

Brian Persaud – Hot Toronto Neighbourhoods

Presented April 2011 Exclusively to the Members of REIN™

Real Experts Inc. – What's Going on with Toronto



Friday, April 15, 2011

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Agenda

- Briefly outline economic fundamentals
- Provide a brief overview of what's going on across residential, apartment and re-development markets

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What's Up with Toronto?

- What's Hot?
 - **Everything!**
- All submarkets in all housing types are in a sellers market



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Mimico and New Toronto

- Properties being sold over list
- Price growth from my last presentation: +8.9% (August)



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Leslieville and Beaches

- Sellers Market
- 94.4% Listing to Sales Ratio for detached homes
- Average DOM: 17 days



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Other (exceptionally) Hot Markets

- Semi's and Detached Homes in Scarborough
- More houses are being sold than are listed (Sales to listing 110%+)
- Great income properties with basement apartment potential



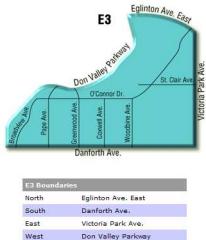
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Other Hot Markets

- North of the Toronto Transition Area
- Sales to listings over 100%
- Mainly in detached



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Other Hot Markets

- Don Mills
- Detached sales to listings ratio over 222%
- Semi sales to listings ratio 166.7%
- Average prices up 11% YOY
- Average sold detach up 25% March 10 to March 11



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Common Factor to Hot Neighborhoods

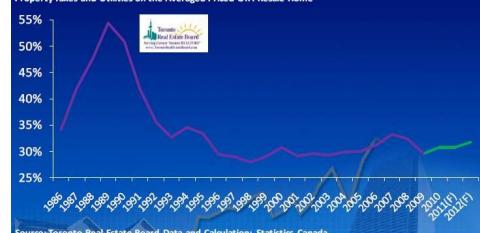
- Movin on UP
- Most hot neighborhoods are catering to older buyers vs. first timers



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Move Up Buyers: Affordability

TREB Affordability Indicator
Share of Average Household Income Used for Mortgage Principal and Interest, Property Taxes and Utilities on the Averaged Priced GTA Resale Home



Source: Toronto Real Estate Board Data and Calculation, Statistics Canada

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Affordability

- Median Home Price in 1991 = \$250,000
- Median Home Price inflation adjusted = \$360,000
- Interest rate in 1991 = 16%
- Mortgage Payment (75% LTV @ 16%)

▪ **\$3,560**

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Affordability

- Median Home Price Today = \$450,000
- Interest Rate = 3.89%
- Mortgage Payment (80% LTV at 3.89%)

▪ **\$1,872**

- You could afford 2 houses today for the same payment in 1991

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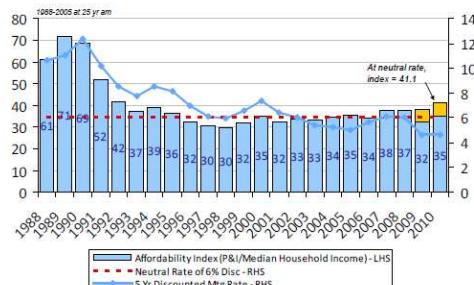
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Affordability for the Future



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Affordability for the Future



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Apartment Building Market

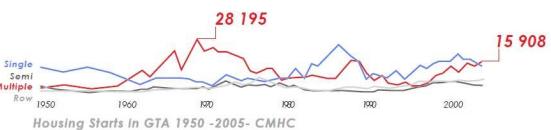
- Lots of institutional money flowing in with longer return horizons
- 10 year rates at 4.54%
- Cap Rates falling
- Tough to compete on a JV



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Apartment Building Market

Toronto's suburban housing boom of the '60s and '70s created more apartment units than bungalows



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Thinking of Buying and Increasing rents?



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Apartment Building Market

- Roll up your sleeves and pay up
- Most Apartment buildings were built 30-40 years ago
- Lifespan of major components is 30-40 years
 - Parking Garages 25 to 40 years
 - Balconies 20-30 years
 - Supply piping 20-40 years
 - Windows and doors 20-30 years

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Be Prepared

- Huge capital Investments
 - Balconies \$1,500 to \$5,000/unit
- Lots of competition
- Have to close quickly
- Very hard to get access to deals
- Typical strategy: Large cash outlay and refinance with CMHC



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Sample Deal

- Class A building in Class B neighborhood
- Great condition
 - Built in 1980
- One of the few rental apartments on a street full of condo apartments
- 5.5% Cap Rate \$40M
- 332 Units \$120,482/unit
- \$17.9M Down payment



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Sample Deal

- Rough Neighborhood
- Poor Condition
- Huge capital expenditures required
- Cap Rate?
- \$3,936,000
- 72 Units @\$54,667/unit
- Private investors plan on turning around the building



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Huge Opportunity with Infill: Before



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Huge Opportunity with Infill: After



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Infill

- City of Toronto promoting Density on Major Avenues
- Lots of Sites available for sale



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So Many Opportunities

- Time to Up your Negotiation Skills
 - Get out there!



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