TORONTO'S CONDO MARKET

MAXIM BAGINSKIY

BROKER OF RECORD/INVESTMENT ADVISOR

EMAIL: contact@newgtacondos.com

PHONE: (416) 832-8343, FAX: (416) 981-7710

WWW.NEWGTACONDOS.COM

Right At Home Realty Investments Group Brokerage
Head Office: 895 Don Mills Rd., 206B-2, Toronto, ON M3C 1W3. Phone: 647-288-9422.

Presentation centre: 10376 Yonge St., Unit 306, Richmond Hill, ON L4C3B8. Phone: 416-832-8343

Contrary to the predictions of some analytics, Toronto's condo market remained stable. There are no reasons for the situation to change in the near future. The demand for new condos exceeds supply, and projects continue to sell fairly quickly and escalate in price.

Unfortunately, in the second half of 2018, construction costs increased significantly, and developers simply had no choice but to raise prices gradually. In addition, the price of land for construction of condominiums is growing very rapidly. Rumours about developers having huge profits on the construction are myths. In fact, the profitability of condominium-projects is about 20%, and with the rise in the price of construction, developers are simply unable to keep prices at the same level.

A positive factor last year was that a large number of new projects: this is what helped the market to avoid an extreme jump in prices. Over the past year, the average increase in prices in the apartment segment was about 10%, which is slightly above that of the healthy market; however, it is within reasonable limits.

We can say with confidence that the condo market has painlessly passed a dangerous point, and, little by little, we are returning to a stable, healthy market, with an up to 6% price increase per year. In my opinion, we should see something similar at the end of this year. This is exactly what investors need. Despite the fact that in the short term it can be very profitable, a market with quickly-rising prices can be very dangerous. It is very difficult to guess when the bubble will burst since this moment depends on many external factors.

In April 2017, such a factor reflected measures introduced by the government aiming to cool down the market. Therefore, those involved in trivial speculation lost enormous amounts of money, all at once. During the crisis, the condominium market was completely healthy, with the home segment's price increase at about 6-8%, and no measures were able to overturn it.

Then there was a dangerous moment, as buyers sharply switched from detached houses to condominiums, and by the end of 2017, the condo market showed about an 18% price increase.

Luckily, in 2018 a large number of new projects were released, helping to avoid the precipitous take-off of the condo market. The result was very satisfying: the market landed gently on its 6% annual growth.

For those investing in apartments at the initial stage of construction, 6% of annual growth means that the deposited money earns an interest rate of about 50% annually. The thing is, when it comes to investments of this kind, we deal with the projects based in areas with strong and rapidly developing infrastructure. Accordingly, these areas will increase in price too (about 4% per year), and this can be added to the regular increase in the market's price. In total, the project's price is going up by 10%.

For example, let's take an apartment worth $500,000. Typically, the total deposit for the purchase of such an apartment will come to $75,000. The deposit must be made in several payments during the first two years of construction. Since not all the money is immediately deposited, you invest about $60,000. By the time the construction is complete (base on a 3-year-project), the price of the property together with the interest comes to $500,000 + 10% + 10% + 10% = $665,000. The gross profit (before taxes and costs) will be $165,000. Hence, in 3 years, the return on deposit will be 275%. The invested deposit of $60,000 works at approximately 90% per year.

After deducting all expenses, such as taxes, payments to a Real Estate agent, etc., the net profit of the deposit will be about 50% annually. Therefore, if you have $100,000, you can easily make a passive income of $50,000 per year. Do investors do this? The answer is NO. Small investors often use their own money, and professionals never do it.

Let's look into how to make money without spending a single penny of your own money. If you have an opportunity to get a loan (here, I will not describe how to do it - I will only note that there are many such options), then this is a completely different matter. Suppose you borrowed $100,000 from a bank and invested it according to the system described above. On average, credit lines have an interest rate of about 5%. Then a loan of $100,000 will cost you $5,000 a year. Accordingly, for 3 years, you will need to pay $15,000. Let's set aside $15,000 from the borrowed $100,000 so that the interest does not have to be paid out of your own pocket. Then we invest the remaining $75,000 according to our scheme. At the end of the investment cycle, we return the borrowed money to the bank. And if we needed to invest $75,000 of our own money in the first case, now you invested 0. The pretax profit remained the same - $165,000, while the profit after tax increased because $15,000 paid on the loan is deductible, and all other expenses remained the same.

This is just one example of how investors make money out of thin air. Over the past years of working with countless investment transactions, we have managed to assemble a professional team that includes experienced Real Estate Agents, Lawyers and Financiers. At our office in Richmond Hill, you can always get a full consultation on all issues related to Real Estate Investments, and we will help you find the investment program for your financial opportunities. In addition, we hold monthly seminars for investors. Get information about our projects at

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You can also watch our TV shows in the Blog section, listen to radio interviews and read the archive of articles from the past 5 years. Over the years, we have made hundreds of families financially independent through receiving passive income, and we are truly proud of it.