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We have adopted an end-of-the-year tradition of taking an interview from one of the leading brokers in Toronto who specializes in the investment and real estate market – Maxim Baginsky.

- Maxim, what stands out to you from the ending year; what notable events took place?

- The real estate market did not bring any surprises – everything that I mentioned last December came true. Despite the predictions of pseudo-experts of a real estate market crash, we have seen an actively growing trend that showed itself in double-digits in the graph of price increases in the real estate market. The leaders, as was predicted, were two fundamental segments of real estate – distant areas of the GTA and condo-apartments, having recovered from the 2011-2013 crisis. In fact, the condo market has been developing with such force, that it has overcome even the bravest of expert predictions.

I should also mention that throughout the entire year, the government of Ontario and Canada as a whole have taken a series of steps directed to cooling the real estate market. These decisions have applied their

THE REAL ESTATE MARKET

with Maxim Baginsky

consequences to the development of the market. It has become more difficult to qualify for receiving a mortgage which has forced many customers to search for less expensive options in the real estate market.

In Vancouver, a 15% tax has been introduced on real estate for non-Canadian residents. Many expected a similar tax to arrive to Ontario; however, this did not happen. Judging by the fact that non-Canadian residents own no more than 10% of the real estate in Ontario and considering the opinion of the Ontario government regarding this tax, it is reasonable to conclude that it is highly unlikely that such a tax will be in Ontario. In any case, this issue will not be addressed in the near future.

Several changes have occurred in the tax legislation, making life harder for those who engage in speculation, buying and reselling real estate while listing it as their primary residence. Now such deals will be subject to income tax.

All of the aforementioned factors have been named the "Series of half-measures" amongst experts since besides the re-distribution of demand that lead to an unusually high demand of condo-apartments, these changes did not bring the desired result.

Lastly, I must give attention to the unexpected victory of Donald Trump in the USA. I will not go into details as this topic deserves a separate discussion, but I will mention that in my opinion, this will positively impact the demand of Canadian real estate for foreign capital.

- Last year, when answering a question regarding your opinion on the develop-

ment of the condo-apartment market, you said: "In the next few years, investors can count on a very high profit from short-term investments in reselling contracts and in the investment cycle as a whole." What can you comment now?

- Everything remains the same and the past year has only confirmed this fact. In my opinion, the condo-apartment segment is currently the most prospective investment tool.

Judge for yourself:

1 In the past years, the freehold market has been rapidly becoming more expensive which led to the creation of a bubble in this segment of the market. On the contrary, the condo segment has recovered from the 2011-2013 crisis and demonstrated a moderate rise in price.

2 In the crisis years, developers were not thinking of new projects, having





not completely sold out existing ones. A project of a multi-unit condo takes about 7-8 years (3 years of construction and 4 years of a preparatory period from the moment of buying land to the beginning of sales). Accordingly, the limited amount of new projects in the crisis years will lead to a shortage of apartments in 2020-2021.

3 As I have mentioned above, the amendments that made it more difficult to acquire a mortgage have forced clients to search for cheaper options.

4 The city, receiving significantly more development charges in the budget from developers of multi-unit apartments than from traditional freehold and meanwhile spending much less on roads and communications, supports urbanization.

5 Projects dealing with developing new territories and large-scale road construction are very problematic to conduct with a limited budget – one that

the Ontario government has become acquainted with.

Compared with other developed countries, Canada has an abnormal amount of the population living in personal homes. I think that in the next ten years, this statistic will drastically change. Taking into account everything aforementioned, it is not difficult to suppose that by investing in the condo-apartment market, you are playing a high card.

- What would you recommend to professional investors, and to beginners?

- For beginners, the most important point is to not be afraid to take the first steps in the investment field. It makes me very happy to observe that lately, more and more young investors are attending my seminars. If you properly begin investing when you are 25-30, then by the age of 40-45, you will not have to depend on your job's salary and can freely allow yourself to do what you wish. For those who did not start on time, I would like to

remind the following saying: "Better late than never."

For professionals, do not engage in banal speculation. The growing trend is not everlasting and you have to employ a strategy that will bring you profit regardless of the state of the market. The euphoria that can be seen in many "investors" who think that it is enough to buy real estate today as tomorrow it will be more expensive anyways is very dangerous and can lead to colossal financial losses. Investing is a science that requires accurate calculations – not much different than physics. Those who try to make profit without sufficient knowledge in this field will be "punished" accordingly.

To conclude, I would like to wish to all of the readers a happy holiday, happiness, health and the coming true of wishes in the fast-approaching New Year!

The interview was led by Olga Makeeva