

REAL ESTATE ROUNDTABLE

Our 17th annual unscripted & unrehearsed discussion with nine housing experts on the city's favourite spring topic

PANELISTS



THE MODERATORS
LIZA FROMER & JULIA MASTROIANNI



THE SALES PRO
BARRY COHEN
President, RE/MAX Realtron
Barry Cohen Homes Inc.



THE INFLUENCER
ANYA ETTINGER
Realtor, Bosley
Real Estate Ltd.



THE DESIGNER
BRIAN GLUCKSTEIN
Principal, Gluckstein
Design; Author



THE BROKER
MICHAEL KALLES
President, Harvey Kalles



THE HGTV STAR
SEBASTIAN CLOVIS
Co-Host, HGTV Canada;
Principal, Clovis Contracting



THE DEVELOPER
JENNIFER KEESMAAT
President and CEO,
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THE CONDO KING
BRAD LAMB
President, Brad J. Lamb Realty
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THE ARCHITECT
BRIGITTE SHIM
Co-Founder, Shim-Sutcliffe
Architects



THE BANKER
BENJAMIN TAL
Deputy Chief Economist,
CIBC World Markets Inc.

SECTION ONE MARKET UPDATE

POST: As we do each year, we will kick things off with an update on the economy and interest rates from the country's top real estate economist, Benjamin Tal.



BENJAMIN TAL: If the real and ultimate measure of intelligence is what you do when you don't know what to do, then the next few weeks, months and quarters will test the economic IQ of the Bank of Canada because they are the first to admit that they have no clue what's happening. We are all making it up as we go. So I know that by now, many of you are very disappointed because, after all, everybody promised you a recession, and we didn't get a recession. So where is that recession?

Let me tell you. We are in a recession. We are in a per capita recession. Per capita GDP is down by 2.5 per cent, per capita consumption is down by 3 per cent. So the only reason why the economy is above zero is because of the fact that we got 1.2 million people into this country in a very short period of time. This is not a way to grow an economy. India also has a lot of people. What we need is GDP per capita growing, not just getting more and more people into the country without being able to grow the economy. So that's more or less where we are, and we have to improve on that.

At the end of the day, although everybody is talking about inflation, this is not about inflation. This is about the cost of bringing inflation down to 2 per cent,

which is the target. The Bank of Canada, the ECB in Europe, the Fed in the U.S., they have all established their reputation as inflation fighters. They will do whatever it takes to bring it back to 2 per cent. And we can argue until we are blue in the face to what extent 2 per cent is the right number. I don't think it's the right number. I think it's higher. But they are not going to change it.

So the Bank of Canada — and this is extremely important if you care about mortgage rates — the Bank of Canada is a biased bank. You wake them up in the middle of the night and you ask, "Recession or inflation?" They will take a recession any day. So they overshoot by design. If the Bank of Canada was an AI machine, they would have stopped raising interest rates 50 basis points ago.

You can overshoot in two ways. You can raise interest rates way too high, and you can keep them high for too long, and they are going to do both. Now, we must discuss inflation, but before that, we have to realize that the GDP in Canada is now approaching zero. So we are very close to a technical recession or a very, very, very soft landing. And that's exactly what the Bank of Canada would like to see. I had a lunch meeting with some clients the other day, and they asked me on the way there, "Are you going to give us good news?" And I said, "Depends what they are serving for lunch."

What is good news? If tomorrow I tell you that GDP growth is 5 per cent, the labour market is generating 100,000 new jobs, very strong, is it good news or bad

news? Well, for the Bank of Canada it is a nightmare because they want to see the economy slowing down. Bad news is good news because it means that the Bank of Canada will not be raising more if you have bad news. So bad news is good news. And if bad news is good news, I have plenty of good news for you today.

I believe that all those major inflationary forces that were unfolding are now turning into disinflationary forces. Supply chain is back to normal. This means that prices of goods are starting to go down.

And then there's interest payments on mortgages. The Bank of Canada is raising interest rates to fight inflation. Higher interest rates are adding to inflation through mortgage interest payments that are rising by 30 per cent a year. It's madness. Nobody will be able to convince me that higher mortgage interest payments are disinflationary.

If you remove mortgage interest payments — and by the way, the Bank of Canada is one of the only banks in the universe that uses mortgage interest payments in the CPI [Canadian Consumer Price Index] — from the calculations, inflation becomes 1.5 per cent — already below target. And that's why the Bank of Canada is overshooting. Still, they announced on March 6 that they're not going to raise interest rates but not giving us hints when they're going to cut. So I'll tell you when they're going to cut: June. June will be the first cut. I think they're ready for that, and they will start hinting in April that they're ready to do so. Now, by how much?

We started this saga at 1.75 per cent overnight rate. We are at 5 per cent now. Staying there until June. It will go down to what? I say 2.75 per cent. Why 2.75 per cent? Because economically speaking, COVID was a condition that accelerated so many forces and trends. We all know the story. One of them is deglobalization that is now actually inflationary, replacing globalization that was disinflationary. We used to have just-in-time inventories that were actually disinflationary, now we have just-in-case inventories, inflationary.

The labour market used to be giving, forgiving. Now it's tight, inflationary, and all those green initiatives, they're inflationary. For inflationary forces, the target is 2 per cent. Clearly by definition, interest rates have to be higher than they were before. And let me remind you that the real estate market in Canada can do extremely well. The real estate market in Toronto can do extremely well at a 3 per cent overnight rate if we know the direction. And if we are in equilibrium: interest rates were too low. Three per cent will be the right number, and things will do fine when interest rates are 3 per cent.

POST: Now, we'll ask Barry Cohen, the country's top carriage trade agent, for an update on the current state of the condo, home and investment property markets.



BARRY COHEN: Well, to understand what's in store for 2024, I think we have to first understand what happened in 2023: 2023 was full of uncertainty, a lot of stops and goes.

2024 PREDICTIONS



THE CONDO KING

BRAD LAMB: Generally speaking, prices have dropped about 10 to 15 per cent from the early spring of 2022. So if Ben is right, and they start reducing rates in June, and we get a 2 per cent decrease in rates over the next year or so, **this time next year, we will have recovered all of that, and we'll probably be about 4 per cent or 5 per cent over what the prices were back then.**

Going forward, I just don't really see what can change the inevitable. I think Toronto and Canada are a very desirable city and country to live in. We are expensive. We are not the most expensive in the world. We may someday be the most expensive in the world because we are probably one of the best cities and countries in the world to live in. I think there's going to have to be solutions about how to solve those problems. But price-wise and looking in the crystal ball, prices will rise as soon as interest rates start to fall.

THE SALES PRO

BARRY COHEN: I think that it's inevitable prices will continue to rise. It just won't stop. When I was in my 20s, I think, 11 per cent was our normal. And now we're looking at 5 and 6 per cent. And I think it's really about an adjustment. If rates don't come down, I hope Benjamin is right — and I do believe he is — but if they don't come down, there will be an adjustment because you have other forces like the baby boomers, wealth inheritances, money being passed down to the children. That's a force. Immigrants are a force. Interest rates at 6 per cent are so bad, but once you get down to 2.75 per cent, watch out. **So I think that Toronto Real Estate Board will probably have about 80,000 in sales. They're predicting 77,000. And I think prices will go up somewhere between 8 and 10 per cent this year.**

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At the end of the year, the stats were very simple. Condos and freehold pretty much were the same. They each dropped about 5 per cent to 5.5 per cent in value, and activity was down 12 per cent in both categories. Sellers were holding back. So we were inventory challenged, and it's a good part of the reason why we had fewer sales.

And it was a very challenging year because interest rates were climbing until about the summer. And then they leveled off. And it's interesting: when they leveled off, you saw that the market became vibrant, and the higher-end was moving. And then our new mayor came up with the new land transfer tax, and things just stopped. We're moderately busy in every category, and then, lo and behold, I started noticing that the wealthy around October were buying real estate to avoid the new tax rates, which in some cases was an increase of 1 per cent to 5 per cent. And they're buying, buying as long as they can close by December.

And I thought that that was unexpected because I thought that the rich might stand on the sidelines and say, "Hey, you know, if rates are not going to change or go up, prices are going to fall, and I'll wait until next year." Or "I'll avoid the tax, and I'll wait until next year and maybe get it for 90 cents on the dollar." But they were buying. And that was great. And then all of a sudden, Benjamin Tal came out — I think it was about the end of November — with his prediction that rates would fall somewhere between 1 per cent and 1.5 per cent. And what happened was, I felt in December — Michael might share that opinion — that it continued to be busy irrespective of the closing date. There was this optimism. And that's the way we started the year of 2024: optimism.

So far, it's go, go, go, so you have this optimism. The Toronto Real Estate Board reported at the end of January sales are up 37 per cent and sales are up in February. That just came up. The two averaged out to be over 18 per cent of the same time last year. I mean, that's very good, but what it doesn't talk to is the different categories. You have to understand that, when the Toronto Real Estate Board reports, 98 per cent of their data is for homes under \$2.5 million. If I should sell an \$8 million, a \$10 million or a \$20 million house tonight, it won't change the statistics. When you look more specifically, the low end under \$3 million is roar-

ing. The up to \$3 to \$5 million is moving. Over \$5 million is sluggish. When you go over \$7.5 million, it's just completely at a stop. That will change. And if Benjamin is right and interest rates will go down, then I think that the balance between lower interest rates and paying the higher land taxes will serve the high-end buyers and sellers well.

SECTION TWO FIRST-TIME BUYERS

POST: Everybody is very concerned about the first-time homebuyer, whether you're the prime minister or a parent. Jennifer and Anya, how have things changed for the first-time buyer in 2024 in Toronto?



JENNIFER KEESMAAT: Well, this is a great question because the foundation of the Canadian dream for so many years was access to home ownership and becoming a first-time homebuyer. And of course, over the course of the past several years, that is something that has fundamentally shifted and access to home ownership has increasingly become out of reach. So if we look in the Toronto context, in 1970, the average price of the average home was about two times the average salary. Today, it's 10 times the average salary. In Vancouver, it's 12 times the average salary.

So accessing home ownership is something that has increasingly been a dream that many people cannot attain, and that is something that has only been accentuated and become more extreme in the context of increasing interest rates. Ironically, I had a colleague who was looking at a condo and wanted to buy a condo. She looked at it a few years ago. It was way out of her price range. About three months ago, it looked like the price had dropped significantly. She thought, "Fantastic, now's my time to get into the market."

And so I said, "Well, just go play around with that mortgage calculator for a minute." And she did. And of course, given interest rates, the carrying costs of the condo were actually higher at a significantly lower purchase price than it was back when interest rates were much lower. So this idea that the average worker in the city of Toronto and that the average household can access home ownership is something that has increasingly been moving beyond reach.

Is there reason to despair? I would say no. I think there's only reason to despair

if we can't figure out a way to consistently continue building homes. That's actually the bigger risk that we face. Most people in our city and most people particularly coming into this city as newcomers, their first aspiration is actually stable housing. And stable housing can be high-quality rental housing if we are building high-quality rental housing that is stable.

For a very long time, we used the condo market to offset a lack of new purpose-built rental. We have some pretty powerful incentives coming forward right now from the federal government, including the forgiveness of GST, on purpose-built rentals. But there's still a lot of other factors that are making it incredibly difficult just to bring any type of housing supply to the market right now. So all of that wonderful immigration — which is not the right way to grow the economy, I heard from Benjamin — also had the unintended impact of really further tightening our housing supply and access to housing for newcomers and for young people, resulting in a whole series of incredibly wonky outcomes in terms of our labour market, for example.

Many young people working in the city of Toronto today have the unenviable situation of an hour or an hour and a half commute because people are moving further and further outside of the urban core.

So the upshot of all of that is that we deceive ourselves if we focus on first-time homebuyers as being the fundamental challenge that we face as a society that wants a growing economy and that needs immigration. We have to be thinking more broadly about access to housing and in particular affordable housing that is in close proximity to transit and other urban amenities that present the opportunity of living without a car, the opportunity of living a little bit smaller in exchange for living in a fantastic urban environment. But if we don't deliver on the urban environment, and if we simply don't deliver on the housing, all of that part of the dream will fall apart and crumble as well.



ANYA ETTINGER: We've really gotten into quite a lose-lose situation in Toronto. Home ownership is a huge goal that a lot of my peers have, but it is so unattainable, it is so out of reach that a lot of people in their 20s, even their early 30s, are wondering if it's ever going to be a possibility. Now, that's a combination of high borrowing costs and it being extremely

difficult to qualify for a mortgage, especially as a single person, but on top of that, being able to save enough for a down payment. So if you don't have help from parents or from family or have come into a large sum of money, it is virtually impossible for the average Canadian, the average Torontonians, to get into the housing market on their own.

Now, the other side of that lose-lose is a lot of people are being forced out of rentals because rental prices are going up. So to afford to buy a starter condo you need to be making at least \$100,000 to be able to qualify for a mortgage. But to be able to afford an average-priced one-bedroom rental as a single person, if you follow the 30 per cent rule, you need to be making \$80,000. So it's not all that much cheaper to be renting either. So we've really gotten into a tough spot because it's too expensive to rent, it's too expensive to buy, and now a lot of people, especially young people, are being forced to decide:

"Well, where am I going to put my money? Am I going to have to sacrifice certain things and locations to be able to simply have my own place, or am I going to have to live with roommates until I'm 30 or 40?"

That's a big struggle on top of that now we have a new first home savings account with a very low yearly limit. So it's going to take 10 years to have enough to put down 20 per cent if you're exclusively using that account. There are so many barriers for people that want to get into the market as a first-time homebuyer that I'm seeing a lot of people, a lot of prospective clients, and even just consumers I'm speaking to, that are really struggling to find a way, a path. They don't know where to go, they don't know where to look. There's so much misinformation, there's so much distrust between the consumer and the real estate industry as a whole that I'm finding people are just really lost and they don't know where to go. They're

looking to people for guidance, and they're looking to resources, but with all the conflicting information and a very uncertain environment and climate we've seen over the last few years, they're really just not sure what to do.

And I think that we need to change our legislation so that there is more trust between the consumer and the real estate industry so they don't feel as though they're being lied to, or they're being screwed over. But also putting in building more housing, building more livable housing. Condos are getting smaller and smaller. People are needing to make more and more sacrifices to get really just their foot into the door.

So there needs to be a shift in both the buyer's mindset or the renter's mindset, and there are certain things I'm going to need to sacrifice to be able to get my foot into the door. I'm not going to get my dream home on my first try. Maybe I get a studio, maybe I buy a duplex with a friend, maybe I buy a triplex with a couple of friends. You need to look at your alternatives and be willing to sacrifice. Maybe I'm not going to get a parking spot. Maybe I'm going to have to get a Murphy bed. You're not going to get your dream home, and that's OK. As long as you get your foot in the door, that's where you start. So I think that's a really big thing that we need to focus on.

SECTION THREE CONDOS & INVESTING

POST: For a lot of first-time buyers, that foot in the door can be a condo, as you said, and the condo market is finally seeing some life with a year-over-year increase in sales. So, Brad and Brian, where does the market go from here?



BRAD LAMB: So I have good news. And the good news is today is the best time going forward forever to buy a home. Today is the best time. Tomorrow is worse than today, but today is the best time.

And the reason for that is we've gone through a correction in the real estate market that's been based largely on interest rate policy. In fact, I'd say pretty well entirely on that. And as Ben has said, that is likely to change going forward for the better for people. And right now, the way most consumers are feeling, according to our sense of things, is that the fact that rates have stayed stable for five or six months makes people feel comfortable that they can make a decision and not fear

2024 PREDICTIONS



THE DEVELOPER

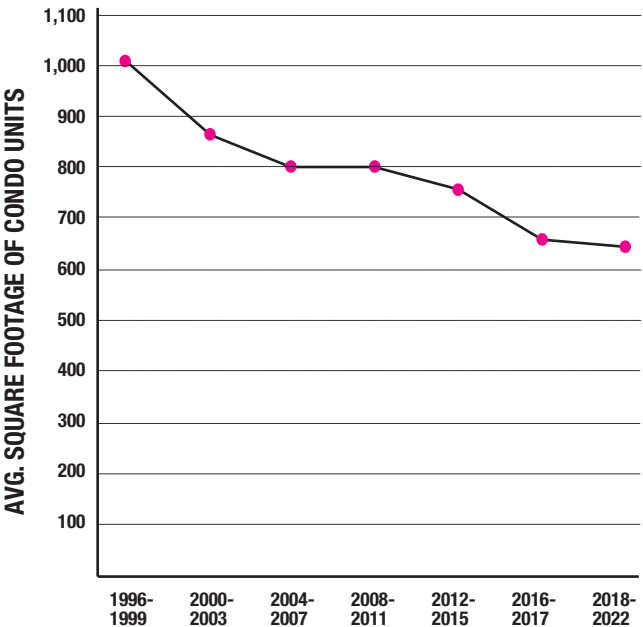
JENNIFER KEESMAAT: I think you're going to see more developers trying to figure out how to get into the purpose-built rental space, precisely because it's a way to mitigate the short-term risk of not being able to bring condo product to market. I'm very much hoping that we will see more incentives from the federal government to help get purpose-built rental built. I think we're going to see some very, very big announcements in the next four to six weeks from the provincial government around changes to the planning approvals process in order to expedite getting land entitled so that the barrier to getting housing built isn't going to be the approvals process.

Right now in my inbox, I probably have between five to 10 zoned sites a day that are coming across my desk: people who have a site that's zoned that they're trying to offload because they don't want to build it and they don't want to hold onto it and carry it. Hopefully, that will slow down, but that's a lot of property right now that's sitting on the market that is already zoned.

The federal government also in the next four to six weeks is going to be making some massive announcements mostly with respect to figuring out a way to unlock federally owned land, provincially owned lands through incentives and municipally owned lands. And that could move the needle and shift some of the thinking in the industry around the type of product that people are willing to build. And I think that anyone who has highrise condo products is going to continue to wait. It's way too risky to launch anything right now in light of so many projects having launched over the course of the past 12 months that didn't sell past 30 per cent, so they couldn't move forward.

CONDOMINIUMS GETTING MINI-ER

With growing construction costs and land values increasing, it's no secret that condos in Toronto are only getting smaller. See how much the average square footage of condo units in medium and highrise buildings has changed since 1996!



*Sources: toronto.ca; mpac.ca

2024 PREDICTIONS



THE DESIGNER

BRIAN GLUCKSTEIN: Real estate is always an incredible investment. And in Toronto, it is never going to go down. I mean, if it blips down, it's going to go way up. We have to ask ourselves what's the lifestyle we want to have. And I look at friends that live in New York and London and Paris, and they live in modest little rentals in the city. And they bought beautiful houses in the country. There's a pair of doctors that are friends of mine that live in New York. The apartment they raised their son in was so small, and finally they said, "Enough. This apartment is a fortune. What are we doing?"

And they sold the apartment. They rent a small apartment. They work close to the hospitals. And every Friday, they go to the country with their son, and he rides his bike, and he plays basketball, and they have fun. So the real question is, what is the life you want to have?

But when it comes also to affordability and the prices of Toronto, I don't know if I said it last year, but my parents went through the same thing. And they told me that, when they were sitting around a table when they were young and they all had houses, their first houses or their second houses, one couple bought a house. And they all said — the couple wasn't there — they [the absent couple] will never get their money back. They're crazy. Who spends that on a house and it's an old house? The house was \$90,000. It just sold for \$9 million. But my parents said, "We would laugh, we said they're never going to get their money back." **So whenever we think we've reached the peak, we're going to be saying that \$2 million Leslieville house is now \$5 million and \$7 million. We're going to look back and say, we should have bought 10 of them.** Like we say to our parents! It's still the best investment.

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the future.

Every day going forward will be a more positive day for real estate, which is the good news. The bad news is it means prices will continue to rise. Right now, you can buy an existing condominium in Toronto in a pretty good building for \$1,200 a square foot. To sell it to you brand new, I need \$1,600 a foot. That spread of \$400 a foot, about \$150 to \$200 of it is what happened to the market over the last two years. Take advantage of that because it's going away. I can't build anything until the price goes from \$1,200 to \$1,400 because we need to sell for \$1,600, but a consumer will pay \$1,400 for something that's delivered in four or five years.

The problem now is that builders aren't building anymore. We put our last building in the ground in the summer, and those units were previously sold in February 2022. We have four towers we're building right now. We haven't sold anything in our new projects for two years and a month, meaning we're two years and a month behind building our next building.

Every single developer in the city is in exactly the same place. Last year, 13,000 new condominiums sold in the city. Typically, in the GTA, we want to see around 25,000 to 30,000 new condos sold. Now, you might think, "Well, that's not so bad. Those 13,000 condos will get built." But they won't get built because all the developers have sold 30 per cent or 40 per cent of their projects and they can't get started. You can't get started unless you've sold 70 per cent of your building, and every developer is in the same situation. There are some very well-heeled developers that will risk \$300 million or \$400 million of their cash to get started and then worry about financing it later, but there's a handful of those. Pretty well every other developer in the city needs to sell first.

What we do is we sell 70 per cent, which allows us to borrow 75 per cent of the cost of the building. So, what you're going to see is that the last crane went in the ground sometime around September, October. It's different for purpose-built rentals.

So we have a shortage coming up in about three years. We already have a shortage now. We're going to have a worse shortage in about three years because of this interest rate policy. And what do shortages do? They make prices

go higher. The other problem we have in our development industry is that inflation has been about 20 per cent overall in the last three years, which has also inflated the cost of building. It affects everything. So concrete prices are higher. Trades got a 6 per cent increase in one year alone.

Now, our problem is that if we want to bring a building to market, we have that issue with higher prices, but construction prices will fall because no one will be going into the ground in the next two or three years as no one's sold enough to do that. And then trades will start to lay people off because they don't have enough business to keep all the people.

Then what will happen is this year and next year, we'll start selling lots of condos again, and we'll go back to the trades and say, "Now we've got a record year of sales. We need you to build these." They'll say, "Well, we shrunk the business. We don't have enough people anymore." So it'll be competition for materials and trades, which will cause prices to rise. So the problem with all of this interest rate stuff is it's just going to punish the consumer badly.

So, I think that right now, my number is \$1,600 a foot. That's what I need today. In two years, I'm going to need \$1,800 a foot. So, I'm like every other developer in the city. We all work on the same numbers. We all buy land for roughly the same price. We all put in the same appliances and use a certain number of architects. Our prices aren't that much different in terms of our cost and selling prices. So what we're in for is, I think, some pain, and I don't really know what can be done to protect the consumer from this. I don't think there's enough money in the treasury. I don't think there's enough money in Canada to solve the problem. All the condos we need to build, at the rate we have to build them, we're just not going to be able to do it. And I'm the bearer of bad news again, but I just think what it means for all of you is higher prices. So if you're looking to buy, today is the best day ever.

BRIAN GLUCKSTEIN: I was listening to the radio this morning and they said we need three million more homes in Canada by 2030. It will probably take us 60 years to build three million new homes. It's not possible, possible.

BENJAMIN TAL: Actually, the number is updated now. It's five million.



BRIAN GLUCKSTEIN: Five million. So that's a hundred years. And they want it in six years, and as Brad knows, it takes six years to get your project approved. So I don't know where this is coming from, but real estate is always a fantastic investment. We've all bought property over the years. It's always gone up. We've always said, "I can't believe it, it can't go any higher," and it keeps going higher. So it is always a great investment, but affordability is not possible.

If I hear someone say one more time, "Well, we're going to build more because we're going to make it more affordable," it's not possible. The land is too expensive. The cost to build is too expensive. They're building houses so far out of the city that are still \$1,400 a foot and \$1,500 a foot. It's not that much cheaper to move out of the city, and you can't dumb the buildings down anymore. You can't strip any of the finishes. The finishes aren't that great in the first place. You look at what's being built. All the money goes into a common area, and the suite has nothing in it.

So when you're looking at 500 square feet at \$800,000 or \$900,000, and it's not going to get any cheaper, how is that going to be affordable for someone making \$70,000 or \$80,000 a year when the city is raising the real estate taxes and the mortgage rates are going up? I don't see how it's ever going to happen. And you can build as much as you want, and someone says, "Well, you'll build a lot and prices will come down." Five million houses you have to build for the prices to come down. It's not going to happen. So, I don't know what the solution is. But when we talk about rentals and everybody mentions condos and rentals, which we'll get into, that is not stable housing.



ANYA ETTINGER: I have a question for Brad. One thing I've really struggled with with pre-construction is how to justify the ...

I think you said \$400 gap that you need — what you need to sell it for versus what the current resale price is trading at. So how is it that you, with your target demographic or your target buyers, how are you able to justify that and where are you kind of seeing people being able to forgo buying something cheaper today than buying something more expensive that they'll get in six years?

BRAD LAMB: Well, it's unjustifiable. We can't justify it, and that's why they're not

selling. That's why, as I said, 13,000 condos sold last year spread over hundreds of projects, and nobody achieved even close to the numbers to start building. So they're all offering discounts on parking, you know, rent guarantees, Rolls Royces in buildings to drive you around to your appointments. It's not justifiable.

What is justifiable — and we've seen this for the last eight or nine years — it used to be a smaller gap when prices were lower. What is justifiable is about a \$200 gap. Over five years, you can expect prices to rise 5 per cent to 6 per cent, and that means that, by the time you close on your brand new condo, it's worth what you paid for it or a little bit more. But more importantly, what's great about buying a new condo is that, if you don't have the ability to put up \$100,000 right away, what we do in the development industry is give you time to put your deposits down, right? So if you buy a condominium for \$700,000 and you need a \$100,000 deposit, we'll give you two or

three years to put the money down in 15 or so tranches so you can get there. So it's kind of a forced savings program that gets you into the business or into home ownership in five years as opposed to instantaneously in today's market. But you can't justify \$400 a foot [gap], and that's why there's no new cranes going up.

SECTION FOUR **DETACHED HOMES**

POST: The market for detached homes has been moving in fits and starts with many potential buyers waiting on the sidelines for interest rates to drop. Michael and Sebastian, when will demand return and what will that mean for the market?



MICHAEL KALLES: To bring context to it, a single-family detached home in the core of Toronto right now averages at \$2.5 million. And further context, there were 147 sales all of last month, which makes up 2.6

per cent of the entire market. So I've got some bad news and then I've got some temporary good news.

The bad news is, if you think pricing in Toronto is high now, watch out. In the next two to three years, pricing is going to be through the roof on single-family detached homes. So one thing to think about when we're talking about the timing of an interest rate drop: if it happens in June — so right now we're in March — if you think about it for a moment, the first drop, they're not going to drop it by 150 basis points. They'll probably drop it by a quarter point. That's going to force people to flood the market. The confidence is going to come back, the exuberance is going to come back, and that's going to drive pricing up.

And when I talk about the 147 sales, the reason why there's so few is because there's no product, there's no availability, there's no selection. So I think it's important to keep that in mind. The most important point is the opportunity. Brad said it very well: the opportunity is right now. People are thinking to themselves, "OK, well, I'll wait till June, and we'll get a quarter point reduction in the overnight rates and that will equate to a slightly lower mortgage rate." But if you think about what's going to happen to demand and price appreciation, it's better to buy today, if you could afford it, than waiting because, by the time you wait, the slight decrease in your mortgage rate is not going to make up for the incredibly improved pricing of those same homes.



SEBASTIAN CLOVIS: I don't know if there's a lot of demand for detached homes right now, but I do know that there's a lot of desire. There's a lot of people in this city who really do want to live in an area that has more space and a proper home to raise their family in. From what I read today, you know, in Toronto, which is an extremely densely populated city, for every square kilometre, there's 4,000 occupants. That's like 1,000 metres squared, 4,000 occupants. That is a staggering number to me. I live right in the downtown core. So I feel it every single day when I walk my dog. And I would imagine that, like myself, many people in Toronto do have a strong desire for detached homes. It just doesn't correlate with the cost of living and the cost of those homes.

And so we have an opportunity to change desire into demand if we are creating the right kind of homes in the right

2024 PREDICTIONS



THE BANKER

BENJAMIN TAL: I think that the spring will be decent. **I think the fall will be strong. I think that with interest rates going down, the market will wake up.** I think the pioneer of the recovery will be low-rise. I think highrise will have to wait to clear the inventories, and I totally agree that two years from now, highrise will be on fire because we simply won't have supply. So that's the way I see the situation unfolding.

THE ARCHITECT

BRIGITTE SHIM: So, my family moved from Kingston, Jamaica, to Toronto in 1965. And we've seen this kind of amazing transformation of the city through immigrants. And they have actually built the city that we have. All kinds of ethnic groups across the board and many of their children are some of the biggest developers in the city. How we address the trades, how we train the workers that will build this housing need. It's kind of a key crisis.

We've been talking about interest rates and a whole lot of things, but the people that will build our city are not the kind of immigrants that came before. They need to know how to work with their hands, but they also need to be able to run sophisticated equipment like a five-axis computerized manufacturing machine really well. And they need both those skills at the same time. **So we really need apprenticeship programs to train the workers of the next generation that will build our housing.** We can't even consider a prefab unless we have these specialized skills that can actually do this work. And that really needs to be where the effort for provincial, federal, local governments are, because it's so critical to construction, and construction is so critical to housing.

DETACHED LIVING AROUND THE WORLD

Here in Toronto, the desire for single-family living in a detached house comes with a hefty price tag. But how do we match up to some of the biggest cities in the world? These are the average prices for a detached home, based on most recent data and converted to Canadian dollars.



NEW YORK
\$1,125,441



SYDNEY
\$1,240,171



LONDON
\$1,785,239



LOS ANGELES
\$1,578,181



TORONTO
\$1,657,026



PARIS
\$1,797,179

*Sources and calculations: New York and Los Angeles: redfin.com; London: gov.uk; Sydney: propertyupdate.com.au; Toronto: treb.ca; Paris: properstar.ca

2024 PREDICTIONS



THE HGTV STAR

SEBASTIAN CLOVIS: I think that the housing situation is going to get a little bit worse. **I think we may see people pulling their income properties off the market.** I think this cash-for-keys situation that we're seeing in the city is very scary for mom-and-pop investors. It's going to be harder for these small landlords to maintain. I think that's a real issue. I think that the housing starts and home building starts and completions are going to slow down over the next couple of years.

Building costs are just way too high. Materials are too high. Supply chain is too high. We just don't have the builders. So we can want to build all we want, but if we don't have those things in place, then we really can't get it done. I think that with that slowdown comes an opportunity though. And it may be a small one, but we have to see a silver lining in it. And if we're slowing down on the building, then perhaps that can give us an opportunity to think about the type of communities that we want to be building so that — as we're building these communities, these houses — [we're] making sure that they have access to transit and all the amenities that they need and making sure that we're building the right kind of places that people want to live in and are sustainable.

If we can figure those things out — well, it's like we're trying to build a plane while it's flying or build a bridge while it's on fire; everyone's heart is beating — but if we could take a breath and really city plan forward, it will make sure that these next steps that we do take are the best ones.

CONTINUED FROM PREVIOUS PAGE

kind of places. It was a common thought years ago that you would become a homebuyer or a homeowner. If you lived in Toronto and you rented in Toronto at a reasonable rate, you could save up money and then you probably wouldn't be able to buy inside Toronto because it's very expensive. So you move to the outskirts somewhere, Vaughan, Markham, East Gwillimbury, any of these kinds of places, and get a cheaper house with a little bit of space, a backyard for your dog and your kids. But the prices of the homes that we're building out in those neighbourhoods are staggering as well. There's no significant decrease in the price if you move outside of the city as to whether you stay inside the city. It makes more sense to stay inside the city because this is where all of the amenities are. So we have a high demand for living spaces or high desire for living spaces, but we have a low demand on the actual properties that are there because they're just not affordable. I don't think that that means that we should give up on the dream of being homeowners or detached homeowners. I just think that maybe it means that we need to change up the dream a little bit. As a designer and a builder, that means that it's time to ideate and think about how we go about reimagining the cities that we're living in and perhaps building in a different way. Maybe we need to be thinking about how we're building outside of the city of Toronto and make those spaces more comfortable so that people can go out there and don't need to commute into the city so much.

We are building houses, but those houses outside the city, they're still very expensive. So who are we building those houses for if people can't afford them? Are we just building them for these investment people that put their money together and buy these houses? Are we just buying them for companies so that they can purchase these homes and then rent them back to people forever? I don't think that's how I want to live. I don't think it's how a lot of people want to live. And so I think there's a reimagining that's necessary.



JENNIFER KEESMAAT: A key part of where we build is a focus on recognizing that, over the course of the past 10 years, 75 per cent of all new homes have been built in new communities, in greenfields, in places where we don't have water, we don't have

roads, we don't have schools, we don't have transit. So we have to build out all of that infrastructure, which, believe it or not, makes building the home very, very expensive. There's no road, there's no water, there's no electricity. We need to dream a better dream, and it's a little bit different from what you've articulated, which is we need to get better at infill development and building up where we already have infrastructure, and here's where you and I diverge. We don't diverge often, Sebastian, but here's where we diverge. Toronto is not a dense city. The vast majority of Toronto has been losing density in 80 per cent of the land area. Families are becoming smaller in our suburban areas, homes are becoming bigger, that's losing density. It's why we have many schools in the city right now that are not even at 50 per cent capacity in the city.

So a really big part of where we build and building better and building in a sustainable way is building in areas where we already have infrastructure. And it does mean a different dream in terms of thinking about housing in a fundamentally different way, thinking about housing options, thinking about fourplexes, thinking about six-storey buildings, thinking about a diversity of housing types, which you find in most great cities of the world.

Our challenge right now — that you experience when you're walking your dog, Sebastian — is that we've gone into part of the dream. We're building density, but we haven't been investing in the infrastructure that makes dense urban living really high quality and really wonderful. Those kinds of urban places that you like to visit on vacation, like Paris and London and Barcelona, all those places that Torontonians and Canadians go to and say, "Oh, it's so wonderful." And then we come back home and we're like, "Man, density sucks." We don't have that density here. We are not as dense as Paris. We're not as dense even remotely as Barcelona or London, which by the way, are mid-rise cities. Our problem is very much our public infrastructure investments. And I will just say having a kid who grew up in a single-family home at Yonge and Eglinton, my kid has no illusion about owning a single-family home. And she's a young professional. She just wants to live in a great neighbourhood where she can walk everywhere, where she can get on transit to see her friends, where she can raise a family and not have to worry about getting kicked out because the rent went up. But I think the illusion for millennials

isn't about home ownership. It's actually about wanting to be able to figure out a way to stay in the city. And the way to do it is to think about housing in a very different way.

SECTION FIVE ALTERNATIVE HOUSING

& HOME IMPROVEMENTS



BRIGITTE SHIM: I've been an advocate of laneway housing for the last 25 years. I live in a house in a back alley. It used to be a bunch of derelict cars, but we had to go up against the Ontario Municipal Board at the time to build a 1,350-square-foot house. And it was a real David and Goliath story. But in 2018, with a lot of work from a lot of people, laneway housing is now as-of-right condition. You can go for a building permit if you meet certain requirements. And what I've seen over the last few years is a really interesting phenomena because all of the development that everyone else is talking about is really top down, requiring banks and developers and assembling large parcels of land.

What's so interesting for me about laneway housing is that they're actually average people who want choices. They want a place for an elder parent or a workspace in their backyard as a studio or for a teenage kid to live or any number of scenarios that allows you to have flexibility in your single-family house over time. And I feel like what we need as citizens is choice. And we have very few choices. You can buy the two-and-a-half-million-dollar house in a single-family residential neighbourhood or a condo that Brad will sell you really easily, but there's very little in between. Over your time period on this earth, your needs change. You need spaces for your kids, your parents get older, and you have so many changing needs over time. So laneway housing, garden suites are not the answer when they're presented as affordable. They're not quite affordable. But what I'm seeing, which is so interesting, is that it is a bottom-up movement. It actually is regular people having a level of empowerment over a degree of flexibility that's happening through all residential neighbourhoods in the city.

And for someone like Jane Jacobs, what you want to do is live in a village within a metropolis. You want to support all the infrastructure that Jennifer's talking about: the schools, the transit, the

services, and you want to support those services and strengthen them as opposed to eating up, you know, greenfield lands on the outskirts and having to drive an hour and a half. I teach at the University of Toronto, and I polled my students, and 80 per cent of them spend an hour and a half on transit. They have to live in a suburban area because they can't afford to be in the downtown. They have to get on two or three modes of transit to get to class. So I guess I'm an advocate for choice. And for the choice being of the average citizen having a little bit of control to be able to at least make a difference in their lives and create equity at the same time. And I feel like we're at the beginning of that. So all things like laneway housing, garden suites are in their infancy stage, but the fact that they even exist I think is a very positive step forward. I think, like Jennifer was saying, we have to redefine what density is. And we

are nowhere near dense. When we think about Toronto relative to global cities, we are so not dense and so low-rise, except in these designated transit nodes where you can build a 90-storey tower at the foot of Yonge and the Lakeshore. So there you're allowed to be super high. And then there are residential neighbourhoods where there's no change that's happened for decades. So we have to redefine and recalibrate where density goes and part of it is wanting to make great cities as opposed to just adding houses. So the issues of the quality of public spaces, parks and schools and cultural facilities are about making a better city and housing as an integral part of that vision.

POST: Brian and Sebastian, how does the question of density translate to home renovations?



BRIAN GLUCKSTEIN: We're seeing many more buyers or potential buyers getting out of the market and saying, we will change the house we live in. They were, at one point, looking to move up or even move down. And now they're saying, the gap is so big. Even if you're downsizing, the gap is big for many people. So it's more expensive to leave your house and buy a condo.

So we're seeing a lot more people that are saying, "We are going to change the house." And then you're looking at people that are making multi-family homes within their family. So they're moving their parents into the house, or they're moving their children into the house. And they may be moving into the garden suite and giving the house to their children. So we're seeing some interesting changes happening to the way people are looking at the existing house they have and saying, "We're not looking at what's happening in the market." And if they have the two families living in there, that helps subsidize the renovations.



SEBASTIAN CLOVIS: I think that's a definite trend that we're seeing. When I started on this panel five years ago, I think the first thing I said, probably to my chagrin, because everyone stared at me, was about flipping. I wasn't in agreement with flipping houses and just buying up the stock and then flipping it for a return on investment and not caring about who's coming in after. I think that is a part of why we're in the situation that we're in right now. Of course, not the whole thing. That trend died off when the housing stock got so expensive.

And then the renovation scene really kind of changed to people building income properties. And that became a big thing for a couple of years. That's become more of a gamble now because we have a renter class that's so upset with being overcharged that we're seeing issues with income properties. From what I'm seeing, we've had an ability to build laneway houses, garage suites, put fourplexes on residential lots for years now. And we're not seeing a huge uptake in that because it's a major risk. First of all, it's a major investment. Second of all, who wants to risk renting one of those places out when the market is as it is and renters are upset and know that they can withhold their rent?

The tribunal to handle the discourse

2024 PREDICTIONS



THE INFLUENCER

ANYA ETTINGER: We talked about detached homes but we didn't really talk about your average starter home, your Leslieville semi, your 25-foot house in midtown. Those are already seeing a massive surge in demand. **There are houses that are getting 20 to 30 offers. We're seeing some of the same trends that we saw in late 2021, early 2022 — people are disregarding recent sales and they are doing anything and everything that they can to get the house.** The speculation of rates dropping and whether that will be in June, before or after, is already there. People want to beat the rush. So unless there is a massive shift in what's going on over the next few months — a huge dump of supply for instance — I can't imagine that momentum will slow down.

THE BROKER

MICHAEL KALLES: My predictions are a little bit longer than short-term. They're medium- and long-term predictions, and I'm incredibly bullish on the market. I think, if we look into the crystal ball, we all see what the story is. **The rates are going to come down. All these people have been sitting on the sidelines. These buyers are going to rush back into the market.** There's very little supply on the resale and, as Brad said, on the new home sales side. It's going to drive the prices up, and the prices are going to go up exorbitantly, and people are going to be telling the same story that we told two and three years ago. There's nothing available to buy. And I believe, and Brad may disagree, that all of this supply, all of the condo supply that we're talking about now that's sitting stagnant, that's all going to be eaten up within the next probably year to year and a half, maybe two years.

HOME RENO SNAPSHOT

With material and labour costs on the rise, it was a tough year for home renovations. See how home improvement costs played out in Ontario and Canada in 2023.

\$30,994 Average cost of a full kitchen renovation in Canada, or \$195 per square foot	\$13,393 Average cost of a full bathroom renovation in Canada
34% Amount of Canadians who have postponed renovations due to rising interest rates	25% Amount of Canadians who expect to live in a multigenerational household in 10 years
\$14,378 Average amount of money Ontario homeowners spent on renovations in 2023	34% Amount of Ontario homeowners who completed at least one emergency repair in 2023
25% Amount of Canadian homeowners who expect their kids to move home due to finances	\$11,884 Average amount of money Ontario homeowners expect to spend on renovations in 2024

*Sources: homestars.com; ibisworld.com

CONTINUED FROM PREVIOUS SPREAD

between renters and the homeowners takes nine months, a year, a year and a half even. If that's a situation where you're renting out an income suite in the bottom of your house and someone is not paying the rent, we're going to see people losing their homes over these things. We're talking about small investors, not big-time property developers. But definitely what we are seeing is the move to multi-generational housing. So now, we're still trying to build converting garages, third stories, under pending building basement suites to protect our extended family from a situation of where the cost of living is so difficult.

And lastly, what I'll just quickly say about the renovation industry as a whole is that we have 700,000 builders retiring in the next five to 10 years. A huge swath of our builders are retiring. And we don't have enough people replacing them coming in. And so where we need innovation within the renovation industry is with getting new people into the trades. We need to embrace different types of programs to get people trained up in remote areas so that we can do the type of building that we need. If we are bringing in so many immigrants, maybe 100,000 of those should be carpenters. And that might help us out a little bit with some of our problems.

BARRY COHEN: It's true, that's one of the biggest problems we have. I don't know who's more important here, your plumber or your doctor. Because people are begging to get trades, and the costs have become so over the top. We see these prices come across our desks every day, and every year we're in shock at how much it costs to renovate. But you can't get the trades. That's the problem.

BENJAMIN TAL: Back to the idea of the missing middle — a few months ago, I had an opportunity to present to the cabinet [of the provincial government] on housing affordability. And my first sentence was, "Listen, if we don't deal with it urgently, we are going to have pockets of civil unrest. We are going to have anti-immigrant sentiment. We are going to

have rental strikes." It's written. I can see the trajectory. We have to wake up. So we have two options, this is a crisis: do nothing, and, looking at the faces of especially young people here, this is not an option. We cannot give up. It's not going to be easy, but we can do things. This is a crisis that requires attention immediately. And I believe we can do that in many, many ways.

The missing middle clearly is a factor. We have to provide different ways of looking at the thing. I totally agree with what other people mentioned here. Now, factory-made houses — I think that's something that we have to think about because other people in other countries are doing it. We cannot build the way we built 50 years ago. So, we have many ways of doing it. We cannot simply give up. We have to continue providing solutions to young people here, and the rental solution will be a big part of it. Purpose-built rentals will be a big part of the solution, and I believe that more incentives to developers to build purpose-built is the right thing to do. I think we can do it. It will not be perfect. Toronto will not be affordable anytime soon, but it can be easier, because at this point, we are basically running faster to stay in the same place.



BRAD LAMB: I have a very quick solution, too, to be able to deliver practical, affordable, high-rise housing. I told you all that the cost of delivering a building in Toronto is \$1,200 [per foot] plus taxes. So, if we can get that number from \$1,200 to \$800, then we can build lots of high-rise housing. Eight hundred dollars a foot is the number because we get about \$400 or \$450 a foot for rent. And so, not to bamboozle you with math, but basically, real estate investors want a 5 per cent cap rate [meaning it would take around 20 years to recover what they invested in the property]. You take the rent, divide by the price of the property, and that's what someone will pay for it.

So how do we get down to that number? So in my world, 25 to 30 per cent of my costs are government taxes. So we're doing a building in Mississauga.

It's a \$320 million building. Every year the taxes go up with the cities, so over a quarter of that, \$88 million, \$90 million — imagine that — is going to taxes, HST and levies. In Mississauga, a studio pays close to \$70,000. For the privilege of building a studio in a place where there's already lots of electricity and transit and sewer and water, you have to pay as a consumer, because you pay us and we pay the city, \$70,000. Then on top of that is community benefit charges, there's parks levies.

We need to get rid of all of those taxes because, at the end of the day, through your rent, you're paying property taxes. The developer or the owner of the building is going to collect the taxes and pay them to the city. So what we need to do is have this stuff go away for 10 years. I think this is the single biggest issue for voting right now. I think people are very concerned about affordable housing and really nothing is being done. The federal government is talking about it, but nothing's happening, I promise you, nothing's going to change, nothing's happening unless serious things happen like this.



JENNIFER KEESMAAT: I think this would be surprising to most people, but in the city of Toronto, when you buy a new home, there's a development charge that has been charged by the city that was charged to the developer that gets passed on to the purchaser for a whole variety of things. So for example, we have subsidized daycare spaces in the city of Toronto. When you buy a new home, you get charged a little bit of money that goes into the pot for subsidized daycare spaces. You get charged a little bit of money for libraries and the TTC.

So it's like we're putting a little surcharge on new homeowners coming into the city. It's a surcharge that is increasing the cost of that housing. And it raises an interesting question: should newcomers be the ones bearing a little bit of extra cost, which, when you add it all together, becomes a lot of extra cost, between 23 and 26 per cent of the cost of building a new home are government charges. So, if you think about something that can be

done very quickly to moderate the high cost of building new housing, that's something that's completely within the government's control, right? The government can, through the stroke of a pen, say, "You know what? We're going to stop putting the burden of infrastructure on new people coming into the housing market. Instead, we're going to create an infrastructure fund," right?

POST: Around 45 per cent of Canadian mortgage-holders are renewing their mortgages in 2024 and 2025. What advice would you give them?



BENJAMIN TAL: Given where we are in the cycle right now, it's reasonable to suggest that rates will be lower two years from now.

ANYA ETTINGER: I'm seeing a lot more borrowers opting for variable rate mortgages with the hopes that rates will come down enough in the next year or two to cover the spread between fixed and variable. I'd say, if you are a more conservative borrower and relatively risk averse, a three-year fixed is likely your best bet. If you are comfortable with the risk and can stomach a higher mortgage payment for at least 12 months, variable would be a good option.

BRAD LAMB: Since it is likely rates will fall during 2024 and 2025, just renew for one year until rates drop approximately 2 per cent to a Bank of Canada rate of 3 per cent.

BRIAN GLUCKSTEIN: I would opt for a mortgage that you can prepay at any time without penalty. If interest rates go down, you can either negotiate with the bank or go to another bank to get a competitive interest rate for a new mortgage and pay off the old mortgage. I would probably go variable — because I don't think the interest rates are going to go up that much — they will probably only go down, so you want to take advantage of that. Why lock in at the highest we've seen in a number of years?

IN GRATITUDE

There are many people in our city who don't have basic shelter and a roof over their heads; with that in mind, Post City, Streets of Toronto and the Rotman School have made donations on behalf of our panellists, our readers and our sponsor, The RE/MAX Collection, to Sistering, an organization supporting unhoused women and trans people in Toronto, and to Red Door Shelter, which provides sanctuary for families.