

**BON APPETIT BAY & BLOOR** DOWNWARD DOGFIGHT: GANJA VS. NAKED YOGA **DELI KING GOES MEATLESS** JEANNE BEKER TRIES ON THIS SPRING'S CUTEST TREND  
JOANNE KATES ON YORKVILLE'S NEW FRENCH HOT SPOT **YO-GOTTA BE KIDDING ME** ZANE CAPLANSKY ON T.O.'S TOP 10 VEGGIE BURGERS **STRIPES ARE THE NEW STARS**

# NORTH TORONTO

APRIL 2016

## 9<sup>th</sup> ANNUAL ROUNDTABLE

HILARY FARR  
SCOTT MCGILLIVRAY  
PAUL MIKLAS  
SHERRY COOPER  
BRAD LAMB  
ELISE KALLES  
DAN BARNABIC  
KAREN STINTZ  
BARRY COHEN  
MAT ROSENBLATT

Rosedale's \$8.4 million understated masterpiece (story pg. 31)

# UNREAL ESTATE!

WITH DRAMATIC YEAR-OVER-YEAR INCREASES YOU MAY THINK HOUSING IS FULLY PRICED, BUT ACCORDING TO MANY OF THIS YEAR'S ROUNDTABLE PARTICIPANTS, T.O.'S RED-HOT REAL ESTATE MARKET STILL HAS ROOM TO RUN



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## 9<sup>TH</sup> ANNUAL REAL ESTATE ROUNDTABLE

### 2016 Roundtable Participants

**Brad Lamb**  
President & broker at Brad J. Lamb Realty Inc. and founder of Lamb Development Corporation

**Scott McGillivray**  
Host of HGTV's *Income Property*

**Barry Cohen**  
Canada's #1 Re/Max agent

**Paul Miklas**  
President of Valleymede Building and Development Co.

**Karen Stintz**  
CEO and president of Variety Village, former TTC Chair and former Toronto city councillor

**Elise Kalles**  
The #1 broker in Toronto for luxury homes

**Dan Barnabic**  
Author of *The Condo Bible for Canadians*

**Dr. Sherry Cooper**  
Chief economist of Dominion Lending Centres

**Mathew Rosenblatt**  
Co-owner of the Distillery District with Dundee Realty

**Hilary Farr**, host of W Network's *Love It or List It*

**Post City: I'm going to direct the first one to Barry and Elise and then to Brad for the condo side. What's the current state of the real estate market?**



**Barry Cohen:** Exhausting. It's fascinating. It continues to grow. We have a lot of foreign influence, which is a strong contributing factor. Of course low interest rates are here.

Everything is on the rise. Elise and I work in this luxury market. They call luxury over \$2 million, but it really should be over \$3 million the way it looks right now.

**Elise Kalles:** It should.

**Barry Cohen:** But even the \$5 million market has doubled in volume. I think some 108 per cent over the same time last year. Sales continue to escalate. It's not that we don't see it ending; we just see a strong steady rise.

**Elise Kalles:** It certainly is, and the foreign investors are, I think, especially in the market over \$5 million. We don't get multiple offers very often but we just did on a condo — \$6 million.

It had been sitting, and an offer came in,

and then the other offer came in. I sent them both back and sold for full price. Which is unusual.

We just sold a big one on Valleyanna (Bayview and Lawrence), same thing. It was sitting and then it sold full price, \$12 million.

It's frightening that the average price for a single-family home is over a million for young people.

**Post City: For detached homes, right?**



**Elise Kalles:** Yes. We had an offer in the office, 15 offers came in. It started at \$1.5, went over \$2 million. It's scary; it really is scary.

**Post City: Is this an inventory issue?**

**Elise Kalles:** Yes, especially in that price range.

**Post City: And for condos?**

**Brad Lamb:** Well, it's been predicted by science fiction writers that the future of humanity is living in apartments. What's forcing the issue is the scarcity of land. They weren't just telling you about the problem we have in Toronto. It's a problem

in every city. There's not enough single-family home property for people to buy, so the prices are out of reach to the average person, so the future is condos. It's the one market we can add inventory. What's good about it is we see price increases. Six per cent a year is what we're seeing. We'll probably see that again this year, but it's still providing the only affordable options for Canadians.

**Post City: So families are now turning more to condos?**



**Brad Lamb:** Yes. As I said maybe nine years ago, when I first participated in the Post City roundtable, what it would take for families to turn to condos was for housing to be so out of reach that people just throw in the towel and say, "OK, I'm going to live in a condo." We just finished a building where about 15 per cent of the units are three bedrooms, and it's actually being lived in by families.

**Post City: With the economy limping along, why does the Toronto real estate market seem to be flying so high?**



**Sherry Cooper:** There has been an improvement in employment in the GTA and the same thing for Vancouver. It's certainly a lot more positive than Alberta and those parts of the country that have been damaged by the oil crisis. Having said that though, clearly there's something else going on here. It's not just Canadians that are buying.

A lot of people are stretching to the limit to get into the housing market, even if it means buying something that is very small or even further out of the city centre. Interest rates are so low, and I think interest rates will remain low throughout 2016.

**Dan Barnabic:** Sherry, why don't we have a long-term 25- to 30-year mortgage at a set rate? Why is it that our banks are insisting on the five-year term?

**Mathew Rosenblatt:** Essentially creating an interest rate risk for consumers every five years.

**Sherry Cooper:** People don't want fixed rate mortgages. Most mortgages historically have been flexible rates, and people want that ability to take the risk.

**Dan Barnabic:** Are you sure? Because, let's just talk about Americans. I'm somewhat familiar with what American markets do having had properties in Miami and New York. I'd say that 50 per cent of Americans actually lock themselves in long-term.

**Scott McGillivray:** Actually, they make most short-term, what you'd call ARMs — adjustable rate mortgages. They made them legal in the States, and they're frowned upon because so many people got burned. Some of the things that I find interesting that both of you are touching on is that we haven't learned from some of the mistakes that happened in the U.S.

The incentivized system that we have in place for mortgages promotes the lenders, the people that the average individual is going to for advice. They just say the same thing. Historically, you're better off with a variable rate mortgage. And people are, like, great, I'll take it. That's the best advice they have, but they don't mention, historically: I make a higher percentage if I sell you a variable rate mortgage. We're taking advice from people who are incentivized to sell us certain things. And that's where corruption starts to eke its way into the market.

People aren't buying houses based on the prices. They are buying them based on what they can afford to pay every month. Getting all these short-term mortgages and talking about historically, historically, historically.

**Brad Lamb:** If you actually do your homework, you'll see that over any period of time, you are better off with a variable rate.

**Scott McGillivray:** Historically.

**Brad Lamb:** What else can you go on? To have five-year mortgages, for all of us in this country, it's safer for us. The reason why we don't have bank failures, the reason

why we don't have what happened in the United States, nothing even close to it, is because of that. It's one of the main reasons. Our banking system is not remotely like the U.S. banking system.



**Scott McGillivray:** I'm not saying it's the same thing, but I'm saying there are some similarities in the financing, you know, scenarios that we see people getting themselves into.

**Brad Lamb:** What's really protecting our interest rates? Why do we have such low interest rates? One of the reasons is that every developed country in the world is teetering on financial collapse, and interest rates have to stay low to govern most coun-

tries. Because they can't borrow money to pay their bills. So if you think interest rates are going to rise any time soon — I've been saying this for about seven or eight years — interest rates aren't going up any time soon. It's impossible for it to happen. It's not going to happen.

**Sherry Cooper:** You can't compare the Canadian and U.S. markets. The primary difference is that mortgage interest and property taxes are tax deductible in the United States. Americans, therefore, very rarely pay off their mortgage. Canadians, on the other hand, most Canadians pay off their mortgage totally by the time they are in their fifties, and 25 per cent of Canadian homeowners have no mortgage at all.

**Post City:** There's this common belief that foreign investors are putting a lot of money into the real estate market, and jacking up prices to unrealistic levels. Brad and Barry, what have you seen that supports this?

**Brad Lamb:** I cut out this ad in a magazine a couple of days ago that was New York based. All the ads were two, three, four thousand dollars a square foot for a condominium in Manhattan. Then they had something way up in the Upper West Side, affordable living. It was from the 900s for a one bedroom. From the 900s, affordable living in the northern part of Manhattan.

It's laughable to me that we think in Toronto that our real estate, our houses are expensive because there are not enough of them. But our condominium market is amongst the cheapest in the civilized world. If you go to Copenhagen, London — I've been to all those places and seen the markets — we are the cheapest.

**Sherry Cooper:** And the Canadian dollar is very cheap.

**Brad Lamb:** There's no doubt that mainland Chinese are exporting capital in not a lawful manner to buy real estate around the world. And some of that capital finds its way to Toronto, and it used to find its way to New York. It used to find its way to Hong Kong. It used to find its way to London.

We should be happy: this is a good thing. We are becoming a country of the world, and this is what happens.



**Karen Stintz:** Sorry, I'm just going to jump in here for a second just because what you're talking about is a little bit different from the reality that I just lived. I just sold a house. It was under \$2 million, five minutes away from the subway, two car parking, a three bedroom house. It was on the market for 16 weeks because it wasn't appealing to the foreign buyer.

If you go south, around Yonge and Eglinton, properties around the \$1.2 are getting snatched up.

In that range, between \$1.5 and \$2.5, it's a different market. Over \$2.5, then it becomes a luxury market and you get much more interest. But in that range, it's very interesting what's happening because it's in that unaffordable range. If they can spend that much money, then they're very particular about what they want. If they can get the house at \$1.2, then that's where you have the bidding wars.

**Barry Cohen:** My experience is that foreign influence is at every price level. We had a home for \$1.599, and I did not undervalue, and it finished at \$2.1 million. Very similar numbers, and if you look at the breakdown, it was 15 offers as well. Twelve of them were Asian, two were Persian and then a Caucasian.

**Karen Stintz:** Out of curiosity, where was this property?

## CARRIAGE TRADE

### THREE T.O. TROPHY HOMES HIT THE MARKET



On the cover: Located on a sought-after street in Rosedale, this estate sits on one acre of land, giving it a parklike setting. Listed for \$8.4 million, with James Warren of Chestnut Park Real Estate Limited, Brokerage, the house at 81 Binscarth Rd. boasts five bedrooms and backs onto a ravine. The Edwardian-style home comes equipped with an in-ground pool and sits near the end of a cul-de-sac.



This mega-mansion boasts six plus one bedrooms, each with its own ensuite bathroom. Located in Forest Hill, the home is equipped for the winter with a heated driveway. Other features include an in-ground pool, wine room, elevator and five fireplaces. The property is listed for \$18.8 million with Eileen Farrow, of Chestnut Park Real Estate Limited, Brokerage, and is at 46 Forest Hill Rd.



On offer for \$14.8 million, this home overlooks the second hole of the Rosedale Golf Club. The stone structure was designed by architect Peter Higgins. The property boasts five bedrooms, 10 bathrooms, a library, sunroom and billiards room and an in-ground pool with a waterslide. The two-storey home is listed with Roger Kilgour, of Re/Max Hallmark Realty Limited, Brokerage, and is located at 31 Knightswood Rd.

**Barry Cohen:** This is York Mills and Bayview.

**Hilary Farr:** Bigger lots, aren't they bigger lots?

**Barry Cohen:** This is like your grandmother's bungalow, three bedrooms, unimproved.

**Paul Miklas:** And they're coming in to take the house down and rebuild new homes. If there's any answer to the question, possibly it could be as Barry stated, York Mills and Bayview, these are the hot zones. The Bridle Path is filling up right now. It's really, really difficult to get yourself a lot. It has started to disperse itself, I believe, further south.

The one thing I love hearing people say to me is, "How much longer can this last? This is all a bubble. All this money is coming in. When it stops, it will flat line our economy."

They're actually pretty much right because if we stop the influx of overseas money right now, we'd be as flat as this table.



**Dan Barnabic:** If I may, Paul. Given that and given that actually Toronto and the GTA in general is getting to be a big

ticket for these people to park their money, would it not be advised to introduce a stamp duty or some sort of surcharge for foreign buyers?

**Sherry Cooper:** No, no, no.

**Paul Miklas:** Thanks for saying that Sherry, I didn't know how to answer that.

**Sherry Cooper:** The government will have so many unintended consequences. It would be a disaster. Hopefully they understand that.

**Dan Barnabic:** Why do you think it would be a disaster, Sherry?

**Sherry Cooper:** It would certainly make it more expensive for foreign capital to come into the country. A lot of the money is coming in invisibly. They're not borrowing money from Canadian banks. This money is coming in, because of our privacy laws: the realtors and the developers do not disclose the names of the so-called buyers. Often the buying is done through corporations or trusts. The whole point of it is for foreigners to be able to diversify their investments. Canada is a prime source; a very, very safe country; politically stable. And they don't want other people to know that they've done this.

**Brad Lamb:** So there are wealthy Chinese people or wealthy Indian people, wealthy people from all over the world that want to live in Toronto as a second, third or fourth home. And there's nothing wrong with that. That's what happens in great cities.

**Post City: What about foreign influence in the condo market?**

**Dan Barnabic:** Yes Brad, how many condo units that are being sold end up being rented out, whether locally or by other people?

**Brad Lamb:** Currently, I would say, a typical brand new condo in the central core and North York is probably 50 to 60 per cent tenanted and 40 per cent owned. But within five years, as those investors cycle out of their five-year mortgages, they sell them. The buildings become more like 80 per cent owner occupied.



**Paul Miklas:** Is that because the equity upswing right now in the condo market is a lot lighter than the housing? What do you see in a year?

**Brad Lamb:** Condominium prices are going up around five to eight per cent depending on the year.

## THE PARENT TRAP

→ We have a question from a couple in their 50s in North Toronto with older children. They know the realities of the market, especially in their area, but they want to make sure their kids end up living near them. What is your best play from an investment standpoint? Save for a down payment for the kids or buy a property now and rent it out until they are old enough to buy their own homes?

**Hilary Farr:** I'd go with the second scenario. That's what I've done for my son. It's worked out. You can teach them fiscal responsibility by facilitating the purchase of a home for the future. They should take responsibility for that property if you're going to rent it. They start to learn about actually balancing it, taking care of property, taking care of the finances, and eventually, they have the option of selling it and making money and moving to somewhere else or moving in themselves. You're getting into a market you know right now because who the hell can project what's going to be happening whenever they're ready to actually live in it.

**Scott McGillivray:** You've got more insight into this. My kids aren't old enough to own yet. Typically the sound advice I would give is people make bad decisions in real estate emotionally. One of the worst things I think you can do is buy a property for your kids just because you want to buy a property for your kids. I think that whether it's for your kids or for a stranger, you should make the numbers work. You should teach them a lesson in responsibility and because equity in market appreciation and force depreciation in your primary residence is the most tax-free money you'll ever make in your life. As soon as your kids are of the appropriate age, they should have property under their names as a primary residence, hopefully living there.

If you want to lend them the money on some sort of favourable terms, I have nothing against that. I think that's fantastic, but if you want to give them your money, you might as well just kiss it goodbye because you're not teaching them anything by handing out money.

**Hilary Farr:** Hang on. Caveat to my scenario. He did not get the house free and clear. He got a house with a mortgage.

**Scott McGillivray:** How did he make the down payment?

**Hilary Farr:** No, that was my gift. I gave him the down payment.

**Scott McGillivray:** Is he able to repay you?

**Brad Lamb:** Scott, come on. You can't buy your kid a house? Why do we work so hard here? Of course you're going to buy your kid a house.

**Hilary Farr:** That's probably the most bizarre scenario I've ever heard. No, of course he's not going to repay me because I'm not going to ask him to.

**Brad Lamb:** You know, millennials are buying a lot of condos. We're seeing parents as the main source of the down payment. It's not a loan, it's a gift. It might be five per cent, it might be 10 per cent, it might be 20 per cent. It's a lot harder to get a career and make the kind of money, even 15 years ago that 25-year-olds used to. We see a lot of people, not kids, but in their 20s and 30s that have multiple jobs. They're having trouble getting to the \$100,000 a year mark, so they need help.

**Dan Barnabic:** I'd probably say it makes perfect sense to buy, provided that you have a 30 to 50 per cent down payment. If you happen to be in that position, you've got very little to lose because, even if the price were to go down, you would be able to wait for another cycle, should the economy tank.



**Scott McGillivray:** In my line of business, I'm obviously looking for the best returns. Truth be told, in the last two years, I've sold all my condos in Canada — every single one of them. I can't base a business model on the hopes that someone in a foreign market might think Toronto's great and may continue buying. I can't control the Canadian dollar. The Canadian dollar goes back to parity, you might not have a foreign investor market anyway.

When I started buying condos in 2003, 2004, they were half the price, almost, as what they are now. Since then, they've gone way up in price. But also, the condo fees have skyrocketed out of control. Therefore, I can't make margins. I can't get positive cash flows on my condos.

I've got investors in Calgary and Edmonton who are doing that now. Two years ago, everyone was like: This is great. Our markets are awesome. Calgary and Edmonton, there's so much room to grow. Oil's never going to go down, all these positive things.

But I saw that the cash flow was eroded. We sold all our condos two years ago there. Thank God we did. They're now losing in equity. They're now negative cash flow. Investors are panicking.



**Barry Cohen:** I think Scott's point is, where is he going to get the biggest bang for the buck? And the stats that I'm reading here, this is year-over-year, detached in the city went up 18.5 per cent, semi-detached went up 9.3 as well, and condo apartments 7.5. So to Scott's point, if the condo fees are exaggerated.

**Scott McGillivray:** Eroding my cash flow.

**Barry Cohen:** Then a detached home is a better purchase for an investor. But I still come back to this: people are buying these homes for lifestyle. As Elise said, in Toronto proper, we can get in now at \$1.1 for a single family home. My son just purchased a condo, and that's an entry point. I was very comfortable with a seven or eight per cent growth rate.

**Post City: Let's talk about maintenance fees. It's about a buck a square foot for luxury builds. Is that an impediment for people downsizing?**

**Brad Lamb:** The condominium fees for a typical new building are about 50 cents a square foot plus hydro or gas. That's a very comfortable number. It's not like condo fees are a profit centre. They get great economies of scale.

Most property management companies manage hundreds of buildings. They get bulk rates on hydro, on gas. They get better rates for water. They have a cleaning corporation that gives them lower prices because they're cleaning lots of buildings.

**Dan Barnabic:** You might be right on that, but that only makes sense if you're looking at condo buildings that are up to 10 years of age. But what happens, Brad, in the buildings that are actually older? That are 10, 15, 20 years of age? How about the common elements breaking down and requiring special assessments and, of course, an increase in the maintenance fees? If you look down that road, do you not see potential problems with the increase of maintenance fees and therefore the devaluation of the units?

**Brad Lamb:** If you want to live in a boutique style of building, you want to have 12 people that you deal with, then you're going to suffer from higher condo fees and possibly special assessments. But if you live in a building which has 580 apartments in it, the condo fees are still 40 cents a square foot.



Hilary Farr

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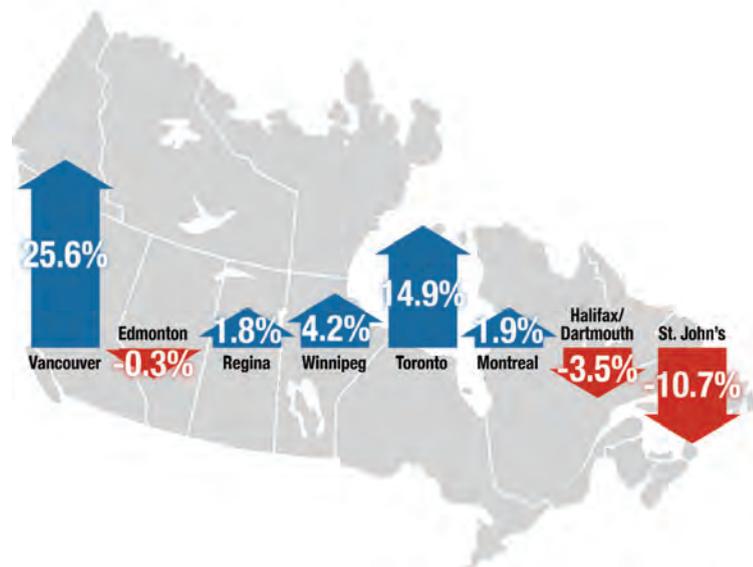
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**HOW HOUSING PRICES ARE CHANGING  
ACROSS THE COUNTRY**



CONTINUED



**Mathew Rosenblatt:**

But I think we're also talking about the investor. It's a lot easier to own a condo and pay condo fees than it is to own a house and look after a house and all the maintenance.

**Hilary Farr:** And the property fees.

**Mathew Rosenblatt:** There's a return on your capital, you're getting in cash, but what about all the time you're going to spend looking after the house?

I think most people who have the little condos, they just want to put money away. They're not looking at one or two per cent. They're saying, my time is also worth something.

Also, there's a reserve fund for the condominiums. The guy who's buying the house doesn't have his own reserve fund. So 10 years down the road, the guy with the house has to start pulling out a lot of capital to repair stuff.

**Scott McGillivray:** Let's take a look at condos in isolation. A building goes up, 500 units. It all happens at once, and you get all the marketing tools that are out there: scarcity, limited time, got to be first in line, got to phone in, got to be on a list. There are so many marketing tools that drive emotional sales, and that's fine, I get it. It's great. You want to sell out in two days. Beautiful, I love it.

But just as you said, 50 per cent of them become rentals. The market becomes saturated instantly versus you sell one or two houses in a neighbourhood and it's a rental. All boats float in a rising

tide. In the last 18, 20 years in Toronto, if you bought a condo, even if you're at cash flow break even — zero cash flow — I'm at least going up in value, so I'm cool. But when 50 per cent of this building is all of a sudden at zero cash flow and values are going down? Everybody jumps ship at once. That's why I wanted to get out.

**Post City: Is there still room in this market, not just to make money but to move up your family?**

**Paul Miklas:** The sooner you do it the better because if you wait another two years the pressure is going to continue to increase.

**Post City: OK, what should I look for in terms of getting my house ready to sell?**



**Hilary Farr:** My business has changed hugely with this market because I'm no

longer dealing with clients who are planning to live in their homes for long.

Even if they are, they're still figuring out the value, and they fully intend to cash out and move on. Not necessarily up, it's just they know what they're doing. In terms of making up the house, you're constantly thinking of a possible buyer as you are doing your enhancements.

I'm actually doing a little home that is in the Corso Italia area, which is turning into a hot area for first-time buyers. They're getting multiple offers for a house that is listed at \$500,000.

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It has the potential to be upgraded, lived in for a few years, and the owners will probably turn it over for a price in the \$900,000s. You will probably get in at \$500,000 to \$700,000, so you'll spend another \$100,000 and it can be done.

The people who have bought it will enjoy a good three or four years living in it as their family grows. They have an asset that they can absolutely sell off and either keep doing the same thing or simply move up.

In terms of the enhancements, you absolutely must avoid trends. You simply have to give a nod to a trend, but you do not want to be selling a house that looks dated five years from now. It's classic furnishings, the highest quality that you can possibly afford, and you may absolutely have to invest in your infrastructure.

**Mathew Rosenblatt:** If you're renovating your house and you really want to make money, the best time to sell it is when you finish your renovation and then the depreciation starts. At what point, when you're advising a family that they want to live there and they want to make money, is probably the best time to sell? I think, financially, it's the day after you finish the renovation.

**Hilary Farr:** I don't think that's necessarily true across the board. I understand what you're saying because of the depreciation and just the breakdown of everything you've just done.

**Mathew Rosenblatt:** You're still going to have to have style. You're still going to have your hardwood floor. Whatever's good today isn't going to be as good in five years. The fixtures are going to start to date themselves. Everything's going to start to date themselves immediately.

**Hilary Farr:** You have to weigh that against possibly getting into an area where it's just on an upswing. You're going to take that depreciation and maybe have to do some upgrades and put a little bit more money in before you're ready to actually put it on the market. That will be offset very nicely by the upswing of that area.

**Paul Miklas:** I support what you're saying Hilary. Because it's true, you want to get in the area, do a quick renovation, brush it up, then just take the equity ride.



**Elise Kalles:** The first question was if they sell now, will they be able to upgrade? I had a client that lived on a wonderful street.

They did everything to the house. It was perfect, and they decided to sell it because the market was so hot, they're going to rent for two years and then they'll buy again when the market goes down. They rented a lovely apartment. She became pregnant, had another baby, and she ended up buying two years later a house that was not as good, not as good an area for more than she sold her house. When she sold her house, I was a star: "Oh Elise, that was fabulous, that was wonderful, nobody could've done that." When she bought two years later...

**Paul Miklas:** Ouch.

**Hilary Farr:** It's taken the heart out of what I do because there's a big difference between actually entering a home and planning to take it into a long-term home. That has just changed radically. The mindset of the generation that we're talking about now, anywhere up to people in their mid-30s to even 40, is that this is a cash machine. This is an investment. It may be four walls, it may be our sanctuary, if you like, now, but they're not truly emotionally invested in it as a forever home.



**Scott McGillivray:** Some of the stats that I looked at last year were that 40 per cent of Canadians planned on doing some sort

of renovation last year. More than half of those people, their main reason for doing a renovation was to prepare their home for sale. People are trying to add value with renovations, but they don't want to spend a fortune.

You have to find a reasonable spot where it's like, if I put \$100,000 in, I hope to make \$140,000 or \$150,000 on the resale.

I just sold a property last week, not luxury property. It's a property that I bought for \$320,000 four years ago. It sold for \$620,000 last weekend and we literally put \$1,500 into it before we listed it and had competing offers.

**Post City:** First-time homebuyers want to know where they can look in the city where there still might be some value.

## DIVORCED FROM THE MARKET

→ Next, we have a single father who recently sold his house and is currently renting in Hogg's Hollow but is looking to buy back into the market. He's wondering if we're close to the market topping out, and if so, should he wait it out before he buys so he can get a lower price? Or is the panel completely sure that prices will continue to rise for the next few years?

**Paul Miklas:** Show of hands. It's unanimous.

**Brad Lamb:** I think we can all say we're sure that prices will be higher a year from now. There could be external events that could happen in Toronto. I don't know what they could be. They could change things, so no one can say 100 per cent.

**Karen Stintz:** What I would say, because I'm a renter now, is it makes absolutely no sense to continue to rent a house if you have the opportunity to buy back into the market. The money that you're spending on rent, it is much smarter to be spending that money in equity. Maybe the price of the house will go up or down marginally, but it will never go down more than what he's paying in rent.

**Brad Lamb:** You should never rent. It's a bad idea if you can afford to buy.

**Paul Miklas:** You want to invest. You don't want to miss this opportunity. He's actually, unfortunately, missing the boat. Every day he sits in that unit is costing more money.

**Brad Lamb:** Your life is crappy in a rental.

**Karen Stintz:** Why is it crappy?

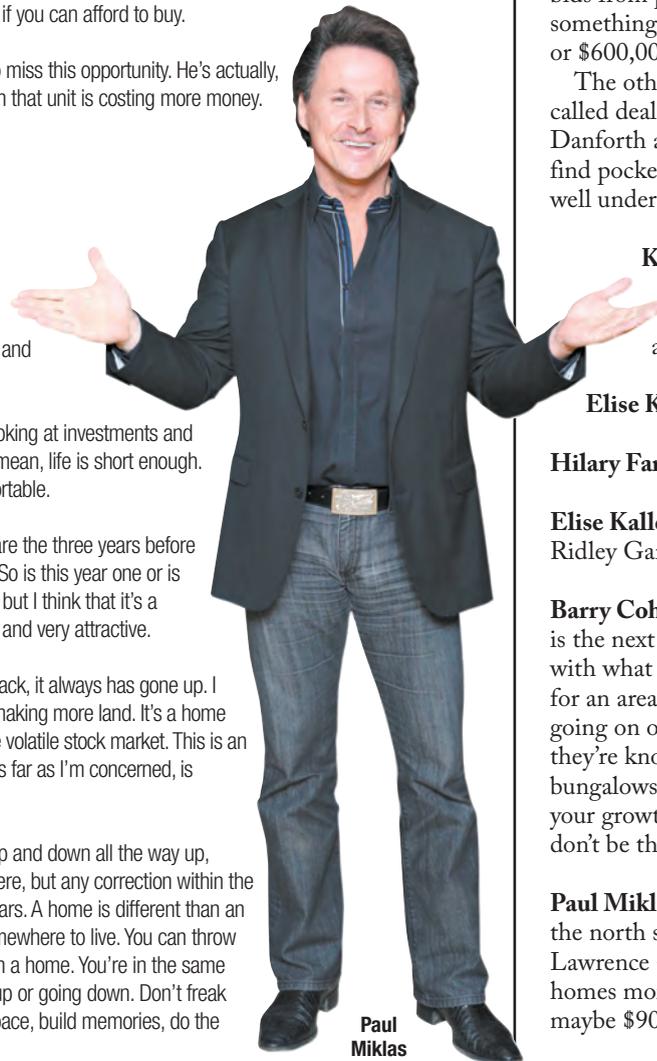
**Brad Lamb:** How much money do you spend on renovating the bathrooms and painting and new art? Zippo. What happens is two or three years go by, you waste your life by saying I'm going to wait, and it all passes you by.

**Hilary Farr:** That's absolutely true. People keep looking at investments and the dollar return and the rest of it. Yes, tick-tock, I mean, life is short enough. Don't do it living somewhere that you're not comfortable.

**Barry Cohen:** They say the biggest rise in prices are the three years before the biggest correction. We're in 10 per cent zone. So is this year one or is year one the one we're coming into? Time will tell, but I think that it's a short two to three years. We're looking really good and very attractive.

**Elise Kalles:** The market goes in cycles, but look back, it always has gone up. I mean, even if it goes down eventually, they're not making more land. It's a home to live in, and it's always going to do better than the volatile stock market. This is an investment in your lifestyle, definitely. And to rent, as far as I'm concerned, is throwing out money.

**Scott McGillivray:** She's right. The market goes up and down all the way up, right? We know the fluctuations are going to be there, but any correction within the market is completely recovered within 10 to 12 years. A home is different than an investment property because you always need somewhere to live. You can throw away your money on rent or you can build equity in a home. You're in the same market when you're an owner, whether it's going up or going down. Don't freak out over it, go on with your life, personalize your space, build memories, do the things that give you value in your life.



Paul Miklas

**Hilary Farr:** You have to go further north. You have to go almost to Rogers Road. I found that there's value there.

**Scott McGillivray:** It's definitely a challenge. There's no doubt that the market that we're in right now is favourable for foreign investors who can take advantage of the exchange rate or current homeowners who have ridden the wave up. Anyone who's trying to penetrate this market, it's only going to become more difficult over the years.

Don't be under the illusion that you have to jump into the hottest areas. I feel like everyone wants instant gratification these days, but nobody wants to work for it.

You have to do what generations before you did. You have to move in where you can afford. They moved into fixer uppers. They put the equity in.

They developed those neighbourhoods before they were the places to be, and that's how they got to where they are, not by buying in Yorkville when you're 25 years old and saying I need a \$500,000 loan from my parents. I think that's a bit outrageous realistically.

**Hilary Farr:** I'm looking at the Corso Italia, which is a lovely name for an area that's pretty hideous actually. And you're up around Rogers Road where houses are listed for cheap if they're so-called detached — there's barely any space between them.

These were never high-income homes. They were put up in the 40s. Nevertheless, that's become a definitely hot area, in that it's affordable, and that is of course pushing up the price because you're getting multiple bids from people who are overbidding something that should be sold at \$500,000 or \$600,000, and it's going higher.

The other area where I'm finding so-called deals is going further east on the Danforth around Greenwood. You can still find pockets there where there's good value well under a million.

**Karen Stintz:** You're still on the subway line, you get downtown quickly. Parks are great, schools are good.

**Elise Kalles:** Bloor West is another area.

**Hilary Farr:** It's really expensive.

**Elise Kalles:** There are some streets like Ridley Gardens.

**Barry Cohen:** I find it very hard to say this is the next up and coming area. If you go with what Hilary was touching on — look for an area where there's already some infill going on or some renovations going on and they're knocking down these old wartime bungalows or dilapidated homes — that's your growth area if it's already started, just don't be the pioneer.

**Paul Miklas:** If you come a little more to the north side, I like the southeast corner of Lawrence and Leslie. These are all post-war homes more or less, they're \$800,000 or maybe \$900,000.

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Brad Lamb

CONTINUED

You've got great schooling around you. You've got all the amenities, such as the park. You've got the Eglinton line that's being installed right now. You've got the infrastructure of the highways there, and it's a great area to raise a family. Now there's a place where you could actually buy in and start to raise a family, and when you're in the position, you can sweep the house away, build a home there and secure your equity in a great location in Toronto.

**Hilary Farr:** I still think that's a lot of money for a first-time buyer, you know, \$900,000.



**Karen Stintz:** I live in the west, around Caledonia and Oakwood. That area is quite reasonable, and because of the LRT coming through, there's great potential for growth there.

**Brad Lamb:** These are what were formerly working-class neighbourhoods, and that's what you're going to get. Otherwise, you've got to spend a million dollars or more.

**Scott McGillivray:** I would say, buy what you can afford. Don't think you're going to start off with a \$900,000 detached home if it's reasonable enough for you to buy your first home as a condo. Second thing, it's easy to go on MLS and limit the price range to what you can afford, and you'll see the areas popping up. There's your choices. If your goal is future growth, you can use heat maps.

What we have found by analyzing and trying to pinpoint these spots is that your highest likelihood for appreciation in a neighbourhood is when you find what's

called a "squeeze area," meaning it's not on the periphery of one great area. It's in between two great areas. When you talk about Rogers Road and Oakwood over there, well it's getting squeezed because south of there has gained popularity, but now also above Eglinton has gained popularity. You've got equity forced from two sides.

If you say to somebody, just go here because it's affordable, you go East York, and it only gets worse the further you go. It's going to take time for the city to engulf it. Whereas if you find a pocket that's between two great areas, the propensity of that area to go up in value faster is much more likely.



**Mathew Rosenblatt:** The first thing they should be looking for are areas they like. They should be able to afford it. They hopefully are in growth areas, but they should be concentrating on real estate they're going to live in. It's their home.

**Hilary Farr:** It's like fine art. You have to love it. It's not about the value of it because it will always give you pleasure when you look at it on the wall.

**Paul Miklas:** What's the point of making money and not then enjoying your life while you're making money? The point of the making money part is to enjoy your life. You have to let those things merge and not let real estate just be an investment.

**Post City:** Let's finish up by talking about the year ahead. What can we anticipate in the local home market this year?

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**Scott McGillivray:** OK, I'll start it off. The only thing I can absolutely guarantee you is that nobody can be completely sure. There are too many variables to be able to actually pinpoint it. The only way to know is whether the market was actually in a boom or a bust was to go back in a time machine. You only know once it's over. However, based on the indicators that I have available to me and the metrics that I have been using, we don't see any indication of a doomsday prediction or a huge downturn in any of the real estate in the Toronto market. We will continue to at least see a stabilization at worst, based on what we can see.

However there are a few indicators that are kind of a yellow flag. Like if our dollar goes back up too high, we may stop seeing the foreign investors come in, and that could trigger a downturn. If interest rates go up, which we don't see happening in the short term, that will affect the affordability of these mortgages as they come up for a refinance.

We will definitely see a division across the country, where a lot of central and western Canada will continue to be heavily affected by the commodities.

**Paul Miklas:** It's the most exciting time in real estate right now. You've got low interest rates. You've got all this foreign money pouring in at a discount, and it's great to watch our city not only diversifying but actually expanding and growing as a cosmopolitan city. I really feel that this will continue on. The Bloomberg Report states that there is a lot of money coming out of China. I hope that some of the direction is Toronto.



**Dan Barnabic:** This is great to hear. Paul is positive and optimistic about the whole thing, and I hope, honestly, he is right. Most of the people here in this room that are also on the optimistic side, they are right too. We actually have to not forget that part of our country already has experienced the devaluation of their housing values. I'm talking about Alberta. We know that the commodities have gone down, and I am hoping that this will not be contagious and spread over to the rest of the country where we actually start losing jobs because of the weak economy. With all due respect Paul, I know that there's huge demand from overseas buyers, but if they see an unstable country, they tend to shy away from it.

**Mathew Rosenblatt:** We're looking at the idea of purchasing a house to live in. So it doesn't matter whether the market is going up or going down or static. You're buying for life or at least a big part of it. So I would think more about what you want to do, where you want to live, how much money you cashed in after you bought that house. In terms of numbers of going up or down, I don't think it's material.

**Karen Stintz:** I don't think you buy your primary home for an investment. You can do smart things to make sure that your

house continues to hold its value. When you are buying your home, whether it's for five years or 20 years, you're buying it to live in it. It's an appreciating asset. I think it will continue to be an appreciating asset, as long as you look at it as a longer term investment, but your home is your home. You should pick the area that you want to live in, within what you could afford, and maybe the area that you live in has you buying a condo. Meaning that, if you want to buy a house, you have to sacrifice the area somewhat.



**Barry Cohen:** So I recognize Dan as the new Garth Turner. I respect that. Caution is advised. I understand that for 98 per cent of the population your house is your

biggest investment. I think, you know, predictions have been wrong year after year, so I don't want to be that person that "knows," but I just think that you're going to see more of what you're seeing because there's no reason to say anything different right now. You will probably see appreciation beyond 10 per cent this year. I don't know what the next year will bring, and I won't the following year, but I think it is a good time to help yourself and help your kids.

**Elise Kalles:** I think Toronto is a financial hub. We're a melting pot for so many different nationalities. We get over 100,000 immigrants a year. They all have need to live somewhere, whether it's a condo or a home or a luxury home. I can't see, unless the interest rates overnight go to a double

digit, anything drastic happening. You can't compare Calgary or any of these cities that are dependent on oil.

**Paul Miklas:** One question Elise, did you sell George Clooney and Amal that townhouse?



**Elise Kalles:** [Silence.]

**Brad Lamb:** I think that there's been a lot of talk on where foreign investors are taking Toronto.

In overall general real estate economy, we're not being overwhelmed by foreign buyers. It's local buyers that are driving our prices. We're buying homes. What I noticed in the first two months of this year is strong sales in the single-family detached business and the condo business. In fact, the inventory of condos for sale right now is lower than it was last year, significantly, by 10 per cent. The inventory of condominiums for rent on the market is down 15 per cent in the last year. I expect this year to be stronger in terms of volume and pricing. I feel pretty confident saying that this will be a strong real estate year for Toronto, and if someone is thinking of buying, they should buy this year.

**Hilary Farr:** I don't even pretend to be an economist to understand the business end of this. It's not what I do. I instinctually have been very lucky with everything that I've purchased. If I think back, I bought my first apartment in London when I was 18 years old. It was disgusting in the most beautiful building, on a beautiful street, and it was about as filthy and repulsive as anywhere could be.

What I would say is if there's any bottom line, based on nothing to do with economics and numbers and projections, virtually every house that you will be told to despair of, you shouldn't. When you're looking at land value and you think you need to tear it down, that makes it unattainable. When in actuality, with very few exceptions, it can be saved. It can be turned into your sanctuary within whatever you can afford. That house can ultimately be your stepping stone. Don't be afraid to take on a property that is ugly as sin.

## PROS & CONDOS

→ And now we have a retired couple who own their home in Thornhill. The mortgage is paid, and they've been considering a move to a condo, perhaps in the Don Mills area closer to the city but not downtown. They're in their 70s. They're ready to downsize. Does it make more sense financially to sell their home and buy a condo? Or should they sell their home and rent a condo and use the money from the house to supplement their retirement?

**Elise Kalles:** No children at home?

**Post City:** Empty nest.

**Paul Miklas:** Thornhill's a great part of the GTA. Looking at somebody in that age category, if they're looking for lifestyle, I would say, yes, come out of Thornhill. If you come down to the Don Mills area, you're going to buy a condo, and the amenities in Don Mills are outstanding with Shops at Don Mills, Edwards Gardens, the 401 and the DVP. Movement-wise, it's more conducive to the lifestyle that they're planning on as older people. I would say, yes, it's a great time to sell.

**Barry Cohen:** I think that with growth in detached houses that will be up 15 per cent this year, they should keep their house. They should rent it out, have the income and rent a condo. Don't buy the condo, so that one will subsidize the other and the growth would be greater than their house.

**Hilary Farr:** I would go with that scenario too. Plus it means that, when they make the move, they have manoeuvrability to say this isn't actually what we want when they're far away from their friends and their support system they've had for however long in Thornhill.

**Barry Cohen:** They probably want the condo for lifestyle. Now they can have their cake, growth and detached house and a lifestyle of a condominium.

**Scott McGillivray:** I would say this is less of opinion and more of metrics. It's this couple's simple equation that they should be running and let the numbers do the talking. Rent their house only if it creates positive cash flow. If it's a negative flowing asset, then take that money out. Look at the cost of financing a condo with 20 per cent down loan to value at a five-year fixed mortgage rate, add condo fees, utilities. What's more: renting it or owning it? Whatever is the cheapest of the two scenarios, go with that and you're going to be financially better off with either of those scenarios. Ideally, you would keep the detached home but not just based on the equity growth because that's speculating, right? If you're getting paid every month to keep it then it's still a good investment. Otherwise, sell it, take the money and finance the condo if it makes sense to buy it.

**Elise Kalles:** But you become a landlord, and they call you when the washing machine isn't working.

**Hilary Farr:** It gets you out of the condo. You need to have something to do in your retirement. You learn how to be a DIYer.

**Brad Lamb:** It depends on if they can afford to do any of these things. They probably aren't working any more if they're 70. They may need to use the equity from their house to live. They might have to rent the condo if they plan for 15 or 20 years more of life.



Scott McGillivray

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