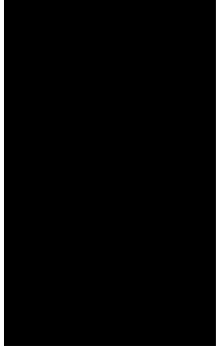




Urban

Formerly Urban Analytics



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



**Q3  
2022**

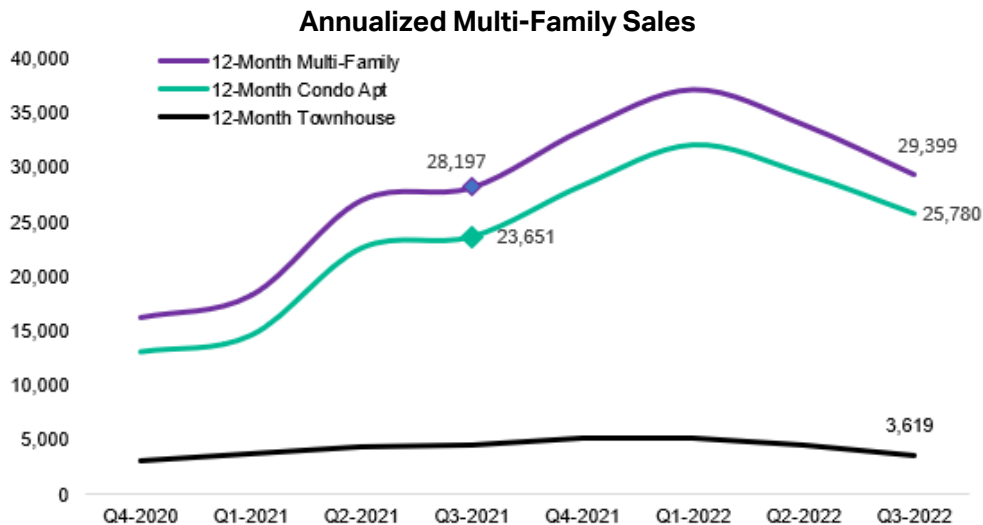
**POWERED BY  
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**Construction Surges as  
Sales Slide**

# Construction Surges as Sales Slide

Multi-family sales achieved a post-pandemic low in the Greater Toronto and Hamilton Area (GTHA) during the third quarter as 2,891 sales were recorded. This represented a 61 percent annual decline in volume, and the third quarter-over-quarter decrease since the market peaked at 10,257 sales in Q4-2021. Sales of condominium apartments performed better than townhouses on a relative basis during Q3-2022, with sales declining by 58 percent year-over-year to 2,711, compared to an 84 percent decline in townhouse sales activity over the same timeframe. A total of 180 townhouse units sold in Q3-2022, the slowest quarter for ground-related units since 2020 and dating beyond Zonda Urban's GTHA tracking.



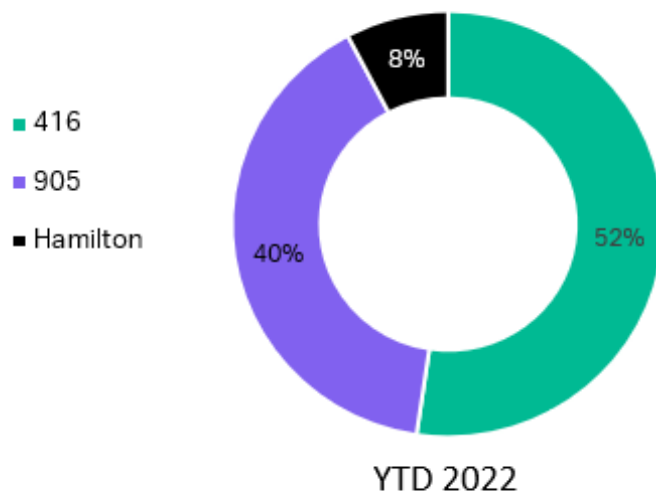
Annualized volume for multi-family units remained four percent higher than a year ago at 29,399 units (Q3-2021: 28,197 units) with condominium apartment sales increasing by nine percent and balancing out a 20 percent annualized decline in townhouse sales (Q3-2021: 4,546 units). Launch activity was nearly halved in both total units released and sold relative to early 2022. The fourteen condominium apartment projects that launched during the third quarter sold 40 percent of their total 4,391 units, which was half of the 80 percent absorption rate that occurred for Q1-2022 new openings (8,197 units). The rapid increases in the Bank of Canada overnight rate, up 3.5 percent since March including a 2.25 percent jump over the summer months, have had a sharp impact on market activity and purchaser sentiment. However, the market also returned to some normalcy as historically, project launch activity has not been as prevalent from mid-June to mid-September. The number of condominium apartment units brought to the market in the third quarter declined by 43 percent from Q3-2021. Zonda Urban identified several projects launched with a limited release during the preceding quarter that then closed or moved their sales to appointments-only for the summer months, only to re-open again by late September with additional releases. This calculated approach to pricing and positioning has extended to incentive offerings, which has become the standard for the majority of fourth quarter project launches. The assignment fee and capped levy limited packages of early 2022 have morphed into broader, aggressive offers including cash back, credit at closings, increased broker commissions, rental guarantees, and maintenance fee reimbursements.

As of early Q4-2022, the loom of project cancellations has been largely absent and not quantifiable by market standards. While some developers have postponed anticipated development launches until 2023, and a few smaller townhouse and apartment projects have paused their respective sales programs, the flow of new units to the market during the fourth quarter at the time of this report was still relatively steady. By early November, 20 condominium apartment buildings representing a total of 6,571 units were launched. Still, Zonda Urban anticipates fourth quarter volume to fall short of the 8,101 units that were released in Q4-2021.

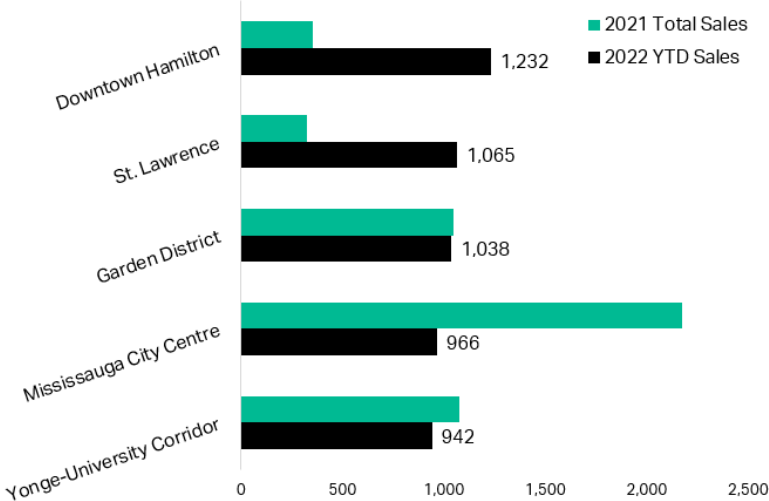
In late October, the Province of Ontario introduced Bill 23, "More Homes Built Faster", with the intention to accelerate construction and provide 1.5 million new homes by 2031. Over 75 percent of these homes are planned to be within the GTHA, including 285,000 new units in the City of Toronto. This announcement coincided with Zonda Urban's finalization of start activity during the third quarter which reached a record 11,379 condominium apartment units commencing construction. Condominium apartment construction currently in progress achieved an unprecedented total of 104,177 units as of Q3-2022. When the 16,782 rental units currently under construction are added to the totals, the GTHA's current construction capacity increases to 120,959 units, and represents a positive step towards meeting Provincial targets. The current slowdown in pre-construction launches poses a risk to meeting these targets in the longer term. Projected completions of condominium apartments are expected to remain high through to 2025; however, with an average four year delivery length from launch to occupancy, most new projects launching today will complete construction in 2026 and beyond. A few quarters of diminished launch activity in 2023 would have an outsized impact on new units completed in the 2026 to 2031 time horizon.

## Sales

Total sales of new multi-family units in the Greater Toronto and Hamilton Area during the third quarter declined by 61 percent year-over-year with 2,891 units sold. Multi-family sales volumes have fallen each quarter since the end of 2021 with third quarter volume declining 54 percent below the 6,260 quarterly average since Q1-2020. Sales of condominiums apartment units were down 58 percent while townhouse were down by 84 percent when compared to the same quarter last year. A total of 180 townhouse units sold during Q3-2022, well below the 943 average the market has experienced each quarter over the past year.



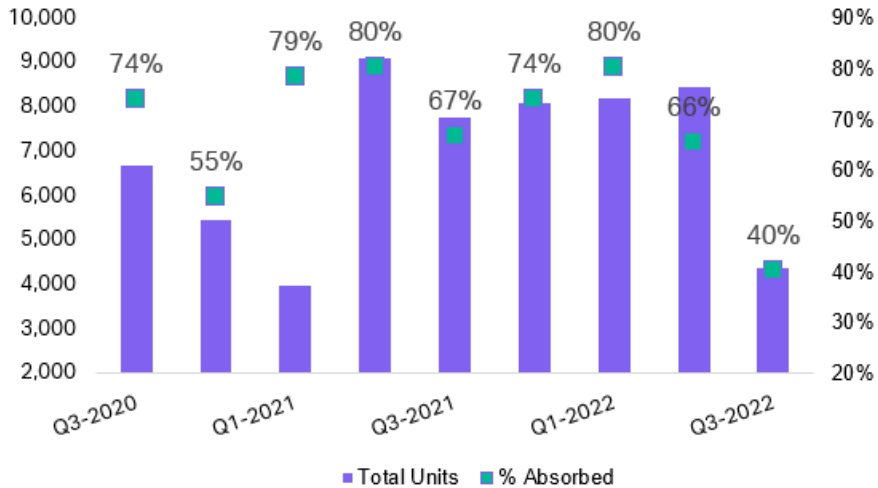
Showing some rebound from a longer-term trend of decline, sales in the old City of Toronto accounted for 40 percent of all new condominium apartment sales in Q3-2022. Sales declined by just six percent in the outer 416 former municipalities and 31 percent in the 905 Region municipalities. The City of Hamilton lead all sub-markets for growth in proportional sales activity within the GTHA market, surging to 18 percent of third quarter volume. The 479 units sold in the Hamilton sub-market were largely achieved at the two phases of *The Design District* project that launched during the quarter. The emergence of Hamilton brought the sub-market’s share of year-to-date new condominium apartment sales to eight percent, up from five percent a year prior. Notable launches in Toronto’s Entertainment District and Forest Hill neighbourhoods increased its share of year-to-date sales within the 416 area from 33 percent to 52 percent in Q3-2022. The share of 905 Region sales year-to-date has dropped from 62 percent as of Q3-2021 to 40 percent as of Q3-2022 with only three launches occurring throughout the quarter—two in Oakville (North Oak – Tower 3, The Residences of Bronte Lakeside), and one in Markham (Gallery Towers).



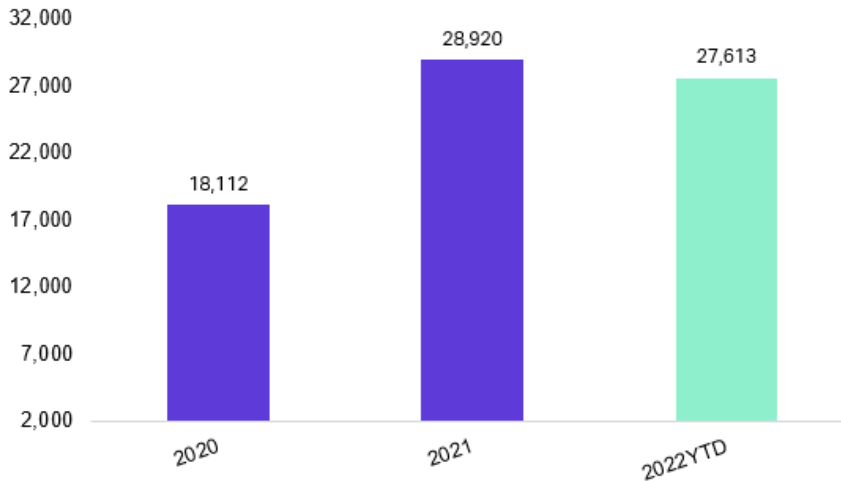
High interest, particularly from Toronto-based investors, resulted in Downtown Hamilton leading neighbourhoods for 2022 year-to-date sales at 1,232; 248 percent higher than in 2021. Sales also exceeded 1,000 units in neighbourhoods east of Yonge Street close to Toronto Metropolitan University (formerly Ryerson) with 1,065 sales in St. Lawrence (up 226 percent) and 1,038 in the Garden District (down one percent year-over-year). Lack of new project launches resulted in a year-to-date sales decline of 56 percent in the Mississauga City Centre, despite the area ranking 4<sup>th</sup> for 2022 sales to-date at 966. The fourth quarter launch of *8 Elm on Yonge* is anticipated to bring annual 2022 sales ahead of last year in the Yonge-University neighbourhood. The 942 sales in the neighbourhood year-to-date as of Q3 represented a 12 percent decline from last year.

# New Launch Activity

The fourteen new condominium apartment projects launched in the third quarter represented the fewest number of new projects released to the market since the start of 2021. Absorptions for Q3-2022 apartment launches fell to 40 percent, down from 66 percent in the second quarter and the represented the slowest rate of absorption since the onset of the Covid-19 pandemic in Q2-2020 (32 percent). Collectively, of the 21,035 apartment units brought to the market in the first three quarters of 2022, 66 percent sold during their first quarter, down modestly from a 75 percent absorption rate for 2021 new project launches.





The slowing pace of launch activity has still been bolstered by strong activity in the beginning part of the year and is currently on pace with 2021. As of early November, 20 new condominium apartment projects had launched, adding 6,578 to the market and raising year-to-date new apartment supply to 27,613 units. This total is only 1,307 units fewer than what was recorded in 2021. A small number of additional launches through the end of the fourth quarter could narrow the gap further.



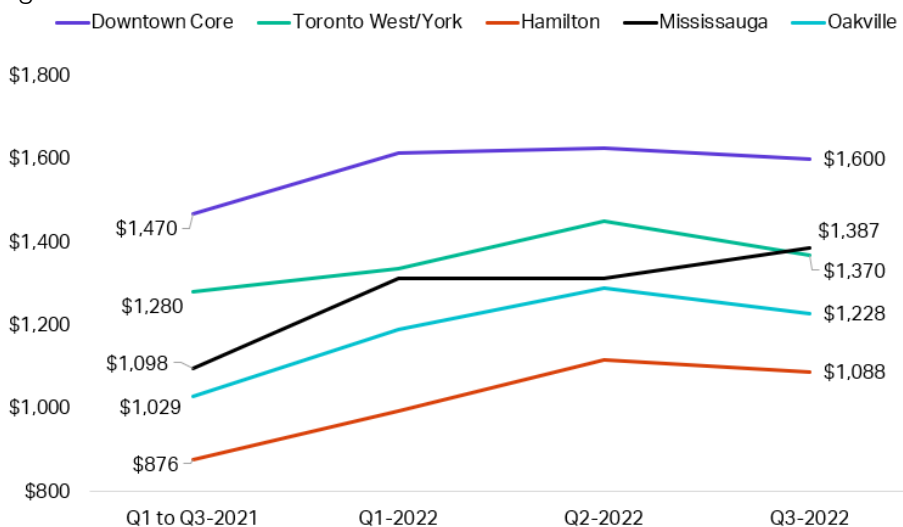
Townhouse sales during the third quarter relied heavily on product launched in six new developments with a combined 265 units released. Townhome absorptions were similar to apartment condominiums, with 39 percent of these units sold in the quarter. Absorption volume for townhouse launches dropped a precipitous 79 percent from the previous quarter where 21 projects representing 1,238 units were released and 54 percent were absorbed during that timeframe.

## Pricing Trends

	Q3-2022	Quarter- Over-Quarter	Q2-2022	Q3-2022 Launches
 APARTMENT	\$1,105 PSF	1.3%	\$1,091 PSF	\$1,520 PSF
 TOWNHOME	\$706 PSF	-1%	\$712 PSF	\$533 PSF

The combination of slower absorptions, incentive offerings, and higher interest rates appear to have flattened multi-family price growth in the GTHA. The blended (historically sold) average index price for new condominium apartments increased to \$1,105 PSF in Q3-2022, up from \$1,091 in the second quarter. Since the end of 2021, the average blended index price has risen three percent for condominium apartments, compared to seven percent for townhouses, which had an average blended index price of \$706 PSF in Q3-2022. Notably, index pricing for townhouses declined slightly from Q2-2022's high of \$712 PSF.

Slowing price growth is particularly apparent when analysis is conducted of new condominium apartment projects with similar attributes by sub-market. Price growth was quite sharp between similar projects by scale and product launched in the first part of 2021 and those that opened during the



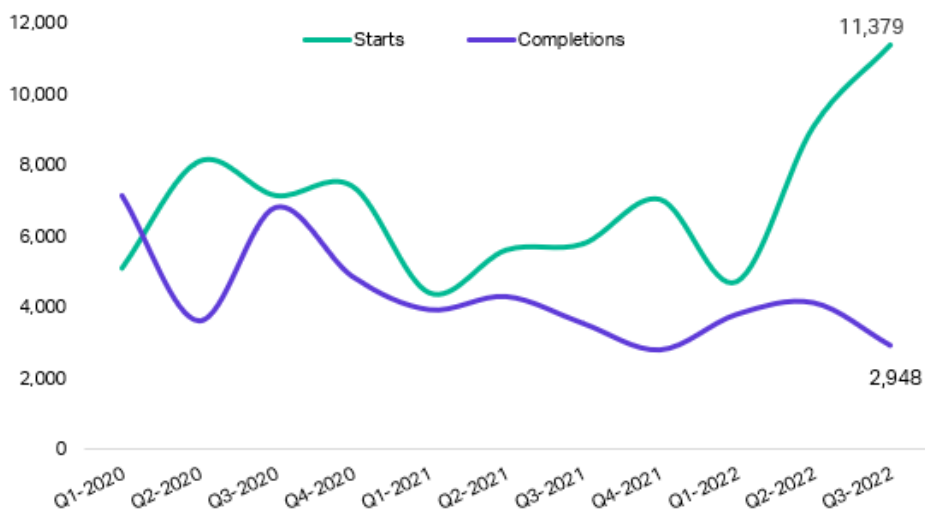
first half of 2022 with some sub-markets reaching stability earlier than others. In the Hamilton sub-market, launch index prices rose 24 percent from \$876 PSF in Q3-2021 to \$1,088 PSF in Q3-2022. A similar pattern occurred in Oakville, where launch index pricing rose from \$1,029 in the first half of 2021 to \$1,228 in the third quarter of 2022. New launches in the Downtown Core appear to be reaching a relative threshold around \$1,600 PSF as of Q3-2022, rising from the \$1,470 PSF recorded in early 2021.

The slowdown in sales resulted in rising unsold inventory levels in the third quarter. Condominium apartment inventory increased 18 percent from the preceding quarter to 5,732 units while released townhouse inventory increased by 27 percent, up to 1,218 units. A quarter of townhouse inventory was located in the Brampton sub-market, while the Downtown Core accounted for 29 percent of all released condominium apartment inventory.

## Construction & Supply

Condominium apartment starts have accelerated throughout 2022 with Q3-2022 reaching a record 11,379 and accounting for 45 percent of the 25,191 units that have began construction since the start of the year. The rising trajectory of start volumes for apartments brought total units under construction to 104,177 across the GTHA. Most of these new units were in projects that launched within the past 12 months, including nine developments launched during 2022. Based on current construction progress, an estimated 31,916 units are anticipated to be delivered during 2023. While project delays are inevitable, the early projections of 43,040 condominium apartment completions in 2024 and 27,245 in 2025, suggest that even with successive year-to-year roll-overs, the next three years should experience a surge of condominium apartment completions and purchasing opportunities in the re-sale market. Expected completion levels for 2023, 2024 and 2025 should well exceed the estimated 16,293 anticipated 2022 completions and the 14,576 units completed in 2021.

Zonda Urban is currently tracking 72 townhouse developments that represent a total of 6,174 units under construction. 61 percent of townhome projects under construction are at the framing stage and 15 percent are nearing completion, are at the interior finishing stage or are finished. Two-thirds (4,077 units) of townhouses under construction are anticipated to complete in 2023.



Zonda Urban has the most current and accurate data on the new multi-family home markets in Greater Toronto & Hamilton, Ottawa, Vancouver, Calgary, Edmonton 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](mailto: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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