

REAL ESTATE ROUNDTABLE



OUR EXPERTS DISCUSS REAL ESTATE IN THESE UNCERTAIN TIMES. IS IT TIME TO BUY, SELL OR HOLD?

HOST & PANELLISTS

HOST: Sangita Patel

MODERATORS: Nikki Gill, Ron Johnson

SEBASTIAN CLOVIS

Host of *Save My Reno* on HGTV Canada;
Principal, Clovis & Co. Contracting

BARRY COHEN

T.O.'s #1 agent over all competitors for sales
volume \$3-20M combined since 2012

ODEEN ECCLESTON

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

BRIAN GLUCKSTEIN

Principal of Gluckstein Design

MICHAEL KALLES

President, Harvey Kalles

JENNIFER KEESMAAT

CEO, The Keesmaat Group

BRAD LAMB

Developer, Lamb Development Corp.

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 Man-
agement, University of Toronto

BENJAMIN TAL

Deputy Chief Economist, CIBC Capital Markets

Our 13th Annual Real Estate Roundtable took place in front of a sold out live studio audience at the Rotman School of Management, when the storm clouds of COVID-19 were thought of as a distant problem predominantly impacting China, Iran and northern Italy, and still not affecting Canada the way we now know it has. We have asked our roundtable participants to revise their predictions for the real estate market in the near future, which can be found at the end of the article.



SANGITA PATEL: I'm Sangita Patel. You may know me from HGTV Canada's *Home to Win*.

Welcome to the Post City Magazines and Rotman Real Estate's roundtable. This marks the 13th roundtable and the second time we're in front of a live audience here at Rotman. In addition to the live event, the roundtable will also be made into a podcast, video and web series and will be the cover story of the April edition of Post City Magazines.

For the first time this evening, we'll be including three video questions from Rotman students and that will happen at the halfway point. We will discuss investing and buying real estate in Toronto, and I'm really excited to be here because I'm in the midst of selling my house and hopefully building my dream home.

We know how difficult it is to buy in

Toronto. A lot of people can't afford it. We also know that a lot of people don't have the basics in terms of shelter and a roof over their heads, so with that in mind, we are donating \$2,000 this evening to each of our sponsors' charities of choice. The Re/Max collection has chosen the Children's Miracle Network, and Great Gulp has chosen Habitat for Humanity.

On top of that, Post City Magazines and the Rotman School of Management will be donating a further \$16,000 raised here tonight to four local shelters: Seaton House, Covenant House, Eva's Phoenix, and the Centre for Women and Trans People.

OK. Let's introduce the panel.

Michael Kalles, Brian Gluckstein, Odeen Eccleston, Brad Lamb, Benjamin Tal, Jennifer Keesmaat, Sebastian Clovis, Michele Romanow, Barry Cohen and William Strange.

This year's event will be moderated by Post City Magazines managing editor, Nikki Gill, and editorial director, Ron Johnson.

This is unscripted, unrehearsed. They don't even know what the questions are. It could be anything about their dating lives, whatever you like. But here we're going to be talking about the hottest topic that we all want to know about: the Toronto real estate market.

NIKKI GILL: To begin our 2020 roundtable, we've asked economist Benjamin Tal to offer his current state of the market. Benjamin?



BENJAMIN TAL: Well, I don't know.

No, really. I don't know. Listen, everything was very clear until a few weeks ago, so let me start with the virus because everybody wants to know, and I spent the last few days talking to doctors to figure out what's happening. The consensus is that you cannot stop it. You cannot stop it the way you cannot stop the wind.

It will get worse before it gets better: that's the consensus. Now, what we know about it: the mortality rate is much lower than SARS but the infection rate is much, much higher. We also know, from an economic perspective, starting with SARS in 2003, that China was much smaller and not as interconnected with the global economy. Back then, the stock market was down and looking for a reason to go up. Today the stock market was looking for a reason to go down, and they got the reason, as you know.

Nobody knows, but if we assume that a year from now, maybe we will not be talking about it, we can say a few things about real estate, regardless of the virus. I think what will happen is that the next few months will be dominated by this story, and then people will see that things are stabilizing, and a year from now, we will not be talking about it.

Given that real estate is a long-term investment, that's actually a good thing — to focus on real estate despite what's happening. Let's do that.

Real estate has nine lives. Every time that it's supposed to slow down, something bad happens that keeps interest rates lower and lower, and that's exactly what happened with this virus. Interest rates are now going down, not up. A few months ago, nobody was talking about the Bank of Canada cutting interest rates. Now the Bank of Canada is talking about cutting interest rates.

It's actually very reasonable that the Bank of Canada [interest rate], because of the virus, will be cut twice in the next few months. That's 50 basis points. The five-year rate is going down, the 10-year rate is going down. In the U.S. it is at a record low.

So this kind of uncertainty, in a very weird way, might help real estate vis-à-vis lower interest rates. The economy as a whole was not strong to start with, and now it will get weaker, but clearly — and I said that will be something that people will be looking at as a safe haven — it will be real estate that's linked to low-interest rates. Therefore I believe that, if this market is strong enough, it might be even stronger a year from now, enjoying the benefit of lower interest rates.

NIKKI: Barry, you've got boots on the ground. Is that what you're seeing with buyers heading into the spring market? And also we heard a rumour that Harry and Meghan might be shopping in The Bridle Path — is that true?



BARRY COHEN: I didn't start that rumour. If you look back at 2018 as being the corrective year, and then 2019 had a four per cent price increase, we're now, at this time, same time last year, closer to 14 per cent, 12 to 14 per cent price increase, so that's a little identification of what's to come. I believe right now there are about three and a half months of inventory in real estate reported through the Toronto Real Estate Board's greater market.

But in central Toronto, it's more like two months. I think, as we head into the spring market, we could be close to one and a half months [of] a seller's market.

WILLIAM STRANGE: Well — and this is following up Benny's point — if coronavirus continues to spread as it is (and I am a professor but of economics, not epidemiology; I also can't make a radio out of a coconut like in *Gilligan's Island*), what we know about viruses in the past is that they [are] reason for the macroeconomy to contract. As with the stock market looking for a reason to go down, the macroeconomy is in a 10-year boom, and 10-year booms end, usually after nine years.

MICHAEL KALLES: Well, I'd like to start with a bold statement, and that is that Toronto is a world city. Not going to be, not maybe, it is today. I think we have to put

Q&A



ROTMAN MBA STUDENT ANDREW JI: As a new immigrant to Canada, I realized the inflow of immigrants contributed quite a bit to the real estate market, with Canada welcoming almost a quarter million new immigrants per year and a majority of them settling in our major city. I would like to ask the panellists: what are you guys' takes on the impact of immigration to our real estate market? Is the trend going to continue or go a different direction? Anything on that?

JENNIFER KEESMAAT: The challenge in our market is a supply one. We have a broad consensus in the Canadian context that immigration is good. We see the value that new immigrants bring to this country, and there's a whole movement, actually, to significantly increase immigration in our city in order to respond to growing workforce [demand] and to grow the economy.

I think there's a broad, shared consensus that we have a very serious supply problem magnified by the fact that we're very popular.

How do we fix that one? That's a really tricky one: it needs some innovation. The challenge is, if we don't have the infrastructure and we don't have supply, then there is going to be pushback around newcomers coming into our country. It leads to social division, which is why this question of unlocking supply is not a frivolous semitone.

into perspective that we have 170,000 people coming to the city of Toronto over the next three years.

To put that in context, a tower went up just south of Bloor and Yonge street, 1,000 suites, and 2,000 people lived in that building. Took eight years from connection to completion, and that handled the immigration for Toronto for 10 days. Eight years for 10 days. It gives you an idea of what's happening in the city of Toronto.

RON JOHNSON: All right. The next question: the average price of any home in Toronto, from condos to detached homes, is now almost a million dollars. The average rent for a one-bedroom apartment hit \$2,300 in January. Has affordability become a crisis and what can be done?

JENNIFER KEESMAAT: Well, sure. One of the ways that you measure whether a place is affordable or sustainable over time [is whether] there's a connection between salaries and the cost of housing. When

those two things detach — when the amount people earn no longer allows them to live in the city where they are earning the money — that's when you see a crisis emerge, because you need money from elsewhere for people to be able to live and work here.

We know that's happened. We know it's not possible to be properly housed now or access housing. Forget home ownership if you're making between \$60,000 and \$100,000 a year.

We have a very strong health-care sector in this city. We have hospitals with nurses and admin staff. Where will those nurses live? Where will teachers live? Where will people in middle management live? Where will people in the tech industry live in this city?

Is that a crisis when the cost of housing is completely detached from the amount of money people who live and work in this city — and who we need to live and work in this city — make? Yeah, I would say that's a crisis because we don't want to become San

Francisco, but that's exactly where we're going.



MICHELE ROMANOW: Just on the San Francisco point, we are actually in many ways worse off. In San Francisco, in the tech sector where I'm from, there has been very meaningful salary appreciation. I'm talking about first-year engineers getting paid \$190,000 in the Valley — that would probably be closer to \$100,000 here in Canada. As property prices have risen there, so have effective salaries. That actually hasn't happened in Toronto, exacerbating this gap you're talking about.

A lot of people call on the tech sector, saying: "You're the leaders. You're the ones driving up commercial real estate," but you know, we're actually really struggling. My employees tell me, "My minimum to live in this city is \$70K now." There are lots of people at tech companies who have to start way below that for us to build a business that's reasonable. I do think we have a huge problem with affordability.

BARRY: If there isn't a crisis now, it's just around the corner. If you look back at what our government did, they messed up where they tried to suppress the demand by introducing policies for a tax and the stress test as opposed to creating more supplies. What our government has done is that they've frozen all the land around the GTA so there's no room for expansion.

BENJAMIN: Yeah. I think that we are in a crisis, and it's getting worse and worse and worse. We have to wake up. We have to do something, and it's urgent because young people simply cannot afford housing. I do believe that Toronto, like Vancouver, will never be affordable.

We had a correction in 2017–18, a nice correction, a healthy correction. Is Toronto affordable now? That's the correction we are going to get driving the cycle. But the trend is very clear. It's up. It's up because of demographics. It's up because of many other reasons we can talk about.

I was in Ottawa just last week talking to some very important people, and guess what solutions people are talking about? One of them was mentioning cutting immigration. I'm serious. This is not just a junior person. People are desperate.

Of course, we are not going to do it because it would be madness, I think. But we have to wake up to the reality that we need to do something on the supply side.

BRAD LAMB: All right. So the horse has left the barn. The door's closed. There's nothing we can do in a meaningful way to make the city affordable again. It's going to be unaffordable. The question is, how unaffordable?

Now when ... in 2005, I conceived of a building at 9 King, and the highest I could get that building, the largest I could get that building, was 16 floors.

It was a massive fight with the then-councillor and the planning department.

Today [the building] is surrounded by highrise towers varying from 35 to 45 storeys. Those approvals happened within four or five years of my approval. The problem — and it's not just here, it's in virtually any city with a [housing] crisis: you read about San Francisco, Portland, Seattle, it's the same — the [problem is that] planning departments and the local councillors are living in the past. That building I could only get 16 floors for should have been 30 or 35. Now it's a wasted opportunity.

It's a meaningful change, for us. It means that we can possibly bring prices down five or eight per cent. That's how this problem is going to be solved, in small increments. We all need to lobby this city, councillors and planners, or clear-cut them because they're living in the past.

JENNIFER: I actually don't disagree with everything that Brad said, which is a bit refreshing. But I believe that we should be looking very carefully at how we can put as much density as possible in every part, in every corner of the city. But there's a big, big catch.

When the Mirvish+Gehry proposal came forward, I went down the hall to the head of Toronto Water: three 90-storey towers on a site that we had never conceived of having that much growth. I asked Lou Di Gironimo, the head of Toronto Water at the time, "Lou, will the toilets flush on Super Bowl Sunday?"

I found out that underneath King Street is the original infrastructure from when it was first built in the late 1800s, and the water actually travels through wooden pipes along King Street. Lou looked at me, and he said, "Well, let me go do some work." He went and did some work. He came back, and he said, "Look, the toilets will flush in the Mirvish+Gehry project, but not if you have another project like this one. They won't."

This gets to the point of broader infrastructure. This is why planners get their backs up because planners stand in front of the room at public meetings when people say, "Hey, stop approving new projects because there's zero capacity on transit [and] the neighbourhood park is overrun with dogs and dog urine, because it's a tiny little park that was never designed for the amount of density that exists." My point is we must be thinking about planning to communicate with the infrastructure that you need to ensure those communities, quite frankly, don't become really unpleasant and undesirable places to live.

If we don't link the growth to infrastructure, then I think you get the concern that you heard in Ottawa. People start saying stop growth, and that's desperation. I don't think that's a response, that we don't want new people. It's that we don't have the infrastructure.

BRAD: That's true. Infrastructure is the purview of the city, and it's absurd to me that the city engineers have been aware of



Host Sangita Patel

the fact that on Richmond Street, as well and on King Street, we have a 140-year-old sewer system. That's just crazy.

We have generated billions of dollars in our industry for exactly that purpose. I am just curious as to why we haven't actioned that money. But I'll say this: I built a building right next to this Gehry thing that's been approved. It's the most absurd approval I've ever heard of in my life. I'm pro density, and this is madness.

So of course, a 90-storey tower is too much. We're not asking, as developers, to go from 45 to 90. We're not asking for 20 floors to 40 floors. We're asking [to go from] six to nine. It makes all the difference in the world. It's the little increases.



BRIAN GLUCKSTEIN: I'll be quicker. Two things I was thinking of when we talked about affordability. My first house, which was not that long ago, I bought it for \$419,000, and that was a lot of money. That was at the high end of the first-time buyer in midtown. That house sold a year ago for \$2.8 million — that is not a first-time homebuyer anymore, so the demographic has changed so much in that neighbourhood. When I moved into that neighbourhood, it was young doctors, professional people, a lot of professors from the university. They are not buying \$2.8 million houses as their first.

So much of the city has changed. The other thing is that the number of our projects that we're building is changing from condos to purpose-built rentals. To me, that is the only secure rental living. You can rent a condo, but six months from now your landlord could sell it and flip it.

If we want real housing for people that can't afford to buy, we must change some of these buildings and work with the private sector and the government to build affordable housing. But purpose-built rentals are a real change to our business.



ODEEN ECCLESTON: Yes. In talking about solutions to this crisis, to piggyback on what Brad said: I think it's important to work with the legislators within the 905 to expand. For example, we're building on 16 acres right now, my company. We wanted to build eight houses on 16 acres, which doesn't seem like a lot, but because a part of it is in the Greenbelt, they only approved us to do two.

Just in general, there needs to be some sort of alleviation in terms of the Greenbelt as well. I think that could be a solution, and then [also have] ... legislators work with builders to encourage purpose-built rentals, because right now obviously it's a lot more lucrative for us to build a certain type of product.

RON: OK. We got some questions emailed in and I'm going to direct one of those to Brad. A few members commented, saying the rent they collect on a condo is already not covering the cost of carrying that condo. If the supply of rental housing increases, will this put downward pressure on rents, making it more affordable but also making condos a worse investment?

BRAD: So there was a period around 2015, 2016 where purpose-built rentals worked in the core, even south of maybe Lawrence down to waterfront, DVP and Dufferin. You cannot make the economics work anymore. Land prices are too high. Construction prices are too high. It's not possible to build any meaningful amount of housing in the core and rent it. So the problem is this individual is going to buy a 500-square-foot apartment for \$700,000, so one bedroom. And it'll rent, you know, when it's finished in three or four years for \$2,500.

Unless the person buys it with 60 per cent or 70 per cent down, they're going to lose money every month. So the people who are buying these condominiums and floor plans and who are building the city are people who are buying in relative cash, who have

very, very large cash down payments. It's very difficult for someone today to buy an apartment and rent it, even with 25 per cent down, and come even close to breaking even. And so, you know, we've looked at doing apartment buildings across the GTA, and there are only a few areas where they work, but they absolutely will not work downtown. And you're going to see very, very few of them built going forward.

RON: Benjamin?

BENJAMIN: Two things about it. First, those investors in the condo space, you know, they don't see [this argument] ... and we spoke to many of them. I asked them, "Are you crazy? You're losing money? Why are you doing it?" And they said, "You don't get it. It's not a GIC. It's a long-term play." And they're right. If we are all agreeing that Toronto will never become affordable, this means that, over time, condo prices will be even higher. So this is not speculation, this is smart investing. So if you basically lose some money, you don't. Somebody else is paying 50 per cent of your mortgage. That's the way they see it. Therefore, despite the fact that more than 50 per cent of investors are in negative cash flow, they're not selling the way people expected them to sell. So this is a long-term play, and they know what they're doing.

Regarding purpose built, I totally agree, that's the future. And 2019 is a very important year because we have seen a significant jump in purpose built from about 5,000 to about 12,000 with 57,000 in the pipelines. This is huge. This is very, very important because the new wave of rentals will be families with young kids. They don't want to deal with a landlord who tomorrow will kick them out. They want to deal with the company. They need stability. The same goes for baby boomers who will be downsizing. They need stability. They want the company.

So if the condo space was the rental space, it's starting to change. And that's a very good thing. Now what we need to do is to encourage them [developers] to do it. So we need HST, we need development charges. We need to do something to make sense out of this investment because, at this point, correct me if I'm wrong, if you don't own the land, you don't make money as a builder. We need to change it. And I think that's the future because I do believe that the future of real estate in Toronto is not owning, it's actually renting.

RON: Sebastian, and then we'll go to Michael.

SEBASTIAN CLOVIS: Yeah. I don't mean to change the conversation, but I don't know anyone who's buying condos right now. So I have to change it to the residential conversation in terms of what people are doing with their renovations in just their [own] homes. Because I think the way people are buying their homes is changing. And the types of renovations they're doing is changing as well.

Q&A

And perhaps that's indicative of the crisis, the affordability, because, you know, the era of buying and flipping homes is long gone. Nobody's doing that anymore, right?

Everybody is buying homes now, and they are renovating their homes to stay in their homes. They're renovating homes for themselves, and they're renovating with their kids in mind, because there's a lot of, you know, parents in this city and in this country, I'm sure, living with adult children in the house because ... [the children] work in the city, and can't afford their own homes or are not interested in buying out in the 905 and Pickering and Ajax, and having a two-hour commute. Everyone is trying to buy homes that only have income property potential.

You know, the number of income properties we're [doing] ... we're trying to squeeze them into every closet. Any way we can get an airbnb, if we could just rent that bedroom out for a weekend, that's going to help with the mortgage, and that's what people are really looking at. But as a whole, while people are still spending a lot of money on those renovations, they are custom renovations. It's very expensive, the cost of renovations has gone up a lot. We got "terrorists" right now who are killing the renovation industry. You know, engineered quartz is so expensive, metal is so expensive, wood is so expensive. Ask any of the roofer guys, they're having a hard time getting that metal in here to run the eave-stroughs and all that stuff. So the cost of renovations is going up.

And at the same time, we're running into a problem — just speaking for the builders in the room, if there are any but we're running into a problem with skilled workers. We don't have young guys [sic] coming into the industry who are interested and putting their heart into building in the same way that the O.G.s were doing it.

But that is a problem because we don't have the \$20 an hour, \$25 an hour guys anymore. We've got the \$45 an hour guy doing all the work. We're holding down the entire renovation, which is pushing the cost up, which is making it very expensive for anyone to renovate in this city. And so the renovations are smaller in scope, and very focused. I'm building homes right now for people that are planning to pass that along to their kids.

RON: OK. Michael?



MICHAEL: It's interesting. I was doing a hard hat tour in Manhattan, and they do things completely differently: a developer can't sell units until it's built. I'll give an example in Toronto: 1 Yorkville came out at \$750 a foot. Today it's worth, we'll say \$1,500. It's doubled. So that lift belongs to the investor, not the developer. A developer effectively is leaving all of the capital appreciation on the table for the investor. On a purpose built — and I think Brad brings up a great point — there's return and then there's capital appreciation. Even with high

rent in Yorkville, you're going to lose money on a monthly basis. The hope is you're going to get it on capital appreciation. And if a developer holds on to a purpose built, it becomes effectively an annuity, and that can be sold into the future.

NIKKI: OK. We're going to move on to the next section now. Mayor John Tory recently said, in an infomercial, that seniors have to open their minds to creating and renting out suites in their homes to make life in Toronto affordable. Brian, is this something that you're seeing in areas like Rosedale and Lawrence Park?

BRIAN: No, no. There is nothing like that. That is a market, you know. We talk about affordability. It's a market that is steam-rolling along. I mean, that's a part of our business, the luxury market.

I'm always astonished at the prices of what's going on in the city — not only in the city, but in the cottage country. It's not

unusual for someone to spend more on a cottage than the most expensive house in a city.

We're not seeing that at all. It [a rental suite] is actually discouraged in those neighbourhoods, but when we come to affordability and talking about a gap, it's unbelievable the prices. Just from an infrastructure standpoint — you know, I've been in this business for a long time — the city has changed so drastically in just this century that you couldn't even build the infrastructure as fast as we would need it. The whole skyline has changed. People come to the city, friends of mine from New York or Boston, they can't even believe it's the same city. You look out and it's just cranes. I was driving on the Gardiner Expressway: I couldn't even count the cranes. You couldn't build transit as fast as we're building these towers. I don't know what the solution is.

You can't say stop building them, but how do you build the infrastructure at the pace we're building the towers?



ROTMAN MBA STUDENT SHANNON WOODS: We have seen a housing crash in Toronto before: in 1990, for example. What do you think the biggest risk factors are that could drive another crash?

BENJAMIN TAL: Well, that's a very good question. And the '91 crash, of course, was because of higher interest rates. Interest rates back then went up to the sky. In every economic recession, every housing market crash was caused by monetary policy in which central banks raised rates too quickly and too much. That's exactly what happened in 2008 and clearly in 1991 in Canada.

Now, the question, of course, is where interest rates are going. The risk is that interest rates will be rising. The issue is that going over a decade of this kind of activity with extremely low interest rates can generate a bit of a problem. So we have a debt problem to an extent, I think, that is exaggerated. But clearly, we are much more sensitive to the risk of higher interest rates than we were in any other time in history. Every basis point counts. This euphoric housing market over the past almost two decades was in part due to extremely low interest rates. So the effectiveness of interest rates is asymmetrical. Lower interest rates cannot lift you, but higher interest rates can kill you.

WILLIAM STRANGE: Well, one thing we need to do is we need to stop thinking about the infrastructure problem as a building stuff problem and instead think about it as a pricing problem. For instance, with roads, we can't build enough roads: more people will just drive on them. What we need to do is charge people for them.

BRIAN: We can't even keep up. Like, we build more houses around the perimeter of the city; we can't get them in the city. You're standing on subway platforms when a train comes, and you can't get on it. So how much more can you build with the few lines we currently have? I mean, my clients don't take public transit so much. But, you know, they have drivers, but even they get stuck in traffic. I don't know what to say. I mean, the best thing would be to build condos without parking, so we don't have parking garages full of cars [and] people think they're going to go from Eglinton to Wellington in their car. But they don't want to stand on a subway platform for three trains to go by. I have a client that, literally, his chauffeur drives them to the Bloor Street subway station because the traffic is so bad. It must be quite a sight ... And at the end of the day, their chauffeur is sitting there at the subway station to take them because the car can't even go anywhere if the traffic is so bad. But they can't take it at St. Clair or at Eglinton because you're standing on a platform for four trains. It's not working right now.

RON: Jennifer and then Brad.



JENNIFER: So it's kind of interesting what's happening in this conversation because, on the one hand, there's been this narrative, "Build, build, build. We need more supply." But then, on the other side, what Brian said is actually the opposite: "The whole city is changing right before our very eyes." And it is. I've had the same experience with friends where they're, like, "I've never been here before." And I was, like, "We had dinner here two years ago." And they're looking around. They ... [say], "No, I have never been here." And it's because the city has completely changed in a three-year period, which is a reflection of the fact that we actually are building very, very quickly. So it's not like we have a problem in that we're just not building enough supply given the insatiable amount of demand that exists. But I'm really glad you told the subway story and the chauffeur story, in particular, not only because it's a great one to repeat, but because it reinforces the point that we only have a little bit of the infrastructure that we need. You can't do your whole trip on transit. You can only do part of it, which, for most of us, you kind of need to do the whole trip.

I've lived at Yonge and Eglinton, and when I moved into my neighbourhood, we moved actually into a smaller home, closer to the subway, so that we could go down to one car [and] live the dream, walking to work, doing all these great things.

And an amazing thing happened over that first five years that we were living there. The first year, it was sort of OK to get downtown during rush hour. But by the second and third year, we would stand on the platform and the trains would go by. Which is why opening the Greenbelt isn't really the [solution] because there are no jobs out there. And the reason why we can't get on the platform at Yonge and Eglinton is because the train is completely full already. It's like 87 per cent full at Finch — Finch, the beginning.

BRIAN: And I think people are somewhat deluded in thinking, "I'm going to buy at Yonge and Eglinton: I work downtown at Bay Street, and it's fabulous. I have a great walking area at Yonge and Eglinton. Now, it's going to happen at Yonge and St. Clair." But that's the situation they're telling us, even employees of mine saying, "Brian, I walk. I just walk if the weather's nice. I can't get on the train." You can't add thousands of more units on top of that hub at that corner and expect them to get on the train. And they're not driving and they're not willing to wait for the fifth bus. So what is the solution? We can't add more and more and more.



BRAD: So there are 125 cranes in Toronto right now. There are more cranes in Toronto than any other city in the free world. The top four cities in the United States don't add up to 125 cranes, including New York, Los Angeles, Seattle and Chicago. We have a lot of cranes.

JENNIFER: We're building.

BRAD: And that's a good thing. So where do we want to build? So there was an idea that we need to free up the Greenbelt. That's a bad idea. There's not enough infrastructure. Our problem in Canada is we're a massive country, but we live in a very narrow belt. And that's why infrastructure is so expensive. So we need to cluster in the cities. We need to make the cities walkable. People need to walk to work. We need to walk around, even at Yonge and St. Clair, walk to a Bloor Street job. All year long, you can walk. Ride your bike, that's OK too. But it's far cheaper to rebuild the infrastructure where the infrastructure is than to build new infrastructure. So we can put our hands up and say, "There's no f**king solution. Let's all give up and leave." But that's not the answer. The answer is there's a solution.

[There are] a lot of smart people in Toronto. The solution is we need to increase the density in the downtown core. We need to get people off the roads, and we need better infrastructure. Add more cars to the train. I don't know how long subways [are] ... I haven't ridden it in 20 years, but I got to say, it's got to be 10 or so cars. You know, add more power, add more trains, make them more frequent, and we have to create more subway lines, maybe more subway lines above the ground and below the



From left: Brad Lamb, Odeen Eccleston and Brian Gluckstein

ground. But there is a solution, and the solution is we need to be in cities. We can't live in the country in Canada. We're too far apart.

BRIAN: We see that in the area of Dufferin and Eglinton, which was all warehouses and industrial buildings. And now, it's become design districts, and it's advertising agencies, design sources. You know, huge, huge buildings are converted into retail and offices and cool spaces. Now, we need to move some of the housing into those areas also, so it's not all these low industrial buildings that you can see for days that are the showrooms from Davenport. All the design firms, they're moving up there. Their employees are complaining. They're now Ubering their staff up there because they can't get up there. But maybe we should build housing in some of those areas and rethink this. We did it in the city, the city that everyone worked in and left. And now we're creating great areas that are vital during the day but everyone leaves. Let's build some housing in some of those areas.

BRAD: Right. So by the way, I'm not saying that, for me, downtown isn't, you know, the eight blocks. I consider up where you are talking about the city.

BRIAN: But there's no housing.

BRAD: Of course there is. There's housing going up and down Dufferin. There's tons of housing there.

JENNIFER: OK, talk to me about it. Dufferin Street is currently being completely redeveloped because we've put a plan in place in keeping with our avenue strategy to intensify the corridor. So you can go to Dufferin Street, and you will see there's a fantastic new development ... some of which is in the approvals process, some of which is under construction, and there's a couple of buildings already built. We're in the process of doing that, and to your point,

Brad, we have more construction taking place in this city than any other city in North America. So it's not like we didn't do something fabulous, because we did, to unlock more supply in the city.

The challenge is we are choking on our own success, and attracting even more people. But if you take away one thing from this tonight, we are doing a phenomenal job at building housing in the city. Otherwise, we wouldn't be at the top of that list. And we're at the top: we're knocking off Chicago, New York, Los Angeles. You're not going to develop every single parcel at once because you need access to financing. You need access to labour, which is a really big [concern]. The Board of Trade keeps saying [that's] what's holding back building in this city: access to labour. So it's quite a complicated ecosystem that results in a building being built. Do not be dissuaded, we are so doing so many things right in the city right now.

BRIAN: Well, a very inspiring development is at Lawrence and the Allen expressway, which was community housing, a huge, huge community housing. It wasn't at the degree of Regent Park, but it was not much above that. And now, we're seeing community housing, really dramatic great community housing, now condominiums going up, maybe eight or 10 storeys, stacked townhouses, freehold townhouses. You know if you work with developers in the government, you can build community housing. You can build all different price points of housing in a neighborhood that was void of that.

JENNIFER: Thank your city planners.

RON: All right. We're at our last question already, and it's in two parts. First, we'd like to hear about the biggest mistake that folks on the panel have made in real estate.

BARRY: I think my biggest mistake is in buying real estate and selling it. If you could

hold on to everything, you'd never make a mistake. Nobody's ever said, "I've made a mistake in buying." They've always said selling was the mistake. I've met many people who own the first house they've ever had. They just refinance and refinance.

MICHELE: Yeah. I think I am, like, the average millennial who has moved to a lot of different places. In my career, I've already lived in Chicago and San Francisco. And probably, it looks like a mistake to not have bought somewhere, but that afforded me the ability to build companies and move many more times than I would have been able to if I had owned a house. And so, I think we are looking at people working very, very differently. They are moving jobs very differently than before, and real estate is playing a totally different part in that. So it's hard to know and say that was a mistake, when I think that led to a lot of what ended up building my career.

RON: OK. Sebastian.



SEBASTIAN: I think my biggest renovation mistake is the current house that I'm just building. You know, we got the entire house, a single-family home. I split it into a duplex, rewired the whole house. And looking back on it, what I should have done is installed solar panels right away, I think. I should have wired that directly into the home because I've done a lot of research on solar in the last couple of months. I've installed a few systems, and I know, in the summertime, you can get your energy bills down to almost nothing. You know, we're talking about infrastructure in the city, but that's a personal infrastructure that you can do on your home that could really knock your costs down, and it's a form of an income property. You know, let that sun work for you. We all know how much electricity costs these days.

JENNIFER: So I think my biggest mistake ... my daughter's 19, my son's 14, and my daughter is, as she said, she's going to be creating her own household within the next 10 years and trying to figure out what that looks like and freaking out a little bit because she's been following what's happening in the housing market. And our first home, we bought a home in Roncesvalles and we rented out the basement. By the way, I think a lot of the creative things that people have done to afford a home, people have always done those creative things. I think we need to get back to doing some of them, [like] sharing homes. But we put in a basement apartment, we rented out the main floor, we lived on the top two floors. And we sold that home and bought the house that we're in now.

And now I'm looking at my kids and thinking, "Wow, we should've kept that as a rental property because, in a couple of years, my daughter's going to need a house, and she could very easily move into that house, and it's divided up already into a few different units."

Q&A

And I think we look at our house that we have now, and we've done exactly what you've been talking about. We walked through our house, and we're, like, "OK, Louis could have the main floor. Alex could have the second floor. We'll go live in a little apartment down the street." Or we've talked to the kids about "Would you guys ever want to live here with us?" And, of course, they freak out a little bit.

But the idea of thinking about a home and how you live in a space in a different way, I think that's something that is about to explode, in part because of affordability concerns and because people who were so lucky, like I was, to get into the housing market 20 years ago. And other people are worried about their kids and worried about how we do ensure we're welcoming people into this city.

BRAD: With respect to real estate mistakes, I have made so many. I can't remember them all, but they're all based on the same thing that Barry talked about. Either when I sold something — because someone offered me a stupid amount of money and, in hindsight, it wasn't enough — and I wish I'd bought more [or] I wish I never sold anything.



ODEEN: With respect to the mistakes in the past decade, we flipped a lot of houses. I flipped over, I think, 20 houses. And if I had kept even five of them, I would have been much better off. So that's a testament to the importance of holding when you can.

MICHAEL: Well, you know, for the young people in the room, there's a great rule. It's called the seven-year rule. If you buy and hold a home or a condominium any time in the last 45 years, you've made money on it, no matter when you bought it. If you held it for seven years, you've won in the real estate market. My father is here today, the founder of Harvey Kalles Real Estate, and he's been in the business for close to 70 years. So most kids on the weekend would, you know, go play sports. From the age of six, my dad and I would drive around, and he'd point out every building and site that he could have bought.

BENJAMIN: Well ... mistakes, I didn't make any.

REVISED PREDICTIONS

Now, given what is happening with COVID-19 in Toronto and around the world, what is your advice for those considering whether to wade into the market in these unprecedented conditions?



ROTMAN MBA STUDENT RINOR SHKODRA: For the past few generations, home ownership has not only been a component of the Canadian dream, it's also been a good financial decision because of the equity that you can build up. What would you recommend for millennials in today's market? Is home ownership still a goal or should they consider putting their capital in other investments?

MICHELE ROMANOW: I think the answer to the question "is this dream dead?" is that we're going to have to be way more creative with what the dream looks like. And we're starting to see some of that now. We're starting to see [people] designing houses differently, so parents are living with adult children for longer. We're starting to see groups of friends buy a house together or siblings move back in together, or co-living situations. There is going to have to be a lot of creativity to solve this if we don't solve some of these fundamental infrastructure and supply-side equations.

I do not think that limiting demand and limiting the growth of the economy is ever going to be the answer, but if we can't solve those things for you, as an individual, how creative can you be? I mean, can we create laneway houses? There are so many different things to think about than the conventional "can I buy, a condo or a starter home?"

MICHELE: I would definitely wait and see. We have no playbook for coronavirus and have never seen anything like this before. It's producing massive swings in the market, and with all the uncertainty I would wait to see what happens.

ODEEN: Buyers are exercising increased caution due to the virus, the uncertain state of the world economy and increased desire for social distancing, but with inventory still low, we will see a continued seller's market throughout the spring. With lowered interest rates, time might be on your side. You may be able to score a great deal from a motivated seller and at an incredibly low interest rate.

BARRY: Toronto will certainly appear even more attractive to the rest of the world. Once this passes, there will be a lot of pent up demand as we experienced three or four months of staggering growth in sales and prices before COVID-19 picked up steam. During this hopefully short period of time, there are some who are seeing this as an opportunity to buy, as rates are the lowest we have ever seen, but some buyers are understandably taking a wait and see approach. From a seller's perspective, the market was dramatically undersupplied, and one could argue that now it's even more so. There are some sellers who believe it could be an opportunity to sell, and buy when the market becomes better supplied. There is also a group sitting on the sidelines. It's too early

to tell what the impact will be as we are only going on three or four days of heightened precautions, but my sense on the market as a whole during this time, is that the combination of these incredibly low rates and current demand seems to be overcoming the majority of people's concerns.

MICHAEL: I remain confident in the city of Toronto from a real estate standpoint. Even though our sales team is working from home, there continue to be multiple offers done with electronic signatures. We added nine listings yesterday, so the real estate market marches on in Toronto. So yes, I am very positive on the real estate market mid-to long-term. I join the rest of the Real Estate roundtable panel in wishing everyone good health.



WILLIAM: We will see low volumes and really constant prices. Would I recommend buying? At the right price. I bought the house I currently live in right after 9/11: I am happy I did.

BRAD: The market will slow down over the next three months. Prices will likely not move up or down. Once we are through this, prices will continue to climb upwards. Buy if you need a house. Rates are low and the prices will continue to rise in the medium- and long-term.

JENNIFER: It is impossible to know what is going to happen to the market. There are too many variables at play day to day, let alone making a prediction for more than a month or two out. The only thing we know for sure is that we are going to see bumps and changes that we cannot begin to predict, and trying to do so is futile. This is a moment of unprecedented uncertainty that has been compared to wartime. We must be optimistic about the future. What other choice do we have? But the magnitude of disruption we are facing is not yet fully understood or felt. For this reason, unless you have an enormous financial buffer and an appetite for significant risk, this is a moment for wait and see.

BENJAMIN: The market will be frozen for a while — no buyers and no sellers. That will protect prices from falling. I expect a weak recovery in the third quarter and back to semi-normal in the fourth. I don't see a return to normal until there is a vaccine maybe a year from now. But when we get the all-clear, I see a significant rebound. At this point, low rates will not help as reduced confidence takes over.