Q1 2023

Greater Toronto Area

Multifamily Market Report

Year-to-Date Statistics

Avg. Price Per Suite	Year-over-Year
$312,158	▼ 12.7%

Avg. Cap Rate	Year-over-Year
3.55%	▲ 40 bps

Source: RealNet – 10+ Suites

Quarterly Statistics

No. of Transactions	Annual % Change
12	▼ 64.7%

Sales Volume	Annual % Change
$305.8M	▼ 61.5%

Suites Traded	Annual % Change
957	▼ 55.2%

Source: RealNet – 10+ Suites

Market Outlook

In the latter half of 2022, the real estate market encountered economic headwinds due to the Bank of Canada's interest rate hikes throughout the year. While the move aimed to reduce inflation, it led to a significant reduction in transaction volume as financing properties became increasingly challenging. The multifamily market in the Greater Toronto Area (GTA) experienced this trend into Q1 2023. However, the recent stabilization of interest rates offers hope for a positive shift in the market throughout the remainder of the year.

During Q1, the multifamily market recorded a considerable reduction in transaction volume compared to the same period last year. The number of transactions dropped by 64.7%, and total sales volume decreased by 61.5% to $305.8 million. One acquisition by Crestpoint and InterRent accounted for $185 million of that amount. This decline in transaction volume resulted from a limited number of available properties and longer deal cycles due to increased scrutiny from lenders and investors.

The reduction in transaction volume led to market averages that are more sensitive to each sale and potentially skewed with one-off transactions. In Q1, the average price per suite fell by 12.7% from Q1 2022 to $312,158. Out of the 12 market transactions, there was a broad range of averages. The highest was 40 Delisle Avenue at $445,000 per suite which indicates the market's willingness to exceed industry benchmarks for high-quality, well-located assets. The average reported cap rate rose by 40 basis points to 3.55%, signifying some cap rate expansion but also suggestive of the type of deals that have been closing during this period of elevated interest rates.

Despite the increased interest rates, the multifamily market remains one of the most resilient asset classes in commercial real estate. Fundamentals remain strong, and the sector continues to be undersupplied as Toronto's population steadily increases. We anticipate a flight to quality as purchasers become more selective during the current market environment.

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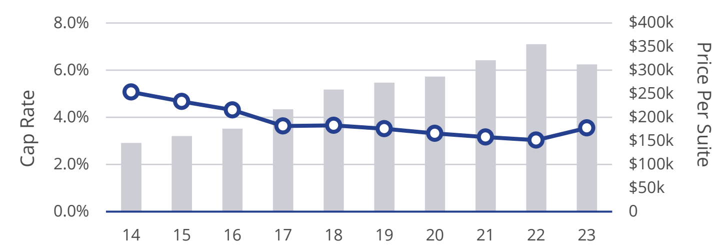
Market Overview

01 Valuation Benchmarks

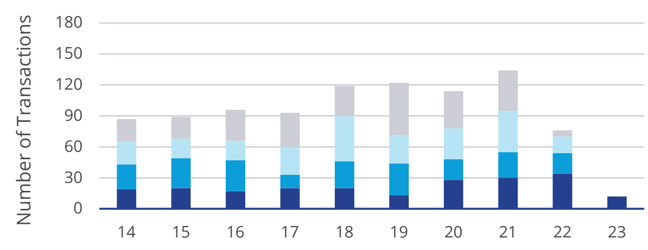
Price per Suite vs. Cap Rate



Source: Colliers International, RealNet

02 Transaction Volume

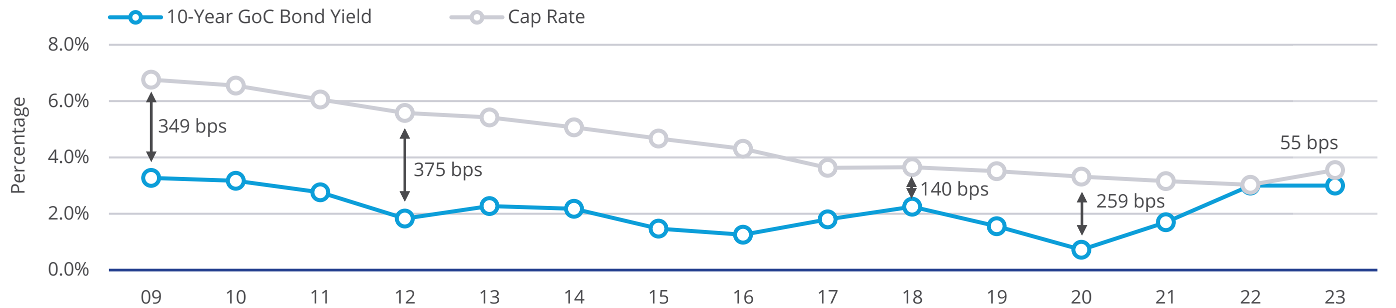
Properties Sold Per Quarter



Source: Colliers International, RealNet

03 Bond Yields vs. Cap Rates

GoC Benchmark Bond Yields vs. GTA Multifamily Cap Rates



Source: Colliers International, RealNet, Bank of Canada

04 Notable Transactions

Q1 2023

Date	Property	Purchaser	Sale Price	# of Suites	$/Suite
3/27	2 & 4 Hanover Road, Brampton	Crestpoint & InterRent	$185,500,000	605	$306,612
3/15	40 Delisle Avenue, Toronto	Homestead	$44,500,000	100	$445,000
2/7	3141 Jaguar Valley Drive, Mississauga	Reserve Properties	$12,000,000	41	$292,683
1/12	595 Brookdale Ave & 3171 Bathurst St., Toronto	Hazelview Investments	$27,200,000	94	$289,362
1/11	69 Old Mill Terrace, Etobicoke	The Pearl Group	$8,500,000	26	$326,923

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