



From the desk of **BRAD J. LAMB**

BRAD J. LAMB REALTY NEWSLETTER SEPTEMBER 2011

CONDOS MAKE TORONTO ACCESSIBLE

Did you know that a townhouse in Greenwich Village in NYC costs approximately \$5 million, and much more on the Upper East Side, commonly \$20 million? In fact, this pricing reality is played out in many cities and neighbourhoods where heights of buildings have been contentious. Paris, London, Boston, all cities have exorbitant pricing for downtown single family homes. Why is that — because there is pent up demand and a lack of supply of that kind of housing stock. It is now common to see urban town homes in the central area of Toronto selling for \$1.0 million. These town homes are usually less than 2000 sq.ft. High buildings bring high

density living. Of course, adding life to streets is good for a city, making them safe and lively and providing more options for consumers. Additionally, high density living provides efficiencies for transit systems, energy usage, and lessens car use. For the consumer, it does something that every selfish person wants — it lowers the cost of housing and keeps Toronto affordable. At least more affordable than it would otherwise be.

Embrace high buildings, embrace density. It is essential. It is our future and it is smart on every level. The strange fear and mistrust of height is misplaced and ludicrous.



MANHATTANIZATION OF TORONTO'S DOWNTOWN

I have talked about the "Manhattanization of Toronto" for over 10 years. At first slowly, and then steadily, and finally abruptly, the condo marketplace has populated our core with many tens of thousands of people living in over one hundred thousand new condominium homes.

The transformation of Toronto is nothing short of miraculous and the envy of every city and every country. What everyone wants is a safe, fun, vibrant, rich downtown. We have it, and it keeps getting better and better; new hotels, new restaurants, new theatres, new public building expansions, and many new office buildings. All cities desire high paying office jobs. Why has this happened to Toronto? Why are we so fortunate?

I will tell you why. There is only one reason. Condominiums. That's right, plain and simple. You can

thank condominiums and those that enabled their success. All those new venues need people to fill them. The hotels need the condominiums attached to fund their existence. Without condos we would have none of the 6 new 4 plus star hotels. The office buildings happened because the smart, young people that companies want to attract are living in downtown condominiums where they can live, play, and work in the city's core.

Of course, existing residents fought every new project tooth and nail. "Not in my backyard," they shouted. "I can live here, but by golly, you can't! Your 20 storey tower will block the view from my 20th floor condo." The Toronto planning department fights more projects than they approve. It is the hard-headed optimistic developer that refused to listen to the negative nonsense and plunged ahead anyways, fraught with risk. Thank you, for the odd open-minded and forward thinking city councillor, a rare bird, that enabled some great ideas to come to light.

Our ex-mayor and his council overtaxed the condo industry to such an extent that now a 500 sq.ft. apartment has some \$25,000 in city fees, taxes, and tariffs to tack on to any sale price. Even this did not kill the golden goose, our great condo machine of central Toronto.

Then came the HST that inflated new condominium costs by a horrifying amount. This stupid real estate tax added \$30,000 to any \$500,000 new home. In Toronto, that now gets you a moderate sized condo of 750 sq.ft. — lifestyles of the rich and famous await!

Even this has not been the nail in the coffin for our rugged condo machine, although all of the above may be eventually. Now the Canadian Urban Institute "think tank" recommends to our city and its political power brokers that we should now prevent some land from being rezoned for residential condominiums. This would be to protect some land for high-rise offices to the detriment of the condominium business. I understand the sentiment but the demand for offices is being fuelled by condos. Limiting the supply of residential land we will just add further to the price of condos by raising the cost of residentially zoned land due to its scarcity. Does anyone recall who brought us to the dance? Eventually, that gal is going to crumble under the weight of the nonstop abuse.

CONDOS VERSUS REITS

Recently, I read an article in the Globe and Mail touting the returns in REIT's versus a condo. The article was written by Martin Mittelstandt and according to his research a REIT offered a 22.6-29.9% return over a one, two, or three year period. The one-year return (2010) being 29.6%. I would agree that for a passive no work investment such as a REIT, 29.9% is nice.

If Martin had done his homework, he would have seen that a condo investment during the 1996-2011 period has thrown off unbelievable returns, and I will highlight a few typical options below.

EXAMPLE 1 55 STEWART ST. (Junior 1-Bedroom)

449 sq.ft. (no parking, no locker)	
Bought from floor plans May 2006 for	\$159,900
Total deposit of	\$31,980
Further deposit on occupancy	\$7,995
Closing costs	\$12,000
Sold March 2011 for	\$280,000
TOTAL INVESTMENT =	\$51,975
TOTAL PROFIT =	\$120,100
TOTAL RETURN ON INVESTMENT =	231%
	(over 4 years 10 months)*

EXAMPLE 2 25 OXLEY ST. (Junior 1-Bedroom)

410 sq.ft. (no parking, no locker)	
Bought from floor plans Dec. 2005 for	\$128,200
Total deposit of	\$19,230
Further deposit on occupancy	\$6,410
Closing costs	\$12,000
Sold November 2010 for	\$246,000
TOTAL INVESTMENT =	\$37,640
TOTAL PROFIT =	\$117,800
TOTAL RETURN ON INVESTMENT =	313%
	(over 3 years 11 months)*

EXAMPLE 3 201 CARLAW AVE. (1-Bedroom)

583 sq.ft. (no parking, no locker)	
Bought from floor plans Oct. 2006 for	\$189,900
Total deposit of	\$28,485
Closing costs	\$12,000
Sold January 2011 for	\$292,000
TOTAL INVESTMENT =	\$40,485
TOTAL PROFIT =	\$102,100
TOTAL RETURN ON INVESTMENT =	252%
	(over 4 years 3 months)*

* All three of these are real life transactions; three of thousands like them.

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