Q3 2023

Greater Toronto Area

Multifamily Market Report

Year-to-Date Statistics

Avg. Price Per Suite	Year-over-Year
$324,192	▼ 9.1%
Avg. Cap Rate	**Year-over-Year**
3.75%	▲ 60 bps

Source: RealNet – 10+ Suites

Quarterly Statistics

No. of Transactions	Annual % Change
8	▼ 50.0%
Sales Volume	**Annual % Change**
$91.1M	▼ 85.4%
Suites Traded	**Annual % Change**
373	▼ 78.2%

Source: RealNet – 10+ Suites

Market Outlook

The multifamily market in the Greater Toronto Area (GTA) underwent a notable shift in Q3 2023. While the long-term outlook remains optimistic, the immediate landscape presented challenges, particularly in transaction numbers and sales volume. This quarter saw only 8 transactions, a significant 50% decrease from Q3 2022. The total sales volume was equally impacted, standing at $91.1 million, a stark contrast to the $627.3 million observed in the same quarter of the previous year.

The average price per suite YTD sits at $324,192, marking a 9.1% decline year-over-year. This decline, however, is set against a backdrop of rising financing costs. The Bank of Canada's key interest rate has ascended to its highest since 2001, at 5%. Concurrently, the CMB 5-Year, which serves as the foundation for CMHC financing, has risen to 4.49%, approximately 90 basis points higher than a year ago. This escalation in financing costs, combined with the increased debt service coverage on these higher rates, has curtailed the leverage buyers had grown accustomed to in recent years. As a result, attractive assumable debt and vendor takeback (VTB) mortgages have emerged as appealing alternatives for financing transactions.

A distinct trend in market behavior has also emerged. Over the past year, the GTA has witnessed only 4 apartment transactions exceeding $50 million, a significant drop from the 20 such transactions in the preceding 12 months. This indicates a market inclination towards smaller, more manageable transactions.

On the policy front, a significant development occurred on September 14th. The federal government announced the removal of the Goods and Services Tax (GST) on new purpose-built rentals. The provincial government is expected to formalize their PST waiver in short order as well. This policy shift, especially in the current high-interest-rate environment, has breathed life into many rental developments that had been previously shelved.

Rental rates in Toronto, meanwhile, have maintained their upward trajectory. One-bedroom units now command an average of $2,620 per month, a 10.5% increase from the previous year. Two-bedroom units follow suit, averaging $3,413, up 7.1% year-over-year.

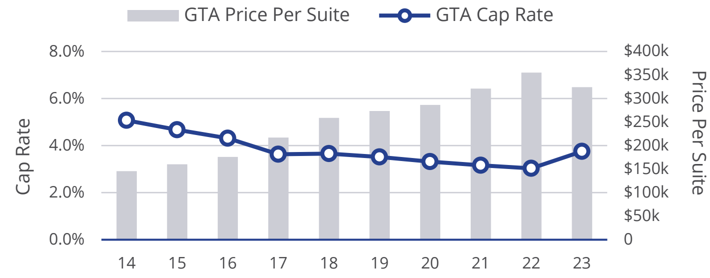
In conclusion, while Q3 2023 has seen a dip in market activity—a trend mirrored across all asset classes—the multifamily market in the GTA remains resilient. The consistent rise in rents, coupled with favorable government policies and the ever-present demand-supply gap in the rental market, ensures a positive trajectory for the multifamily sector in the coming quarters.

Colliers

Market Overview

01 Valuation Benchmarks

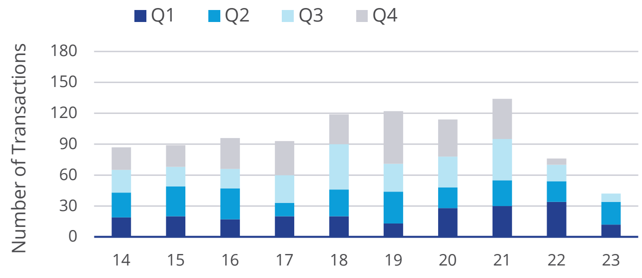
Price per Suite vs. Cap Rate



Source: Colliers International, RealNet

02 Transaction Volume

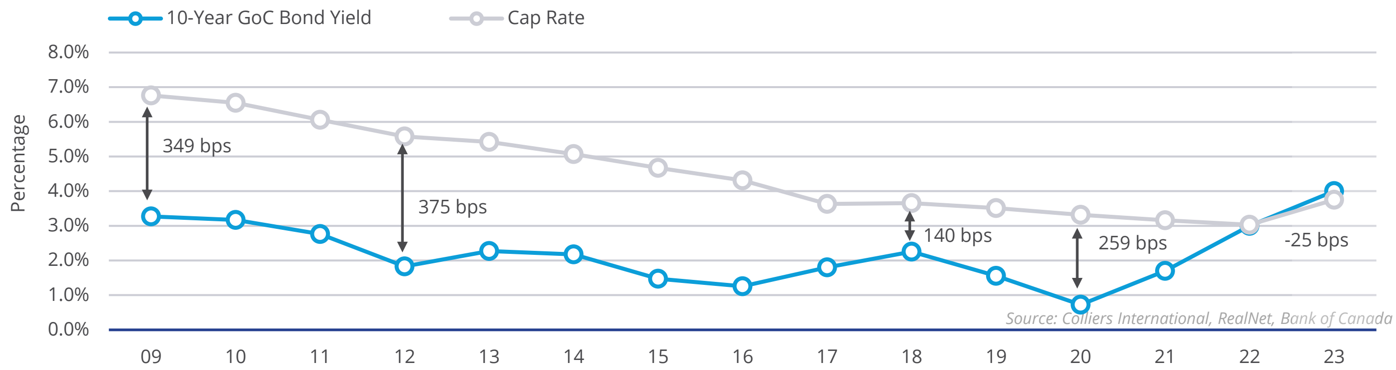
Properties Sold Per Quarter



Source: Colliers International, RealNet

03 Bond Yields vs. Cap Rates

GoC Benchmark Bond Yields vs. GTA Multifamily Cap Rates



04 Notable Transactions

Q3 2023

Date	Property	Purchaser	Sale Price	# of Suites	$/Suite
9/22	30 Normandy Place, Oakville	The Regional Municipality of Halton	$16,000,000	70	$228,571
8/31	161 Athol Street East, Oshawa	Forum Asset Management	$39,000,000	185	$210,811
*7/4	1040 Castlefield Avenue	Private Investor	$10,000,000	44	$227,273

** Indicates a sale facilitated by Colliers National Multifamily Group*

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