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# INVESTMENT PROJECTS OF 2016

The New Year started with great events: the opening of two interesting investment projects.

The sales for the first project, "District Condos," took place on January 23rd. All 250 units were sold in less than four hours. Those who invested into this project will surely receive large dividends in the near future. The project sold with large discount and today, the units worth significantly greater

In this article, I will discuss the second project. In my opinion, it is a very interesting project to consider for those seeking secure investing in real estate. The project is called

"330 Richmond Condos" and will be located in the heart of downtown at 330 Richmond St, West. This is between Spadina Ave and University Ave. The location could not have been better! It is in the so-called "Entertainment District," close to the centre of major offices, five minutes walk from the subway station, five minutes from Grange Park, and 15 minutes from the University of Toronto. These factors make this project profitable in the case of rent and reselling the contract prior to the completion of the project. Other projects that were built in this area sold out in days and upon completion, increased 30% in value. Furthermore, the project is distinguishable by its elegance and comfort. It will include everything; much like a five star hotel. For example, it will have a bar, barbeques, cabanas, concierge, a fitness centre, game room, lounge, movie theatre, party room, pool, terrace, men and women's sauna, and a spa. This project is aimed to be completed in

the middle of 2018 and will harmoniously blend in with the architecture of the area. In the world of real estate, there is a scale called the "Walk Score" that rates every project in terms of how comfortable it will be living there without using transportation. It takes into account all possible infrastructures surrounding the project. The majority of projects in downtown Toronto have a Walk score of 92-96. In the past several years, I have encountered only four projects with the maximal score of 100. However, it is this very score that is assigned to the project "330 Richmond Condos."

I will now discuss the investing advantages of this area. In the past years, this area has dramatically changed; it has obtained several large-scale office buildings, the first floors of which have retail stores.

Furthermore, there is an ongoing, active restoration process of historical sites.

Two office-retail projects will be completed within the next year.

The rent prices for units in this area are one of the highest in the GTA and are currently



## ROI Example 583 Sqft - Furnished

<u>2.25% Variable 4yr mortgage</u>		<u>2.65% Fixed 4yr mortgage</u>	
Price	\$ 366,900	Price	\$ 366,900
20% Deposit	\$ 73,380	20% Deposit	\$ 73,380
Mortgage	\$ 293,520	Mortgage	\$ 293,520
<u>Monthly Expenses</u>		<u>Monthly Expenses</u>	
Principal & Interest	\$ 1,122	Principal & Interest	\$ 1,181
Maintenance (.54 x 583 sqft)	\$ 315	Maintenance (.54 x 583 sqft)	\$ 315
Taxes approx. 1%	\$ 306	Taxes approx. 1%	\$ 306
Total Expenses	\$ 1,743	Total Expenses	\$ 1,802
<u>Cash Flow</u>		<u>Cash Flow</u>	
Income (\$3.75 x 583 sqft)	\$ 2,186	Income (\$3.75 x 583 sqft)	\$ 2,186
Expenses	-\$ 1,743	Expenses	-\$ 1,802
	\$ 443		\$ 384
Cash Flow \$443 x 12	\$ 5,316	Cash Flow \$384 x 12	\$ 4,608
Principal \$28,682 / 4	\$ 7,171	Principal \$27,097 / 4	\$ 6,774
	\$ 12,487		\$ 11,382
<u>Return on Investment</u>		<u>Return on Investment</u>	
\$12,487 / \$73,380 (cash flow / purchasers investment)		\$11,382 / \$73,380 (cash flow / purchasers investment)	
<b>17.0% Return on Investment</b>		<b>15.5% Return on Investment</b>	

Based on 4yr fixed and variable rates over a 30 yr amortization period

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at more than \$1400 for a small studio. Furthermore, there are limited options in regards to the units available for rent. In the past year, the area has grown 8% in value with an average of 6% growth in all of downtown core. The figure below demonstrates the profit one can expect from unit rental if not taking into account the real estate appreciation.

As we can see, the profit from rent is more than 15% annually, without considering appreciation.. If adding the 6% average increase in the price of real estate per year, then the unit mentioned earlier will bring \$24 000 per year for the first four years which raises the total profit to 40% of the invested money annually. The 6% increase is usually taken into account as the average real estate rise in price over the last 40 years; however, for this project, we can expect an even larger growth.

Finally, considering the sales conditions that I was able to attain from the developers, this project becomes of top interest for investors seeking to resell the contract before the completion of construction. In previous publications, I have already discussed the importance of a small deposit to obtain maximal profit. However, I will briefly mention that the percent under which your money will flow during construction directly depends on the deposit and the time at which it was provided. Since the total price of the unit increases and as a deposit you only invest a part of that money, the smaller the deposit and the longer the time period for which

it is provided, the higher the percentage return will be. A small deposit enables investors to potentially attain 100% of yearly profit. This project is unique in the sense that the developer agreed to small deposits. **The deposit makes up 15% in total (5% is provided 30 days after signing the contract and the remaining 10% is given in a series of four payments of 2.5% within two years period).** This is a rare condition; usually developers request 20% or more from the total price in the first year after signing the contract. In addition, my clients will have several privileges in this project: free contract assignment and the option to assign the

contract up to the closing date. Usually, the contract can be assign only prior to the occupancy date and cannot be assign in the six month period between occupancy and closing dates. Having this option is very important as the unit will be in your possession in these six months period and as such, you will be able to show unit for the potential buyer. Finally, my clients will have a \$6000 cashback from the builder upon closing for the Studio units, \$7 500 for one bedroom units, and 10 000 for two bedroom units.

For the majority of brokers, this will be one day sales event: **February 27th**. Only several brokers have an "insider access" to this project that will grant special sale conditions, mentioned above. **In addition to this all of my clients will have the opportunity to choose a unit and sign the contract 10 days prior sales event day.** We do it at 17th, 18th, 19th and 20th of February which gives you the opportunity to buy the best units before they become available to the majority of agents.

