

THE HOLY ROMAINE EMPIRE JEANNE BEKER ON SPRING'S HOTTEST SILK TOPS THE HEAD OF THE CLASS JOANNE KATES ON NEW LOBSTER HOT SPOT
GRANT VAN GAMEREN ON T.O.'S TOP CAESARS FINDING PRINTS CHARMING ARE PARENTS FIBBING TO GET KIDS INTO NTCI? MARITIME OF YOUR LIFE?

NORTH TORONTO

MARCH 2013

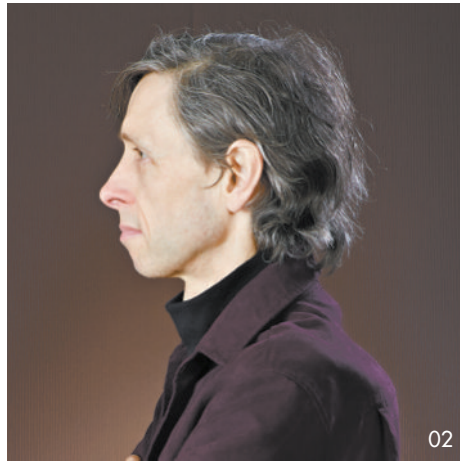
FOR SALE

ASKING \$6,188,000

Our 6th Annual Real Estate Roundtable

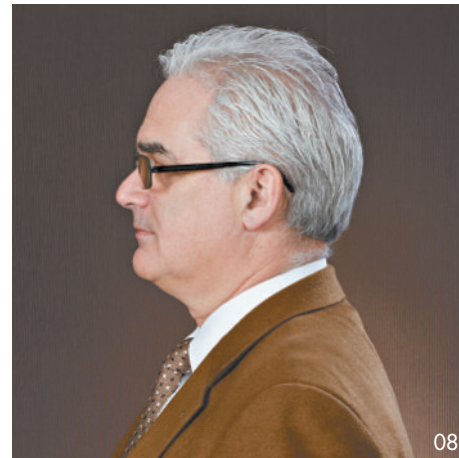
Seven housing hotshots gaze into their crystal balls and tell us if North Toronto's bubble is about to burst or if the market still has room to run

There are more than 50 homes over \$2 mil currently for sale in North Toronto. This \$6.188 mil Riverview Drive home is one of our area's top-priced MLS listings.



REAL ESTATE ROUNDTABLE

SPRING MARKET 2013



As we sat down at the Granite Club for our sixth Annual Real Estate Roundtable, last spring's narrative of bully offers and bidding wars had given way to slowing sales. Here's what the GTA's top market experts had to say about whether we should brace for bearish conditions in 2013 Story: Michelle Ervin Photos: Greg Dean (above), C.J. Baek (page 22)

2013 PANELISTS

- 01 PAUL MIKLAS
President, Valleysme Homes
- 02 HARRY STINSON
Condo developer; president, Stinson Properties
- 03 ELISE KALLES
Toronto's leading carriage trade broker
- 04 BRAD LAMB
Broker-president, Brad J. Lamb Realty Inc.
- 05 GARTH TURNER
Investment advisor, best-selling author, former MP and minister of national revenue
- 06 MICHELLE ERVIN
Moderator and senior editor, Post City Magazines
- 07 MATHEW ROSENBLATT
Principal, Cityscape Developments; Distillery District developer
- 08 BARRY COHEN
Top Canadian sales representative, Re/Max

POST: Let's start with a comment economist Sherry Cooper made at last year's roundtable: "What we will see in the housing price range and condo price range is a continued excess demand and prices rising. It's just that they probably won't rise as much. The big unknown is what happens to the foreign inflow of capital."

Garth Turner: The market seems to be in a state of transition. How deep it changes and how quickly, we don't really know yet. Certainly the condo market does have tensions, and I think that her comment was probably too strong in that regard. I think the condo market will be weaker than many expect. Foreign capital is the other key point that Sherry brought up. It's a difficult one. There was an article in the Globe and Mail yesterday — I'm sure we all read it — where there is no good tracking of numbers or foreign investors in Canada, so you tend to get a lot of anecdotal evidence, which I think then becomes urban myth.

Brad Lamb: Listen, there's no doubt that the real estate market is slower now than it

was last spring and in 2007. There's lots of good reasons for that, and probably some of the reasons are what you spoke about. But the principal reason why we've had a real estate market change in Canada is, in my opinion, mostly due to the sustained changes to the policies that CMHC [Canada Mortgage and Housing Corporation] has carried, by Jim Flaherty. He's changed amortization dates, from 40 years to 25 years, in five years — it's made real estate 35 per cent more expensive. So it's taken a huge number of first-time buyers out of the market. He's [Flaherty] also savaged the one-million- to 1.5-million-dollar market because he said no longer can you put five per cent down. You now have to put 20 per cent down.

Barry Cohen: Sherry's comments are more to do with condominiums, and this conversation has spilled over into real estate. Detached, single-family homes have risen, both in activity and in price, year after year. That's very stable.

Elise Kalles: It's gone down since August.

Brad Lamb: But if and when there is a setback in the real estate market in Toronto (and of course it is going to come; Garth thinks it's going to be tomorrow — he's thought it's going to be tomorrow for the last 10 years), we are going to have a recession, a bad one, and real estate's going to get whacked. Condos will get whacked worse than houses in Toronto.

Harry Stinson: It's a totally different finance world now. What I've noticed now versus '88, '89, '90: we were selling individual condos then, and it was people who had no intention of closing. It was just a speculative game. And now the buyers — I don't see that same thing. They're buying. They'd like it to go up, but they're not saying to you, "Well, I'm just going to flip it."

Mathew Rosenblatt: There's a difference between investing for the long term, to be part of the rental pool, and someone trying to flip it. If you're buying a whack of them, you might not be able to afford it, when the times comes, when you actually have to own them and prices are going down.

Paul Miklas: But who's your investor? Your investor's coming from China or Iran and the problem is, they're not making anything on their money over there, or they're worried about their money, so they're looking for a place to place it. Because I can tell you, we're building 522 units. The majority of it — I'd say 55 per cent of our sales — went to foreign buyers. They came up with a 25 per cent deposit, and they're looking for somewhere to place their money.

Garth Turner: I don't buy the "It's different here" argument. It's not different anywhere. Where prices go up far faster than incomes, far faster than individual or family incomes —

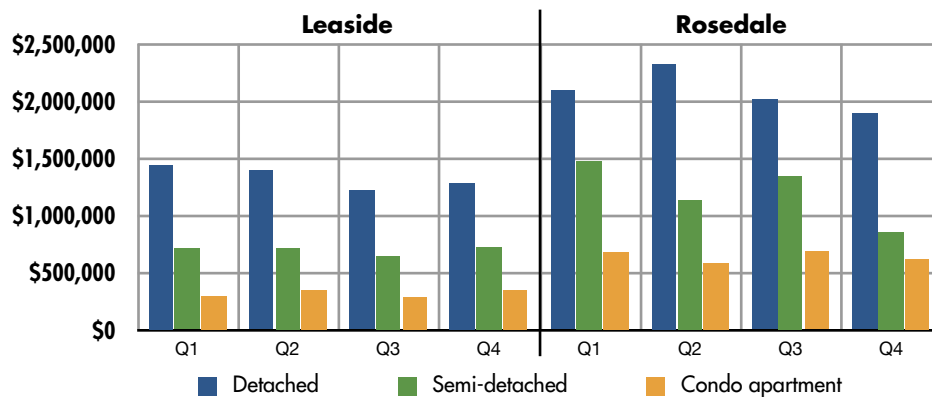
Paul Miklas: But they aren't going up fast anymore, Garth, they really aren't: one per cent a year at best at this point. It's really actually slowed down. When you start talking to Elise or Barry Cohen and Brad, and they're telling you there's product now out on the market and where, for example, you'd see in one area 15 sales, you only saw five this past month. That shows you the market is adjusting and there's no bubble.

Barry Cohen: A correction comes after years of double-digit inflation. We don't have that here. That's what happened in Vancouver; that's what happened in the '80s, '90s; that's what happened in the US: four years of double-digit inflation. We have steady five years. We're where we're supposed to be.

POST: Elise, despite slowing sales, we are still seeing prices inch upward, especially in our neighbourhoods where the million-dollar-plus market is strong. As a top carriage trade broker, what are you seeing on the ground?

Elise Kalles: Well, it's definitely slowed down, but I have to disagree with Garth. In the price range we work in, a lot of them are foreign buyers, and they're closing, they're solid. The Toronto market, I think, is sustainable in our neighbourhoods. Certain neighbourhoods will always be in demand, and single-family homes with easy commuting distance to downtown will hold their value. I'm not saying it's not going to

AVERAGE 2012 SALE PRICES



Source: Toronto Real Estate Board

A side-by-side comparison of average selling prices in Leaside and Rosedale, by housing type, for each quarter last year

go down. It's going to take longer. But Canada has moved to eighth place in the annual ranking of the most tax-friendly places for companies to do business. Toronto is a popular destination for people looking to move from their big city from elsewhere in Canada, the U.S. and abroad. It's also attractive because of the multicultural communities. You go to the private schools or the universities, 80 per cent are from India, from China.

Barry Cohen: If you just step back and look at the year, last year we had price appreciation pretty much right up until June, then we flat-lined, and then had maybe another one per cent gain from June until December. During that second half of the year, all you had was activity falling. We are actually starting this year up two per cent over last year.

Garth Turner: Sales or prices?

Barry Cohen: Sales.

Garth Turner: Actually, we're not. If you're going by the Toronto Real Estate Board [TREB] numbers, the TREB numbers are wrong. TREB says it was a 2.4 increase in December. They revised last December's

numbers. It's actually a 2.1 per cent decline.

Barry Cohen: I think Elise can agree with me: in our marketplace, you had lack of confidence the second half of the year, and then all of a sudden, December rolled around, and we had this confidence and this vigour that we're feeling right now in January.

Brad Lamb: And we're on two distinct markets now because the condo market and the housing market are distinct. If you put a house up for sale right now in Toronto, you'd probably get multiple offers. If you put a condo up for sale, you'll probably sell for 95 to 96 per cent of the asking price.

Garth Turner: Let's look at my little neighbourhood of Leaside where you have listings now that are not selling in 30 days anymore.

Brad Lamb: House listings?

Garth Turner: You get the odd one that happens. One sold last night — it was 999, sold for 1.1 — but that's because you're below the million price point. You get 1.1 to 1.5, that stuff's sitting.

Brad Lamb: The reality is, we've lived in an

unreal marketplace for eight or 10 years in this city, and we all got used to it, and it's just not real life. So it was like a market on steroids; the market was cheating. Now the real guy stands up. He's not cheating, he doesn't run as fast, and that's the market we're really in. We can't expect to sell properties the day they list. You can't expect to have a lineup of people down the street showing it. That's just not realistic in any city.

Elise Kalles: And I think it's healthy in the long term.

Garth Turner: And you don't want a market where you have gains and house prices that are exceeding gains in household income. That will catch up to you. The gap's being made up by debt, and we just get inundated by how much debt people are building up. Again, we're looking at a couple of different markets. Elise is talking about the high-end market, which is really unique: small number of sales. In the overall scheme of how many sales in the GTA in the year there are, this is one per cent.

Elise Kalles: But housing prices in Canada, Toronto especially, are lower than any other major global country.

Garth Turner: We're not a major global city, though, are we? You're going to compare us with London and New York? Paris?

Elise Kalles: We're cosmopolitan. We have everything.

Brad Lamb: Well, we've changed a lot. I think for people that live here, we are. People who live here appreciate what we have. You travel elsewhere, like Paris and London, and Singapore, and these cities, I would far rather live here than any of those cities.

Elise Kalles: I was going to say I have clients from London, England, that bought a house here. They've never been happier. They could never have this kind of house in London.

CONTINUED ON NEXT PAGE

A 2012 Snapshot of Real Estate in North Toronto

Between sensational media reports and contradictory statistics, it can be hard to make sense of what's happening on the ground. Herewith, we bring you the area's highest and lowest priced homes sold last year, as well as the most days a house sat on the market and the total volume of sales (Source: Toronto Real Estate Board).



At \$6.188 million, this is one of the area's top-priced listings

53 RIVERVIEW DR.
Bedrooms: Five
Square footage: 5,000+
Lot size: Approximately 1.2 acres
Special features: Pool with waterfall, soccer-sized field
Agency: Chestnut Park Real Estate Limited, Brokerage

\$6.6 million

North Toronto's most expensive 2012 sale: a Rosedale home located on Castle Frank Road, fetched \$605,000 over asking.

230 days

The longest an area home sat on the market last year: the St. Leonard's Avenue abode eventually went for \$45,000 under asking.

\$559,000

North Toronto's least expensive 2012 sale (of a detached home): a residence on Roslin Avenue sold for asking price in one week.

898

The total number of combined sales in Leaside (215), Lawrence Park (389) and Rosedale (294) last year.



REAL ESTATE ROUNDTABLE

SPRING MARKET 2013 CONTINUED



Clockwise from top left: Brad Lamb; the roundtable panel (l-r): Harry Stinson, Barry Cohen, Garth Turner, Brad Lamb, Elise Kalles, Paul Miklas and Mathew Rosenblatt; and Elise Kalles, far right

POST: What percentage of your current sales results in bidding wars?

Barry Cohen: Nothing more than 30 per cent.

Elise Kalles: I don't have bidding wars.

Barry Cohen: Don't forget, we have generally two markets. We have the finished product and we have what everybody called before a phenomenon (which is really not): it's rejuvenation of the older, tired neighbourhoods. So those homes, the infill housing we refer to, that's where you're going to see bidding wars, on those older, tired homes. For ultimately they want to knock it down, and you're competing with builders and users alike.

Garth Turner: You take a look at the average single-family detached home in Toronto. It was \$818,000 in 416 in May; now it's \$736,000. That's a pretty goddamn big drop.

Barry Cohen: But you're working with December. You're working with the latter part of the year.

Garth Turner: I know it's December, but if you're saying, "Oh no, don't worry, we're going back up \$80 grand, that's going to happen by the spring," I don't think it's there.

Brad Lamb: If you look at the first five months of the year, we had two months break 10,000 sales, which never happens, ever. So a lot of the sales were done to beat the new CMHC rules.

Garth Turner: One final point: when you see sales declining for a significant period of time — not month over month, but year over year — that means something when it's combined with a price reduction. Will this recover quickly and just zip back up again? That's a leap of faith I'm not ready to take because I think that the conditions have changed.

Mathew Rosenblatt: Do you think that there's any difference in the conditions today, like this month, than there were three months ago or six months ago, other than sort of psychological ways that purchasers might be viewing the market? I don't see any big real changes happening. If people want to buy a house for their family, their forever house, not that much has changed.

Garth Turner: I think what Brad referenced is a key point, and I think the injury to affordability is fairly significant that we saw. And the changes that were made, and the major changes — amortization dropping, cash-back mortgages are now disallowed and you've got no million-dollar insurance from

CMHC — those are really significant changes, and I think that they kind of squeeze the market like this. You've got the million-dollar-plus listings. Now you have to cough up 20 per cent, plus a land transfer tax.

Barry Cohen: They're all selling well. It's affected the condo market.

Garth Turner: No, actually, they're not all selling well.

Barry Cohen: TREB numbers, GTA is sitting at 85,000 homes year after year with the exception of 2007 that went to 93,000, and then 2008 was at 70,000. We're where we're supposed to be.

Harry Stinson: The more information and statistics you hear, the less you can figure out what's going on. Everybody's got a healthy little statistic that justifies their position. The reality is, though, that real estate in Toronto is still regarded, I think, increasingly, as a decent investment. The stock market, most people haven't any intention of even studying, let alone getting involved in, anymore.

Garth Turner: I agree, but that's part of the danger. When you have a society where 70 per cent of the people in that society own the

same thing, you've got a potentially dangerous situation.

Harry Stinson: It's safer to own a house than to own shares in General Motors or Nortel or whatever.

Brad Lamb: But that's where the condo market saves us because the condo market is replacing apartment buildings, so you don't have to build a condo and sell it to an end user. You can sell it to an investor, and as Harry stated, and it's true, there's a very good business in that... In the condo market, about 5,000 to 6,000 units a year of the 25,000 we've been selling will find their way into the rental market, real rentals, and that's a good thing. We're actually decreasing the amount of home ownership and increasing the amount of home rentals by delivering condominiums, so it's actually working to opposite ends from what you're talking about.

Barry Cohen: What do we have, a vacancy rate of less than 1.7 per cent?

Elise Kalles: Less than one per cent.

Harry Stinson: There's a change in people's attitudes toward renting an apartment downtown. It's a practical, viable thing.

Elise Kalles: There's a lifestyle buying a condo today. I bought a little tiny apartment at the King Edward Hotel because, for sentimental reasons, when we were married, it was very special — there's no lobby like the King Eddie. I closed on it yesterday. They have a workout room, they have everything, they have a club floor like in the finest hotels. All that comes with it. It's 750 square feet.

Brad Lamb: How much did you pay for it?

Elise Kalles: \$479,000. I didn't upgrade anything.

Paul Miklas: Look at the condos, look at the hotels that are being revitalized, and look at all these young kids actually graduating from school. They can't afford somewhere to go, and they want to work in the Financial District, and they have an opportunity to go to foreign investors. They don't want a house, and they don't want to live north of Newmarket. They want to be right in the city where they can build their careers and go forward, and this is actually what the condo market is providing.

POST: What are some of the best areas of our neighbourhoods to buy into right now?

Mathew Rosenblatt: Forest Hill, Rosedale... places where people with the money, if they want to live in an area, have the ability to pay 10 per cent, 20 per cent, 30 per cent more. If you're on a salaried position, even if it's a good area, you will have [price] ceilings. These other areas, there really aren't ceilings.

Paul Miklas: Banbury, which is right across from Edwards Gardens — you've got the DVP and 401 close by, you've got the Don Mills mall, you've got great schooling. All the amenities are right there. If you're searching to upgrade to a second home, find something there that you can do a fixer-upper on. Stay there because the community is fantastic. That's where I would go.

Garth Turner: I would take a slightly different approach. I don't think it's so much the neighbourhood if you're looking for best value.

Paul Miklas: That's the best value. That's why I'm there, that's what I do all day long. I start with value, then I go to amenities.

Garth Turner: The actual physical neighbourhood is somewhat irrelevant because we all know what the good neighbourhoods are. What is more important is where people can find value. I think the biggest change in that regard is the one we talked about a little while ago, which is CMHC now withdrawing insurance for properties over a million dollars, and that's now where you're going to see the best value. From a million to a million four to a million five you're going to see much better value there —

Paul Miklas: Welcome to Banbury.

Garth Turner (continues): than you would have prior to last year. I think there's a strong economic argument there because those buyers are under pressure. The owners, the vendors right now, they're under pressure, and they're under pressure because of that move. You may not think it, but you go into a Leaside or Bennington Heights or Moore Park — the number of people who actually bought in there, over the last few years with five, 10, seven, eight, nine per cent down? Significant. They're gone because CMHC won't give them mortgage insurance.

Harry Stinson: But if they're there now.

Garth Turner: No, I mean those new buyers.

Harry Stinson: But you'd have that same situation of, do they have to sell? They are living there, they don't have to sell.

Garth Turner: There are always people who have to sell.

Mathew Rosenblatt: Is the question, what's the best value or where should you be investing?

POST: What neighbourhoods offer the most value?

Barry Cohen: I think it's harder even as a real estate practitioner to pick the next neighbourhood or *the* neighbourhood, but I think, if you look at the trends, because you guys in the condo development are in there, you look at these tired neighbourhoods like we talked about before: homes that are on big lots, well situated. Those homes, because they're in the GTA, they're under pressure. God's not making any more land. Let's knock them down, let's build them, and then you've got the Distillery District.

Mathew Rosenblatt: That might be the best value in the city.

Full disclosure: Rosenblatt is the creator of the Distillery District.

Barry Cohen: You were saying it. And Leslieville, look at the Beaches, their borders are expanding. I'll give you an example: like Don Mills — that area you've got great shops, highway access, old, tired homes — there's an opportunity a little bit like what Paul was saying on Banbury... Bathurst and Sheppard — that's the same old thing. If you follow that practice all the way through the city, you'll find your neighbourhood that is tired and ready to rock and roll.

Paul Miklas: You'll get in at the bottom and you'll enjoy the lifestyle surrounding it.

Mathew Rosenblatt: All of these

neighbourhoods are in generally equal transition. I would look at concentric circles from the core, and the closer you're going to be to the core, especially in the future of this growing city, with growing traffic, expensive gas, people want to live downtown. That's why they are buying the condos. But if you want to buy a house, and you want to be close to the core, it's going to cost you a lot of money today and it's going to cost you a fortune tomorrow because there are only so many houses that are downtown. People don't want to commute, and you're going to have a big population fighting over a very small stock of houses.

Brad Lamb: Houses will rise more vis-à-vis condos because you cannot add a single house in the city of Toronto. You can build a few townhouses here and there. So you'll see house prices rise more than condo prices, except in pockets like perhaps Yorkville because we can add more stock to condominiums for a while, but you can't add any more houses in Rosedale. It's fixed. If you want to buy a house in Rosedale, there are more people that want them now than 10 years ago, and 10 from now, there are going to be more people who want them than today.

Mathew Rosenblatt: The proximity to the core will also, in part, be relative to how fast the prices will go up over time.

Paul Miklas: Picture a nucleus and then draw rings around it. The closer you are to the nucleus, the more it's going to cost you. The further you get away, it's more travel time and it's less money.

Elise Kalles: The Annex has gone up more than any area.

Brad Lamb: It's sort of affordable. It's not multi-million dollars. You can buy a house

80,000 in resales from 85,000.

POST: Will condo prices rise as well?

Brad Lamb: I don't think condo prices will rise. They may fall slightly, but we're at \$600 a foot. I think that's where we should be for right now for the market. You can still buy a small condo, put 25 per cent down and rent it and make positive cash flow, so that kind of protects the price at \$600 a square foot. I don't think we'll see a big increase from there this year, but long-term, prices are going up in Toronto.

Barry Cohen: I generally agree with Brad. I think that this year will be much like last year. I think it will be just as hot in the spring market, and I think it will level off in the fall market, and I don't think that the condos will be as big a story as they have been in the past year, and the rates will stay low.

Harry Stinson: I think the story is going to be that there isn't a massive collapse of the condo market: that it sort of stabilized and sales went down, but that it wasn't the end of the world and people weren't bailing out and there were thousands of listings out there, and that they continue to be rented and people are sitting on them.

Paul Miklas: I think it's going to be a steady ship, the waters are good, smooth sailing. Maybe a one per cent gain, possibly two per cent on the homes side and on the condo side, I agree with Brad. I actually think it will just be a flat line. I don't think there will be any gains, any losses on that side.

Mathew Rosenblatt: Flat or slight increase on housing, and new condominium sales I think will be way down just because I think there will be way less product. I think that the downtown condo market overall will be down slightly, but not anything material.

WE SHOULD EXPECT LOWER AVERAGE PRICES, FLAT-LINED SALES AND THE CANCELLATION OF SCORES OF NEW RESIDENTIAL TOWERS.

GARTH TURNER

there for a million something, and it's right downtown.

Elise Kalles: It's like being near Fifth Avenue, but not being right on it.

POST: Fast-forward a few months — where is the market a year from now?

Brad Lamb: I think we're going to be in a similar position to what we are now. It still probably will be considered a seller's market, but I think it will be a more balanced market. Prices will rise slightly overall, volumes will probably drop, new condo sales will be down — probably 14,000 units in 2013 — and I bet you we do less than

Garth Turner: There's little doubt 2013 will be a year of transition for Toronto real estate. The media will still be pumped on the occasional multiple-bid story and in denial over changing conditions, and that may mask things for many people. But the truth is, new housing starts, condo projects, building permits and investor confidence are all on the wane. Economic growth will be tepid and unemployment creeping higher. In other words, the conditions are ripe for a weaker market in the spring of 2014 than now. We should expect lower average prices, flat-lined sales and the cancellation of scores of new residential towers.