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INVESTMENTS IN THE APARTMENTS OF TORONTO

Investments in the Pre-Construction condo market of Toronto are currently at a record-breaking summit that has never been reached throughout the history of its existence. New projects entering the market are being rapidly sold out. Seemingly, developers effectively take advantage of the situation and raise prices from project to project. Investors, having foreseen the situation that awaits us in 2018-2019 in which we will witness a very low amount of project completions, are even buying out apartments that are usually in meagre demand even after completion of construction. I will not expand on the reasons behind this circumstance as you can find this information in the archives of my articles on **www.remlis.ca** or on the website of the magazine *Property and Finance Guide* where I regularly update the section regarding Condo Apartments in Toronto. I will just mention that this is a repercussion of the condo-apartment crisis in 2012-2013 when a low demand caused developers difficulties in establishing a sufficient amount of new projects.

In the first part of this year we saw builders gain the tendency to increase the deposit when signing the contract. Last year, it was not uncommon for the deposit to be 10% of the price of the apartment at VIP sales; however, this year, we can only dream of such incentives. The 20% deposit became a norm and in some cases, builders request 25%. Very rarely is it possible to buy with a 15% deposit. Furthermore, in the past, developers tried to save a certain amount of units in order to sell them for a higher price after project completion. Now they try to quickly sell all units in the project. This is due to the banks toughening conditions for financing builders; it is much easier to finance completely sold-out projects where apartments were sold with 20% deposits. The government is evidently unsatisfied with the rapid increase in the price of real estate. The key interest rate – which is an effective governing tool – will not likely be increased in the near future as it is intertwined with the profit and the economy of the country as a whole. Subsequently, one of the effective leverages for the real estate market is the toughening of the conditions under which builders receive financing. Developers pass this on to investors which will cause the profit of investment deals to drop; this should in theory prevent prices from rising. In reality, we have the opposite effect; investors raise prices when reselling contracts in an attempt to maintain previous levels of profit while burdening extra costs on the end buyers. As a result, prices increase even faster.

The municipal governments are interested in urbanization in the GTA; high-rise buildings are much more profitable for the government. Less money is spent on developing roads, communications, and new territories while the budget receives very good profit from development charges (developers must contribute a certain amount to the city's budget for every apartment built). It is now more difficult to get financing if you are self-employed and stricter qualifications for requesting a credit have been instilled last year. This has oriented many potential buyers towards condo-apartments rather than houses and there is no doubt that this trend will continue. The difference between prices for detached homes and condo-apartments has reached an absolute maximum. According to analysts, in the near future, the market of condo-apartments will win back its position. In his recent speech, Donald Trump declared that he considers the condo market of Toronto underrated and sees great potential for prosperity.

The prices for apartments in downtown Toronto have increased by an average 6-7% over a year, according to statistics. In reality, some areas have increased by 10% or more. The most significant rise in prices, as predicted, occurred in the Southeast part of downtown. In the near future, this area will be beyond recognition; it is experiencing active construction of office buildings, restoration of historical sites, and development of new roads. In the past year, this area has acquired ambitious condo projects (Axiom, East 55, and Sixty Colborne) which were sold out instantly. Currently, there are two projects in this area that are in the VIP stage: East United and 158 Front. Developers were planning an official opening of these projects in September-October; however, the project is selling so rapidly that by the time the official opening occurs, there will be a very low amount of units remaining unsold. The Southwest part of downtown (from Spadina Ave to Liberty Village east to west and south of Adelaide St West) is also sufficiently increasing in price. Exactly a year ago, we were selling the project Garrison Point in this area and in the spring, there were sales for the project Minto West Side for which the prices for apartments are history. On average, the price of the area increased by 10%. On August 11, we will start VIP sales for the project One Eleven and in the fall, another phase of the Garrison Point project is expected. Furthermore, sales have not yet begun for a very interesting project called Rosedale on Bloor which is located in an area exposed to price raises along Bloor St, east of Yonge St. This project was scheduled to open in March of this year but was delayed. It is expected to go on sale in the very near future.

You can obtain information regarding these and other projects in the VIP stage on my site WWW.REMLIS.CA
Also, under "I AM IN THE MEDIA" you can become familiar with my other publications. For your convenience, the site functions in both English and Russian.