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Price gains for Toronto's luxury condos lag their neighbourhoods

By TARA PERKINS

Developers that built during the boom overestimated the market and priced their units too high, observers say

The Globe's Real Estate Beat offers news and analysis on the Canadian housing market from real estate reporter Tara Perkins. Read more on The Globe's housing page¹ and follow Tara on Twitter @TaraPerkins².

People who have bought condos in some of Toronto's swankiest buildings in recent years have often done worse, from a price appreciation point of view, than they would have if they bought more modest homes in the neighbourhood.

There was a boom in luxury condo construction in Canada's most populous city roughly five years ago, with buildings such as The Ritz-Carlton, The Shangri-La, and Trump International Hotel and Tower bringing a new style of accommodation to the city, one that enabled residents to live much like hotel guests. Real estate observers were watching to see whether Toronto had enough of an appetite for high-end-life-in-the-sky to absorb the plethora of units that were built within the span of just a few years.

Condos.ca Inc. president Carl Langschmidt and his team recently decided to visit the land registry office to see just how well these condos have done from a price perspective. And he says that prices have risen faster in the neighbourhoods around these buildings than they have in the buildings themselves. In many cases, units are selling for less now than they were sold for before the buildings were built. Blame the sudden abundance of supply.

"When I first got into the business about 10 years ago, you could count the condos in Toronto that sold over \$2-million on your fingers and toes," he says.

Some of the developers that built during the boom overestimated the market and priced their units too high, he adds.

Oliver Baumeister von Bretten, a broker with Sotheby's International Realty Canada, concurs that price appreciation has been slower in the luxury condo-hotel buildings, although he says regular luxury condos have fared better than those in hotel complexes.

Mr. von Bretten says most of the condos have monthly maintenance fees in the range of \$1 per square foot per month. That often entitles owners to perks such as valet parking for themselves and their guests and concierge services that include making restaurant reservations, sending flowers or buying sports tickets. In some buildings the staff will carry the residents' groceries up to their rooms.

The fees for a 3,273 square foot condo in the Trump Tower are \$3,040 per month, and that building charges an additional \$450 per month for parking, Mr. Langschmidt's team says.

Despite the hefty price tags, Mr. von Bretten (who it should be noted sells luxury condos) says he is still optimistic about the market's future.

"I have a client who is looking for a three- or four-bedroom, and it willing to spend something in the \$2- to \$3-million area, but he hasn't been able to find the right space yet," he says. "Long term, say over five years, there may even be a shortage of these high-end condos."

References

1. www.theglobeandmail.com/report-on-business/economy/housing
2. <https://twitter.com/taraperkins>