

Streets of Toronto – October 11, 2023

## Toronto's condo king on why now is the best time to invest in real estate

Julia Mastroianni || October 11, 2023



With the condo market in flux in Toronto, reports have shown that some investors and buyers have been selling their units as interest rates put more pressure on their wallets. Condo developer and real estate broker Brad Lamb shares a realistic look at where the market is headed, his thoughts on why investors might be slowing down and why it's still a great time to buy in Toronto.

### **Recent reports say condos have been flooding the market in Toronto. What are you seeing?**

You have to look at the context — an increase of 200 or 300 sales in a month in Toronto isn't a flood. The other part to take into account is that the summer is a period where people just don't really want to sell their properties and they tend to put them on the market in the fall. But we had a weaker spring than normal, so we had an overhang of hundreds of extra properties that didn't sell in a timely fashion. If they were still on the

market in September, and then people who wanted to move in September put their units up for sale, there might have been a bit of a blip, but that's it.

## **How does this time compare to other market highs and lows in the past?**

There's a shortage of real estate — that's the narrative, right? But I think this is the single best time I've seen since COVID, and in the end, maybe even better than COVID. You can buy office buildings right now for 50 cents on the dollar. And I guarantee you in five years, they'll look like geniuses buying those buildings. And you could buy condos in buildings that you could never get a chance to buy before, and they're 12 per cent cheaper than they were. All you have to do is eat a higher interest rate for a bit. But if you if you have a good job, and you take the short term mortgage, it might be a six and a half per cent mortgage, and you ride it out for a year, it's a fantastic time to buy a house or a condo. And this won't last, it's going to disappear very quickly. And people will regret that they didn't act more boldly.

## **So these condo sellers — are they investors, homeowners or both?**

There are definitely people who are homeowners who are going to sell because they have a floating rate and they're panicking. They should hold on — it's going to be four or five more months of pain, but some of them are just going to sell because it's uncomfortable. And our office has definitely had a few new properties put up for sale by investors saying, "Look, I'm tired of this, we have a negative cash flow, we're going to sell it."

## **Are portfolio investors still buying?**

There is very little in the way of a new condominium market right now. Construction starts are down, and new construction sales are down. And people who are looking to invest in real estate — I'm one of those people, I'm also not actively buying a lot right now. I think investors are sitting on the sidelines when it comes to condos. But I also don't think developers are launching a lot of new sites. Which is definitely bad for our real estate economy; there will be higher pricing later, because things that would normally transact over the last year and a half, they haven't. All of that future inventory five years from now or four years from now, when people would be selling it, that stuff won't be there.

## **What does that mean for developers?**

When you sell a building, you have one shot, one shot for excitement and mayhem where people are buying them and sort of bundle it up and move on to the next one. And I don't think that you want to do that today. I think a lot of developers are selling their buildings to 40 or 50 per cent, but they need maybe 60 or 70 per cent, so they're offering incentives to get over the hump.

For me, normally I pay about four per cent for my construction loans. Now we're talking over eight per cent. So I don't think developers right now are going to enter this market with that rate. They're going to wait. So we're not going to build anything, so the rates fall. All that's going to do is reduce the amount of housing and increase the pricing pressure on housing.

## **Will the GST waiver help?**

I think it's a great gesture, but it's not enough to change the narrative in downtown Toronto. It costs me \$1,200 a square foot to deliver a building in the city. With the waiver, it'll cost me \$1,020. We need a price of \$800. It would help to get really low interest rate loans at the Canadian Mortgage and Housing Corporation, and the City of Toronto has to waive all building permit fees and development charges. This is just a great first step.