

An insider's look at why it's hard to top the investment potential of buying a condo in Toronto

The returns on invested capital could be 15 to 25 per cent

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Is buying a Toronto condo from floor plans, closing on those units and then renting them a good business?

Yes. It's been an incredibly good business. I've been selling real estate since 1988, and even today we've been able to gain double-digit annual returns for investors who buy these units. If you can buy condos that carry or come close to carrying all costs year one in a city like Toronto, that is the holy grail. Significant wealth is created when investors hold real estate long term.

So how does it work?

Generally speaking, whether you buy it in a downturn, an upturn or flat market, hold the property for at least 25 years. The returns on invested capital will be 15 to 25 per cent a year.

For example, I'm delivering a finished building in November this year. People who bought a one-bedroom four years ago for \$265,000 can now sell for \$625,000. These people have made almost \$360,000 on their purchase. They invested

\$40,000. That's a return on investment of nine times in four to five years. There's no business that can deliver this kind of return and also protect you very well from the downside. I still suggest that buyers keep it for 25 years or more.

But that must just be for the best locations, right?

It doesn't really matter where you buy in the GTA or areas around the GTA. Whether you buy in Toronto, Hamilton, Waterloo or Scarborough, all these areas are appreciating. This entirety of southwestern Ontario is experiencing tremendous economic growth. So it doesn't matter where you buy. You still have to do some homework in evaluating the builder and the building. This is where one of my real estate agents can come in handy to guide you.

What about the idea of parents buying a condo for their kids as a long-term hedge against inflation?

That is one thing that I strongly advocate for parents to do. We have had many parents make this kind of investment. If you have children or are planning to have children, this is the best financial move you can make for them. If the parents keep the investment for 25 years, by the time the child is 25, the property will be owned 100 per cent because

mortgages are paid off over 25 years. In effect, your tenant has paid off your mortgage. A \$500,000 property in 25 years will be a \$2,000,000 asset debt-free. What a start for your 25-year-old child.

That's a great idea. We all know how tough it is on young adults trying to find housing in the city and start their careers off on the right foot.

Exactly. So when your child comes out of university or is two or three years out of the first job, you can gift them a fully paid off condominium that will set them up for life. They will never have to worry about money again. Imagine if you were 25 today and your parents gave you a \$750,000, 550-square-foot, one-bedroom apartment. Imagine what that would mean for your child's future. It will even protect your grandchildren. They could live there and enjoy living in an apartment as a single person, which is always better when you own rather than rent. You get to decorate, buy nice furniture. It is yours to work with. They can then sell it and move up the property ladder. They get married or they move in with someone, they can start a family with a fantastic financial foundation. It's not hard to do. We've done it with many, many people. And I highly recommend it. If there's one thing a parent should do if they can for their kid, this is it. I've done this for my daughter. For me, it just

feels amazing to know that, at a minimum, no matter how badly I mess up, my daughter is going to have a home when she turns 20 or 25.