



REAL ESTATE ROUNDTABLE

Our 14th annual Real Estate Roundtable was a lively event. Our panel discussed remote work and rapidly rising house prices with more than 1,400 people in virtual attendance.

Moderated by Nikki Gill & Ron Johnson | Special thanks to our incredible sponsors The RE/MAX Collections and Great Gulf Homes



2021 PANELLISTS

BARRY COHEN

Luxury Homes Specialist;
Principal, Barry Cohen Homes Inc.

ODEEN ECCLESTON

Co-founder (Wiltshire Homes Canada)
& Broker of Record (WE Realty Inc.)

JOSH FLAGG

Realtor and Original Cast Member,
Million Dollar Listings LA

BRIAN GLUCKSTEIN

Principal, Gluckstein Design; Author

TIM HUDAK

CEO of the Ontario Real Estate Assoc.

MICHAEL KALLES

President, Harvey Kalles

JENNIFER KEESMAAT

CEO, The Keesmaat Group

BRAD LAMB

Developer, Lamb Development Corp.

SANGITA PATEL

HGTV Canada Host and ET Canada
Entertainment Reporter

MICHELE ROMANOW

Dragon on CBC's *Dragons' Den*;
Co-founder & President, Clearbanc

WILLIAM STRANGE

SmartCentres Professor of Real Estate
and Director - Centre for Real Estate
and Urban Economics, Rotman School
of Management, University of Toronto

BENJAMIN TAL

Deputy Chief Economist,
CIBC World Markets Inc.

As it has been for the past 14 years, what follows is an unscripted and unrehearsed discussion involving 12 leading real estate experts on the Toronto real estate market.

POST: We will kick things off with the state of the market update from Benjamin Tal.

BENJAMIN TAL: Thank you very much. I'm trying to remember what we discussed last year, and the only thing I remember saying is that we have no clue what's happening. This was just before COVID started, so we had no clue what we were talking about. If you had asked me a year ago, given COVID and all this craziness, the housing market will be on more than a V-shaped recovery? I would say I'm not so sure, and that's exactly what happened. So the question is why? Why the housing market is so strong.

And the first answer is interest rates are so low. Yes, but interest rates were also low in other situations, like in 2008. From a qualification perspective, interest rates today are actually higher than they were in 2008 because now we have the B20 mortgage stress test. So there's something more than that.

And this something is the abnormality of this recession. This is the most asymmetrical recession in Canadian history. All jobs lost, all, not some, all jobs lost were in low-paying occupations. In fact, high-paying occupations have seen their number rising by 350,000 during this crisis. This is the most abnormal recession ever in this sense.

Two implications: Most of the people that lost their jobs are young in rentals. They are not homebuyers. So the impact on the housing market was secondary. It was visibly the rental market. Second, and even more important, a huge segment of households were not touched by this crisis financially. Their job was there; their income was there, in fact, it was rising; and interest rates are in the basement. That's the opportunity that they were looking for. And then you have the shift toward the need for space. You need your office. So I believe that about 30 per cent to 35 per cent of home price inflation in Toronto was just due to the compositional factor, namely more activity happening in the more expensive segment of the market, namely detached.

POST: Professor Strange, do you agree with Benjamin's assessment?

WILLIAM STRANGE: I agree. And he has stolen most of my notes for pointing out that this is an incredibly heterogeneous economic shock. The only small qualification that I would offer is that the people who have not been hit so far, which is probably most of the people on the panel, we're going to be paying some pretty big taxes in future years to cover all of the stuff that the government has been doing. So there may come a point where we feel like we have been touched. I personally don't think that's grossly unfair, but that is something that would affect a lot of economic decisions.

BENJAMIN: So let's discuss it for a second because I think it's important. There are two things happening here. One is the government is spending like there's no tomorrow. And without even noticing, without even paying attention, we are putting together the infrastructure for tomorrow's social assistance program. We're talking about a universal daycare system. That will cost money. We're talking about some elements of basic income. That will cost money. We're talking about making the EI system permanent. That would cost money. So all of

us [here] will be paying more taxes. It will start with capital gains taxes and probably even higher HST. That will not happen today, not even tomorrow, not even two years from now. But eventually, it will happen when we are removed from the crisis.

Second, the Bank of Canada is printing money in order to allow the government to spend. Now, if you're under 30 years old, you're probably not familiar with this word, but there is a word in the English language. It's called inflation. It's in the dictionary. I checked. It was missing in action over the past few decades. And all of a sudden, we are re-learning how to spell "inflation." That's very, very important because inflation will be the number one factor impacting the housing market. And the big discussion now in the market is to what extent inflation will rise with the Bank of Canada printing money.

POST: We'll go to Michael Kalles next.

MICHAEL KALLES: One thing I'd like to say just before we start is something that I wish it was my thought, but it came to me from a friend, and they said that people

keep talking about how we're all in the same boat. Actually, we're all in the same storm in different boats. And fortunately for all of us on the panel, our industry continues unabated when so many others are absolutely getting decimated.

So I think what's important about the real estate market is that it's right across the country. You know, I just looked. It's the smallest amount of active listings across Canada in the history of statistics being kept, 21 years, less than 100,000. There's two-months supply across Canada, and in Toronto, we have 33 days worth of supplies. So that means that, if nothing new comes on the market, there will be nothing for sale in 33 days. One thing that's important is to know that we're 50,000 people fewer today than we were 12 months ago [according to a Statistics Canada report on urban dwellers who left the city]. So the situation is real. People are moving out of the city. But I'd like to say that condo sales in January were up 85 per cent. So don't count the city of Toronto condos out.

POST: We know detached and semi-detached homes are flying off the shelves with bidding wars and bully offers. Barry, you have boots on the ground. What are you seeing?



BARRY COHEN: So it's not just semis and detached. It's pretty much anything under \$2.5 million is in multiple offers, and sometimes as much as 15 offers, but commonly three offers. It's really an accelerated market, a spring market brought on by COVID. If you remember last year, before the lockdown, we were in a pretty hot market then, and then we came to a dead stop. And then there was an adjustment period because supply was constrained, and real estate just went off the rails. So this year, the spring market is off to a strong start. It's two to three times greater than last year, same time. It's up about 20 per cent greater than the peak of 2017. In fact, real estate prices are up 15 per cent over the same time last year.

Condo sales lagged through 2020 as people were adjusting to COVID in tight spaces, but they roared back in January. And prices were only — after all that correction last year — down five per cent. Luxury is on fire. I'm looking at the activity, you know, two



This Lawrence Park home sold for \$3.58 million, almost \$100,000 over asking. Barry Cohen says activity for homes over \$3 million is two times greater than last year.

times greater over \$3 million, 2.5 times greater over \$5 million price range. Over \$10 million, it's 400 per cent greater.

POST: All right. Tim?

TIM HUDAK: At the Ontario Real Estate Association, we did polling of consumer attitudes. And we have seen a palpable shift in people in three directions. Number one is they are looking for more space. Whether that's to move Grandma in, there's a big shift across the board, but particularly younger people, for more space. Number two, they're looking for an ability to have an office in their homes. And third, an increased interest in areas outside of the major cities, although that's really at the margins.

One of my main messages will be that the death of Toronto real estate has been greatly exaggerated. Those who say we emptied out, that's not the case, but it's accelerated some trends. And this has been enabled by low mortgage rates, as Benjamin said, for the COVID-haves as he indicated. They have a bit more spending power because there are savings to make do.

POST: Odeen, you have experience in areas that are outside of Toronto. What are you seeing?



ODEEN ECCLESTON: The increase of people wanting multi-generational homes is

through the roof. I think it's been a trend that's always been somewhat popular. But throughout the pandemic, people have been evaluating who is in their bubble. So we're seeing Mom and Dad, and even grown teenagers, all put their resources together and get larger homes with more land and more space in the suburbs and even beyond the suburbs. Our firm has seen a huge increase as far away as Bowmanville and Kingston. And

"People that were living in condos panicked and sold and bought houses in the 905."

then, of course, Oshawa has seen record numbers: as the 50,000 people moved out of the downtown core, a lot of them did go to places like Durham Region.

POST: The downtown Toronto condo market has been one of the hardest hit since the pandemic. We wanted some international perspective for this year's event, so Josh Flagg, thank you for joining us from California. As L.A.'s

leading luxury realtor, what are you seeing in the condo-heavy downtown L.A. market?

JOSH FLAGG: So when we're referring to condominiums, we're referring mostly to those in West Hollywood, what we call the Wilshire Corridor, or some in Beverly Hills. For years, Los Angeles was not a condo city. It was always just houses. I believe the reason being is that, when you buy a property, you're buying the dirt. You're not actually buying the structure. The structure is a di-

minishing asset. The actual structure goes down in value. The value of land is what appreciates.

So L.A. has never really been a condo city like New York because it is just a different animal. But then we had a run of developers building up these magnificent condo projects built by famous architects. And then we have COVID, which strikes, and people are not really getting excited about buying in buildings with elevators. In fact, people are trying

to get out of the city and get more space. So at the moment, we have basically a couple of buildings that are sitting empty.

POST: Brad, what's happening in the downtown Toronto market?

BRAD LAMB: Last year, we did see about a 10 per cent drop in the 416 in the value of condos, largely from people who were landlords who panicked and sold, Airbnb hosts that panicked and sold. And I think, to some extent, people that were living in condos panicked and sold and bought houses in the 905. All those people are out of the market now. They pretty well were gone by November. We saw the number of condos for sale peak in October. Almost 4,000 condos on MLS last year in October. That's really like an all-time high for October. It's now come down to around 1,200. It's actually gone down every month, every week from Jan. 4, which is not typically what happens. Usually from Jan. 4, which is the lowest inventory day of the year, we see an increase of 100 to 200 units a week, and we've seen a decrease of about 50 units a week. So we're now at a point where all of the 10 per cent has been recuperated, and we're now actually sitting at prices higher than last February. And our condominium market is hot as I've ever seen. It's insane. And I can tell you that I expect condominiums to rise between 15 per cent and 25 per cent this year over last year.

POST: You're suggesting a 15 to 25 per cent increase in condo prices for 2021? Is there any kind of geographic dispersion, like right in the downtown core or on King West?

BRAD: No, it's everywhere. For instance, we put a condominium on the market in the east end, and we had eight offers, and it sold for \$1,250 a square foot. The buyer of it bought it five years ago for \$540 a square foot. And we're launching a project, a 220-unit building that I'm going to start construction on in September. We're at an average of \$1,370 a square foot on King East at Sherbourne, and I can tell you that they're all going to get taken up. We've got thousands and thousands of real estate agents registered for units. So the marketplace is as hot as I've seen in 35 years.

POST: OK, Brian and then Barry.

BRIAN GLUCKSTEIN: So we launched two new luxury projects this past year, and they're selling around \$3,000 a foot. And what we're finding is that purchasers are combining units. So there has been a pent-up demand for what I call real luxury. Real luxury projects with the services and the ceiling heights and the fancy ovens and things like that. But what's happening is those same purchasers are also buying huge lake houses that we're doing in Muskoka.

The Muskoka market has gone completely crazy. We've never seen anything like it with the prices. It's quite unbelievable up there, and there's a shortage of that property also. People are thinking: I don't know how long this is going to go on, but if I'm going to be in a condo, I need a backyard somewhere. I need some outdoor space. And there's just nothing out there. They're literally knocking on doors to buy properties. They're going by boat around the lakes just to buy these properties.

BARRY: The underlying problem that everybody has to recognize is still the same message we've talked about year after year. There's just no available land for freehold condos, the government has got to free up the land and make the process easier. I think that's the only way we're going to see prices stabilize if that can happen. This is all exacerbated by immigration, wealth transference. A plumber that paid \$300,000 for his home 20 years ago can afford what's worth \$2.5 million now and can afford to give his daughter or son a \$300,000 down payment. So this trend is going to continue until there's more supply.

POST: Ms. Keesmaat.



JENNIFER KEESMAAT:

Well, that was almost like a perfect lead-in. I will say this is a very strange conversation because Benjamin gave a really good overview of how we've had this accelerated divide. People who've lost jobs have primarily been low-income earners. And on the flip side, people who have done really well, for lack of a better way of putting it, during the pandemic are people who already have a lot of money. So far, we've been talking about the people with a lot of money. We've been talking about the luxury market, and there's an enormous portion of the population in GTA that, you know, their heads

would be spinning to listen to this conversation because it's so flipping irrelevant to the housing situation that they find themselves in. Including, I think the aspiration, as Tim said, for more space and thinking about home in a different way. I think that's something that is across every single socio-economic category. And if you think about it, it's the people who need more space, the family with two kids living in a condo on Davisville, that have the least amount of access to getting more space. And I think that's something that we have to talk about when we talk about housing.

We also have to talk about the

current challenge of urban life. Every reason you would live in an urban place went out the window, and it's been gone for a full year now: going to restaurants, going to Raptors games, being able to walk to work. All the reasons for wanting to live in an urban place are out the window, they're gone. So I don't think we should be surprised that people have left. I have a nephew in this category. He's 30 years old. He got rid of his condo in which he was renting, and he moved in with his mom and dad because he's working remotely, and he can't see his friends, and he can't go out. So he's going to wait out the pandemic at home. Does he

want to stay living with his parents in the suburbs? No, he does not.

So once the pandemic is over, you're going to see a really big shift take place. The good news is we can look to cities like Sydney, Australia, that have already opened up where there is that rush, like the Roaring Twenties, of people moving back into the city, people wanting to go to parties and events and to meet and see each other, street festivals. It's like urbanism on steroids. I think there's going to be a tremendous amount of demand as we start to see the light at the end of the tunnel for urban living.

And there's just one little piece

that I'll add in. We really have to talk about climate change and sustainability issues. When we talk about opening up the Greenbelt, remember why we created the Greenbelt: Walkerton, water, clean water. This whole dream disappears if we don't have access to clean water. It all goes down the toilet in one quick flush. So the whole reason for protecting the Greenbelt was to protect the water supply for the urban areas and to protect agricultural land in close proximity to the city.

POST: Michele, as someone in the tech industry, how widespread do you think working from home is going to be moving forward and how will that impact housing decisions?



MICHELE ROMANOW:

Let me start off with my own personal bias: I was an enormous fan of the office. We had an office where people were in there all the time. They were brainstorming all night. There was an energy about being in our office at all times, and I couldn't imagine a world without that. We didn't hire anyone that was working remotely. This was as big a shock to me as anyone else that, even for a tech company, we would go fully remote.

And so here's the reason that I think this will not return to normal levels and everyone's footprint will be a bit smaller. I'm with many of our other panellists, what Jennifer said, in terms of we need community. But here's what changed over a year of COVID. For all of these tech companies, what we started saying is, "I can go get talent from anywhere." And that was game changing for us. We've hired 100 new people since the start of COVID. We used to force everyone to move to Toronto. Now those people are in Seattle and Virginia and San Francisco and New York City. We just hired a German engineer. It's all over now. I think they're going to look very different. I think they're probably going to look closer to the hotelling model where you can drop in. I think we're looking at a model where we do six retreats a year where we all get together to meet each other. But it's really a remote-first environment.

This will make a huge difference on both condo prices and commercial prices because tech companies were what was driving this insane commercial real estate market. There was a two per cent

Q&A



Michael Kalles says Toronto has more cranes than New York, Chicago, Boston and L.A. combined

QUESTION FROM ROTMAN MBA STUDENT BAISEN LI: With the recent price surges in suburban markets, do you see the prices of suburban homes going down after everyone is called back to the office? And also, would you say the condo prices now are experiencing an adjustment period?

MICHAEL: Well, if you look at some of the high-tech companies, they're making a commitment to work at home more of a permanent thing. I think there's going to be a lot of elements of what we're living with. One thing that will come back is our desire to be social beings. It has not changed. The office will come back. People want to be together. People want to see one another. And condominiums received a bad rap during the height of COVID in March at the very outset. Just a quick statistic — there are, I think, 124 cranes in Toronto. That's more than New York, Chicago, Boston and L.A. combined. So we're leading the world in condominiums, and it's like what Toronto has always said: We have to grow up, not out. That's our only option.

JENNIFER: Michael hit the nail on the head when he said we're social beings. I have full confidence that we're going to return to our very urban ways. If I had to make a prediction, I think that you're going to see the suburban market deflate as the economy opens up again as we all get our vaccines and we go back to living the way we want to live, which is in communities where we can interact with people. And I also agree on the employment side. I think there's going to be a mix moving forward in the future. We've been through a digital transformation. It's not like we go back to not having been through a digital transformation. That has happened. But in keeping with the comments about being a social people, I think we'll want a combination. That will mean some people will have the option of now living in the suburbs without a long commute because they can work on a screen. And I don't think that's a bad thing. I think it's a good thing, but it won't upend our urbanism.

vacancy before COVID, and it was what's driving all of these employees that wanted to live downtown in condos. And so if we actually see that now there's just smaller footprints from these tech companies and now more of our workers aren't being forced to relocate, that is going to make a really big difference in the numbers.

BRAD: First of all, Michele, I think the difference is that you're willing to hire someone from Germany to work for you in your Toronto office and maybe in other cities. But I think the point that's being made here is they're not going to want to work for you that way. If you think about who your friends are, where your contacts are, where your entertainment comes from and your mental health comes from, it often is from work because that's where you spend most of your time. If you don't get to mix with the people you work with socially, it's going to lead to very high levels of depression. So I have to strongly disagree with you. I think it works well for you. I think as an employer, it's great. Your real estate imprint goes down, you could probably pay them less because they're not coming to the office, they're not driving a car. But for the worker, it's going to be way worse. And I think workers will not put up with that.

MICHELE: And I think the only rebuttal to that would be in the technology industry I would say we disproportionately hire introverts. Software developers in offices often don't want to be interrupted. I've worked with hundreds of them in my career. I would totally agree that I get a deep amount of satisfaction from having a social environment at work. But I think there are a bunch of folks that are actually very happy being remote. I didn't think the world would shake out this way. I would have never made this prediction 12 months ago.

POST: OK, Sangita.



SANGITA PATEL: I disagree with Brad. I think a lot of people are finding ways to have different coping mechanisms. In my industry, I don't think I'll be travelling as much. I used to travel every week to do interviews and go to the locations of these sets. Now I'm doing interviews with Dwayne "the Rock"



Brian Gluckstein noted that many condos in midtown have signs alerting buyers that new students cannot be accommodated in local schools.

Johnson at midnight, and we're capable of doing that. For us as well, it looks like we will go into studios slowly. We're not going back until the end of the year because we're able to do this from home and make television. The one thing we are learning is, like Michele mentioned, you get together once in a few months and chat with each other and catch up.

We're learning different ways to communicate. I do not see people going back to the office. My husband, he's a doctor and he's doing a lot of remote work from home now. And just the safety of it, this is not going to go away this year. It's going to be a while before that happens. So, I don't see people trying to make that move and say, "Hey, I want to give you a hug. I want to see my friends." I don't see that happening for a while. It's going to be a very slow process. I agree with Michele. I think the changes that are happening are going to stay around for a while.

POST: We're going to go to Brian and William.

BRIAN: Toronto is slowly getting to the point, different from European cities or cities in Asia, where we see families living in condos. Typically, the condos that we're building, most of them are small and for single people, roommates, couples. The concept of having a

family in a condo, we're just not building big enough units to accommodate families and working from the house at the same time. You've got two people working, and they're on their computers having Zoom meetings, and then they've got two kids. We've got to create affordable apartments, condos, where they can actually live in them.

"So, if you want to have a family and you want to stay in the city, where are those apartments?"

Also one of the issues is I drove by a condo site, and it had a notice on it that said don't expect there to be schools in the neighborhood to accommodate families. Everybody says, "I want a house, I want a house, I want a house." Well, that's really going to be very challenging going forward, to live in Toronto and have a house. So if you want to have a family and you want to stay in the city, where are those apartments? They're not 500-square-foot, 700-square-foot, even 1,000-square-foot apartments to raise a family in and possibly work out of. The buildings have to be designed to have amenities for children also.



WILLIAM: There is a consistent relationship between the distance you are from the centre of a market and the price of a house. There's some recent research that's looked at how that relationship has changed post-COVID, and it's changed in a pretty robust way for both rental and home prices. It's become flat-

ter. So the premium you pay for being in the centre is smaller. It is not zero. So all the people who say we want to come back to the office, I couldn't agree more. But if you're coming back to the office three days a week, which is common for people in my industry, and staying home and getting stuff done the other two days a week, you can tolerate longer commutes.

POST: With the exodus from the city, housing prices have skyrocketed in small towns and suburbs, while within the city prices are stagnant by comparison. Brad, will this impact where developers decide to build?

BRAD: So there isn't really a marketplace that I'm seeing now that's stagnant. We're active in Cambridge and Hamilton and the core around Mississauga. We've also been active in Ottawa, in Calgary, and we're looking in areas like Niagara Falls. I've got to tell you that I don't see any area that's stagnant for new development right now. There's two markets in Toronto. We have the new condominium development market, and we have the resale market. The resale market is driven by people who want to live in a home. They go and they open the door and they sit on the couch, and they see if they like it and they make a decision based on that.

Then there's a market that exists to build new buildings, which is entirely driven — 100 per cent driven by investors. Investors are rabid for places to put their money right now, and there's no stagnant place.

POST: Mr. Hudak.



TIM: Let me give you some quick data here. Teranet, our land registry system, tracks every move in the province. The number of GTA transactions or people leaving the GTA — that's Toronto, Peel, Durham and York — their data has gone up 27 per cent from the previous year. It's a big number, right. And that's why the move to Sarnia or Fort Erie, it causes a big fuss. A small number of people can really drive a smaller market. But here's the important point. It's only six per cent of GTA transactions. The rest move somewhere else in the GTA. In the city of Toronto, 55 per cent stayed in Toronto. It's down a little bit but pretty constant. Twenty-two per cent went to the GTA. So while you see a big impact in small towns because a few people can make a big difference, the reality is the vast majority of people, when they're moving, continue to stay in the big cities. It's a shift at the margins and acceleration of choices, but it is not a revolution.

POST: Josh, do you see a similar trend in your area where people are looking to buy outside the core?

JOSH: Everybody's buying outside of the city because they want air and they want to breathe. So what's going to happen when the pandemic ends or when people return to civilization? Are they just going to love their life so much,

which is outside of the cities, and they're going to continue living like this? Or are they going to go, "Oh, OK, well, I guess we can go back to town now. It was a nice little vacation while it lasted?"

I don't see people retreating out of these areas to go back to town, and then the prices sink. I think that those areas are now an attractive area for people to live that weren't before. And now people have choices, city or country.

POST: We'll go to Michele and then Odeen.

MICHELE: I actually think it's less about what Tim was saying: "Are you a city person or another person?" I think people, for the first time, could be, like, "I could be both of those people. And now I have the chance to buy these things because I am not using discretionary income on a huge portion." We've seen this happen with a lot of different segments where people are looking for different things to invest in because largely spending has gone down for this specific segment. That does not address low-income earners. But I think it is an interesting point because it's actually going to lead to some very irrational behavior that economists haven't seen before because typically, spending among these earners looks the same on discretionary items.



ODEEN: Toronto has always been a robust real estate market, and it'll continue to be. And with the 905, buyers now have the options of being elsewhere. I think a lot of people have now experienced the 905 and are realizing it's not so bad. So whereas a couple of people mentioned that we're going to be seeing a reversal, I think the fact is, with supply and demand, and with population increase worldwide, some people won't be able to afford going back to Toronto. So I think that Toronto will continue to be robust because of immigration. But I'm happy that these tertiary markets are markets that people are considering.

POST: Jennifer, you've long been an advocate for affordable housing. Now we have a situation where rental prices are down, and condo prices are more affordable. Should we try to keep it like this?

JENNIFER: I don't think prices have dropped in the condo market over the long-term. I think, if you



A rendering of the lobby of Fitzrovia's new purpose-built rental called the Waverley set to open this spring near Spadina and College.

look at the trend line, they're going to continue to accelerate as long as we get our city building. Meaning we're building the schools and building the parks and building everything else that is needed to make urban living really appealing. Because you can kill a city very quickly in just one generation. Just go look at San Francisco. You have to have all of those amenities as part of the mix in building your housing.

This is a temporary situation that has been brought on by a once-in-a-lifetime pandemic. So I'm rejecting the premise that condo prices are going to continue to be down. But I do think we're already seeing the correction in the condo market. We started seeing it at the end of December. We started seeing bidding wars again on condos after everyone was saying everyone's left the city.

So I think the prognosis is a little bit different than you've portrayed. As the pandemic lifts and people embrace, once again, the amenities of urban living, I think that you will see more demand. I'm partial to Michele's analysis that there's a portion of the population that is lost and isn't coming back. I think there are people who've discovered a different way of living and maybe they were thinking about leaving the city. Benjamin said it himself that the trends that existed before the pan-

demic have been accelerated through the pandemic. People that were thinking of downsizing and leaving the city or upsizing, leaving a small place in the city and moving to a Muskoka property or somewhere else, that decision may have been accelerated by the pandemic. But will that result in a wholesale significant loss of housing demand that will somehow recalibrate the shortage of supply that we have overall in the city of Toronto? Not even close.

And I think there's another

and the cost of housing. That problem did not go away as a result of the pandemic.

But then there's a whole other layer, that is people who were poorly housed, under-housed, who could not access housing, people who are working poor. And I actually think that we do need to be spending more time actually talking about this divide that has accelerated through the pandemic and the significant amount of job loss that has taken place, and overwhelmingly in racialized commu-

"To what extent COVID-19 is an event or a condition? I think it's an event."

layer to this, which we have to be talking about, which is affordable for who. So there's affordable for middle-income earners who are people who are earning between \$50,000 and \$110,000 a year, people in entry-level positions who are educated, typically, they have a little bit of student debt. They're not even remotely yet thinking about possibly owning, if ever. And that is a segment of the population that is going to continue to be squeezed and is the segment of the population that was squeezed prior to the pandemic. So that's like people who are working, but there's a mismatch between wage

nities and Black communities. We have to be talking about that. Because there's an element of the population that doesn't actually see any light on the horizon with respect to being able to access housing where they can raise their families. And, you know, forget suburban and urban, that's not even a question. It's a stable home, that's the problem. And on the affordability side, it didn't actually get better because of the pandemic. It got worse. Because now, many of those people do not even have jobs to pay the rent. So we have to talk about affordability on a few different scales. But I think

the pandemic has worsened this, not made it better.

POST: Benjamin.



BENJAMIN: Yes, I think that going back to the question: to what extent things will last or not, I think that the key question that we should ask ourselves, from a housing perspective and any other economic perspective, is to what extent COVID-19 is an event or a condition? I think it's an event. And you know why? Because I look at pictures from Toronto, from New York, from London taken in 1919, a year removed from the Spanish Flu of 1918: life was back to normal. No masks, everybody together, partying. That's Toronto a year from now, two years from now. And therefore, exactly as Jennifer said, all the housing problems that we were discussing in previous years did not disappear. They are there. The supply issue is there, the affordability issue is there. So that's one aspect that we have to take into account.

Now given that, it means that the affordability aspect is definitely an issue that will continue to be. And I suggest that, although the rental market is soft now, it will not be soft a year from now or two years from now. The number of new immigrants will come back. Non-permanent residents, especially students, will come back. In fact, it will rise. The demand will come back. The Airbnb factor will not be the same in terms of supply. You will not have enough supply, rent will rise again. The solution must be, in my opinion, a rental solution. And this rental solution must be purpose-built. So we need to provide the ability, the motivation for builders to do so. We are starting to see some joint ventures in this direction. That's a direction we should go. It should be purpose-built design to enhance affordability in this city. Otherwise, it will be totally unaffordable.

BRAD: I hate to be the bearer of bad news: there is no solution to affordable housing. It's always going to be a massive problem. We're never going to fix it. We can do a little bit with it. It is not going to come from the private sector, sorry. The cost of building a highrise building in the city of Toronto now is \$350 to \$400 a square foot for gross construction area. And land prices for zoned land are close to \$300 a square

foot. You need to be able to rent apartments for \$5 a square foot across the board: studios, ones, twos, threes. Never going to happen.

POST: Jennifer, did you want to jump in there?

JENNIFER: Oh, I don't know where to begin. So I've created a company that is building purpose-built affordable rental that is designed for middle-income earners. And we have over 2,000 units under development right now in the city of Toronto. And the good news is that we know the minute those units are available, they will be occupied because there are so many people in that category who simply do not have access to housing that they can afford. So it's kind of a low-risk proposition, actually building affordable rental because there's such incredible demand.

Our approach involves collaborating with existing landowners who have an interest in building affordable rental housing, for whatever reason that interest might be. Think of churches, think of universities. Universities have an incredible interest in affordable housing because they have trouble attracting faculty in this market. So there's a viable business model. Interestingly, more and more developers in the city of Toronto are actually getting into this space because there is such unrelenting demand.



BRAD: Everything you said is absolutely true. I'm by no means saying it's not something that we want to try to reach for. I'm saying it's not going to be possible in Toronto, and you just proved that because you're talking about people that are subsidizing the cost of land through a social reason, right. So yes, if there is government activity that is allowing subsidies for cost to come down, and if landowners feel the social urge to give their land away, like they give to our churches, absolutely, that can happen. But I'm saying, free market, housing for rent is dead.

JENNIFER: There's a vast amount of land in the city that is owned by not-for-profits and other entities that have an interest other than trading land. And the good news is many of these entities have held this land for a very long period of time. So the equation that you just gave, the math actually doesn't

matter because the land cost is not relevant to that equation. In addition, there's incentives that have been put in place by the federal government around the forgiveness of fees for affordable housing that do make it a viable proposition.

Sixty years ago when we were building affordable housing, it was created through policy incentives and a series of partnerships. It's the same way it will be done in the future. The one part I will agree on is it won't be done by a free-market approach. But I would argue there's not much of a free-market approach in any of our housing market. Because there's so many

different government mechanisms, low-interest rates, that determine the viability of being able to build.

POST: Where would you say is the best place to invest in real estate now?

BRAD: I think Hamilton has some tremendous value in that it's kind of the most cosmopolitan city closest to Toronto. Toronto is my favourite city in the world, and I think that we have a really great future here. I think that, if you were looking in Toronto, I'd look east into Scarborough for tremendous value still. But I also think

downtown is a good value. At \$1,300 or \$1,400 a square foot for a small apartment, it might seem like a high price, but we're still able to find tenants for those properties, pre-COVID rents, and show a positive return for people with 30 per cent down in year one. And that's hard to do in any other city as dynamic as Toronto, so I like all of it. I'm very positive on London, Ontario, and cities like Kingston, Niagara Falls. It's all amazing. You can't go wrong in southern Ontario.

BARRY: I'd be a little bit of a statistician and look at the areas that came down the most as a result of

COVID. I know York Mills was very much affected by it, any neighborhood that was really in the eye of foreign investors. The 905, north of the 416 area, that was good too. So I think if you are a little statistician, ask for the results from your real estate agent. You'll find out that those areas will probably be the first ones to recover. I do agree with Brad about the condo market. I think it's just going to flare up, if you can afford it and if it's your lifestyle to live in that size.

POST: We always end with a crystal ball question on what's coming in the year ahead. Last year, the pandemic was just arriving, and nobody knew what we were in for. What does everyone think the coming year will bring?



JOSH: Well, here's the confusing part. The market was softening a year ago in Los Angeles. People forget this because maybe they weren't really paying attention to it, but it was starting to soften. And then we had a pandemic, and all of a sudden people started buying a bunch of real estate. So did we just skip a step and the market is now going to continue to go up like this or is this going to just fade away and then the market will go back to slowing?

WILLIAM: If the vaccinations happen under the planned schedule, then I think everybody is predicting economic recovery, in part because public policy tried to keep businesses semi-alive so that they could come back when the economy came back. I agree with everybody's general sense on the fundamentals of Toronto. So I think it's a good year.

SANGITA: I think we're underestimating how long this is going to be around for. I'm not hearing any positive views, even though the numbers have gone down. There's all these fluctuations and new variants that are being exposed now. So I think it's going to be a while until we recover.

TIM: I think we're going to see more focus on bidding wars, on affordability issues. It will put pressure on the province and the city. I hope that all those in government resist interfering in the market with new taxes or trying to slow it down. They should focus instead on stimulating supply,

Q&A



Brian Gluckstein says the best way to increase value is to create a space that wows buyers

QUESTION FROM ROTMAN'S BIBIAN AGUIRRE: For those who live in the city and want to remain in the city, what kind of recommendations would you give them in terms of renovations or improvements to their properties in order to gain value? Especially with the need perhaps for more space because people are working remotely. If someone has a semi in midtown Toronto and they want to gain value, what would you recommend they do?

ODEEN: During COVID, renovations skyrocketed. The top trend of course was adding offices. We were jamming workspaces in corridors and just really anywhere we could for parents and the kids. We were also converting garages. That's going to have a long-term effect on value. But we were doing it in a way that it can be converted back when the time comes to sell. People need more space, so a lot of the times garages were that space where we can create a dance studio for somebody or a fitness area or a gym. And then we were finishing quite a few basements because people were getting tired of staring at their home, being essentially trapped at home. So for value adds — offices, finished basements and converting garages.

BRIAN: I would not renovate a house to add value based on what we've been through for the last year. I think if you want to increase value, purchasers want to see something that wows them. So it really is about the esthetics of the house. It is the kitchen, it is the bathrooms, it is the flooring, it is staging the house. That's how you add value to these houses. We've done projects where the buildings have been selling OK, and then you do a model suite that's aspirational and looks fantastic, and everybody wants it because there's an emotional connection. That's how you add value. Add value in creating a space that seems beyond what they can afford. They walk in, and it seems so beautiful and so complete in its design that they will pay a premium for it. And I think that's really how to sell your house at a profit.

getting more inventory in the marketplace.



BRIAN: I think once we get everyone vaccinated and we get everything back, which may be not six months, but maybe a year from now, people have a very short-term memory of pain. I think they will be back to their life and they'll be excited and accelerated to get on with life. So I think it may be a little rocky in 2021. By 2022, I think people will be so excited to get back to life. And it's full steam ahead.

BARRY: I think every segment of real estate is going to appreciate. I think luxury is going to go through the roof. But look, money is cheap. There's a lot of money in savings. People have saved so much money by being at home, and they're going to spend. And as we become vaccinated, I think there's going to be that mind shift that existed two years ago where the baby boomers were selling off their mansions. I'm now seeing the shift starting again that we do want that downtown lifestyle. And as Brian says, people will quickly forget. You may not shake hands for a couple years, but everything else is going to come back.

MICHELE: I think it's going to be a strange year. I think that this year is going to look the same way that GameStop looked in the financial markets: things that we'd never thought would happen. I think all of us a year ago would not have anticipated rental prices where they were or high-end prices where they were. And I think there is this point on offices: I think they will certainly come back but maybe not at the capacity they were before. And so I think we're going to see behaviour largely in these markets that we have never seen before that we don't have models and explanations for.

ODEEN: Yeah, I agree largely with Michele. I think it's going to be another unprecedented year in terms of growth in the real estate market. I think we're going to continue to see a frenetic spring mar-



Panellists say properties in Hamilton have tremendous value as the closest cosmopolitan city to Toronto.

ket that's already begun. And unfortunately, I think we're going to be seeing a larger gap between the rich and the poor. So it's quite unfortunate, but I do think that the wealth gap is going to continue to grow in 2021 and likely beyond.



MICHAEL: I'm very bullish on Toronto and Canada. Toronto had the third best [real estate] year in history and prices are at an all-time high. If you look at January of 2020, when we were discussing those stats last year, people were concerned because it started at a screaming pace. January of 2021 is 37 per cent higher in unit sales than last January. So I think we're going to be setting new records for this year in price and unit sales.

BRAD: I think that we are — from a real estate standpoint — going to have a very strong year. We will see price increases, we're going to see shortages. The fundamentals of Toronto real estate are that we

can build 20,000 highrise homes in the GTA, and we have a demand for 35,000. There'll be a shortage as far as I can see. And I think it's possible that businesses will change some of their models largely to suit them rather than their workers. But all in all, I feel quite optimistic about 2021 and beyond.

JENNIFER: So I'm really bullish on Toronto over the long haul as well. And I'm hopeful that, by the end of 2021, we're all vaccinated, the kids are back in summer camp this summer. And inevitably, I suspect that there'll be many people who have not been moving around during this period because they were concerned about safety. People that are sitting tight are going to get on with their plans because they have the vaccine.

But I think there's another real opportunity here. I don't think it would be a bad thing if the city had to work a little harder to build the urban narrative and to focus on some of the gaps in infrastruc-

ture. We've just been building a lot of condos downtown. We need schools, we need parks, we need walkable streets, we need pedestrian streets, we need a cycling network that is consistent with a city of our scale. We don't have that. Montreal is way ahead of us. I'm hoping that in the competition to attract people back into urban living that we'll deliver on some of those great urban assets that make urban living worthwhile.

On the flip side, I think there's a phenomenal opportunity for mid-size cities: London was mentioned, Hamilton. For those cities to actually attract some of those remote workers and to also see some growth and to offer some additional supply given the incredible supply crunch that we've had. So I'm very optimistic that the next 18 months are going to look rosy, but there's going to be some uncertainty to get to the rosy part. I'm sure of that.

BENJAMIN: Yes, I think that the year will be relatively strong, but it

depends where you start the year in terms of activity because we are now in a double-dip recession: the economy is shrinking as we talk, that's a given, that's the winter. The spring would be a transition period, if we are lucky, then we'll have the second half of the year without the summer. We have seen last year that activity was very strong during the summer without a vaccine. Now we are going to have some sort of a vaccine. So the summer will be relatively strong. So to put some numbers, now it's about negative two per cent. The spring, maybe plus one per cent, two per cent, and then the second half of the year, we are talking about five, six, seven per cent GDP growth. That's what we're talking about. Why? Three reasons.

One, the damage of COVID is very deep but also very narrow. Namely, if you feel the pain, you feel it very strongly. But it's very narrow in terms of the number of industries that are impacted relative to any other recession, which means that, when we get to the other side of this madness, it won't take much to see a rebound. Second, all the damage is in the service sector, and that's the bad news. The good news is that a service business can recover very quickly. It's much easier to start a new restaurant than to establish a new manufacturing facility. So it will be very speedy, the recovery.

And the number three factor, the most important one, is cash. We are sitting on \$100 billion of excess cash, looking for direction. The finance minister is asking us, "How can we convince those people to spend that cash?" And I said, "Provide the vaccine and get out of the way." They don't need any motivation. They are dying to go to a restaurant, but they are not willing to die doing so. So they are waiting. That money will be unleashed into the economy. We are going to have a relatively strong second half or maybe fourth quarter, depending on the vaccination. And I believe that the housing market will be part of this trajectory, with the condo market actually rebounding fastest, given some resistance price level in the low-rise segment of the market.

We are mindful that the pandemic has severely impacted many people across our city. With that in mind, a donation has been made to each of our sponsors' charities of choice. The RE/MAX Collection asked that we support the Children's Miracle Network and Great Gulf selected CAMH, The Centre for Addiction and Mental Health. Post City Magazines and the Rotman School of Management have also donated a further amount raised from ticket sales to The Centre for Women and Trans People at the University of Toronto on behalf of our panellists and you, our incredible readers.

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