



Greater Toronto multi-residential investment review

Fall 2024

**AVISON
YOUNG**

Greater Toronto market fundamentals

\$1.6B

total multi-residential investment
volume Q1 to Q3 2024
up 86% year-over-year

4.2%

average capitalization rate for
multi-residential assets (20+ units)
up 20 bps year-over-year

\$4.09

average monthly rental rate psf for
Greater Toronto Area (GTA) new
purpose-built apartments as of Q3 2024
down 2.2% year-over-year

38

number of multi-residential sales transactions
Q1 to Q3 2024 (20+ units)
up from 32 year-over-year

88,967

number of condominium units
under construction as of Q3 2024
down from 103,082 year-over-year

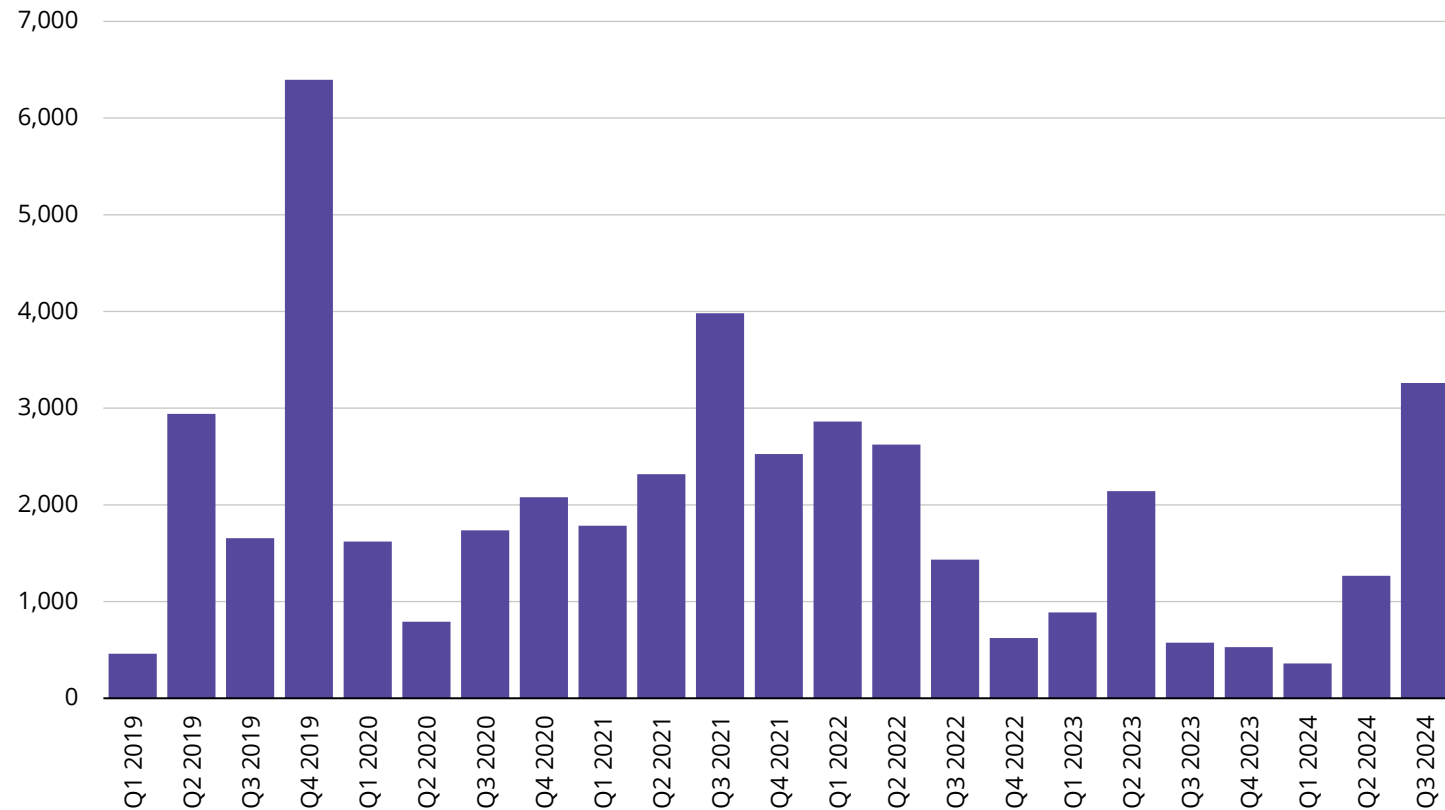
22,199

number of rental units under construction
as of Q3 2024
down from 22,552 year-over-year

Greater Toronto investment activity

Multi-residential unit sales by quarter

Number of units

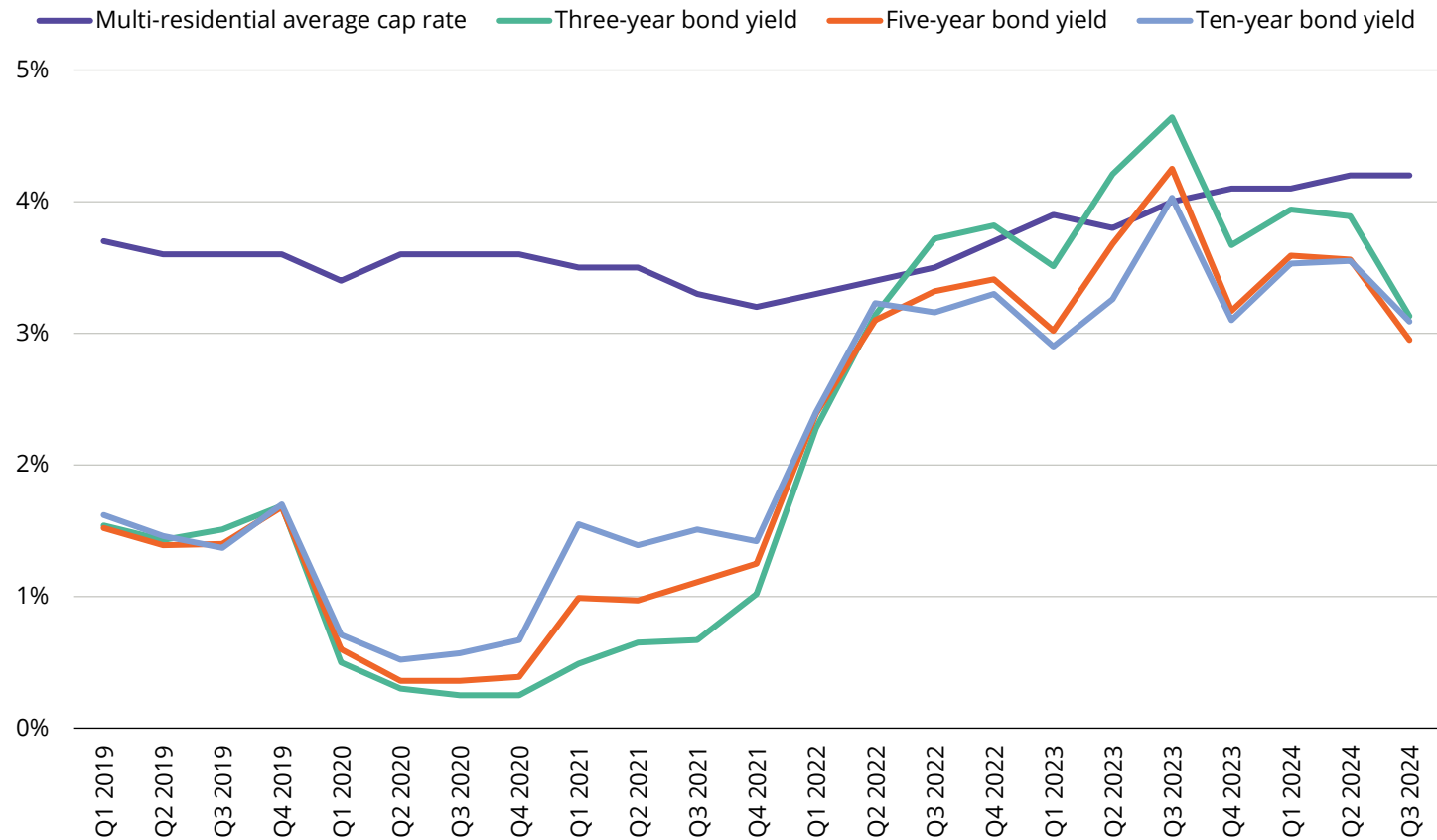


Over 3,000 units sold in Q3 2024

Over \$1.6B in multi-residential transaction volume YTD 2024

Greater Toronto investment activity

Multi-residential cap rates and bond yields



As interest rates have declined, the spread between cap rates and bond yields has increased, making investment in multi-residential assets more attractive.

Greater Toronto multi-residential investment market

Overview

Year-over-year investment activity in the Greater Toronto Area (GTA) multi-residential market increased significantly in the third quarter of 2024, as downward pressure on bond rates brought buyers and sellers into the market. A total of 3,261 units traded in the third quarter of 2024, up from 1,266 units during the second quarter and 574 units during the same period in 2023 – representing a 158% increase in unit volume quarter-over-quarter, and a 468% increase year-over-year. The increase in investment volume was supported by the sale of two large, institutional-quality portfolio transactions (Greenrock – Brookfield Portfolio and Oxford - Starlight Portfolio). Nevertheless, capital that has spent the last two years on the sidelines is moving back into the market in response to lower interest rates. As interest-rate drops continue, the market has the potential to achieve levels of investment activity closer to historical norms during the fourth quarter and going into 2025.

New Purpose-built Leasing Activity

Despite a record-high 2,319 units completed across the GTA in the third quarter, the purpose-built rental market has held steady. According to Urbanation, vacancy in purpose-built rental buildings completed since 2000 increased to 2.7% in the third quarter of 2024, compared to 1.8% at the same point last year. Buildings completed in the past year have averaged \$2,959 (\$4.09 per square foot) per month, representing a 2.2% decrease on a per-square-foot basis from the record high a year ago. Market conditions are expected to remain tight through the fourth quarter but should see some relief as 8,392 units are projected to reach completion in 2025.

On a long-term view, the purpose-built rental market will continue to be undersupplied. Construction starts declined to 585 units in the third quarter, down from 1,590 units in the second quarter and 967 units in the same period last year. High interest rates, sticky construction costs, and recent increases in development charges will challenge the economic viability of new rental construction across the region.

Market Outlook

Multi-residential investment volume through the first three quarters of 2024 exceeded transaction volume during the same period in 2023. Bank of Canada interest-rate cuts, coupled with a flurry of activity to beat the capital gains tax increase deadline in June, have resulted in an influx of transactions throughout the year. Investment activity is expected to strengthen as interest rates continue to decline. Asset fundamentals remain strong; well-capitalized, high-quality multi-residential assets are in high demand. The long-term outlook for multi-residential assets in the GTA is positive, as market sentiment is the strongest it has been since the rates began rising in 2022.



Multi-residential investment trends

Across the GTA, the average price per unit for assets of at least 20 units that traded in the third quarter was \$332,458 – 2.2% higher than the second-quarter average of \$325,179, and representing a 25.6% increase compared with the third quarter of 2023. It is important to note that the average price per unit in the third quarter of 2024 was influenced by two large portfolio sales of high-quality and well-located institutional assets.

Total multi-residential sales volume during the first three quarters of the year totaled \$1.6 billion – an 86.2% increase year-over-year. With the recent decline in interest rates, investors are finding it easier

to achieve the amount of leverage they seek. However, as bond rates continue to fluctuate significantly, vendor take-back mortgages remain one of the most useful tools for vendors looking to navigate the current market and achieve their desired price expectations.

Value-add multi-residential assets remain in high demand in the market; however, many institutional investors are now actively acquiring post-2018, new construction stabilized assets.

Significant sale transactions – multi-residential assets – YTD 2024

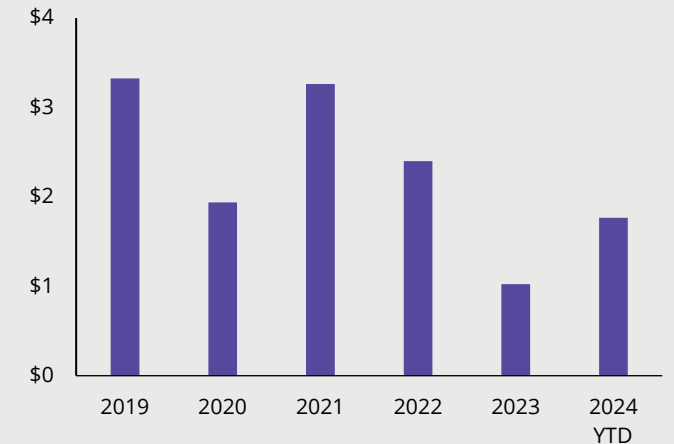
Address	District	Sale price / \$ per unit	Buyer	Seller
Greenrock – Brookfield Portfolio	Central	\$437,184,000 / \$368,000	Brookfield Properties	Greenrock Investments
Oxford – Starlight Portfolio	North	\$216,300,000 / \$350,000	Starlight Investments	Oxford Properties
2, 6, 7 & 8 Park Vista Dr., Toronto	East	\$133,000,000 / \$359,459	Private individual(s)	CAPREIT
2000 – 2012 Sheppard Ave. W., Toronto	North / West	\$101,000,000 / \$315,625	QMW	Private individual(s)

Cap rates

Cap rates remain a hot topic for investors and vendors alike. At the end of the third quarter of 2024, the five-year Government of Canada bond yield rate was 2.9%. The average multi-residential cap rate for Q3 2024 was 4.2% – flat quarter-over-quarter, and an increase from 4.0% during the same period in 2023.

Multi-residential investment volume

Billions \$



Development activity

The GTA high-density residential land market is facing significant headwinds in the face of a slow pre-sale condo market, high interest rates, and rising municipal development charges. Transaction volume has declined year-over-year since the market peak in 2021. Investment volume in the first three quarters of 2024 totaled \$1.3 billion, down from \$1.7 billion during the same period in 2023 and \$3.9 billion in the same period in 2022.

The GTA new condo market slowed to historic lows during the third quarter of 2024. A combination of limited project launches and low investor demand led to the lowest quarterly sales in nearly 30 years. According to Urbanation, just 567 new units sold in

the GTA, down 65% quarter-over-quarter and 81% year-over-year. Unsold inventory stands at 23,918 units, equal to 44 months of supply based on current absorption rates. Until the existing supply is absorbed, developers are expected to continue to operate with caution when evaluating new investments.

Despite the headwinds facing the market, there is still demand for well-located, appropriately priced high-density development sites. Well-capitalized developers and opportunistic investors are still actively placing capital based on a long-term view of the market and the underlying demand for housing in the GTA.

Significant sale transactions – high-density residential land – YTD 2024

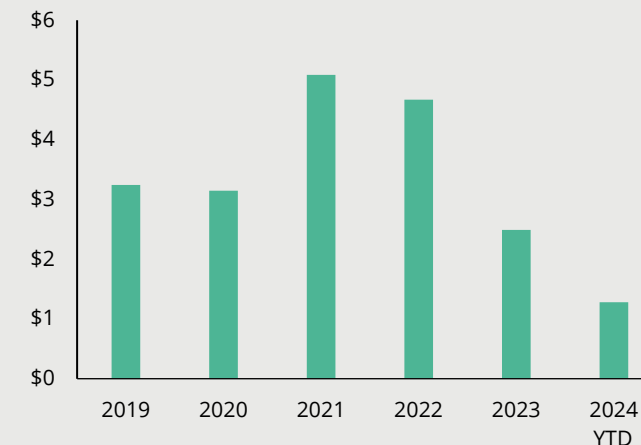
Address	District	Sale price	Price psf	Buyer
119-121 Church St. & 89 Queen St. E.	South	\$68,609,629	\$150	CentreCourt
8905 Bathurst St.	North	\$34,618,823	\$85	Tridel
19-21 Brownlow Ave. & 214-226 Soudan Ave.	Central	\$33,023,400	\$102	QuadReal Property Group
4696 Yonge St.	North	\$26,500,000	\$68	Skale Developments & Windsor Private Capital
1099 Broadview Ave.	East	\$26,000,000	\$113	Equiton Living
572 Church St.	South	\$10,500,000	\$148	Ferrow Real Estate

Price per buildable square foot trending downward

According to Bullpen Research & Consulting and Batory Management’s most recent report, high-density residential land in the GTA traded at an average price per buildable sf (pbsf) of \$78 in the second quarter of 2024, essentially unchanged from \$77 in the second quarter of 2023. It is important to note that due to limited investment volume, the quarterly price pbsf is highly sensitive to project location, size, and planning status.

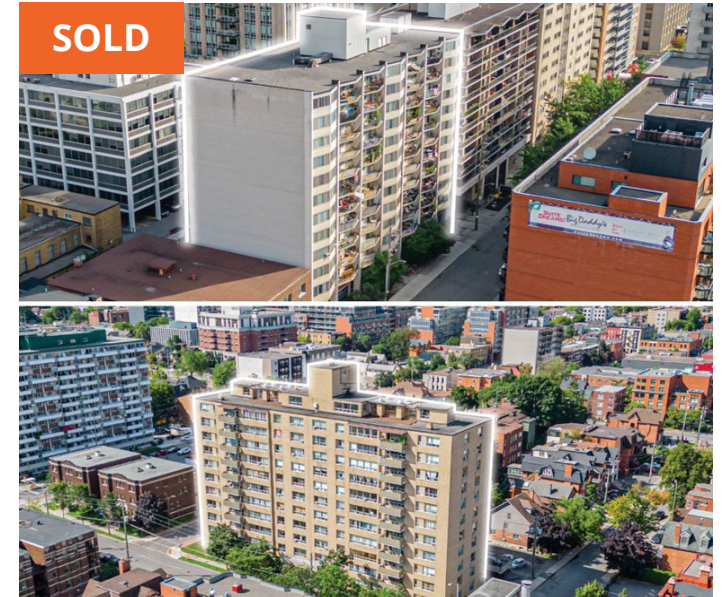
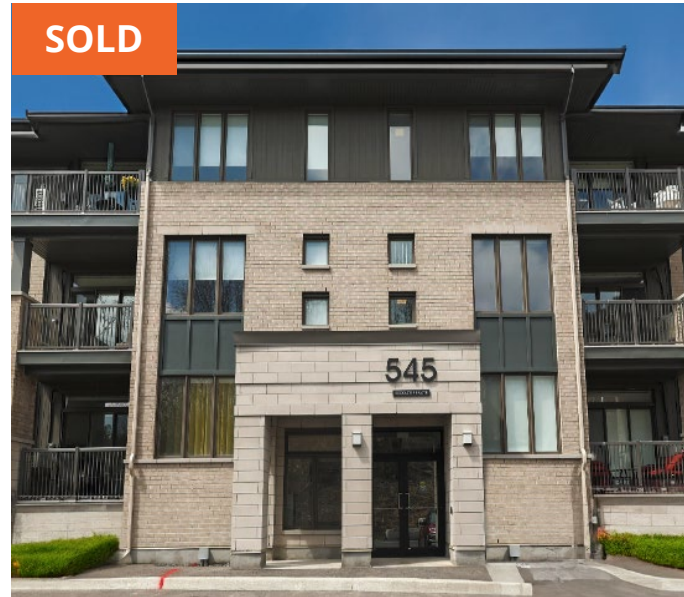
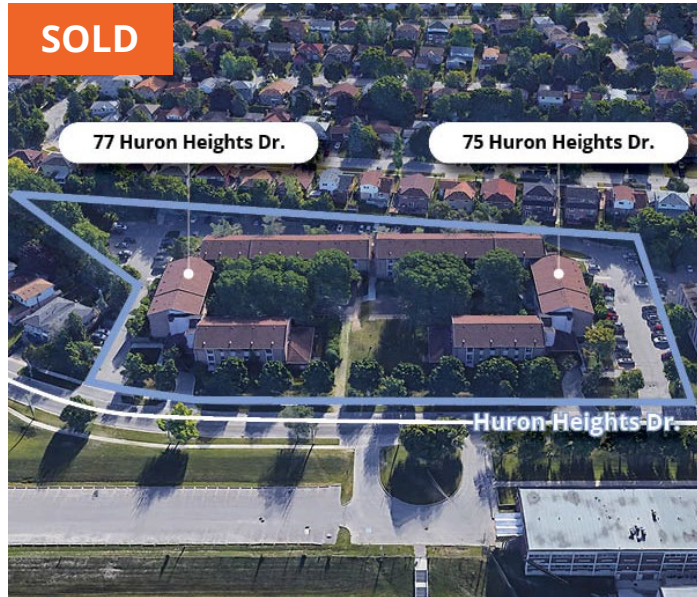
High-density residential land investment volume

Billions \$



Recent Avison Young Multi-Residential Group transactions

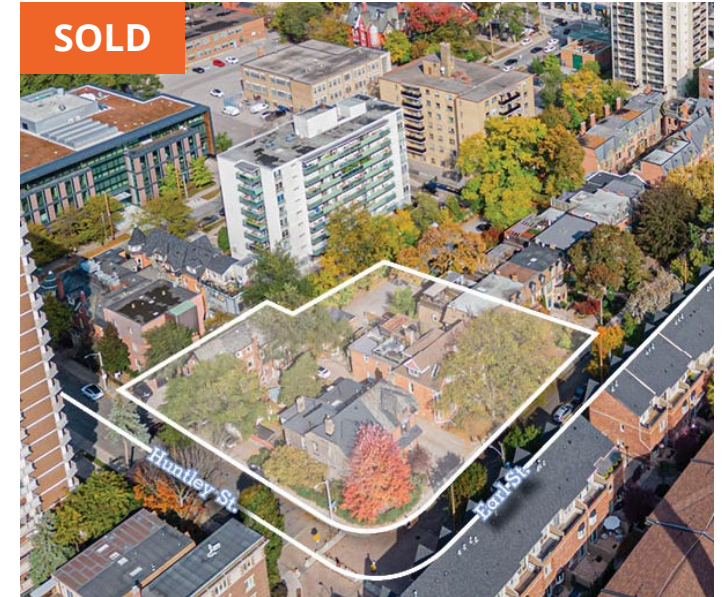
Market insights and transactions



Building	75 & 77 Huron Heights, Newmarket	525, 545 & 555 Recolte Private, Ottawa	173 Cooper Street & 330 Metcalfe Street, Ottawa
Size	110 units	54 units	241 units
Details	Two low-rise, institutionally managed buildings	2023 new construction apartment buildings	Circa 1960s construction; two, high-rise, family-owned apartment buildings
Sold price	\$33,450,000	\$21,000,000	\$48,000,000
Sold date	Q4 2024	Q3 2024	Q2 2024

Recent Avison Young Multi-Residential Group transactions

Market insights and transactions



Building	2935 Richmond Road, Ottawa	671 Woolwich Street, Guelph	2-8 Earl Street & 5 Huntley Street, Toronto
Size	125 units	84 units	17,072 sf
Details	1973 construction, high-rise, family-owned apartment building	Mid-rise institutionally managed building	Land assembly in Downtown Toronto, with the potential for high-density redevelopment
Sold price	\$22,500,000	\$19,050,000	\$30,806,627
Sold date	Q2 2024	Q2 2024	Q2 2024

For more market insights
and information visit
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