CONDO PRICES CONTINUE TO INCREASE – PHENOMENON OR REGULARITY?

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In the past six months, the real estate market experienced drastic changes. The continuous growth of market prices for detached homes and townhouses – the so-called freehold – have slowed down. In many overpriced areas we witnessed a price correction of 15-20%. In previous articles, I have already discussed reasons that led to such a sufficient correction. For those who did not have a chance to read those articles in the Russian press, I will remind that you can read my previous publications as well as watch television shows with my participation on the Russian version of my site: **WWW.REMLIS.CA**

This whole situation was very predictable and not surprising to professionals. Regardless, many of those who experienced rage and engaged in speculative transactions with real estate – the so-called "flips" – did not listen to professional advice and incurred significant losses. Currently, the market of detached homes and townhouses has ceased its drop and customers are becoming more active – signs of a healing market. This process will not be instantaneous and will take up some time; however, it is evident that the peak of the crisis is in the past and we are entering the restoration phase. Nonetheless, in my opinion, we will not see double digits in the price growth graph of this segment over the next few years.

What is happening with condominiums? This segment of the market not only showed a correction after a year of a large price hike when the prices for apartments rose on average by 25% in a year, but also continued to become more expensive. Over the traditionally quiet summer months, the price of apartments grew by an additional 5%. Everyone was impatiently waiting for the emergence of the first September projects as they set the trend for the next six months. In the beginning of September, a number of significant projects entered the market simultaneously: ***The Charles et Church, Zen King West and 33 Yorkville***. Obtaining an apartment in one of these projects was possible only by working with the so-called "platinum" brokers. The demand was several times greater than the amount of units available and the sales were happening at lightning speed. In my opinion, the leader is Zen King West which is currently for sale for more or less diplomatic prices. The majority of projects in central downtown experienced prices of $1000 per square foot all the way in spring. Projects one or two kilometres from the "golden rectangle" – marked by Yonge St from the east, University Ave from the west, Front St from the south and Bloor St from the north – are sold for prices starting at $800 per square foot.

Is this expensive? Well, that depends what it's compared to. With respect to the prices we saw five years ago, it is very expensive; however, when compared to cities analogous to Toronto in terms of development where large construction companies are represented, it is very cheap. Toronto is swiftly developing; if you look at a photo of downtown ten years ago, you will barely recognize today's city on it. Judging by the amount of offices, malls and residential complexes already approved in the time being, the changes over the next ten years will be even more drastic.

The cheap Canadian dollar has attracted the glances of many companies to Toronto that do not yet have their business here. The result is the massive construction of office complexes. Donald Trump, although can be viewed differently in terms of politics, cannot be denied the fact that he is a professional investor judging by his involvement in business and investments. Two years ago, at one of his speeches he pointed out that in his opinion, prices for apartments in the centre of Toronto are undervalued and hold great perspectives for investors.

I completely agree with this statement. It is sufficient to note the following factors: first of all, the city is actively developing but the volume of construction is not changing; and second, the transportation system is developing very slowly, we are already stuck in tedious traffic jams which are bound to get worse in the future. Consequently, regions that allow easy access to public transport are growing in demand. Houses in these regions are often unattainable so the alternative is apartments. A third factor to consider is that the government welcomes the construction of high rise buildings as this greatly conserves the budget as compared to the expenses that would be involved in the construction of houses. Further, the budget will grow from the taxes. Fourthly, with the introduction of new rules of obtaining a mortgage, purchasing a house has become almost impossible. Thus, the alternative is once again apartments. Finally, in the last ten years, apartments have increased in price twice as less as detached homes and townhouses. The apartment segment is not in the so-called bubble, unlike houses. Although, if considering the next forty or fifty years, the growth of prices of both segments will be practically identical. These are only some of the reasons of why specifically the segment of high rise buildings will be in high demand in the next tens of years, among both customers and investors.

The GTA has an interesting ratio of those who live in houses and those who live in apartments. This ratio is almost three times greater that of other megacities like Toronto. However, the current events point to this figure drastically changing in favour of apartments within the next ten years. I have been dealing with investment real estate deals for many years and I have no doubt that the segment of condo apartments will bring investors great profit in the near future. Register on our site WWW.CONDODEAL.CA and you will be emailed the latest news in new projects in Toronto, long before this information becomes available to other brokers. Further, twice a month, we conduct seminars for those interested in investing in real estate. For further information, as well as to register for our free seminars, visit WWW.INVESTCONNECT.CA

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