BRAD J. LAMB REALTY INC. Real Estate Brokerage

MAY 2016 NEWSLETTER

Once again, 2015 proved to be a terrific year for Toronto's real estate market. Both the resale market and the new development market experienced exceptional traction.

Through 2015 TREB reported record sales of over 101,000 properties sold (a 9% increase over the previous best year – 2007). The average price was up 9% year over year to a whopping $622,189. The average price of condos was up 5% year over year. The average days on market was a measly 23 days. Condo sales were up 13.1% and all categories and locations fared very well. New developments saw 21,658 condos and 19,637 freehold properties sell. Once again, the "chicken little's" were wrong. Now, 7 years in a row, the David Magnani's and Garth Turner's of the world have been flat out wrong about their real estate prognostications. Anyone who participated in the real estate market since late 2008 has knocked it out of the park. It makes you wonder how many years in a row one can be wrong before they admit they haven't a clue what they are talking about. Can someone be wrong for 8 years and have a shred of credibility left? Shame on these two and others like them for misleading people out of real estate and the unbelievable profits that were available since 2008. The truth is these people don't have a clue. Recessions usually happen every 10-15 years or so, if these characters stick to their guns for a few more years, they may actually be correct. Not a bad average, predicting the possibility of a recession and a real estate correction every 10-15 years.
I believe a blind monkey could do the same.

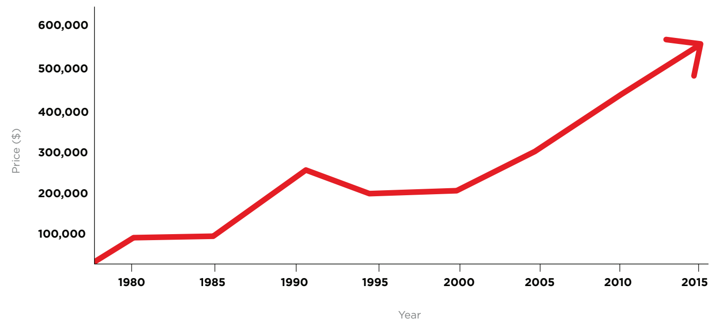
What is really going on in Toronto's real estate market place?
We are not going to do a very good job creating semi or detached homes anywhere close to the city. In the 416 we will not be able to add to the existing stock of houses ever again as all the land is developed. The supply is fixed in the 416 and very limited in the 905. The demand for homes is going up every year. Population growth guarantees higher prices forever, with occasional moments of recession and panic. During a recession, prices will fall but only momentarily, creating an amazing buying opportunity. The condominium market is a bit of a different story. Some think that it is due for a fall. I believe that prices are set to soar. Land in central Toronto has become scarce and very expensive. Condominiums have remained very affordable. Most development land that remains consists of sites with under utilized buildings or assemblies of multiple properties. Both options are typically seen in fully developed expensive cities (like London, Hong Kong, New York, Paris etc). This is what Toronto is becoming; an expensive international city. Local, federal, and provincial levies and taxes continue to drive development costs higher. This combination of fees and taxes currently eats up approximately 25% of the cost of new high-rise new housing in Toronto. It is only going to rise. Green technologies and other new building code initiatives like fully sprinklered buildings and ground water taxes are adding additional costs to high rise housing. Currently, the cost of delivering a high rise in Toronto before profit is edging close to $600 per square foot. In some areas, it is closer to $800 per square foot. Keep in mind that this is the cost of creating high rise homes. New sales prices must now commonly be $700-900 per square foot (PSF) to allow for a reasonable development profit. The MLS condo resale market will see a 10-15% increase in sales volume this year. It will be a record year for sales. I believe prices will rise 5-10% this year in the resale condominium market. Over the last 5 years, we have seen a more stable 2-3% increase in prices, I believe that scenario is now over. Detached and semi-detached homes will appreciate 10-15% this year and sales will be up 10-15% in volume largely because so little will come up for sale. An interesting statistic that I follow is the number of condos for sale in C01, C02, C03, C08, C09, C10, C11 (an area bounded by DVP-Eglinton-Dufferin-Lakeshore). The volume of condos for sale in the region is down 14.5% this year and the volume for rent is down by 32.3%. This all points to significant increases for both sale prices and rental rates. Condo rental rates will rise 5-10% this year alone. There are not enough condos for sale or rent in central Toronto. It is currently particularly difficult to find a condo rental in any part of the GTA.

Now, some of you may believe that interest rates are going to rise and rain on the parade. That is not going to happen any time soon. Low rates are here for a long time. I believe at least 5 more years, perhaps 15 years. Even when rates start to rise we will stay in a low interest-low inflation environment for a long period of time. When interest rates rise it will be gradually. Governments are huge borrowers. All the municipal, state, provincial, and federal governments around the world are essentially bankrupt. Higher interest rates makes the situation worse. I cannot see any country intentionally bankrupting itself through a high interest rate policy.

2016 is going to be a very big year for Toronto real estate. Prices will be significantly higher in all areas and categories.
Volumes for resale homes will smash last year's record by 10%. Average prices will soar by 10%. New condo sales will stay robust with demand outstripping supply. Toronto will continue to be a hot spot for international money as it will continue to be considered a safe haven for money and investments.

Toronto Real Estate Prices Set To Rise Again In 2016

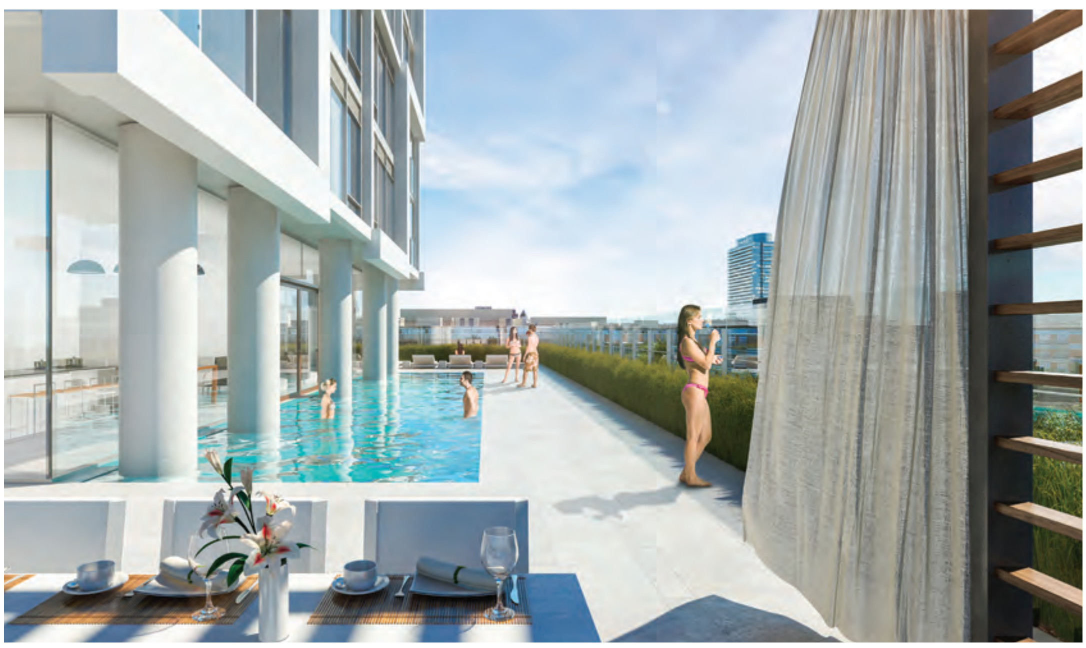
Last April there were 2380 condos for sale in the central Toronto area (C01, 02, 03, 08, 09, 10, 11). This is essentially the area bounded by Lake Ontario, Eglinton, Dufferin and the DVP. This April there are 2049 condos for sale on MLS. Last April there were 2133 condo units for rent on MLS in the same district. This April there are just 1381 condo units for rent. This represents a drop of 13% in the availability of condos for sale and a 35% drop in the availability in condos for lease in the central core. This means only one thing... prices will likely rise this year for both sales and rentals in the central condo market.



EAST
FIFTYFIVE

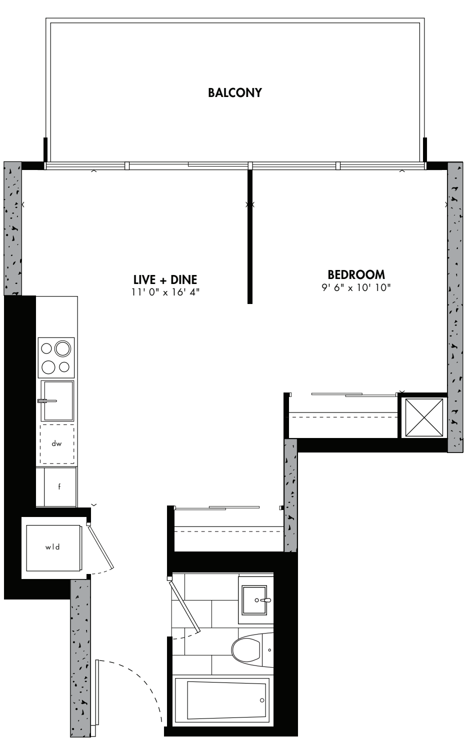
Toronto's Lower East Side Will Never Be The Same

East 55 represents one of Lamb Development Corp.'s finest structure. Located in one of Toronto's fastest changing areas, the lower east side of the city is destined to become one of the hottest neighbourhoods in North America. Housing 270 modern loft style suites, East 55 is Lamb Development Corp.'s largest single building yet. The project is 60% sold and construction should start late 2016.



Illustrations are artist's concept.

Getting Rich Through Real Estate



EAST 55
ONE BEDROOM
497 SQ.FT.

SELLING PRICE	$319,900*
MORTGAGE AMOUNT	$239,925
DEPOSIT (25%) (Invested Capital)	$79,975
AMORTIZATION PERIOD	25 years

RENT	
Year 1	$1,600.00*

INTEREST RATE	
Years 1 to 10	3.00%
Years 11 to 25	5.00%
Mortgage Term	5 year fixed (closed)

ACCUMULATIVE RETURN ON INVESTMENT		**PROFIT**
Year 1	25.3%	$20,233
Year 5	142.9%	$114,284
Year 10	331.9%	$265,437
Year 25	1214.9%	$993,209

*Price increases of 4.5% annually. **Rent increases of 3% annually.
Other Assumptions: Property tax increases 2%/year. Condo fees increase 3%/year.

Interested in learning how to become a Condominium Millionaire?

Email ryan@torontocondos.com to receive a **FREE** book today!

king charlotte


KING CHARLOTTE

King Charlotte is one beautiful tower.

Slender and clean looking from an architectural standpoint. People have responded unanimously that it is a tremendous addition to the skyline. Not only that, the unit floor plans are the best in the city. This is due to the wide, shallow nature of the tower.

A few suites remain from $429,900

For more information about King Charlotte contact Eva Rosalia Colpaart or Michele Pedro
phone: 416-368-5262 email: info@torontocondos.com

GOTHAM OTTAWA

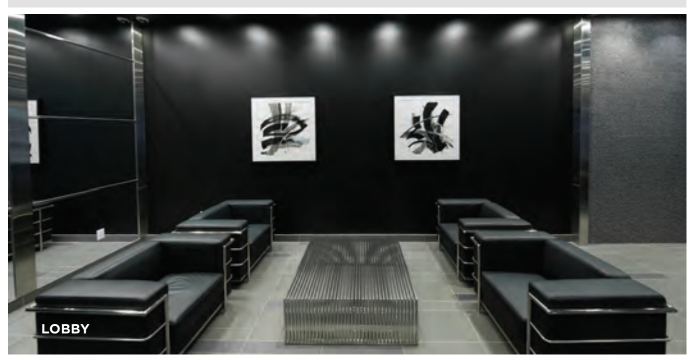

GOTHAM

Gotham Ottawa has registered, closed, and the turnover of the building has been completed.

I think this building is the best we have done (and we have done some great stuff)! It is without a doubt the best residential building in Ottawa, its not even a close contest. I believe perhaps the top 5 buildings in the city built since 1950. Some terrific units remain and a great sales promo is in place until July 30th.

Prices start at $206,900.

For more information about Gotham contact Celeste Colpaart
phone: 613-257-8887 email: sobaottawa@gmail.com


LOBBY


BRANT PARK

Illustrations are artist's concept.

The Brant Park

Brant Park is now complete and should register and close in the next 90 days.

It is another example of the exceptional and unique work Lamb Development Corp. is doing across the country. Overlooking a small city park, the Brant Park is located in a particularly great part of the King West neighbourhood. A quiet enclave only steps from the madness.

Select suites available from $281,900.

For more information about Brant Park contact Andrew Bonello or Martin Read
phone: 416-368-5262 email: info@torontocondos.com

Theatre Park Is Completed And It Is Spectacular!

THEATRE PARK

THEATRE PARK

Rising almost 50 storeys, it stands as an iconic beacon of excellent modern architecture. Located next to the Royal Alex Theatre and across the street from Roy Thomson Hall, this is a 5-star residence. Ceiling heights range from 9' to 10', interior finishes are nothing short of amazing, and the amenities are worthy of a luxury hotel. Suites range from 850 SQFT to over 2500 SQFT.

A few select suites still remain from $799,900.

For more information about Theatre Park contact
Nick Whittington or Andrew Bonello
phone: 416-368-5262 email: info@torontocondos.com

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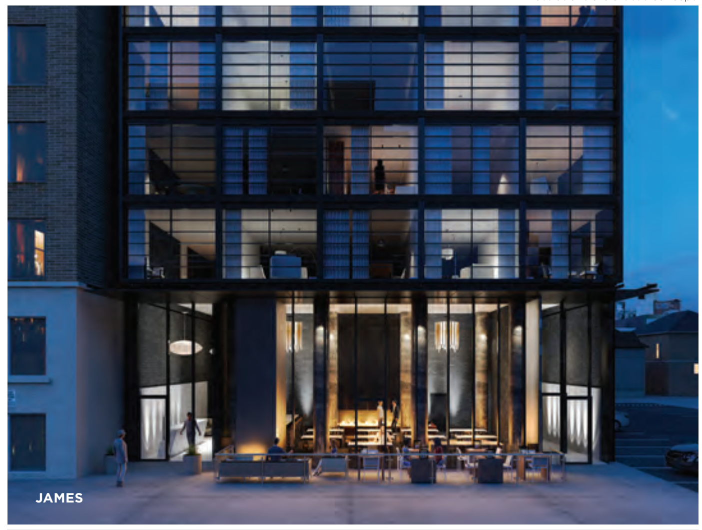

JAMES

james

James truly is tall, dark and handsome. Still in the development phase and not yet under construction, it marks the Spadina and Richmond intersection spectacularly. 18 storey slender and darkly beautiful, James will be one of Toronto's finest pieces of modern architecture. Now over 50% sold, a good selection of suites remain from $312,900.

Construction is expected to start late 2016.

For more information about James contact
Beth O'Donoghue or Dennis Allcock
phone: 416-368-5262 email: info@torontocondos.com

Illustrations are artist's concept.

THE HARLOWE

–THE– HARLOWE

Harlowe is Lamb Development Corp.'s homage to New York City's Meatpacking / Chelsea district. Located at Bathurst and Richmond, it is our modern re-interpretation of the turn of the century warehouses that still dot New York City's lower west side. Clad inside and out in rich red Pennsylvania brick, this handsome building is now under construction and will be delivering homes in early 2018.

Select suites still remain from $377,900.

For more information about The Harlowe contact Frank Lardi
phone: 416-368-5262 email: info@torontocondos.com

Our Next Masterpiece

Illustrations are artist's concept.

wellington house

Located On Wellington Street West. A Grand Dame Of A Street.

Wellington House will integrate a 100+ year old Victorian mansion with a new exceptional modern tower. The project is in the early planning stage. Interested parties should register at **www.WellingtonHouseToronto.com**

The Debt Myth

Much has been said about Canadians having too much debt. Currently, the concern is that the average debt-to-income ratio is approximately 165%. This means that Canadians on average have $165 of debt for every $100 they earn as income. Debt would be represented by credit card debt, student debt, car loans on leases, lines of credit, or mortgages. The reason why this number is at an all-time high is due to the expansion of mortgage debt. Let me give you an example of how silly this concern is by comparing 2 consumers.

CONSUMER #1

Income: $100,000
Recommended Bank GDS Ratio: 39%
Recommended Bank TDS Ratio: 44%
Comsumer Chooses Conservative GDS: 33%
Comsumer Chooses Conservative TDS: 33%

Consumer 1 opts for the conservative GDS/TDS borrowing terms. Monthly payments based on these safer ratios ratio =$33,000/year (or $2,750/month). Monthly mortgage payment based on a $500K mortgage at 2.5%, 5 year amortized over 25 years = $2750/month

Assumptions: $6,000/year in taxes
Debt-income ratio: $500,000/$100,000
= 5.0
=500%

Consumer 1 borrows $500,000 for a first mortgage. Consumer 1 has no other debt.

CONSUMER #2

Income: $100,000
Student debt: $40,000
Credit card debt: $30,000
Car loan: $50,000
Line of credit: $25,000
Total debt: $145,000
Debt-income ratio: $145K/$100K
= 1.45
=145%

Consumer #2 has the worst kind of debt. All of his debt is carried at relatively high interest rates and is the kind of debt that does not represent an asset purchase that will appreciate over time. He may have a ratio that appears to look like he is more responsible with debt than consumer #1 but it is a smoke screen. Consumer #2 is in debt trouble. They still have rent to pay while consumer #1 does not have this problem to worry about and his home is likely making him wealthy over time.

According to the Canadian media, economists, and the banking industry, they believe consumer #1 has a problem with debt. They believe consumer 2 is debt conservative. They believe consumer 1's debt-to-income ratio is enormous at 500%. This couldn't be further from the truth. He does not have a debt problem at all. This person owns a home and manages their monthly payments conservatively. He is paying off $13,219 of debt in year one included in his monthly payment of $2,750. The monthly payments were easily approved by a Canadian bank and his total payments are $3250 per month (including property taxes). His GDS ratio is well below 39% and his TDS ratio is well below. These are very good measures of a conservative consumer mortgage. Additionally, he will likely make a large capital gain over the term of the mortgage.

This ratio is misleading and does not represent a statistic that is worthy of examination. We should be concerned about the proliferation of student loans which are enslaving young people for life and in many cases with debt for an education that will offer no promise of employment. We should be concerned at the easy leasing of expensive automobiles that consumers could not afford if they borrowed the money rather than leased the car. The ease of which lines of credit and credit cards can be obtained is alarming. These are the worrisome debt issues. Consumers responsibly borrowing money in the form of mortgages is not the road to debt ruin. It is the path to affluence and wealth.

Illustrations are artist's concept.

The Well

Allied Canadian along with Riocan and Diamond Corp. are re-developing a 7.6 acre site at Front Street West and Spadina Avenue. Essentially, it was the old Globe & Mail headquarters. The development will span 3.1 million square feet and it is being named "The Well." It is the largest private mixed-use development in Canada valued at $1.4 billion. The project will form a rectangle along Spadina Avenue, Wellington Street West, Front Street West, and Draper Street. It will consist of several high-rise office towers and condominium buildings in addition to an enormous contribution of retail. This development will single-handedly change the west end between lower Spadina and Bathurst Street. Literally tens of thousands of workers, home owners/tenants, and customers will be flooding the streets daily.

Then And Now

Massive Real Estate Profits Earned Tax-Free!

The Candy Factory

993 QUEEN STREET WEST
Suite 418 – 1,477 SQFT.

Purchased from the developer: June 1999
Purchase price: $217,900
Sold: March 2016
Selling price: $1,075,000

Over 16 years, a **$857,000 profit (tax-free!)** was earned as a primary residence. This is **1573%*** return on invested capital.

*Return calculated based on 25% down. Does not include property management or repairs.

GLÄS

25 OXLEY STREET
Suite 306

Purchased from the developer: December 2005
Purchase price: $133,900
Sold: April 2015
Selling price: $275,000

Over 10 years, a **$141,000 profit (tax-free!)** was earned as a primary residence. This is **421%*** return on invested capital.