

WHERE IS THE NEXT **HOT SPOT** FOR **HOUSING** IN THE GTA?

BEN
MYERS



One question I get asked regularly is: Where is the next hot spot for real estate in the Greater Toronto Area? I'm trying not to think too short term, but COVID-19 has certainly impacted my opinion, especially about prime downtown locations.

If you're an investor looking at the highrise market in downtown Toronto, there is certainly a lot of inventory coming in 2021 via completions, based off the record 35,000 new condominium sales that occurred in 2017. Those buildings launched in 2017 are just now coming to completion and occupancy, and they have a high share of investor purchasers who plan to rent them out.

According to data from rentals.ca, the average rent for condo units in the downtown core has declined by 18 per cent annually – an unprecedented one-year drop. I fundamentally believe that people will return to downtown, and to office towers, and the market will pick up again. But I would recommend being cautious when looking at condo product for more than \$1,300 per sq. ft.

The demand for new ground-oriented housing – meaning single-detached, semis and townhomes – in the outer-suburban markets has taken off again. The average price for unsold new single-family housing increased by about 45 per cent annually in 2017, demand and pricing declined significantly following the introduction of the Fair Housing Plan in April of that year, which was intended to deflate the

housing bubble. After a couple of years of price flatness and tepid sales absorption, those markets are strong again, as prospective buyers in need of more space due to the work-from-home phenomenon are scooping up the homes. These purchasers are less concerned about commuting times. However, some of those markets lack the type of amenities and proximity to activities that many young families crave. And while some of these sleepy and quaint communities may look appealing during COVID when a lot of things are closed, demand might drop off like it did in 2018 when the world gets back to some sense of normalcy.

There might not be a big correction, but be cautious.

Promising areas appear to be in the "soft middle" on the outskirts of the amalgamated city of Toronto, or in the more walkable areas of the inner-suburban municipalities. Markets in south Mississauga are primed to take off, with greater appreciation in places such as Port Credit and Mineola. Take a look at the recently-launched Brightwater community and upcoming Lakeview Village development – huge master-planned waterfront communities. In addition, the land around the Mimico GO station is going to be transformed, and there is clearly an opportunity to get in on the first phase at an attractive valuation; developers need to start these big projects with an immediate sales success and price the first phase accordingly.

Some food for thought: Chestnut Hill Homes launched a new highrise condo in 2007 near the Pickering GO station at less than \$250 per sq. ft. The company's latest project, its sixth building in the area, launched last year for more than \$700 per sq. ft. That's

an annual increase of more than 15 per cent.

My top choice right now is Scarborough, as it is about the only place in Toronto where you can buy a unit for less than \$850 per sq. ft. There is an amazing new community in the planning stages near the Scarborough GO station by Republic Developments, comprising more than 6,500 units. Another area slipping under the radar is Highland Creek, with projects such as Perch Condos on the ravine system, minutes from the University of Toronto's Scarborough Campus. Enrollment at that campus is growing by more than three per cent per year, and investors should take note of the need for high-quality housing for students.

The vaccine is coming and will be ready in 2021. I believe the market will return in full force in the second half of next year, which is saying something given how strong it's been during the pandemic. If you're in the market for a new home, surround yourself with an experienced team, including a realtor familiar with the new home market, and a mortgage broker who can find you the best deal. Buy what you can afford, buy for the long-term, and do your research. Good luck.

Ben Myers is President of Bullpen Consulting, a boutique residential real estate advisory firm specializing in condominium and rental apartment market studies, forecasts and valuations for developers, lenders and land owners. bullpenconsulting.ca [Twitter@benmyers29](https://twitter.com/benmyers29)

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