

Toronto luxury real estate sales continue to surge



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International buyers helping to drive demand for upscale residences

Toronto's luxury real estate market has never been stronger and shows no signs of slowing. "Last year was the strongest, but January and February of 2016 were incredibly strong," reports David Oey, west Toronto development director for Harvey Kalles Real Estate Ltd. The Toronto luxury market has been growing in all 11 years that he has been a realtor, but it's been white-hot lately. "I almost equalled my numbers of last year in these [past] two months."

Mr. Oey explains that an increasing number of international buyers has contributed to the high demand for homes in Toronto's premier neighbourhoods. In particular, Persian, Asian, South East Asian and Indian buyers are comprising many of the sales.

They're attracted to Canada for its safety, multiculturalism and diverse cities, namely Toronto. However, the city is not just relying on Asian immigration like Vancouver. "We've got centres of academia, finance, culture, tourism [and] a film industry," says Mr. Oey. "So much is happening in Toronto and it's gained an international following."

In 2015, the Economist Intelligence Unit (a unit of The Economist magazine) put Toronto atop its 2015 Safe Cities Index. Similarly, architecture and design trade publication Metropolis Magazine named Toronto the most liveable city in the world last year.

In terms of arts, culture and amenities, Toronto is often compared to New York, Hong Kong, London and Singapore. However, Mr. Oey notes Toronto real estate is underpriced, a huge advantage for international buyers. "The cost per square foot for condos, land and the level of density in Toronto is significantly less compared to other world-class cities. I think we still have room to grow."

International versus local buyers

While international buyers might consider Toronto's luxury homes a steal, local buyers may beg to differ.

Mr. Oey says some Torontonians find themselves feeling priced out of the market without advantages like the low Canadian dollar. Instead, they are hedging their bets.

“I have clients who’ve been looking for a couple of years and want to wait for the market to correct, but I try to let them know it hasn’t corrected in this many years and the growing consensus is that there’s no way to predict when to buy.”

He says it might be more practical for local buyers to take advantage of the property value leverage they have in their current home and not wait for the perfect time.

Luxury neighbourhoods – the big three

When it comes to luxury neighbourhoods in Toronto, Mr. Oey says most buyers prefer to settle in Rosedale, Forest Hill and the Bridle Path. These prestigious enclaves are closest to world-renowned private schools, like Upper Canada College, The Bishop Strachan School and Branksome Hall. These areas lie within easy commuting distance of downtown and the financial core, and are abundant with obvious wealth and privilege.

“Luxury buyers,” he says, “want to feel that they’re surrounded by people who understand them, in a neighbourhood that is interesting and beautiful.”

Low Canadian dollar, bigger down payments

The low Canadian dollar has been a huge bonus for international buyers. Mr. Oey cites two recent clients relocating from Seattle and Los Angeles who reaped the benefits in a big way. However, the low dollar isn’t necessarily making a huge impact in buyer habits, since luxury buyers aren’t typically concerned with budget.

Similarly, new rules that require bigger down payments for homes over \$500,000 are not making waves in the luxury real estate market. “Luxury buyers expect to put down 40 to 50 per cent,” says Mr. Oey. “Another five or 10 per cent is not a concern for them.”

Luxury homes a good investment

Owning a luxury home in a prestigious neighbourhood may be like money in the bank. Mr. Oey likens homes in the big three neighbourhoods to “bulletproof” brands, such as Rolex, Porsche or Cartier. Luxury buyers want to surround themselves with luxurious brands, he explains. “When it comes to their homes, they want to identify with other people who have made money and parked it in their homes. They feel better in a neighbourhood with 50 homes worth \$10-million versus \$5-million. They know that their property value is one of many, which leverages its worth.”



Buyers continue to have a huge appetite for Toronto luxury homes in the city's most prestigious neighbourhoods, such as this five-bedroom residence at 41 Daneswood Road, priced at \$4,950,000.

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Three levels of home pricesDavid Oey cites three distinct price categories in the Toronto real estate market, each with its own particular trends:

Under \$700,000

First-time buyers in homes and condos. "This category has the most liquidity [and] the highest number of buyers."

\$700,000 to \$1.5-million

Second- or third-time buyers. "There are a lot more buyers looking at \$1-million+ homes. Rental income property in this category has exploded."

\$1.5-million to \$3-million

Buyers in the market who are upsizing. "These take a bit longer to sell, but there are a lot more buyers in this market in recent years. There are a lot of international buyers in this range, too."

\$5-million and up

"There aren't a huge quantity of properties at the higher end, but year over year, the proportion is growing. There's been a 20 to 25 per cent increase in this market over the last year. The majority of the growth comes from international buyers."

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