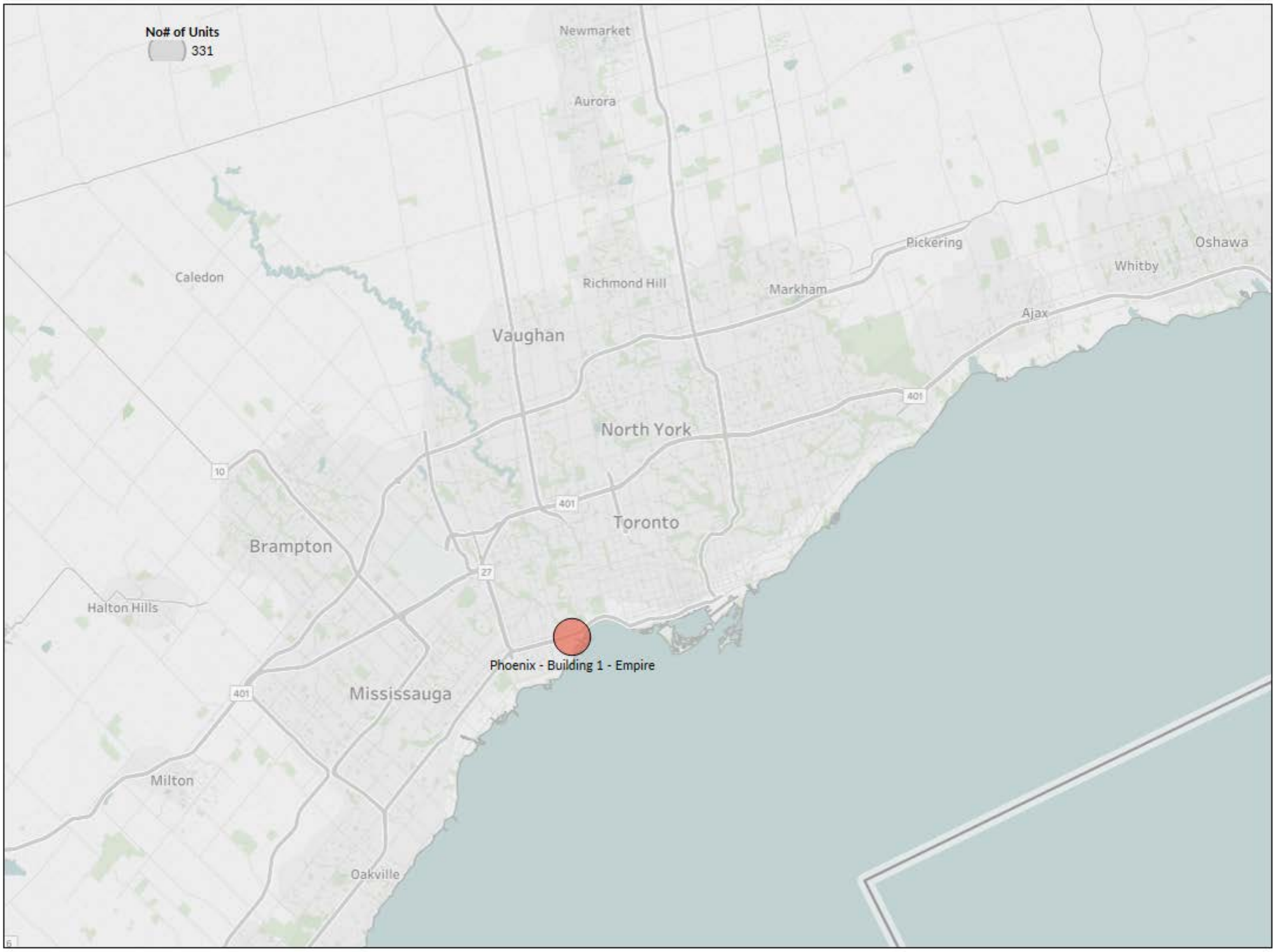
Source: Altus Group

City of Toronto Condominium Apartment New Openings by Area



Source: Altus Group

July 2018 New Project Launches by Number of Units



Source: Altus Group

For July project openings, sales for both the opening month (July 2018) and the subsequent month (August 2018) are provided on the following table

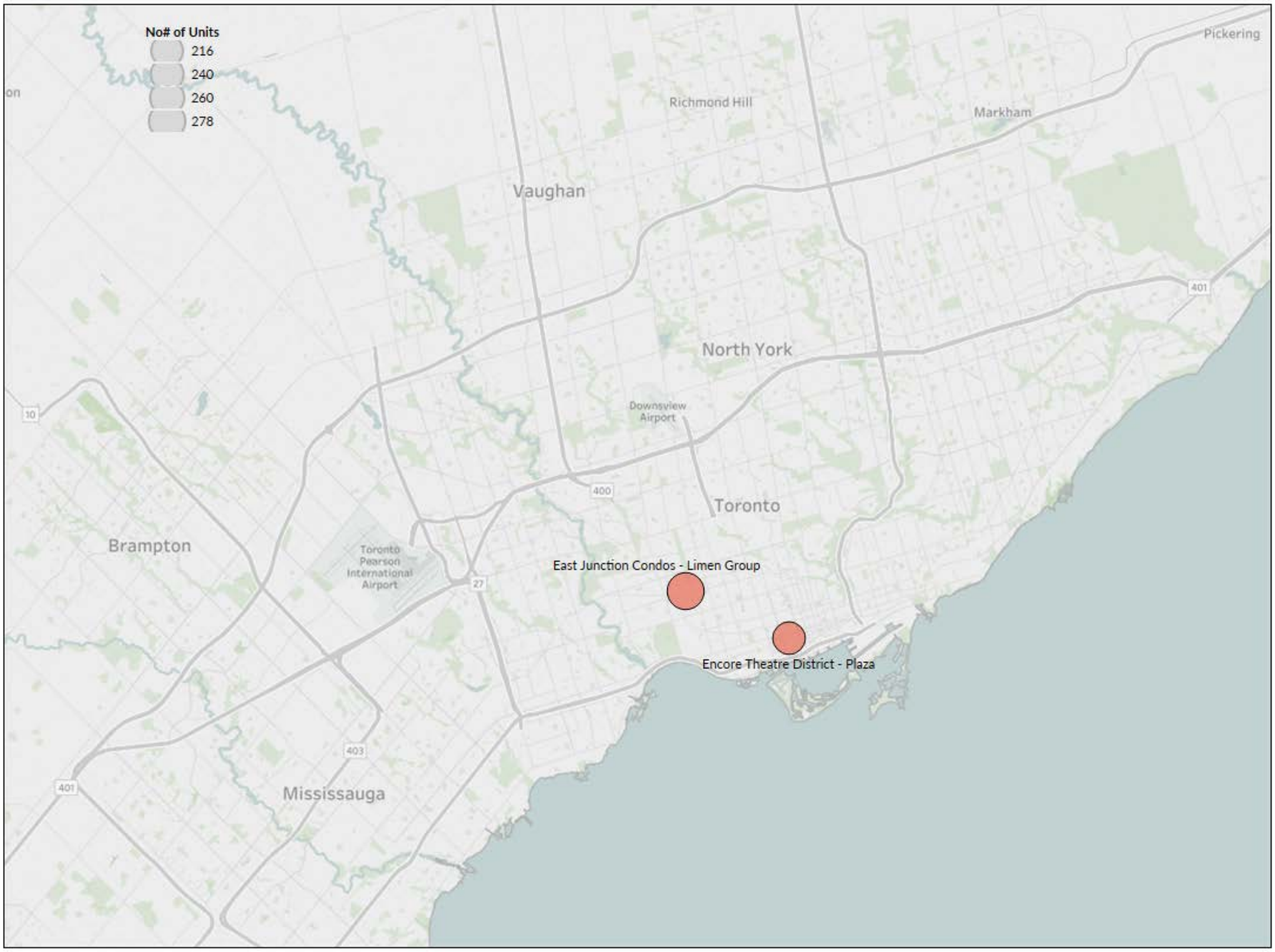
New Condominium Apartments - Openings

Project Record   Phoenix - Building 1

New Condominium Apartment Project Openings - July 2018	
Project Name	**Phoenix - Building 1**
Developer	Empire
Date Opened	2018-07-05
Municipality	Etobicoke
Region	Toronto
Structural Type	Apartment
Floors	29
Project Total Units	**331**
Total Units Released	**331**
Studio	--
1 bedroom	139
1 bedroom + den	23
2 bedroom	155
2 bedroom + den	14
3 bedroom & up	--
Penthouse	--
Other	--
Opening month sales	**157**
Next month sales	**68**
% Sold	*68%*
Remaining available inventory	106
Original $PSF	$741
Minimum Size (sq. ft.)	590
Maximum Size (sq. ft.)	1,490
Minimum Price	$449,990
Maximum Price	$1,100,000
Notes	

Source: Altus Group

August 2018 New Project Launches by Number of Units



Source: Altus Group

Project Record | East Junction Condos | Encore Theatre District

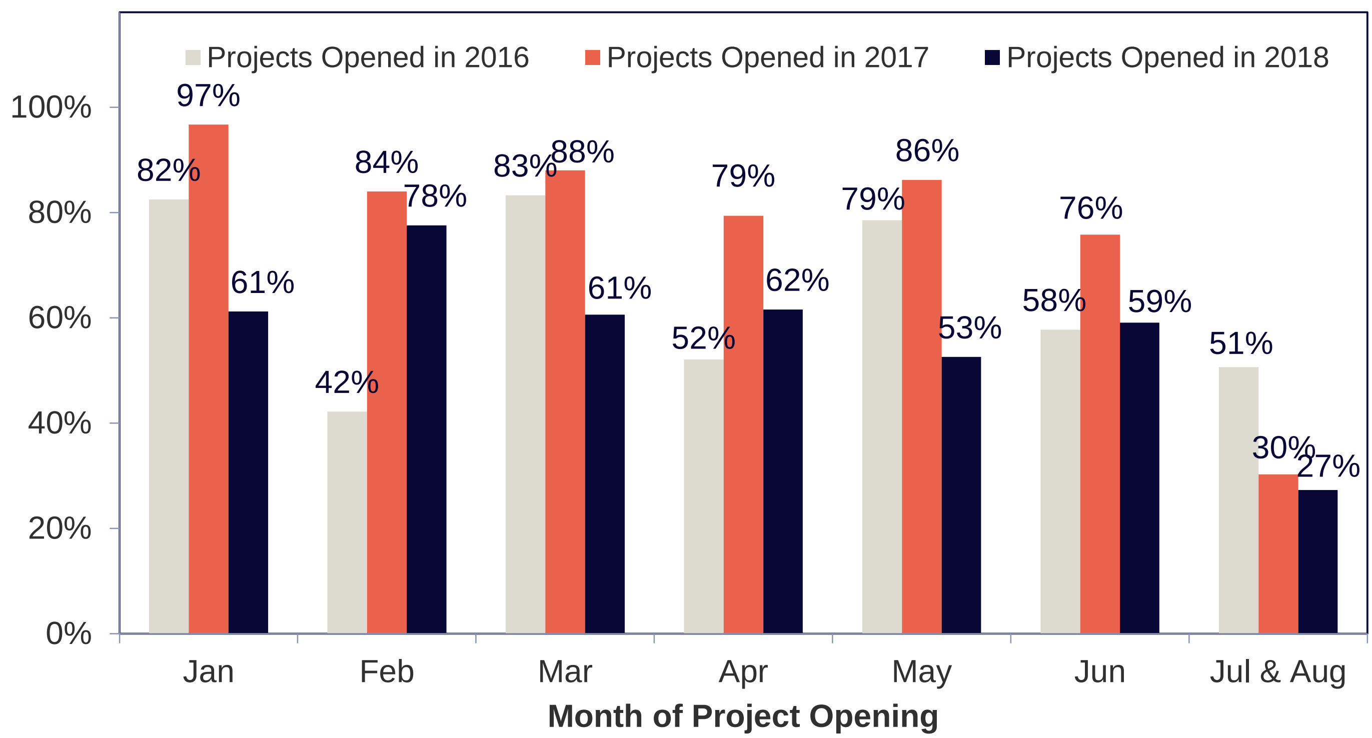
New Condominium Apartment Project Openings - August 2018

Project Name	East Junction Condos	Encore Theatre District
Developer	Limen Group	Plaza
Date Opened	2018-08-10	2018-08-13
Municipality	Toronto	Toronto
Region	Toronto	Toronto
Structural Type	Apartment	Apartment
Floors	16	49
Project Total Units	**278**	**216**
Total Units Released	**230**	**216**
Studio	4	--
1 bedroom	106	44
1 bedroom + den	45	22
2 bedroom	75	116
2 bedroom + den	--	--
3 bedroom & up	--	34
Penthouse	--	--
Other	--	--
Opening month sales	**0**	**0**
% Sold	*0%*	*0%*
Remaining available inventory	230	216
Original $PSF	$849	$1,390
Minimum Size (sq. ft.)	370	509
Maximum Size (sq. ft.)	890	1,262
Minimum Price	$308,550	$599,000
Maximum Price	$793,475	$1,720,000
Notes	Purchaser signings began near the end of the month and all deals were subject to the 10 day conditional period.	Purchaser signings began near the end of the month and all deals were subject to the 10 day conditional period.

Source: Altus Group

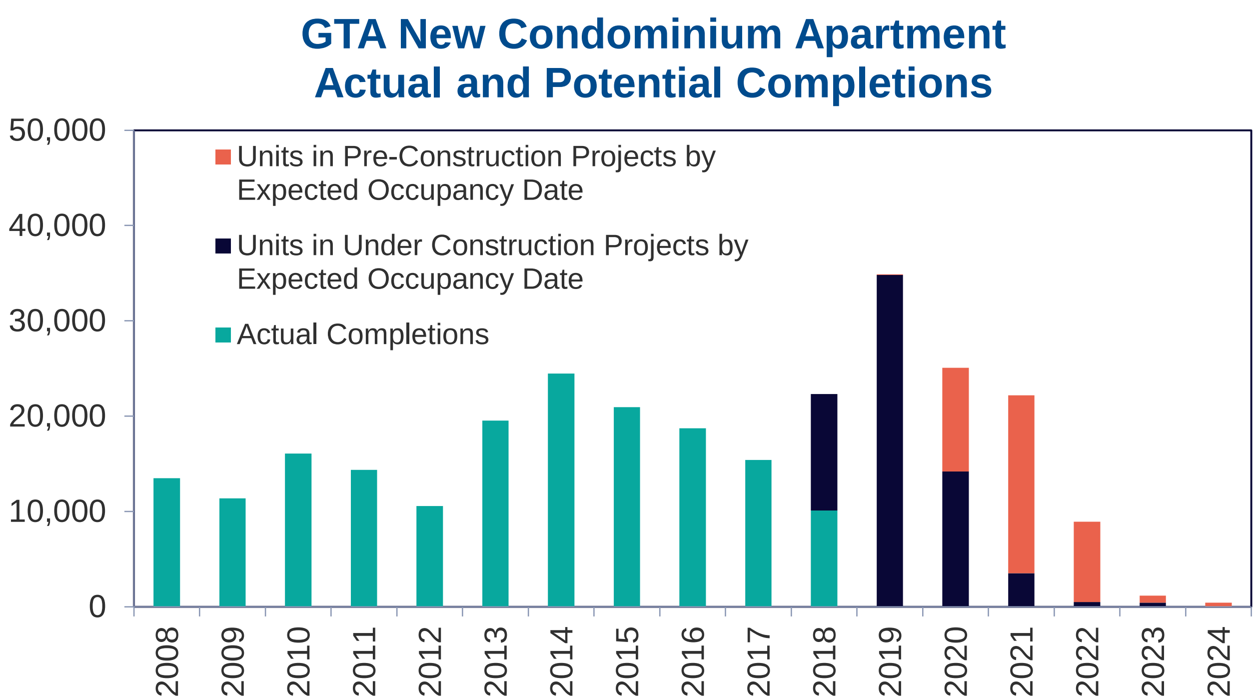
- **In general, absorption rates in new project openings have slowed this year.** For example, for projects opened in May 2017, 86% of units were sold by the end of August 2017; the comparable proportion for May 2018 openings is 53%.
- Caution needs to be used in comparing sales in projects opened in the latest month, as the proportion of projects opened in the last 10 days of the month (when firm sales are not recorded) can vary from one year, or one month, to another. July and August have been combined here due to the small number of project openings this year.

GTA New Condominium Apartment New Project Absorption Timelines (% of Units Sold Through August)



Source: Altus Group

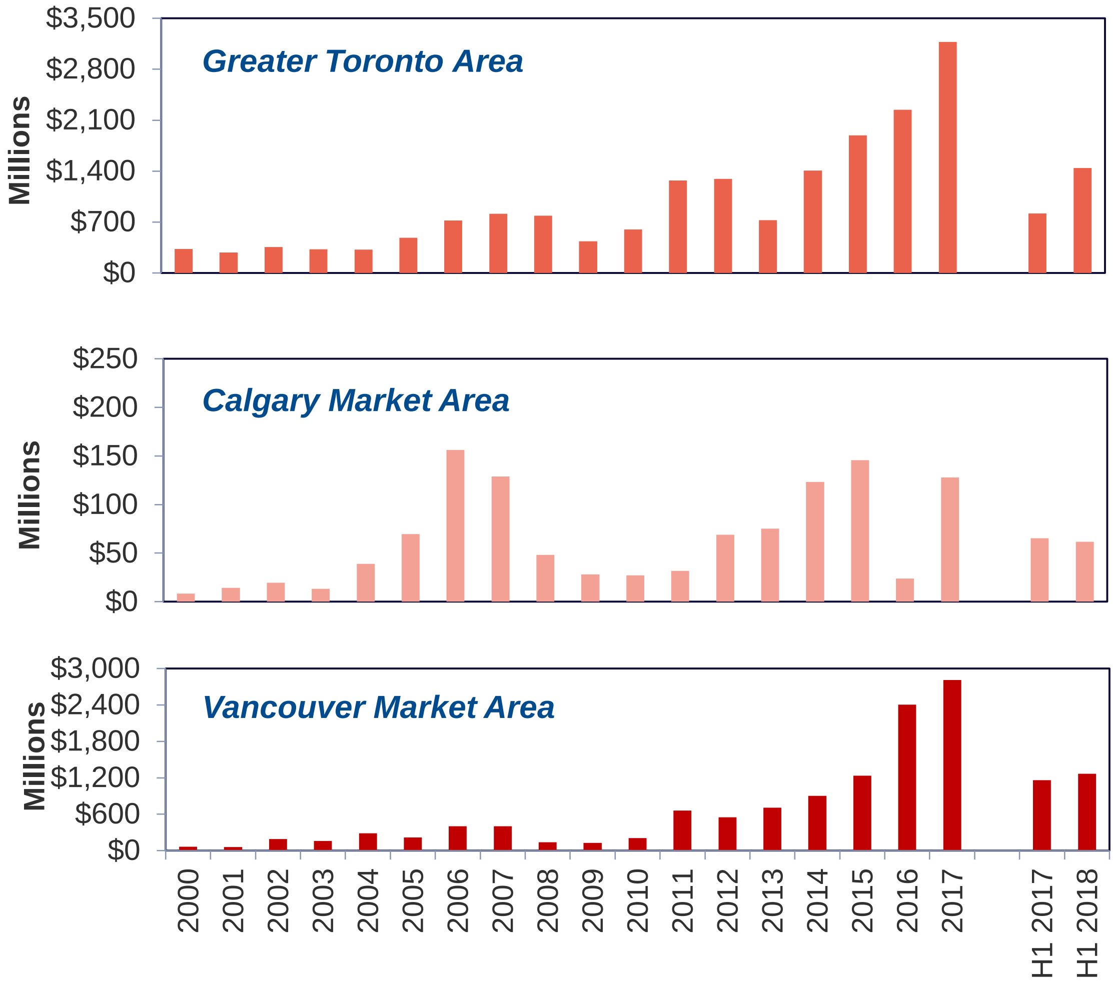
- As of the end of August 2018, there were just under 105,000 new condominium apartment units in projects either under construction or in pre-construction stages.
- **Only 764 units were delivered (completed) in August**, the 2nd lowest monthly number this year (next to January). Year-to-date 2018, about 10,100 units have been completed, based on Altus Group data – up from about 9,700 units for the same period last year and well below the 13,600 units completed in January-August 2016.
- Based on planned occupancy dates, and only considering units currently under construction, **it is likely that annual completions of condominium apartment units will be somewhat higher this year than last year, and remain above recent years in 2019 and 2020.** This will mean a larger number of investor-purchased condominium apartment units entering the rental market. However, industry capacity thresholds could push the delivery timeline for some of these units out further than originally planned dates.



Source: Altus Group

- Sales of high-density residential land in the GTA - potential land for future condominium apartment and purpose-built rental projects – increased for the 4th straight year in 2017 to an annual record of almost $3.2 billion. The first half of 2018 shows additional momentum, with sales up by 77% from the first half of last year.
- How does the GTA pattern compare to other major markets in Canada?
  - **Vancouver high-density residential land sales also reached a new record high in 2017, according to Altus Group data**, with the total dollar volume reaching $2.8 billion, just shy of the GTA performance. The strong sales continued in the first half of the year, up another 9%.
  - **In Calgary, high-density residential land sales posted a partial recovery in 2017** following a plummet in 2016. The first half of 2018 is down slightly from a year ago.

High-Density Residential Land Sales Transactions

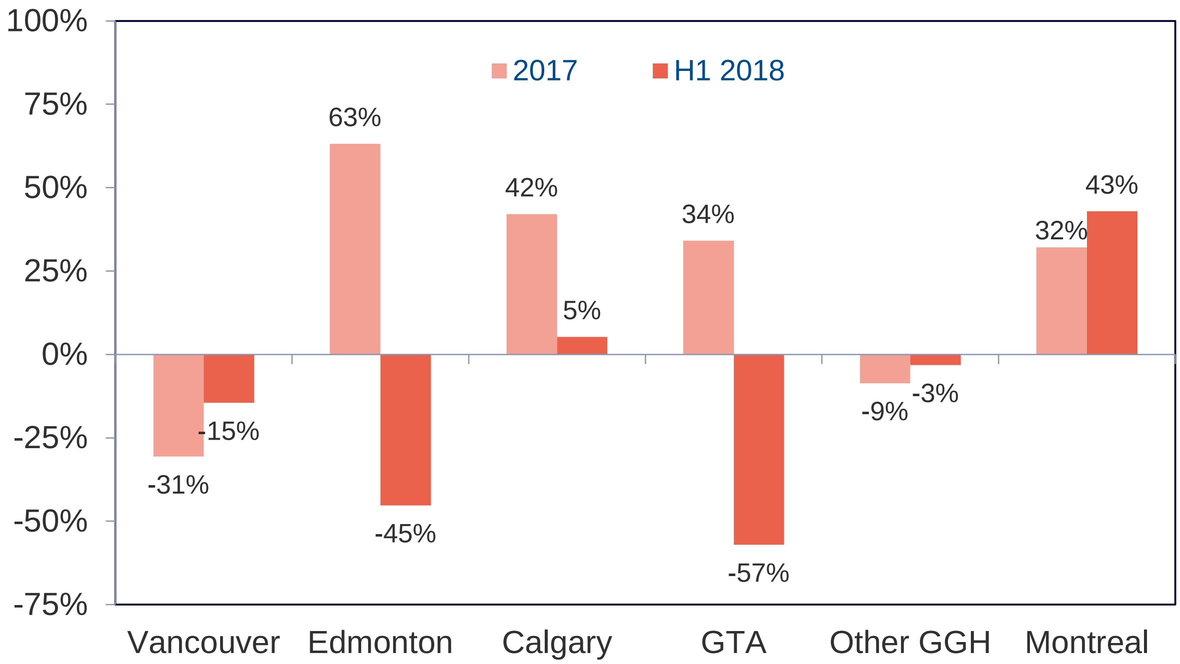


Source: Altus Group

New Condo Apartment Sales Across Canada

- New condominium apartment sales have been showing mixed patterns this year in the markets tracked by Altus Group:
  - After posting strong increases in 2017 over 2016, **new condominium apartment sales in the GTA and Edmonton fell back in the first half of 2018 vs. the first half of 2017**.
  - **Calgary and Montreal continued last year's improvement into the first half of 2018**.
  - The reduced sales activity in 2017 in Vancouver and areas of the Greater Golden Horseshoe outside of the GTA came after impressive pickups in 2016. **While both markets have slipped further this year, the declines are less pronounced than in 2017.**

New Condominium Apartment Sales, Selected Markets, Year-over-Year % Change



Source: Altus Group

Altus Group GTA New Home Data Definitions

AltusGroup

Condominium apartment	Includes condominium apartment structures of all heights (low, medium and high-rise), stacked townhouses, and loft units. Replaces the former RealNet term “high-rise”.
Single-family	Includes detached, link, semi-detached and townhouse units (excluding stacked townhouse). Replaces the former RealNet term “low-rise”.
Inventory	New units available to purchase/unsold at end of the period. Includes available units in pre-construction, under construction, and completed projects.
Months of inventory	Unsold available inventory at period end divided by average monthly sales for a defined previous period (e.g. previous 12 months). Indicates how long current inventory would last assuming same pace of sales (and no additional product added).
Average price	Average asking price of all available new home inventory at end of period.
Benchmark price	Average asking price of available new home inventory at end of period with outliers removed. Replaces the former RealNet term “Price Index”
$PSF Benchmark	Average asking price per square foot for units in remaining inventory at the end of the period with outliers removed.
Unit size Benchmark	Average size (sq. ft.) of units in remaining inventory at the end of the period, with outliers removed.
Completions	Units in projects that have reached occupancy status during the period.
“Record” performance	All “record highs” and “record lows” are based on the time period over which Altus Group has been tracking the variable.

Note: all historical data is subject to revision