

# SkyPoint Market Overview

Analyzing the current macroeconomic environment is the foundation for all of SkyPoint's research

## Vancouver vs. Toronto

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With significant appreciation in Vancouver's housing market, foreign ownership of real estate has become a hot topic. In response to the surging house prices in Vancouver, the British Columbia (BC) provincial government has enacted a 15% foreign buyer tax on real estate. For an average \$2,000,000 single-detached home in Vancouver, this new tax now costs foreign buyers \$300,000. This has many wondering what the impact of this new tax will be on other Canadian housing markets such as Toronto.

While Toronto's housing market has not seen as dramatic price appreciation, prices are still up a staggering 10.4% year-over-year. The surprise announcement by the BC government on July 25 left many questions unanswered. Will Ontario will follow BC's lead and enact its own foreign buyer tax? Will potential buyers from Vancouver flood the Toronto market?

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*"The situation in Toronto, while also concerning for single-detached home affordability, remains less extreme than in Vancouver, especially for condo apartments—a comparatively more affordable ownership option. Thus, policymakers have room to consider less-instantaneous courses of action in Toronto such as addressing obstacles to boosting the supply of new low-rise housing."*

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*"Housing Trends and Affordability", RBC*



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Early indicators show that this new tax has generated much uncertainty among buyers. Home sales in the Vancouver region reached their lowest level in four years, down 26% compared to August 2015. The numbers were even worse when only detached homes were considered with a drop in sales of 45% from one year ago.

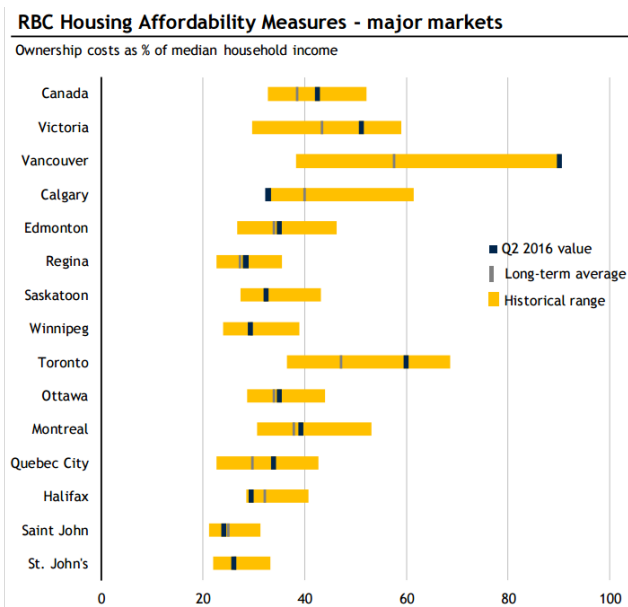
While early signs suggest the foreign buyer tax is helping to cool Vancouver's red hot housing market, the Ontario government is not likely to follow their BC counterparts. In Vancouver, ownership costs as a percentage of median household income reached a record 90.3% in August (Figure 1). In Toronto, ownership costs were significantly lower at just 60.2%.

Looking ahead, the affordability in both Vancouver and Toronto is not likely to improve over the next few years. While early indicators show slowing sales in Vancouver, prices did not significantly drop. In Toronto, prices are likely to increase as foreign buyers flood into the market as an alternative to Vancouver.

As affordability continues to worsen, both cities' should see increased renter demand on already tight rental markets. Vacancy rates have been hovering below 2% for the past few years and rental rates have followed a steady upward trend in both cities.

Despite the strong rental demand in both cities, the supply of rental units in the GTA has only grown 0.2% in both of the previous two years. In fact, the market supply growth of Toronto is amongst the lowest in all of North America.

**Figure 1: Ownership costs in Vancouver significantly higher than Toronto**



Source: "Housing Trends and Affordability August 2016", RBC

In spite of the similarities of both markets, Toronto's housing market is much more in line with long-term market fundamentals. Housing affordability is an issue in both markets, however less of a risk in Toronto.

At SkyPoint Realty Partners, our investments team is taking advantage of housing affordability issues, sourcing high-quality multifamily rental deals throughout the Greater Toronto Area.



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## Inspired living in the heart of Toronto's Entertainment District

40 Widmer is located in the heart of Toronto's Entertainment District. A vibrant neighbourhood, the Entertainment District is home to some of the nation's most iconic landmarks including the CN Tower, Rogers Centre, Air Canada Centre, Princess of Wales Theatre, TIFF Bell Lightbox and many more. It is the city's cultural centre for sports, dining, nightlife, and the arts.

## We're not making concessions by making a more traditional, suburban-type condo.

OpArt Lofts is located in the Kerr Village neighbourhood of Oakville, one of North America's fastest growing regions. OpArt Lofts features a stunningly modern design consisting of two, eight-storey towers atop a two-storey podium. Designed by the acclaimed firm of Teeple Architects, two white towers spangled with black-framed windows in jaunty patterns reflect the eye-popping Op Art painting style of the 1960s.



## About SkyPoint

SkyPoint Realty Partners (SkyPoint) is the first company to bring institutional grade multifamily real estate investments to Asia. SkyPoint was formed to provide Asian investors access to Class A North American multifamily real estate opportunities. SkyPoint combines macroeconomic fundamentals with local in-depth market intelligence to deliver trusted research on current North American real estate trends and opportunities to the international market.



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