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SALES REPRESENTATIVE

**BOSLEY**  
REAL ESTATE

Panel Discussion  
**ROTMAN**  
**SCHOOL OF**  
**BUSINESS**  
TRANSCRIPT

Toronto Life

# INVESTING IN TORONTO REAL ESTATE

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## Panelists

**Mark McLean**      **Manager & Broker Bosley Real Estate Ltd., Brokerage and President of Toronto Real Estate Board**

**Jennifer Keesmaat**      **Chief Planner, City of Toronto**

**Graeme Stewart**      **Principal Architect & Urban Planner, ERA Architects**

**Sam Mizrahi**      **President, Mizrahi Developments**

## Moderator

**Maryam Sanati**      **Editor Toronto Life Real Estate special issue**



*Good evening, and welcome to everyone and thank you for joining us. My name is Brian Torry, General Manager with Bosley Real Estate. I am extremely happy to be here tonight as a partner with Toronto Life. Bosley Real Estate is a family owned and managed brokerage who have been helping people buy and sell real estate since 1928. And as locals, we love all things Toronto and it's a wonderful event for us with Toronto Life.*

*For a company like ours, investing in real estate is a bit of a no brainer; perhaps I'm a little biased, I admit. We are big believers that every single person should go out and buy their own piece of whatever, and when you have bought your own whatever, you should go out and buy a second, third and so on.*

*Here's why; amazingly not everyone has heard this yet but they are not making any more land. This is it and what we have, is it. So if you think that this planet of ours, planet earth, is a lot of real estate and you think about real estate every day, you probably think that there is enough space for everyone. If you dug a bit deeper and took away the deserts, the oceans and high mountains, entire continents that are covered by ice, what you find is that space gets a little bit smaller.*

*When you start looking at the demographics and the global population, there is already 7.3 billion people on the planet and in the next 25 years there will probably be closer to 10 billion people. You may start asking yourself - where are they all going to live? I don't have that answer. I do know one thing, whoever owns the land that they are living on, will be doing extremely well for themselves. That's why I invested in real estate. Not just for my own family home, but for other investment properties such as residential and rental investment properties. That's why I think that everyone should invest in real estate.*

*The whole concept of supply and demand, we know with utmost certainty that there will be more demand on the land that we have. With that same certainty we know that there is no more land. So if you don't have that piece of land yet, and you are still thinking about it, my suggestion to you is that you go out and get it now because you don't want to compete with 3 billion more people when you go to make that offer one day.*

*I know the panel themselves have their own opinions on real estate and that is what you are here for. So I will pass this over to our moderator, Maryam Sanati. She is the Editorial Director of Special Projects at St. Josephs Media and chief lead as the Editor for Special Issues with Toronto Life including the Real Estate issue, which I think many of you have picked up tonight.*

**Maryam:** Thank you Brian and thank you to Bosley for their support.

Welcome to Toronto Life's panel on Investing in Real Estate. You are in for a real treat because the people on the stage are the top in their field and they have some very enlightening, provocative, and inspiring things to say. What's really important is that they all live here too. It's their city and they are very much invested in its future.

We are going to be exploring a wide definition of investing. There is buying and selling, where they are doing it and why, but also looking at how we are investing in the city, its neighborhoods and its prosperity.

My job tonight is to ask a lot of questions. So before I ask our esteemed panel, I wanted to ask you guys some questions to get to know you, so don't be shy. By a show of hands, how many people in the room are owners? How many are renters? How many live an hour or more away from their place of work? How many think the price of real estate in Toronto is way too high? How many remaining people think that the price is high but pretty good given the value? How many think that prices will be higher a year from now? What about in 10 years? We will see what the experts think about that. So despite the health of the market, how many think that sooner or later we are headed for some sort of day of reckoning and the market will correct and collapse?

Finally, I will ask you about Toronto and its infrastructure. How many of you think that as a city, Toronto is doing a great job of supporting our property growth?

I want to introduce our panel of experts. Mark McLean, a Broker Manager of Bosley Real Estate, President of TREB, Toronto Real Estate Board. Mark is a veteran of Toronto real estate. When he was 16 years old, his grandfather left for Florida and put him in charge of a small rental property in the Annex. As I understand it you collected and deposited the rent and shoveled the snow and salted the walks. A year later at age 17 you sold your first property. For 20 years after that, he went on to sell homes and condos in the downtown core. He is now Manager and Broker at Bosley and President of TREB, which is the largest association of realtors in the world with nearly 44,000 members. He is also a Director for the Ontario Real Estate Association.

Mark travels all over North America and talks to many real estate experts in his capacity with TREB. These interactions have enabled him to spot important emerging trends in the real estate market which he will be telling us about tonight.

Jennifer Keesmaat as Chief Planner for the City of Toronto, Jennifer is committed to creating places where people flourish. Over the past decade Jennifer has been repeatedly recognized from the Canadian Institute of Planners and OPPI for her innovative work in Canadian municipalities. Most recently Jennifer was named as one of the most influential people in Toronto Life, and one of the most powerful people from a lesser magazine, called MacLeans. Her planning practices are characterized by an emphasis on collaboration across sectors and broad engagement with municipal staff, councils, developers, business leaders, NGOs and residents' associations. Her priorities include implementing a divisional strategic plan, leading an official planning process, refining public consultation to provide more access to city building conversations and much more than that.

Jennifer is the founder of Project Walk which premiered its first short film in 2011 as an official selection at TIFF. She has done two TED Talks; one in 2012 called 'Walk to School' and one in 2013 called 'Own Your City'. So Google those.



Sam Mizrahi is the President of Mizrahi Developments with 20 years' experience in residential and commercial; residential community complex projects that require layers of skill sets, community relations, marketing, heritage appreciation, retail and commercial requirements, property amalgamations, construction design and quality management.

He is a very hands on person and oversees all aspects of development from multi-million dollar projects, and understands leadership. Mizrahi Developments has grown substantially in the last 5 years in Toronto, one of the most competitive marketplaces in North America. Mr. Mizrahi is known for his luxury condo projects, craftsmanship and attention to customer service. One of his priorities is executing projects that have a very strong pedestrian engagement in the life of a city.

Graeme Stewart is a registered Architect and Principal at ERA Architects, one of the best architectural firms in the city. Graeme's international research and design work was instrumental in founding the Tower Renewal Project, an initiative of modern heritage examining the future of Toronto's remarkable stock of mid-century tower neighborhoods. He has done that with the City of Toronto, the Province, United Way and U of T and other partners. He is a regular lecturer and the co-editor of a book called "Concrete Toronto" a guidebook to concrete architecture from the 50's to the 70's. Graeme is also the founding Director of the Center for Urban Growth and Renewal, an interdisciplinary urban research organization focused on further research related to Toronto's urban future. In 2014 he won the James Jacob prize for his ongoing research and design work related to the towers.

Each of our panelists will have a maximum of 4 minutes to answer a question about the future of the real estate market according to their expertise on the topic, then we will have a dialogue and answer questions.

**Maryam:** Mark, what will happen with the big three; prices, inventory and interest rates?

**Mark:** Up, down and steady. Looking at the crowd when you asked the questions, a lot of people think the prices are too high and they think they are going up. Yes they are going up, but I believe there is plenty of runway left in the Toronto real estate market. The Toronto Real Estate Board was part of a very extensive study on what is going on within the greater Golden Horseshoe area. It's actually amazing; the details that came out of this are fascinating. This is a region that is going to grow exponentially over the next 30 years or so. If you think Toronto is busy now, give it 30 years where 9 million people or so are living here with 12 million in the Greater Horseshoe, it's going to get really busy. I think the city planners and local government, municipalities really have their work cut out for them.

Why is the real estate going up? People hang their hats on low interest rates and immigration are parts of it, but not the whole story. The reality is that we live in a city that is land locked in a lot of ways. We've got the lake on one side and then the green belt on the other side or the Policy Mountains as they are known as. If you can't grow out, you tend to grow up, and that's why we are seeing a lot of towers and so on. The other thing is that we live in a city that has all the heads of the major banks up here, we've got all the accounting firms, the legal firms. We've got fantastic universities, hospitals, and public sector. So all these people who are living in the confines of the city, for the most part, are making a good wage and the people that are coming out of university are being head hunted by these firms. So we are a city that keeps attracting the very best talent in Canada and I think that those are fundamentals and some of those fundamentals don't exist in Vancouver, they are here. So I believe, for the long run, we are going to just continue to grow and as Brian said, they are not making any more dirt. So that is a really big factor.

So here we are in this metropolis, and years ago when the cities amalgamated all the regions and we became this mega city. I hate that term, but when you have the brain power that is here and the opportunities that exist... Let's face reality, we are going to become an alpha city that is going to be pervasive throughout the world. Not long from now 70% or 90% of the population will be living in cities. So if you think that real estate is going to go down, you will be disappointed.

People ask when's the crash, when's the crash? I don't think any one thing is going to affect real estate values going down. Interest rates ... people are still going to come here. Maybe a couple of banks leaving ... something along those lines. The calamity, we will have it. People come to cities because of energy and obviously jobs, they want to go out to restaurants. They want to live in neighbourhoods. In Toronto we are very lucky we live in this city of neighbourhoods. There are 140 different languages spoken here. No matter where you come from at any corner of the world, there is a community you can live in. So there is a lot of energy involved in that.

**Maryam:** We will get to unpack some of your great points in a minute. I am going to turn it over to Jennifer to talk about the future of city planning and what does that look like?

**Jennifer:** Let me begin by saying that it's really important to understand where we have come from because all the good things that you just extrapolated on, didn't happen by accident, it was planned. We actually have a very strong tradition of planning in the city. Much of what you see today in terms of the exponential growth that we see in the city, is an outcome of that planning. An outcome of 40 years of planning policy.

So we have just gone through a big transition whereby a tremendous amount of growth on the regional scale historically was in fact happening on the periphery of the city. It was happening out in Mississauga ... in Vaughan. Mississauga is now fully built out. There are no green fields left in Mississauga as all those green fields have been built.

We now have a very strong policy framework that is about harder working infrastructure and creating denser urban environments that can be walkable and can support its uses and can be transit oriented. All that didn't happen by accident. That is an intentional choice that came about as a result of planning policy. So most people are surprised by the condo boom in downtown because we made a plan in this city and it worked. And in fact our biggest challenge right now in some areas is managing that growth because our planning policy is all about creating extensive, dense urban neighbourhoods which has in fact been so successful over the course of the past 40 years. We are at a tipping point now where we are asking some questions about how much can our structure handle.

The other critical part that has led to this boom that we have seen in our city, which I agree is not on the cusp of disappearing partly because we have so many of the critical success factors, is in fact our investment in transit; not a generation ago, but 2 generations ago. So 68% of trips into the downtown core during rush hour are made on transit. You simply cannot get that many people into the core of the city in a car. There is not enough room for all the cars. And in fact in many mid-sized cities, one of the challenges that we see where there isn't strong transit, is that the urban landscape is really structured parking and surface parking because there is more parking than there is human activity.

One of the wonderful, insightful visionary views that was made 2 generations ago in this city is an investment in a very sophisticated transit system that includes the integration of subways with street cars and buses as

one seamless system. So if you have seen the maps that show the comparison of our transit system compared to London or New York or Paris we all weep in our pillow and say “we have such shitty transit, our city went so wrong”. But in fact that is a little unfair because in Toronto, in fact most people in Toronto, the vast majority of people live within a 5 minute walk of transit. But it just so happens that we have a multi mogul system that includes street cars and buses as well as subways. So there were critical infrastructure investments that were made in the past that in fact have led to the success that we see today and are a critical part of the continued growth and reinvestment that we see today. So that is the first point.

The second point is that we have in fact gone through a shift in the past 3-4 years whereby the growth in downtown Toronto is now outpacing the growth that is happening in the region. That is happening for a variety of reasons. Changing consumer preferences – millennials, those between the ages of 18-35 are choosing something very different from how they were raised. They are choosing to live in smaller environments that are walkable and provide access to work within a short bike or short transit ride of home; access to cultural events within walking distance. It’s very interesting because millennials are in fact the first generation who grew up with the long commute. They were the first generation who had to commute to get to everywhere because they grew up in suburbia. Interestingly, and wholeheartedly what we are seeing in our city is that those millennials are moving into the core. They are trading off a big home for a smaller condo and for great urban life and great amenities in the urban context, so shifting consumer preferences.

The other end of the spectrum is that we have boomers who are retiring and are doing the same thing. Trading off the long commute, trading off being in a suburban context to wanting to be in much more urban space.

So our whole city is only 617 square kilometers. The downtown is just 17 of that 617 square kilometers so we are a sprawling city with a really tight compact core. And interestingly, and this is a very important part of the trend line that we see, is that the downtown is growing 4 times faster than the rest of the city. It’s also a key driver of jobs and also a key driver of our economic development as a city. That provides us with a critical clue as to what the future holds and if you are not attracting those 18-35 year olds in your city, your city will disappear. You need that demographic, it is your future, and it is your future work horse. You need that demographic.

So as millennials have moved back into the core of downtown something interesting has happened is that we see employers who 20 years ago spread out across a region now coming back and consolidating in the downtown core, paying higher rent in order to be close to the future market work force that wants to work in the downtown. So there is a linking up that we see with employment growth, with residential growth in the downtown core that is a very important, a very strong indicator for the health of the city and the diversity that creates. I’m sure I am out of my 4 minutes but I would like to talk about a little later is the future part which is the planning work we are doing today in the downtown core because apparently you are not aware of that.

**Maryam:** I have some questions just for you on that. Over to Sam to talk about the future of the condo market. Now you are building one of the biggest towers in the city, so tell us about that and the future of the condo market as you see it develop.

**Sam:** I echo all what Jennifer said in terms of what is creating that boom in Toronto in terms of not only lifestyle and living but that actual condo market which I will start with.

I think what we have seen in the last 7 to 10 years is an incredible rise in the number of condominiums and cranes

that we are seeing all over Toronto especially in the downtown core. That's for 2 reasons that is driving that. One, is that I think 10 years ago the green belt that came around, the Oakridge's moraine and so forth. The urban sprawl that was happening before sort of came back and started to intensify the city building and intensify a lot of the redevelopment in the city core.

The second is, as Jennifer pointed out, the lifestyle change and what the new demographic that purchasing homes are really looking for. That, along with the immigration into Canada and Toronto specifically, a quarter of a million people and a 100,000 into the downtown core, we are seeing a mosaic of different nationalities and everyone brings their own attributes. What we are seeing is cutting through all the necessities and all the attributes and focusing on what the downtown core has.

I think we are living in the best city in North America. Anytime I travel anywhere and come back, I would say that we are living in the best city in the world and I wouldn't trade it for any city. And I think where we go in the 10, 20 or 30 years is that the momentum is just going to increase and we are really going to be one of the top cities in the world if we are not there; we are on the way there now.

In terms of Yonge and Bloor, what we are building at Yonge and Bloor, it's going to be one of the tallest towers in Canada, or the tallest tower in Canada when we get it built. It's a very important building, I would say, not only for the city but I would say for the country. Yonge and Bloor as one of the most important corners, in Toronto, if not Canada. It is the nexus of the city in terms of its retail, subway hub transit being on Yonge Street and Bloor Street line, being a main artery on the north south transit there. There are over 475,000 transit commuters that go there every 24 hours. It has one of the highest demographics in terms of pedestrian count - over 9 million people walk on Yonge Street and Bloor Street every year. It's really a place for tourism where tourists come into the city and it is our Bloor Street, our high street retail. We are evolving and it is time for that transformation for us to create this new retail format that is going to go in that we see internationally global retailers coveting and wanting to have in Toronto.

It's really creating an iconic intersection, iconic building that's going to serve not only the community needs but the needs that the city, from an international tourism standpoint, from a destination, from a pedestrian experience and from a residential living experience to create a Path connection from the building that is going to be directly linked to the Yonge Bloor Street lines that we are doing. Providing underground parking there and creating a lifestyle that is really one of a kind in terms of features and amenities, public access and pedestrian. Having access to connectors into the various different Path systems. Holt Renfrew, into the Hudson Bay Center and future pathways that will come in.

More importantly, it is really putting Toronto, Canada on the map similar to what other cities have like the Rockefeller Center and the Empire State building. If you really want to look at Toronto buildings and what we have done on an international level, we have the CN Tower and we've got Niagara Falls and maybe a few other elements. We haven't really created anything in a really long time that is iconic, a legacy, a wow factor that's really going to put Toronto on the map and create a destination where tourists, pedestrians, communities and cities could really use as a congregation and something we are proud of.

I think that One Bloor West and specifically that whole zone of Yonge and Bloor, is the place to do it. I am grateful to have a finger in it and be able to have built a rapport with the Stollery family who has owned it for over 114 years. We are the second owner in 114 years on that property which is unbelievable when you think about it and



to be given, what I call the responsibility to create something legendary there. We are quite excited about it in collaboration with the city for the last 18 months and collaborate with the community groups and all stakeholders to really design something that is going to be an icon and I think we are there and I couldn't feel more blessed to be part of it.

**Maryam:** the moral responsibility is a nice segue into how are we dealing from an urban design point of view with our older towers. What is the future of our older buildings in the city? Over to Graeme.

**Graeme:** in terms of the future of the city and the future of architecture it will take more than 4 minutes but hopefully we can capture it throughout the discussion. The question that is poised is something really interesting about Toronto. Toronto is a city that is emerging. We are suddenly becoming all the same. Everything you have heard is this vast array of how we are doing this.

Toronto has grown about a million people per decade since the Second World War and that has continued along in every sense. What that means is that we have gone from what was a bit of an easy city or simpler city to a more complex city. We are at the tipping point of going from kind of a "business as usual" to what Jennifer has implied as to what is this incredibly complex mandate that is only getting more difficult.

When you look at the list of the best cities to live in, often Toronto is there but you also get Vancouver, Stockholm, Copenhagen, Amsterdam and these are cities that are 1.8 and 2.2 million people. We are now emerging as a region of 6 to 8 plus million and we have to start thinking about other dynamic, complex cities like London, Manhattan. These places that have some really difficult challenges.

If we look at the future in terms of where we need to go, there are 4 things that come to mind; GHG and climate change, affordability, urban families and public health. Public health is the notion of really how do you actually create complete, conformative communities that are easy to access and food and workability not just in the core, but everywhere.

Toronto is remarkable in that we did do a lot of pre-planning and one of things that makes us unique as compared to any other city in North America is that we are the city of towers. The recent condo boom has made that very present and loud, and before that there was a bit of nostalgia or a kind of image of the James Jacob, the Annex and low rise neighbourhoods - that was how we viewed ourselves. But even before that in the 60's and 70's, we went through this enormous period of major tower development outside of the core. All the kind of concrete slabs that you see all over the place from the airport to Ajax and to Hamilton to Sheppard and Steeles or Bathurst and Steeles, we have got over 2,000 of these older towers. So if you take the mix of the 1,000 newer towers, we really are North America's emerging vertical capital.

So some of the work that we have been doing, is what do you do with the older stuff? What do you do with 40 year old buildings, or 50 year old buildings? And this is a potent question also for how we are building today. What are we doing with a brand new tower? What happens after the first generation of owners settle and move on and then the special assessments start coming in, how do you actually make that building a viable concern. I think we are going solve this. I think a lot of the new buildings coming on line after the new OBC, Ontario Building Code changes which requires more robust buildings in terms of their energy performance. But we have also built a number of buildings recently in the past that don't perform very well and weren't planned for the long term. So I think there are a lot of smart planners and architects that in terms of building new, regulations are getting stiffer

and we are going to be building a great generation of new buildings. The interest is that most of the city is already built, so how do we think about retrofit.

In countries like Germany and Sweden where, our government is about to ratify the Paris agreements, suddenly this will be a top concern of how do we meet our targets and that's all about retrofitting existing older buildings. How do you finance that and what does that do to the prices of real estate? In Sweden for instance, when you sell your home you have to show your energy audit. If you don't meet compliance you get a discount on the sell price. If you meet compliance then you can go ahead. These emerging things are going to happen and it is a matter of when and how we do it.

The other side is that in Germany when they had their dip in the real estate construction market they sort of took that whole industry and made it into a retrofit market. So for capital it was made available through commercial markets and through public venues and they were able to give favourable 30 year rates to do low energy retrofits and that mobilized an entire country's work force in terms of designing and building windows, designing and building cladding systems and getting all of those workers who were building new buildings, to build retrofits. When that slow down does happen, what do we do about it? How do we apply new emerging values that are coming through policy in terms of how we deal with our existing places? So there is a lot of excitement about how we build new, but also how do we deal with the existing city?

The other piece to these older towers is that a lot of them don't have the great stuff like existing suburban communities. So all the intensity or the "Manhattanization" of downtown, how do we bring that vibrancy elsewhere, especially in neighbourhoods where people have affordability issues and they don't have cars? So a lot of it is about liberalization. How do we allow for more stuff? How do we break zoning rules that are very restrictive that don't allow you to build small businesses and build these things out. How do we make a more liberal and open city? We are making great steps towards that. There is a lot more I could say.

**Maryam:** Everyone on the panel talked about the rapid pace of change in the city and if that was by design and part of the fact that Toronto, and as we are placed in the international lime light, there has been a lot of interest not only to move to Toronto but for buyers to invest in the real estate market here. There is this common belief that those investors are putting a lot of money in the real estate market and therefore prices are going up to unrealistic levels. Would you agree to that for those who are closer to the market? What does that look like for the international investor and is that in fact happening?

**Mark:** It is really difficult to answer because we aren't tracking, or at least the Real Estate Board does not track foreign buyers. I think that foreign buyers are not the boogie man in all this. People from all across the world come to Toronto because of what we have, the languages that we speak, and we are safe and livability and all those things really are a factor. So I wouldn't say that the international buyer is the one driving up the price.

What's driving up the price is the fact that we have this infrastructure that is coming; people are attracted, like minds are coming together. If you are in university and you are from Regina or wherever you are from and you've been here for 4 or 5 years and loving the city and loving the vibe and you are choosing to stay. So those are foreign buyers but they are not really. They are people who are here because they love it. They're not investors; and yes there are some investors here because the investment climate is good. We have a very stable bank system and we've got political security and we have a government who wants to hold inflation in check and keep things moving along.

**Jennifer:** I think we would have reason to be concerned if we had empty houses and empty units in the city; that would be a very good reason for concern, but we don't. The units that we are building are being occupied and so there is a defacto rental market that has emerged as a result of investment properties and it is important to state the difference between investment properties and foreign money.

We don't actually know how much foreign money there is. We do know that there are investment properties that are being purchased and are being put right into the rental pool which is actually a good thing. That in fact has been compensating for underbuilding of purposeful rental and has been providing a wonderful rental supply in the city.

In addition, we have a whole series of developments. This week, I met with a developer who has decided to take his development condo project and turn it into a high end purposeful rental tower in downtown so that is starting to happen where we are getting those purposeful rental building.

So the only risk with foreign money is if that money is being used as a way to park money or a safe haven that could begin to introduce some risk but the units are occupied and people are living in them. Whether they are university students or young professionals, whoever they may be, people are paying rent and occupying those units and as a result the risk is in fact a benefit to the city to have that foreign capital.

**Sam:** Any market that you look at that is fed by foreign investors, it is not a sustainable market. So what ends up happening is the best indicator of the future is the past. If you look at the real estate history of Toronto for the last decade or more, it has sustained so many different storms. In 2008 and 2009 the Cuban crisis and everyone thought the world was coming to an end and real estate crashed everywhere in the world. Toronto went down for 6 months then it was like someone poured gasoline on a fire in terms of how the market came back out and rebounded 6 months afterwards.

If you look at everything that has happened for the last decade or more, nothing indicates that. If you have a foreign investment market that is driving the market, that market is not sustainable. It dries up very quickly. You see it in cities like Las Vegas, Arizona and many other US cities and many other European cities and you'll see a crash. It is inevitable because you are propping up that market artificially and Toronto proves the point that it is not propped up by a foreign international ...for cash. We are actually users of what we are building. We are not propping up our real estate artificially through mortgages, sales or foreign investment or foreign deposits or these others things as we have seen happened in many other sectors or cities and case in point in that is the sustainability of what we have.

In our own buildings, I don't think we have more than one foreign buyer in any of our buildings. Right now at One Bloor we have 450 units approximately, and 2,000 people are on the waiting list. We pre-registered with postal codes within a 25 kilometer radius for 450 units. To me that speaks volumes about the need and the demand of Toronto, and housing, and the market. As Jennifer said, these units are not empty. If you go into these buildings and look at them you don't have these vacant homes or buildings that you see in Dubai or many other markets that I have seen like Vancouver or other places.

So I think what we are doing is something very unique and special that we are actually the end user and the fact that in the last 15-20 years there has been no rental units built. You can count on two hands the number of new rental units built. What the condominium developers and the condominium market has done is actually

served that need of serving the rental market and rental pool where in the last 15 years there has been no rental buildings built because of a variety of reasons and the new buildings are really an evolution and replacing the rental buildings and they create the market where the renters can come in and have an incredible life style with all the amenities of a residential condo building versus a lot of the older buildings that we have seen. So I think you are going to see that continued rise over the next decade. I think you are going to see more condos coming in and it is extremely healthy. It speaks to the economic viability of Toronto, to the financial strength of Toronto and to ourselves as residents of Toronto of how well the city is doing.

**Mark:** A comment about the condo role, I see a couple of different trends emerging that I find interesting. In the downtown core, so from the highway down to the lake on either side of Yonge Street in that core section, about 40% of every condo is being sold at or above the asking price. If you look outside of that, Leslieville, Beaches that sort of area and go west of that, pretty much over the last couple of weeks almost 90% are selling at or above asking price.

I think the shift is that the land is cheaper and they are building larger condos units, 2 and 3 bedroom. People who are having trouble getting into the housing market are moving into the condo environments and are looking for bigger spaces so they tend to go out to the east or west. Not so much in the west core as they are much smaller units. So there is a real shift in the way people are living in the city as well. I think that is going to continue to drive the condo market.

**Maryam:** You touched on a very timely topic which is how increasingly young families are seeking out condo spaces and given there is a short supply of detached houses, and detached houses are going up by 18.5% every year and semis are under 10% and condos are about 7%, so young people are wanting to go and start their families in condos.

I live in an old condo building of 2,000 square feet and that is a bit of a rarity in the city. Can you speak to why there aren't that many condo developments that may have 3 bedrooms but are probably not what we think of the size a 3 bedroom should be?

**Jennifer:** One of the things is price point. We began over the course of the past several years of requiring family size units in our new condo developments. One of the challenges that we have is that the developer can build it but that doesn't mean that a family will end up living in there. So in post occupancy surveys one of the things we are discovering is a lot of those units that are built and designed with the intention of bringing families into buildings are in fact being occupied by 6 university students, or 5 young professionals who are living together and have bought this 3 bedroom condo together and a couple is sharing a room for themselves and that is an issue of price point which is a real catch 22.

There is a real significant opportunity with respect to our mid-rise condo buildings. Our mid-rise buildings, so buildings between 6 and 11 stories that we are building out on our avenues tend to be at a lower price point and we tend to get larger units that are more conducive to families. So getting more 3 bedrooms in our mid-rise buildings is a priority.

In 2013 we undertook a condo survey. We went out and did consultation with people living in condos, what's working, what's not working, what are the quality of life issues they may have and we in fact discovered, we collected consensus data, we in fact discovered that we have a baby boom going on in our condos. If you ever go

down to City Place you will see strollers everywhere.

The challenge is, we also discovered that when those kids get to be 5 or 6 years old, those families are finding they are being pushed out of those units and pushed out of the neighbourhood and even pushed out of the core because they simply can't afford the larger units that they need. And this is where, from a policy perspective, that there are some wonderful opportunities for the city. Policies are a really critical piece for this.

You may have heard in the news over the past couple of months that the Province has announced that they will be including inclusionary zoning and I will unpack a little of what that is but it is really critical because in any high growth city that is really desirable, you're always going to have certain segments of the market that are pulled out of the housing pool, who simply cannot afford market based housing and we are in that interesting situation right now because we are at that tipping point where there are certain professionals who can't even get into the housing market. Trying to get a house and raising a family on a teacher's salary in Toronto has become very tricky. You can't actually buy a house.

So inclusionary zoning has been used in hundreds of municipalities in the states, in Washington DC, in Seattle and New York City and essentially it involves a requirement whereby the developer is required to provide a percentage of units as part of a new project that are below market or targeted for affordability.

So it is a way of leveraging the really high growth that we have in the city in order to ensure that we are providing a diversity of housing types that will respond to a diversity of markets. So inclusionary zoning challenges in the city is we are creatures of the Province which means there are things we can do only as we have been enabled by the Province to do so. We have been banging on the door of Queens Park over the course of the past 5 years, only to be saying allow us to implement inclusionary zoning in the city of Toronto and we could be building thousands of affordable units in the city on an annual basis as part of this building boom and they would be provided as part of those private sector developments.

So the good news is about 6 weeks ago the Province said that they are going to be amending the Planning Act and bringing forward legislation that will in fact give municipalities the enablement in legislation such that we could require inclusionary zoning which we can't do today because the current legislation doesn't allow us to. This is big news that could result in a transformation of the housing in the city.

Just to give you an example, back in 1996 the city built about 6,000 affordable units. In the early 90's there were several Federal and Provincial grants that allowed for affordable housing to be built. Do you know how many we built last year? A couple hundred. So the challenge is we are in a high growth scenario but we aren't keeping pace in terms of the amount of affordable housing that we are building and this is a risk to families and families being able to stay and raise their family in a very urban context which has a whole series of societal benefits including reducing our environmental footprint.

**Audience Comment:** In New York they actually have a separate entrance for the cheap units.

**Jennifer:** They actually just introduced new legislation in New York about 2 months ago, that's a design issue and less about how you are providing the affordable housing. We have already done this in Toronto. We have condos where the first 2 floors are affordable and the rest of the condo is market condo and we have been able to do it in a very delicate and sensitive way so that most people don't know there is a difference of income levels



in the building. So we are actually way ahead of New York City. We have done it in those instances using our powers of persuasion as opposed to using regulation. If we want to upscale how much we do that, we do need the regulator powers to do it.

**Graeme:** What is interesting about this conversation is that it is about Toronto becoming more complicated. It's about Toronto becoming not the simple story of before how it worked affordability was the function of geography. If you wanted cheaper housing you had to go further out and that worked when we were at a certain size. Now, if you look at housing prices in Milton, they are not cheap. York region, Peel region, where do you buy cheap housing? Everyone spoke about the fact that if we have a policy now it will sort of rebalance all these things.

The other piece is that a not too recent past notion was that condos are for dynamic young people, not families, and families just live in houses because that's where they have always lived. Why is the real estate market increasing 18% per year? It is because it is a remarkably small spot. If you look at all the housing units in the city of Toronto and pluck out single detached homes, it's not very many. It's sort of the jewel of the city, the dream of living and working in the city. As we move forward it will only become a smaller percentage of the overall housing stock and looking at the basics of supply and demand. So already we are at the point where only the elite will be able live and that is already the case and it will continue to be more complicated.

There is that cultural sense that it is where people live and it's easy. I bought my house in North York and it was cheap and it should be for you too. You know that bungalows at Jane and Finch go for a half a million dollars. So the next cultural shift needs to be about families living in multiple housing. So our very Anglo Saxon roots of the idea that "my home is my castle and I have a backyard" is a very difficult piece of cultural baggage to get over.

What is interesting is to look at the profile of who is choosing to live here. Who are the early adopters for living in multiple houses and having families is largely people from countries where it is a norm. In Europe, families are raised in flats. It is an issue and a market opportunity to actually make family based custom units. It's not a 3 bedroom but you see the marketing where the people are having martinis. The joke is always the people buy the condo in their day and there are martinis in the ad and by the time it is built they are married and have their first kid on the way and they have to sell it.

How do you actually build for long term resiliency? How would you build a purposeful condo and that actually has amenities for children? Instead of a party room, what about kid stuff, what about day care? What about all the things that make living in a city so complicated? Where do you drop off the kids before getting on the subway?

The other piece is what other cities have and we don't quite have. Toronto is a very simplistic and binary set of options - its either I own or I rent and about 1% have co-ops and that is essentially what we have. If you look at a city like London, there is a huge segment of shades of grey of ownership between full out renting and buying. There are housing associations, there is Rent a Home and different ways you can actually build equity while you are renting. I think this is the only way to build affordability and for people to have where they are living.

I think there is a huge opportunity for innovative ownership and tenure options. It's a huge opportunity for developers and social enterprise and straight up developers. It's also a cultural shift of looking at what is your vision of your life style. We know that the young professionals now can't afford to buy housing and what if you're not a professional and are just an ordinary Joe?

The other piece is, if you look at other European cities that started larger properties that have been sub-divided into very practical flats. If you look at traditional neighbourhoods in Toronto that are very trendy, you will find rentals in large houses where you have rentals of 3 flats. But it is very difficult to actually convert those into ownership. You have to go through the process of creating a Condominium Corporation which is viewed as incredibly onerous. How do we take some of our houses that are potentially being used as rentals and turn them into ownership opportunities and sort of rescaling what it means to be a family downtown?

**Mark:** The costs associated with converting into multi-family units, permits and development charges are astronomical in a lot of ways and I think what that is creating is almost a grey market where people are doing it illegally and then creating homes that are not safe. And that poses a problem.

**Jennifer:** The first point with respect to families, we have some condos that we developed in the downtown and I would actually argue, Graeme, that we are actually past that point and it may be your psychological barrier.

What we are hearing from young families living in condos rather than the burbs, they already know they want to stay and what they need are the amenities in their condos that make sense. We already have a condo in the downtown area where the developer, through collaboration with the City Planning Department, wanted to build a more family friendly building and has put in a basketball court instead of a swimming pool. Because a basketball court, you can throw your kids down there and they don't have to be supervised and they can go shoot hoops in the evening whereas you have different restrictions with respect to a swimming pool. So that is an example of getting amenities that are more oriented towards a family.

We have another condo in the downtown area where there is daycare that is integrated right into the building and instead of the traditional swanky party room, which they have, they also had something that made me drool when I saw it, which is that they have a play room filled with wonderful toys for kids. So you can imagine you are living in your condo and you can go down to the play room and your kids can play in the play room at a young age. That is a shared amenity that is targeted specifically to families.

So there are things that we can do through the regulatory process that can start pushing the market.

We have a study underway right now called "Growing Up Vertical" and it is an outcome of that condo consultation that we did. There are 3 key areas that we are looking at. We are looking at the way building design can change. It may be a small thing but where do you park your stroller? Do you have to bring your stroller up to your unit? If you get it into your unit there is no spot really for the stroller within your unit.

So we are working with families in the downtown, so that we can bring in design guidelines for condos as they are being built to ensure that they are responding to the needs of young families. Looking at how the units are designed but also looking at how the building is designed so it is rescaled. That things like the amenities for kids, the basketball court, shared stroller parking is another example. The third area we are looking at is the way the neighbourhood is designed. Having neighbourhood schools, having wide sidewalks, having the right type of playgrounds. As one family said "nice swanky parks in the downtown - all I want is a swing. I don't want granite boulders, I just want a swing, just a swing in my neighbourhood would be a really important shift in the amenities".

So that is work that we are doing right now that's called "Growing Up Vertical" and it's focusing on those 3 key areas. The objective being that we need to push and transform the market to be more responsible to what we are

hearing from families who are wanting to stay in the downtown and are feeling frustrated because they simply don't have the amenities to stay.

**Mark:** Any stroller parking at One Bloor?

**Sam:** We do as a matter of fact! Developers are really real estate entrepreneurs. Most entrepreneurs serve a market and they mirror what the market requires. So what we do and I think what most developers will be doing more in the future, is that we actually reverse engineer our developments to serve the customer.

We don't come out and build a building the way a lot of developments have been done in the past. We are actually now reverse engineering to mirror what the market wants and that consumer wants, what that home owner wants and address those needs within the engineering, within the architecture, within the building. And so what we are going to see, and we have seen this already start with a lot of projects that Jennifer has already talked about, where strollers and basketball courts are going in as amenities is that you are going to see that if the market demands these types of units with 3 bedrooms and different types of segments in the building. You are going to get that because at the end of the day, it is the end user that is buying these.

Toronto is a very different market from the markets we have seen around the world and they are really driving this pace of development and construction for these buildings and the success of these buildings. They are speaking to developers and developers are listening and reverse engineering the building to actually address the market. I think that is one of the key successes for all these cranes going up and buildings coming in.

People want to live in a condo and they don't want to live in houses. I can tell you that everyone who buys from us doesn't want to live in a house. They are actually selling their house and are empty nesters and moving into our mid-rise buildings for example in Yorkville. Yonge and Bloor is a different situation again. They want to be in an active city urban environment where they can walk to the theatre, walk to the museums, walk to the universities, walk to the hospitals. They can take transit and go down to the financial core. Everything is the way it is in Europe. We didn't have that.

**Jennifer:** If I could just jump in on that as I think you have given a very generous overview of developers because we have not had a single developer 5 years ago who came to us wanting to build units for families. In fact that has been very much the city policy saying, "You know what? We have a challenge here" and we need to start building for families and go out to do their market testing.

I will give you a perfect example where one of the really big issues in the downtown area is dogs. So people have dogs and they are buying condos and developers are building a condo and the problem is where does the dog urinate? Without having any soft surfaces it may sound frivolous but it is not because we are beginning to require it. What happens is that the dog begins to urinate all over the front step and creating a really big quality of life issue and ruining the limestone and ruining the local parks.

In Clarence Square, which looks like a nice little dog run, has actually 4 feet worth of engineering to absorb the material from dogs because there is such a high volume of dogs in that neighborhood. It would stink to high heaven if it wasn't highly engineered.

So some of these things we learn as they happen and we now know that if we don't plan for these dogs we are

going to compromise the quality of life around this building because it's not going to smell so great.

**Sam:** To your point, there is actually a condition of our zoning. For example in Yorkville, 130 Hazelton which is on the corner of Davenport and Hazelton, in between the two buildings, it was actually mandatory that we put in a dog parkette where basically there was a dog run where they could come in and do their business and wouldn't affect anything. It's actually proved to be an incredible asset to the building because for the home owners coming in to purchase, the fact that we had this, they were actually wowed, this is ingenious thinking. Of course we actually took all the credit for it.

Jennifer: In fact that has had a great impact. Just like our green roof bylaw where the development industry screamed bloody murder. And the green roof has turned out to be an amazing amenity.

**Sam:** Why is that important? It's not only from a carbon footprint but actually when you get on top of these buildings looking down at other buildings, they're actually beautiful. It's beautiful to look at greenery on other buildings. We actually went further and put boxwoods and other things like that to make it look like a French manicured garden on top. You are looking at these roof tops and there is something beautiful about looking at greenery instead of looking at mechanical pipes with steam coming out which is what you would normally see which is not very attractive.

So it actually makes something that I call form and function or function and form where it's actually adding a very beautiful attribute to the building that one would never think about or consider unless you are one on the 15th, 20th storey of another building looking down at another building. Again, I applaud the city for a lot of these that I call ingenuity or visionary type of functional requirements that everyday life requires but not everyone implements it and we actually applaud the use of grass as it improves the building.

**Maryam:** Graeme you started ERA Architects 10 or 12 years ago. In that dozen years since you began, what are your clients asking you for? What are you designing that reflects some of these innovations that gets you really excited about the future of buildings?

Graeme: I think the biggest thing is responding to the intensity of growth as things are getting more and more complicated. People are putting buildings in places where we never thought they would put buildings. The bread and butter of our business is dealing with existing buildings and retrofits. Dealing with how do you take an entire city block that is going to have a condo in the middle of it with a whole bunch of historic buildings and a whole bunch of places for a quality of life reasons we want to enhance and maintain and work with.

So not just the ones that are already built. 5 St. Joseph on Yonge Street is a great example of where we are retaining a huge number of buildings that were complicated and expensive to do that but the end result is that there is amazing character. It's not just a carte blanche to demolish everything and start over. It's got layered pieces of the city that we admire about the cities that we want. Also adding the laneway that has retail on it making it a pedestrian street.

I have full confidence that the downtown is only getting more interesting and with great new policies for dogs or children or otherwise that will be able to leverage the amazing capital that has been put into these things to make the city better.

Another aspect of the work we do, is what you do with the low growth parts of the city where there is no parking. I think one of the tricks is, and there has been a lot of thinking going on with this, is that if the basic function is that places will improve and we can leverage the capital where there is a hot market, the problem is, it's not the whole city. There are parts of the city where a single family home that goes for a lot of money, you're right next door to the poorest neighbourhoods in the country.

So how do we add the value and the amenities and the things we know we need to be the society we want to be in those places? I know there have been a lot of studies that you have done and our quality systems research we are doing as to how you incent development of places where the performance says it doesn't work. So the whole piece of how do you bring capital to these places - is it actually through clever incentives or is it through the structuring of fees or is it through programs? Trying to get affordable housing or rental houses in places where there previously wasn't. So it is looking for market gaps. How do you understand and locate a market gap and tool the policy so that you can bring the people to the table? What is an amazing thing about Toronto and its long history of how we work is that there has to be a balance between public policy and private capital. That's how our city works.

Sometimes people get projects that we admire in other places and we ask "how did they do that?" and it is just "well it's a big state project" and we don't do that here. So it is how we work with the full spectrum of public and private governments to pull this off.

I think that because of the amazing amount of transit investment, there has been "transit posse" for the last 20 years or so built on that infrastructure that Sam was mentioning that is the foundation in the 70's. But there hasn't been a transit posse for a while which means you have the pressure where you do on the subway as that is where people want to live. They want to live where it is convenient.

Across town with some of these other lines out there, suddenly you start to get pressures in hot spots. Like Oakwood and Eglinton will be hot spots. That's where the hipsters are going to go and that's where the best bars are going to be. Suddenly there is all this new geography possibility because of that infrastructure. I think those lower rent zones start to become just tipping to the point where you can then begin to invest and that's how you create affordability because some has built product that someone can buy.

**Maryam:** We have talked a lot about growing up and building up in the downtown core but as the LRT and our transit improvements are going to push us further, what does that mean and what are those emerging neighbourhoods you mentioned - Oakwood and Eglinton? How do you think the city is going to be shaped in the next few years with that pushing out?

**Mark:** One of the things I have seen right now is a big run up in the 905 region because a lot of people are feeling pressed out of Toronto and are jumping over to the 905. There is evidence that \$300,000 condos in Ajax are selling with 7 offers, multiple offers in Markham and that sort of thing. I think we can look to as we get more and more people into the city, the 905 will keep growing at the same rate that we are growing.

**Jennifer:** There is a map in our official plan which is our Urban Structure Plan and this map identifies all the stable residential neighbourhoods which are yellow in map where we don't expect to see a lot of change. Then there are red areas on the maps which are our growth centers. So Young and Eglinton is a growth center, the downtown is a growth center, and although it doesn't look urban yet, the Scarborough Town Centre is a center



that will become urban over the next 50 years and the Six Points interchange being built out right now.

Also on the map in red, are our avenues which are areas that we are planning for gentle intensification meaning those mid-rise buildings. So any where there is an avenue there is typically a higher order transit and those are the areas where we are seeing a significant amount of growth.

I agree with what Graeme said with respect to the LRT and how you are going to see the energy of the city. We are still going to have a tremendous amount of growth in the downtown core as you simply cannot replicate the critical mass of activities that you have in the downtown. Whether it is culture, universities, institutions, the financial center. It has a critical mix that will continue to make it very desirable. There are considerable soft sites in the downtown. The site may not have been built yet and is not in a mature form so that change will continue to take place.

Once you see the LRT open on Eglinton, you are going to see the center of gravity shift because now you are going to have spectacular frames in, running right through the very heart of a city and there are certain focus areas such as the Golden Mile in Scarborough that is currently a big box power center that going to transformed into a mix use, linear neighborhood. If you are interested in emerging neighborhoods, look at where those transit investments are taking place and then looking at sites where there is going to be a significant amount of change in accommodating.

This gets back to the red areas on the maps and you can Google Official Planner Structure and look at those red areas that you will see the most amount of change, 86% of our growth and change happens in those red areas. That is a critical part for the city continuing to function. We don't want to direct our growth to places where people have to own a car because we don't have enough road capacity to add more cars in the city, but we can add more people on transit. So continuing to direct that growth to those red areas on the maps in those corridors is a critical part of continuing to become a more sustainable city even as we become a denser city.

**Graeme:** I love the term gentle intensification. I am going to use that on my next application.

One of the statistics I have found remarkable in the research we have done is that if you look at two cities, the same size Toronto and Chicago. If you go to Chicago, they have much more robust downtown. As much as we pat ourselves on the back, they have (3) times as many more buildings in the downtown core. If you leave the core of Chicago, you very quickly get into urban sprawl as far as the eye can see. Surprising, the Toronto region is almost twice as dense as Chicago region and that is because all the things we are doing right and it's all things we are doing right, outside the core.

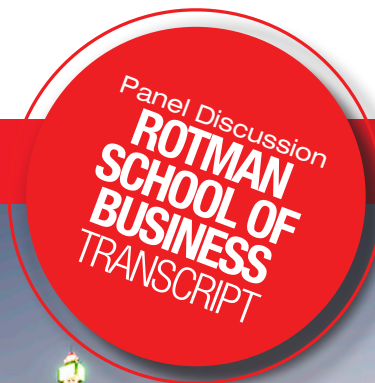
Our core is taking care of itself and will continue to grow with all the policies to work on but regionally, it is a really exciting time. We are one of the few regions in North America that have a comprehensive growth plan, green belt plan, and transit plan. We are set up, we just can't mess it up.

One of the things that is key is following through on transit plans. Pre-planning happens and is something that tends to happen in other places. If you look at the Yonge line, it's one of the pre-planned transit nodes in the world. What they did is take a bunch of Waspy suburbs and they ran a transit line on it then they pre-zoned Yonge and Eglinton, Yonge and Bloor, Yonge and Davisville to emerge as new downtowns. And we think of that as a standard and that all happened through policy and that transformation that happened was remarkable and can

continue to happen as the city continues to grow and expand our transit system.

The other thing goes back to the work that I am interested in is the older centers of density and older tower neighbourhoods and a lot of them are not close to transit. You have 30 buildings at Bathurst and Steeles with huge amounts of density that could support some gentle intensification but if we can connect those to transit. The transit can take this sort of smart grid of the 60's for cars which are using a lot of the same ideas we are using now. If you connect the dots to that existing density and then grow it a little bit more, the capacity for growth is huge. We are in a great position and part of affordability is providing more locations and we just have to do it right.

**Transcription Concluded**



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