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**GREATER TORONTO
& HAMILTON AREA
MULTI-FAMILY
TAKE**



**Q2
2022**

**POWERED BY
NHSLIVE**





Summer Beckons,
Sales Slow

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Zonda Urban's inaugural GTHA Multi-family Take comes after a prolonged period of intense activity in the Greater Toronto and Hamilton multi-family market. A total of 16,288 condominium apartments and townhouses were sold during the first half of 2022, up three percent over the preceding six-month period a year ago. The first half of 2022 represented another break from pre-covid trends, as the past three years have experienced atypical spring and fall markets giving way to busier summer and winter months. By normal measures, sales volumes in Q1 and Q2-2022 appeared to reverse, with a blistering start to 2022 at 9,446 sales in the first quarter and a moderated second quarter at 6,842 sales. First quarter sales represented a 65 percent year-over-year rise, which flipped to a 32 percent year-over-year decline in the second quarter.

QUARTERLY SALES BY PRODUCT TYPE

	Q2-2022	Year-Over-Year	Q1-2022
 APARTMENT	6,088	-30%	8,479
 TOWNHOME	754	-45%	967

Early indicators of change were evident in the resale market when March figures released by the Toronto Real Estate Board (TRREB) showed the first annual decline in sales volumes since the summer of 2020. Condominium apartment resales for March declined by 18 percent year-over-year and widened to a 40 percent annual decline in June. As the new multi-family market historically tends to lag the resale market at varying intervals, sales volumes at launches of new multi-family developments began exhibiting slower absorptions by mid-April and accelerated into May and June following the Bank of Canada twice raising the overnight interest rate by a half point.

The subsequent full point rise in the overnight interest rate in July added further affordability challenges to the new multi-family market in the GTHA. Pandemic related inflation has produced sharp rises in construction costs which are being passed on to the buyer. Further, new municipal fees are being implemented across the region. In July the Toronto City Council approved a 46 percent increase in development charges through 2024, resulting in developers paying an estimated \$25,000 to \$43,000 in additional costs per unit. Inclusionary zoning in Toronto is also coming into effect with more municipalities anticipated to implement similar programs in the future.

While the market is not at a stand still—ongoing sales volume remains evident, albeit at a slower pace, at early third quarter new launches, these headwinds to the market reduced confidence on both the supply and demand fronts. The industry is carefully considering project feasibility over the next eight to 12 months. Some projects will be paused or delayed,

and others will shift from rental to condominium tenure as rising interest rates and construction costs are expected to challenge planned rental tenured projects.

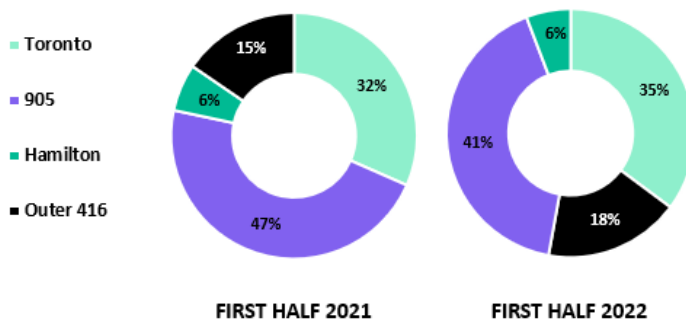
On the demand side, buyers of pre-construction condominiums may not experience the immediate impact of rising interest rates as most new condominium projects launched in the second quarter will not be delivered until at least 2025. The decline in confidence of buyers, especially investors, stems from a cautious outlook towards further rate hikes and anticipated lost gains in future value in the resale market.

Longer term market fundamentals remain relevant in the GTHA new multi-family market. Despite the recent negative sentiment, the market is still undersupplied with only 8,223 unsold condominium apartments, of which only 4,852 were released and available as of Q2-2022. Stacked and traditional townhouse product had just 960 units released and available for sale in the second quarter with most submarkets offering fewer than 25 units of available inventory. The future supply outlook did strengthen, with construction commencing on 9,086 apartment units in Q2-2022.

Sales & Inventory

Sales of new multi-family units in Q2-2022 reached 6,842, down 32 percent from a year prior. This marks the second quarterly decline from a high of 10,257 sales achieved in Q4-2021. Q2-2022 set a precedent for the market with volumes lower than the first quarter. Typically, developers ramp up new project launches late in Q1 and release product to the market during the spring months. The reverse occurred during the first half of 2022, as 16,288 multi-family sales were already recorded between January and June, and were up three percent on a year-over-year basis.

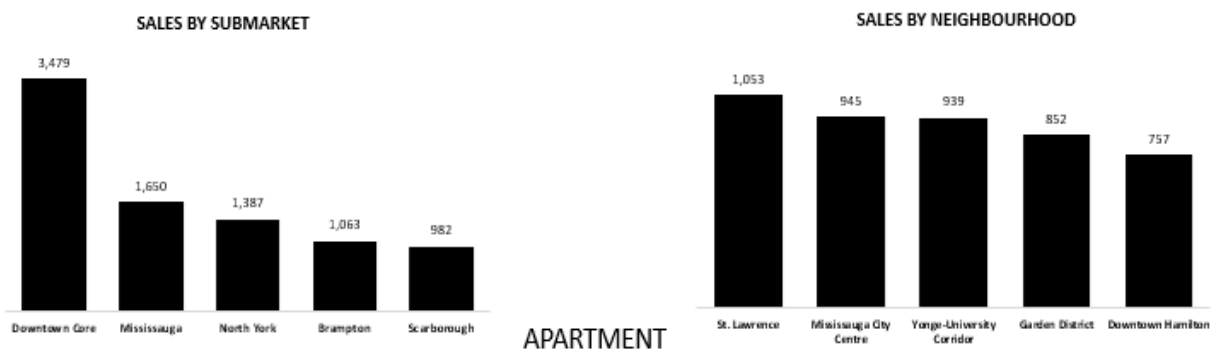
Condominium apartment sales as a percentage of overall new multi-family home sales in the GTHA increased to 89 percent during the first half of 2022 at 14,567 sales, up from an 85 percent share and 13,410 sales during the first half of 2021. By product split, the three percent annual rise in sales volume during the first half was a result of condominium apartment sales being up nine percent year-over-year (14,567), which balanced a 27 percent decline in stacked and traditional townhouse sales over the same timeframe. Quarterly sales declined by a wider margin for townhouse product in Q2-2022, falling 45 percent year-over-year to 754 sales, relative to a 30 percent decline in condominium apartment sales (6,088).



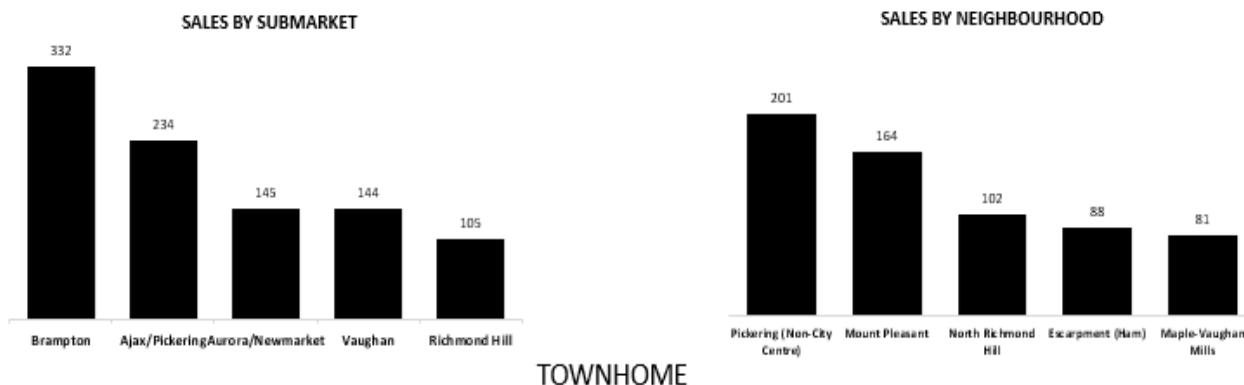
The 905 Region accounted for 41 percent of the new condominium apartment sales in the GTHA during the first half of 2022. That share fell from 47 percent in the preceding six-month period a year ago, taken up by higher sales in the outer 416 former municipalities of Etobicoke, Scarborough, and North York, which had their share of first half sales rise to 18

percent from 15 percent a year prior. Sales in the former City of Toronto increased between the two periods at 35 percent during the first half of 2022 versus 32 percent a year ago; however, the aggregate share hides high quarterly variations. In four of the five past quarters, the share of sales in the former municipality fell below 30 percent and bottomed at 19 percent in Q3-2021. The trendline for development in the GTHA's "core" market is nearly half of that of the pre-pandemic period. The Hamilton market has witnessed a small but growing share of GTHA apartment sales at six percent (845 sales) during the first half of 2022.

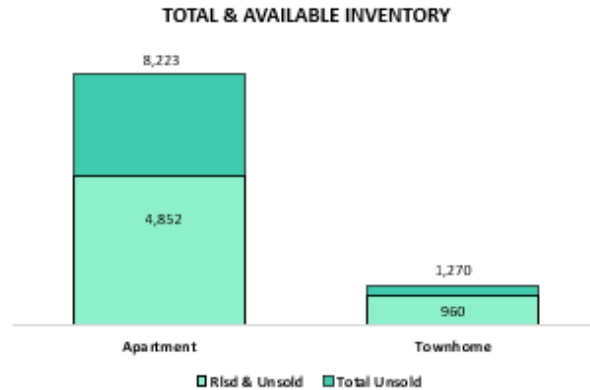
Zonda Urban tracks the multi-family market in 30 submarkets along with a granular breakdown of these into 138 neighbourhoods across the GTHA. Despite a decline in overall sales in former City of Toronto, the Downtown Core submarket led condominium apartment sales during the first half of 2022 at 3,479 with 72 percent of these occurring in Q1. Mississauga (1,650), North York (1,387) and Brampton (1,063) all achieved 1,000+ sales in the first half of 2022. Sales in Oakville also regained momentum during Q2-2022 with the sell out of *The Saw Whet* launch, which helped sales in this submarket to increase by 433 percent compared to the first quarter. By neighbourhoods, condominium sales topped at 1,053 units in the St. Lawrence neighbourhood, 945 in Mississauga City Centre, and 939 in the Yonge-University Corridor neighbourhood.



The Brampton submarket accounted for over a fifth of townhouse sales between January and June 2022 at 332 sales, 49 percent of these were in the Mount Pleasant neighbourhood. Ajax/Pickering captured 15 percent of sales volume at 234, with the bulk of these sold in Pickering's non-City Centre suburban areas. Sales were near evenly split between the Aurora and Newmarket municipalities, combined at 145 sales.

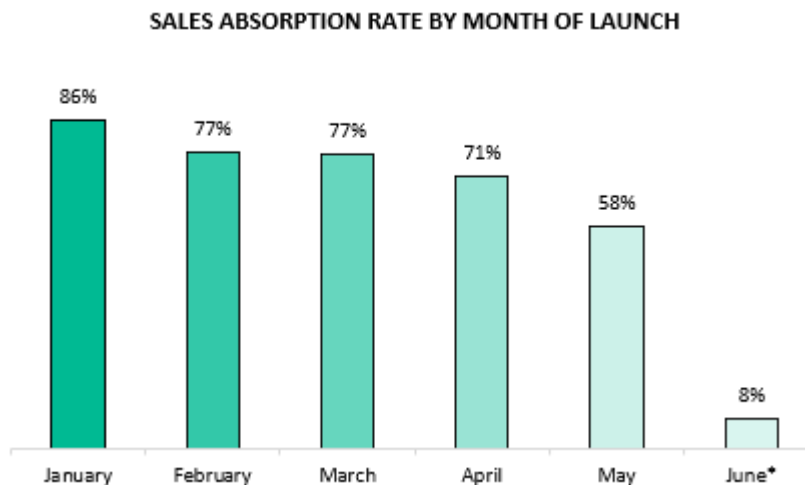


Zonda Urban is currently tracking 47,788 new condominium apartments in active development across 174 projects in the GTHA. At the end of Q2-2022, 82 percent of these were sold, leaving a total of 8,223 released and unsold units. Sixty-seven townhouse projects were actively marketing with 5,123 units, and only 960 of the 1,720 unsold units available as of June.



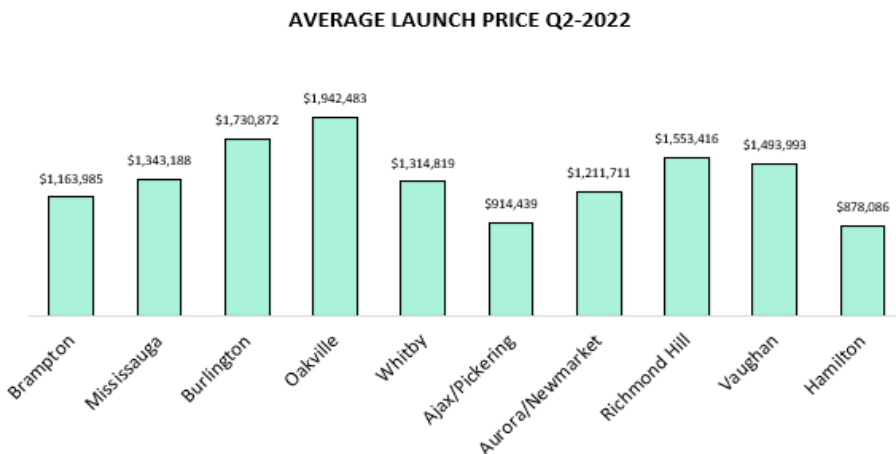
New Launch Activity

The absorption rate for the 29 new condominium apartment developments launched in Q2-2022 was 66 percent, down from an 80 percent absorption rate for openings in Q1-2022 and 74 percent in Q2-2021. A total of 16,644 new condominium apartment units were brought to the market during the first half of 2022, up 27 percent from the first half of 2021. Launches during the first half of 2021 experienced a steady high level of first quarter sales absorption at 80 percent indicative of the strength of the market at the time. By comparison, absorption rates began to drop off for projects launched from mid-April 2022 onwards, reflected in their first quarter of sales performance dropping from 71 percent absorption at April openings to 58 percent for May launches. The negligible eight percent for June launches was due to most openings occurring late in the month with firm sales to take place during the third quarter. While earlier quarter openings can benefit from a longer period for sales, GTHA launches tend to experience the bulk of absorption within the first four weeks after opening. Current launch sales volumes illustrate slowing market demand.



*Excludes non-firm sales activity for late June launches

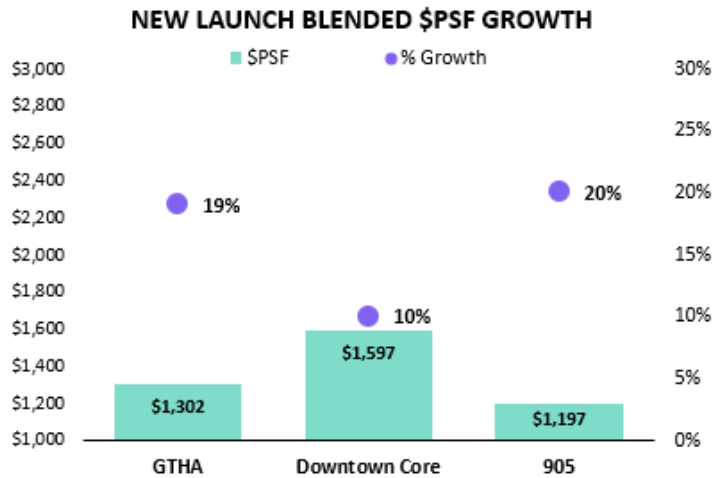
34 new townhome projects launched in the GTHA during the first half of 2022, with 61 percent of the 2,033 released units being reported sold at the end of Q2-2022. Most of these units were introduced in 23 project openings with 1,294 units during the second quarter. Mirroring the broader multi-family market trend, absorption for townhouse openings fell to 54 percent in Q2-2022. The mix of new townhouse product in Q2-2022 did bring one measure of affordability relief as average prices declined by three percent compared to the first quarter. Average townhome prices in two submarkets were below the \$1M threshold - Ajax/Pickering at \$914,439 and Hamilton at \$878,086.



Pricing Trends

Strong demand accompanied by rising construction costs allowed for continued price appreciation during the first half of 2022. The average blended (historically sold) index price for condominium apartments edged upwards from \$1,076 PSF at the start of the year to \$1,091 PSF in Q2-2022. This translates into an average unit price of \$769,427 for units sold in the GTHA in the second quarter. The average blended price exceeds \$1 million at \$1,031,816 (\$1,611 PSF) in the Downtown Core, and at \$1,367,903 (\$1,775 PSF) in Toronto’s Midtown/Uptown submarket. The most affordable submarkets were Hamilton at \$632,213 (\$1,030 PSF), and Burlington at \$664,509 (\$969 PSF).

The strong price growth in the new multi-family market can best be exhibited by average launch values. For new condominium apartment launches, the average blended (sold) price was \$1,302 PSF for openings during Q2-2022, a 19 percent increase over the average \$1,094 PSF for apartment launches in Q2-2021. Most of the double-digit price gain occurred in the 905 Region. Price growth has been far less drastic in Toronto’s Downtown Core submarket, where new launch index pricing rose by only 10 percent on a year-over-year basis to \$1,597 PSF in Q2-2022, up from \$1,448 PSF in Q2-2021. At an average sale price of \$809,434, the average new condominium apartment in the 905 Region was approximately \$130,000 per unit less expensive than in the Downtown Core.



Townhouse product in stacked and traditional forms averaged \$712 PSF and the average townhouse sold for an estimated \$1,169,301 (1,669 sf) in Q2-2022. Average townhouse prices are currently 21 percent higher by index value and 16 percent higher by end-selling price when compared to the same period last year.

Construction & Supply

Construction starts achieved a three-year quarter high in Q2-2022 with 9,086 new condominium apartments starting construction in the quarter. Overall new apartment starts totalled 13,812 during the first half of the year and contributed to the 93,247 total units under construction in the GTHA at the end of the second quarter. Combined with the 17,334 rental apartments (see Zonda Urban’s newly released Q2-2022 Rental Take) under construction in Q2-2022, overall multi-family and rental housing under construction is at 110,581 units across the GTHA.

Under construction condominium apartments in the GTHA were largely in the framing stage, representing 51 percent of all units, with an additional 23 percent of units currently at the excavation stage. Just 11 percent of units were identified at the late stage of interior finishing with 8,454 of these units expected to be delivered in the latter half of 2022.

Condominium apartment completions have been on an upward trend from last year when Covid and supply chain delays caused only 14,576 units completing construction. By June, 58 percent of the last year’s total had been delivered in the GTHA with 8,464 units at occupancy. At the time of this report, an additional 1,300 units were nearing completion. Zonda Urban anticipates another 9,503 units could complete in the latter half of 2022 which would result in an estimated 20,000 completions in the GTHA in 2022.



Zonda Urban has the most current and accurate data on the new multi-family home markets in Calgary, Edmonton, Metro Vancouver, Greater Toronto, Ottawa and Victoria. NHSLive, Zonda Urban's online data platform, provides timely data on the new rental and multi-family home sectors of the market. With its user-friendly interface and extensive functionality, it has become an invaluable tool for thousands of industry stakeholders to make better decisions. Call or email sales@zondaurban.com today to schedule a demonstration of NHSLive.

We appreciate your feedback. Please contact us with any questions regarding this GTHA multi-family report or any of our other periodic publications. In addition to maintaining the most current new multi-family home and rental apartment project data on NHSLive.ca, Zonda Urban provides advisory services that can be tailored to meet your firm's specific needs. Please contact us to discuss how we can assist you in the design or positioning of your new multi-family home or rental apartment community.



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