

2022 BUILDERS' *annual*

The first and only complete guide to pre-construction homes and condos





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egardless of the direction that the real estate market is moving in, we're finding that when it comes to pre-construction condominiums, the market is being dictated by numerous factors.

RFirstly, the cost of land and delayed approvals by the municipal governments –are leading to higher costs and longer delays including interest costs over the long approval timeline.

We then have inclusionary zoning; new condominiums that applied after September 2022 will now be required to include an affordable housing component for up to five per cent of units in their buildings. How does this affect the end-buyer? It means that market-based units will have to subsidize the balance meaning higher pricing.

Thirdly, we've seen development charges increase by 49 per cent since April. When these charges get phased in over the next few years, buyers will be the ones to be passed on those costs. Furthermore, construction costs are not decreasing – in fact, we're seeing them stabilizing but doing so at an eight- to 10-per-cent rate, not unlike what we've been seeing over the past four or five years. Though some material costs have decreased, lack of labour is an even bigger challenge in the city, contributing to the maintenance of high construction costs.

Overall, if you're interested in buying pre-construction real estate today, it's important to try to anticipate where the market will be in four to five years when your unit is completed, as opposed to the current state of the market. The truth of the matter is that our industry has seen prices increase on every project. The Bank of Canada will likely overshoot its rate increase program, but we anticipate that interest rates will go down in the next one to two years. This is why today is the best time to take advantage of pre-construction real estate, regardless of the market sentiment and the media telling you otherwise. With increased immigration and lack of supply, we know the GTA will continue its price ascent within the next six months to a year. You get the benefit of hedging tomorrow's price increases by purchasing preconstruction today – a rare opportunity when the stock market and other investments are trending downward.