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REAL ESTATE

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ABOUT THE REAL ESTATE MARKET

– with Maxim Baginskiy

Traditionally, on the eve of the Christmas holidays, we interview a well-known realtor in Toronto who specializes in investment deals in real estate – Maxim Baginskiy.

Maxim, in preparation for this interview I looked over the materials from our last year's interview at the end of 2016. I would like to note that everything you predicted was almost 100% accurate. How do you evaluate the past year?

When you say "almost," you most likely mean I was a supporter of the fact that the 15% tax for foreigners will not be administered in Ontario. Truly, at the end of 2016 based on the negative experience in Vancouver this was out of the question. Nonetheless, after a rapid price increase in February-March 2017, the government

decided to urgently introduce emergency measures to cool the market. The 15% Non-Residence Tax was added "to the heap" of measures. By itself, this tax was not able to cool the market; however, in combination with the other 15 clauses, it gave noticeable results. For those who listened to my advice at the end of 2016, 2017 brought very good profit. I would like to remind you that all of my recommendations at the end of 2016 led to the fact that in 2017, we would see a colossal growth of prices of condo apartments. Investors had to immediately refinance their real estate in the freehold segment – which was at the peak of its price – for the purpose of freeing funds for investing in the condo segment. Those who did this at the beginning of this year saved their real estate in the freehold segment and today, it is 100% financed. This is very difficult to accomplish and is the height of "aerobatics" in investment deals. There is no better opportunity for this than a falling market. The freed funds were given as a deposit for apartments which brought more than 100% profit this

year. Thus, for those who did everything correctly, the year was very successful.

Maxim, how do you view the real estate market in the upcoming year? Do you expect any serious changes?

In the segment of condo apartments, the prices will continue to rise, but I do not think it will be the same increase as this year. After such a rapid growth, there is a period of stabilization so it is likely that we will return to 7-8% of annual growth. For apartments under construction, a stable market is good and will allow a profit of 50% or more annually from the deposit. In the segment of detached and town houses, I do not expect global changes. I think we entered a stagnation period. An exception may be expensive houses, where it is possible that prices will decrease. Overall, I think the prices for houses will roughly remain at the same level. Nonetheless, the market of inexpensive detached and town houses in distanced regions is favourable as a long-term investment. However, the profit in this segment will be significantly less than in the segment of condo apartments. Furthermore, is it highly probable that customers will start to return to the market of houses and there will be more sales. However, 2018 will be the market of customers and as such, sellers will have to give sufficient discounts. We should also divert our attention to the market of rented real estate. I am positive that rent prices will grow at a rapid pace in the next few years and a result, in the segment of inexpensive houses and condo apartments we will see a positive cash flow from rent.

Where would you recommend investing money in the upcoming year to achieve maximal profit?



Without a doubt, I think that the most prospective market is that of condo apartments and it is specifically in this area that investors will make maximal profit. However, this segment will also undergo several changes. In previous years, maximal profit was brought by projects located in the best regions in downtown Toronto. However, in the next few years it is worthwhile to consider regions on the outskirts of downtown and nearby towns. I think that these projects will not bring less profit than apartments in downtown. Considering the increased immigration rate, the rapidly growing prices for apartments in the heart of downtown, and the toughening of the rules for obtaining credit, the demand for the outskirt regions will significantly increase. Here, it is important to consider regions that have easy access to transport systems that will allow fast travel to downtown. Wonderful opportunities are becoming available in Kitchener, Waterloo. In this region, there is a full-blown construction of a high speed train that will connect this region with central downtown. Upon completion of construction, it will take only half an hour to get to downtown. The completion of construction is scheduled for 2022; by this time, the price for apartments will skyrocket so purchasing real estate at the excavation stage is a good idea. We held meetings with developers in this region and at the very beginning of next year, we will introduce several super-projects to the market. Of huge interest to investors are micro-regions in downtown Toronto, located in close proximity to the future East Harbour – the construction of which will begin next year. In the spring, we will have exclusive rights for primary sales in this region in the project “Corktown Condos,” which many of our clients are impatiently awaiting. I will not reveal all secrets in this article. We observe the development of Toronto very carefully and currently, I can name at least ten projects where the prices will grow at least twice as fast as the market.



Truly, 2017 brought many changes such as closer connections to developers of large condo complexes, new deals with financing companies, the construction of projects where we are partners, and better relations with municipalities where we make deals about farming land regarding their future transformation into construction projects. I would like to highlight the creation of a personal management company which provides the full spectrum of services about management of apartments given for rent. We have a large client base that purchase investment apartments with the goal of giving it up for rent. Generally, our clients are busy people and the creation of a company which only for \$100 monthly takes on all management concerns is a huge plus for them.

At the end of our discussion, I would like to wish everyone a happy holiday, health in the upcoming year, and of course, successful investments! I would like to remind you that if you wish to receive the latest information about new projects, links to television shows and articles with my participation, you can simply register on the site

CONDODEAL.CA under any

project. After registration, add the **email INFO@CONDODEAL.CA** to your contacts so that the mail does not go to the spam folder. Thank you and Happy New Year!

Maxim, I know that the company “Invest Connect Management” that you lead is constantly developing. Tell me about the innovations that were introduced this past year.

The interview was led by Olga Makeeva

