

RECENT GTA RENTAL APARTMENT BUILDING SALES

750 Morningside Avenue, 35 Greenbrae Circle, 2250 Homelands Drive, 2185 Sheridan Park Drive, 15 Eva Road, 1307 Wilson Avenue, 2222 Weston Road, & 4981, 6151 & 3905 Bathurst Street. - Toronto - A portfolio totalling 1,393 suites. Closed on March 21 & May 31, 2013 at \$170,216,383 or \$122,194 per suite. **Average Cap Rate 5.0%**

2521 Lake Shore Boulevard West - Etobicoke - A 396 suite complex located east of Royal York Road and Mimico Memorial Park. Closed on May 31, 2013 at \$56,250,000 or \$142,045 per suite. **Cap Rate 3.94%**

130 Parkway Forest Dr. - North York - A 105 suite building located east of Don Mills Road and Sheppard Avenue. East. Closed on May 30, 2013 at \$33,395,000 or \$318,048 per suite.

77 Roehampton Ave. - Toronto - A building of 81 suites located at Yonge Street and Eglinton Avenue. Closed on May 1, 2013 at \$20,500,000 or \$253,086 per suite. **Cap Rate 3.40%**

350-370-390 Queens Quay West - Toronto - Portfolio totalling 502 suites located east of Spadina Avenue. Closed on March 28, 2013 at \$150,500,000 or \$299,801 per suite. **Cap Rate 4.3%**

145 Essex Ave. - Richmond Hill - A building of 140 suites located west of Bayview Ave. Closed on March 18, 2013 at \$34,770,309 or \$248,359 per suite.

5220 Lakeshore Rd. - Burlington - A 127 suites building located east of Appleby. Closed April 15, 2013 at \$23,925,000 or \$188,386 per suite. **Cap Rate 5.5%**

191 & 205 Queen Mary Dr. - Oakville - Two buildings totalling 135 suites located west of Trafalgar Rd. Closed on March 27, 2013 at \$26,986,500 or \$199,900 per suite. **Cap Rate 3.88%**

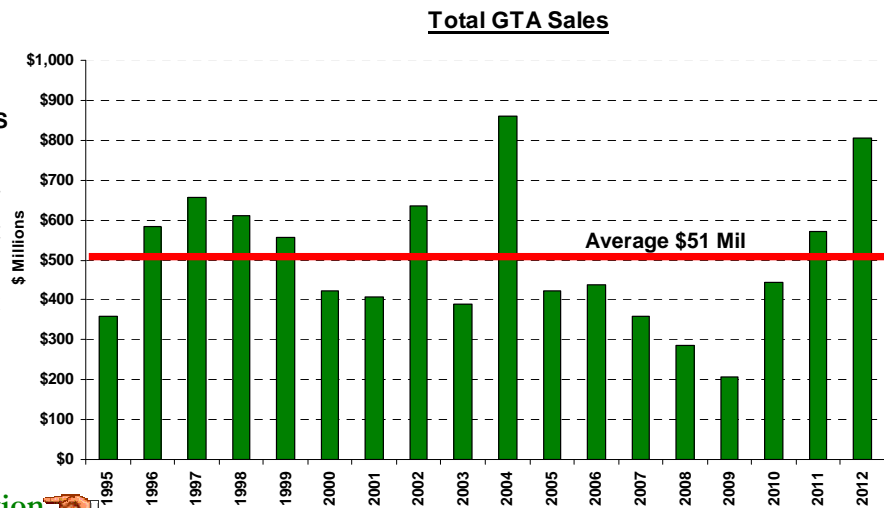
4 Treewood St., 205 & 207 Morningside Ave. - Toronto - A portfolio totalling 282 suites located near Eglinton Ave. East. Closed April 26, 2013 at \$25,575,000 or \$90,691 per suite



INDUSTRY COMMENTARY

\$805 MILLIONS SOLD IN 2012 - ACCRETIVE CASH-ON-CASH YIELDS

\$805 million in total dollar volume sales of multi-unit apartment property in the GTA is the second highest total since the start of the survey in 1995 after the \$860 million in 2004 and well above the \$501 million average



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1. Time is going to pass anyway, so you might as well do something worthwhile.
2. It's more stressful being a non-leader than it is being a manager.
3. You're going to turn forty some day.
4. Pay attention to what makes you envious.
5. Lean into your fear.

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~By: J.B. Wood Source: *The Higher Calling*



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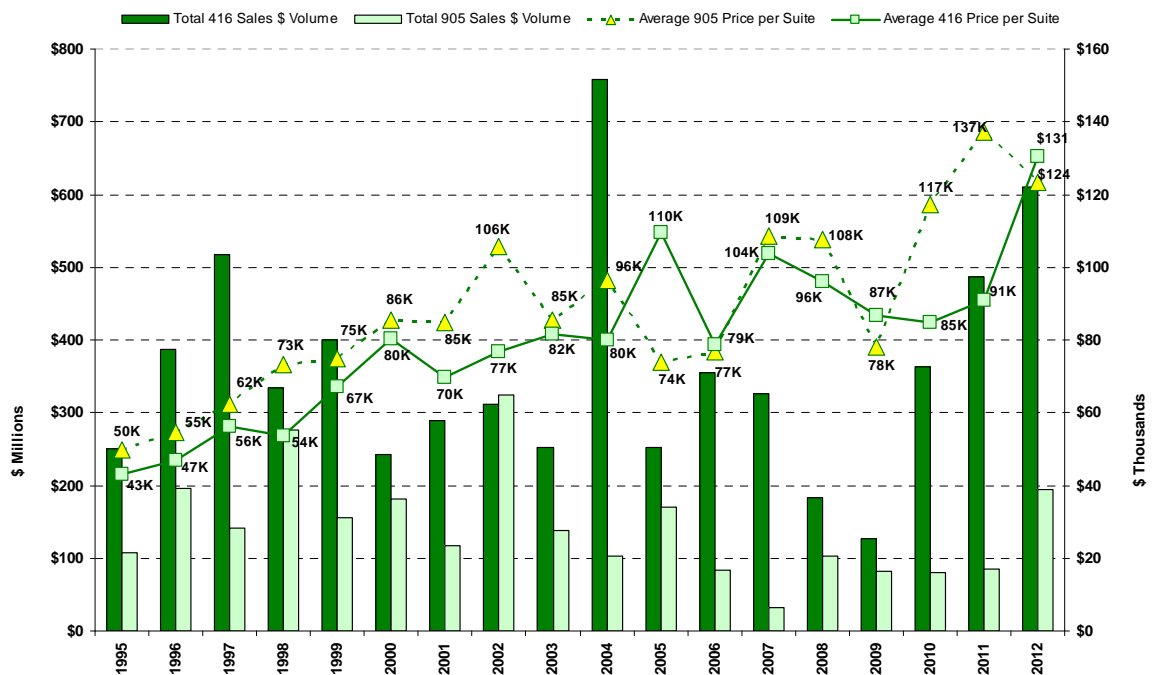
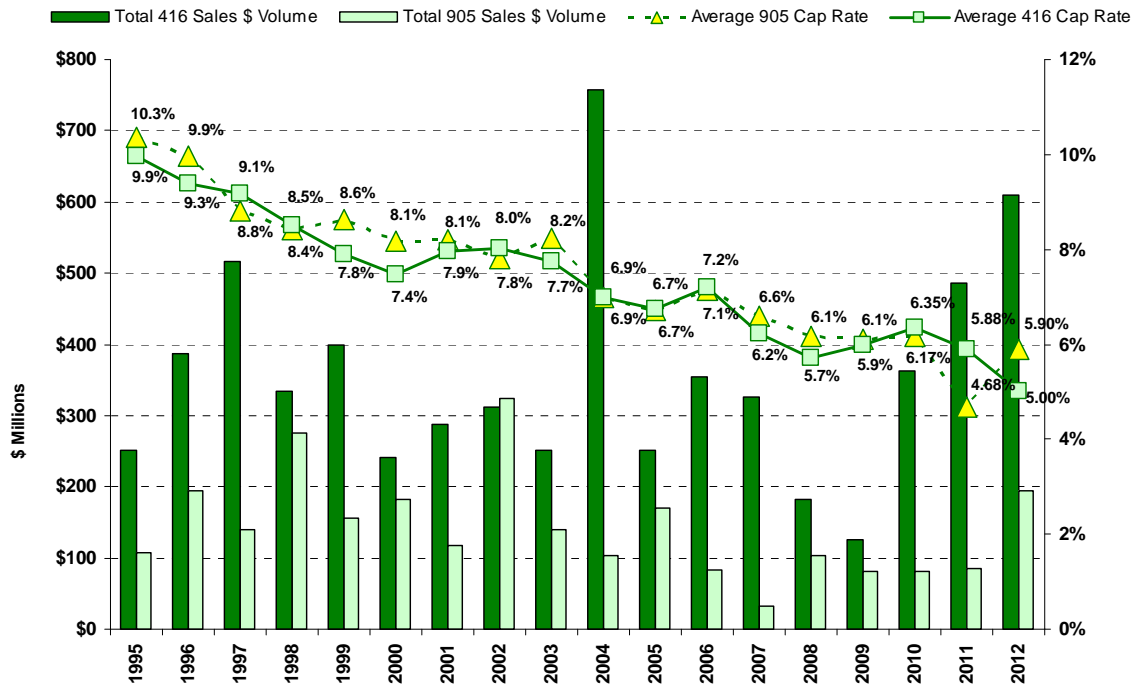
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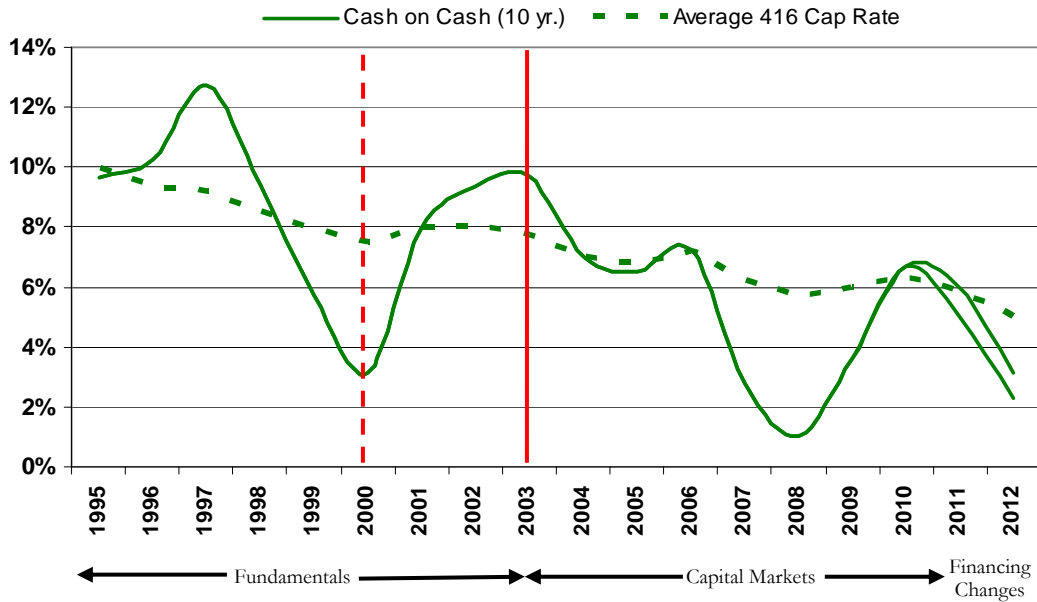
**INDUSTRY COMMENTARY:****\$805 MILLIONS IN GTA MULTI-UNIT APARTMENT PROPERTIES SOLD IN 2012
- AND CASH-ON-CASH RETURNS REMAIN ACCRETIVE**

\$805 million in total dollar volume sales of multi-unit apartment property in the GTA is the second highest total since the start of the survey in 1995 after the \$860 million in 2004 and well above the \$501 million average. The survey includes apartment properties in excess of 100 units. Significant particulars include:

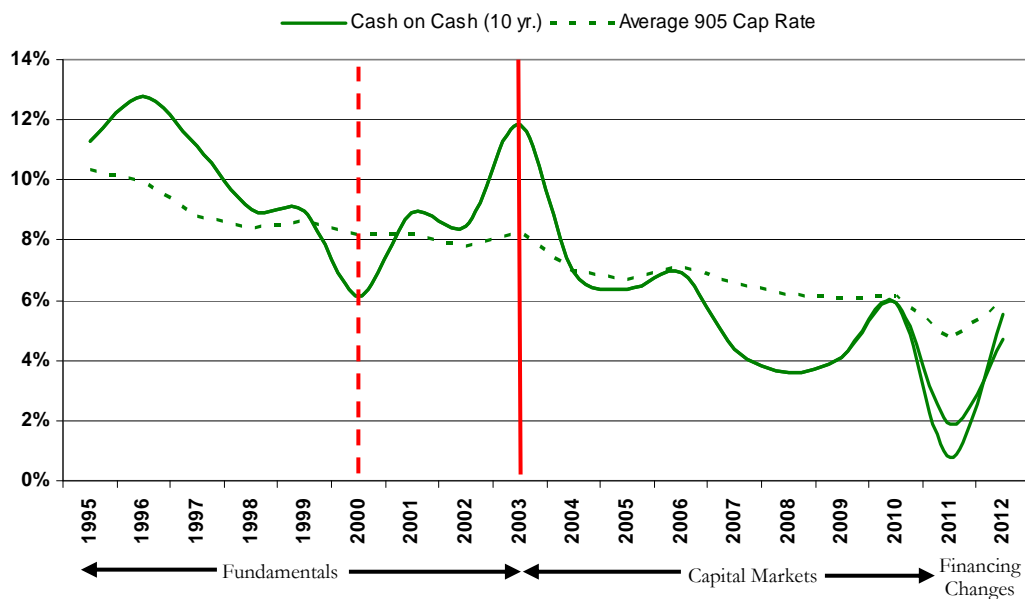
- Volumes in 2012 were \$610 million in the 416 area up from the 2011 \$487 million and \$195 million in the 905 area up from \$85 million in 2011.
- While the average 2012 cash on cash return (“**CoCr**”) in the GTA continued on the general down trend in 2012, the sharp 5 year rate increase from 0.77% in 2011 to 5.52% in the 905 area may indicate a potential start of a reversal caused by the prospect of expected higher financing costs. These returns have historically been calculated using the average cap rate for the year, assuming that all purchases are CMHC financed at an 80% loan-to-value ratio on a 5-year term and 25-year amortization. However, for the first time in 2011 and 2012 the model now mirrors the additional requirement for a longer term and lower leverage option of a 65% loan-value ratio/ ten-year term.
- **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-416** in 2012 is 3.15% for the 5 year term financing (“5yt”) and 2.32% for the 10 year term (“10yt”) **CoCr-905** in 2012 is 5.28% for the 5 year term financing (“5yt”) and 5.52% for the 10 year term (“10yt”). All returns attest to the continued accretive nature of rental apartment building investments in the GTA.
- The lower **CoCr** trend is following the lower cap rate trend. Average 2012 cap rates were 5.0%-416 and 5.9%-905. These numbers average 5.37% on a weighted average basis which complements the lower trend including the 2011 average of 5.64% in 2011 and 6.31% in 2010.
- Income per suite (see table) is a general proxy for building quality and jumped to \$7,241 in the 416 area in 2012 up from a \$5,100-\$5,7000 range over the previous five years. The price per suite jumped accordingly to \$130,538 in 2012 up from \$90,895 in 2011. Price per suite has been historically higher in the 905 area given the municipal tax rate differential and providing higher net income per suite after expenses to the investor when compared to 416 properties. 2012 showed an interesting reversal probably due the sold asset quality and the flight to quality that provides the 416 area,
- The common wisdom of the day is that pricing is in a large part dictated by mortgage financing rates. Many investors are committing to 10 year financing and/or laddering portfolio financing maturities to mitigate risk of higher rates at maturity. The appetite for apartment rental properties investment remains high. Purchasers can afford to pay current prices when financing markets are as attractive as they are today. Willing vendors do not sell just because prices are favorable but will pay attention to the direction of such financing conditions in their strategic decision to sell.



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. 2012 as signal by the reversal in lower cash on cash returns in the 905 area may be an early sign of reversal.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	\$194,855,000
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	\$123,501
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%	5.90%
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	\$6,523
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	1,552
Average 905 Units	318	336	174	250	173	190	163	224	194	152	191	214	151	193	209	170	201	222
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%	6.34%
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%	4.69%
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%	5.52%
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%	5.28%
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	\$609,825,000
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	\$130,538
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%	5.00%
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	\$7,241
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	4,184
Average 416 Units	439	307	296	192	294	214	200	354	258	331	259	216	326	211	146	199	333	279
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%	6.34%
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%	2.32%
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%	3.15%
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%	5.55%
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%	0.90%
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	\$804,680,000
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	\$128,299
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%	5.37%
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	\$ 7,025
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	5,736
Average Units	379	322	235	221	234	202	182	289	226	242	225	215	238	205	100,033	194	312	261
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%	6.34%
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%	3.30%
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%	5.48%
5 year Bond Rate																		
10 year Bond Rate																		
Spread between cash on cash and 10 yr bond rates																		
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%	2.37%