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The growth of condo prices remains robust, and I see no reason to believe that the situation will change in the near future. Here are only a few factors showing that the prices will continue to increase.



# WILL CONDOS PRICES CONTINUE RISING?

## 1. THE CONSTRUCTION OF APARTMENT BUILDINGS IS INCREASING GLOBALLY

**a)** The construction has become more expensive even on its own, and what with those new tariffs on metal. Once the double tax on metal products had been implemented, rebar prices rose by almost 40%. According to some analysts, this is at least 10,000 for a small apartment. After all, a condo is entirely built of rebar. Everyone was waiting for the new NAFTA agreement to be signed. Now it is called USMCA, and

the tariffs will be waived. As a result, under the new contract, which the Canadian authorities finally agreed on, the newly introduced tax on metal remains unchanged.

**b)** Now, recall what made the condo market rise dramatically in 2004, after three years of crisis, when the prices stood still. The market veered sharply after the city had significantly raised development taxes that, consequently, led to an increase in the cost of construction. So now the same thing happens, and this is the second factor that makes construction more expensive. The city once again increases the charges, bringing developers to a grinding halt. The fact is, in addition to the expected price increase, the city imposed an additional paragraph: if it decides to build additional infrastructure around the facility under construction, a developer is obliged to pay for it in addition to what has already been paid earlier.

Developers have already calculated that they will have to invest about 20,000 dollars in the cost of each apartment under construction so that they do not lose the expected profit. Otherwise, the project may simply become unprofitable at one stage, as we have already seen in the two projects cancelled in Vaughan - Icona and Cosmos.

This story has gained a wide public resonance. In fact, we should blame the city authorities who hacked down both projects by exorbitant taxes. Initially, it couldn't but



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TORONTO'S POPULATION



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affect the price of the apartment for the final buyer.

c) For the last 5 years, the price of the land suitable for building multi-apartment complexes has more than doubled, which again affects the final price of the apartment.

### 2. TORONTO IS CHANGING RAPIDLY AND IS ALREADY ONE OF THE MOST DEVELOPED MEGALOPOLISES IN THE WORLD.

Over the past year, several large companies including GOOGLE and Amazon have announced the opening of their offices in Toronto. Everything so far points to that Amazon will open its representative office here too. And these are only major economic companies. According to statistics, more than 50 small but prestigious companies have entered the Toronto market over the past two years. And all this includes tens of thousands of high-paying jobs. Analysts have already called Toronto a Global centre of innovation and technology. Last year Toronto immediately jumped from 14th to 3rd place in the world to invest in the economy. In the past two years, there has been tremendous demand for office property.

In the east of downtown, the construction of a new office centre begins. Its first phase will consist of five high-rise office buildings, and, in the future, it is planned to create the same thing that we see around Front St., between Yonge and University. This will be the second office centre in Toronto. Only

in 2017, the city added 28,900 high-tech jobs, which is more than in San Francisco, Seattle and Washington combined. Meanwhile, these cities have always been leading in the field of high technologies. That is to say, we are successfully challenging the American Silicon Valley.

Separately, it is worth mentioning Canadian universities that are expanding spectacularly across the country. Here are the statistics of just one of the universities - Ryerson University. Over the next five years, the number of students is expected to increase by 7,000 people and reach 50,000 students.

Currently, Toronto is the fourth largest city in North America, after Mexico City, New York and Los Angeles.

With that in mind, even with the seemingly high prices for apartments, they are two and sometimes three times cheaper compared with some world cities.

In 2018, a large number of new projects went on sale, and these are echoes of the end of the crisis in the condominium segment, which finished in 2014. Having sold all the inventory, developers rushed to buy land and start new projects. Once the land had been purchased, it takes about 4 years to get permission for construction and the project's approval. These are the projects that went on sale this year. And due to the fact that a lot of projects went on sale, the prices climbed up in the range of 10-15% per year. If there were not that many, we would see the annual increase in the range

of 25% or more. The fact that the market can balance independently is very important for a healthy marketplace in an uptrend. In my opinion, the situation will remain unchanged in the near future.

Since we specialize in investment transactions with condominiums at the early stages, I cannot stop myself from giving an advice to investors. After all, what to buy and where to buy remains a decisive factor in a successful investment.

**At the end of the year, I would highlight the two most interesting projects.**

**Lakeshore Residence** - a south tower near the future Google buildings as well as East Harbor and **Prime Condos**, which will be built right by the entrance to Ryerson University. Both projects are in one of most appreciating areas of downtown and are expected to go on sale in the nearest time. We will, as always, have access to the very first sales with significant discounts and reduced deposits, and I have no doubt that investors who will get apartments in these projects, can count on excellent profit.

**Get more information about these and other projects at NewGtaCondos.com, or by calling me at 416-832-8343. Those who are just making the first investment steps are also welcomed in our office in Richmond Hill for a consultation or our monthly seminars.**