Rapid Condominium Growth and the Emergence of the Ultra-Luxury
Condominium Market in Toronto, Canada

By
Andrea L. Mager

A thesis submitted to the Department of Geography
in conformity with the requirements for
the degree of Master of Arts

Queen’s University
Kingston, Ontario, Canada
April, 2013

Copyright © Andrea L. Mager, 2013
Abstract

In this thesis, I undertake a study of rapid condominium growth occurring in the City of Toronto, Canada, and the emergence of an ultra-luxury condominium market during a time of global financial instability. This thesis examines the influence of rapid growth on Toronto as a world city during this time by asking the following research questions:

- Why has Toronto become a place of safe investment for condominium buyers during a time of global economic uncertainty?

- Why has the ultra-luxury market emerged in Toronto? What are the driving forces behind it, how does it contribute to Toronto’s standing as a world city, and what does the future hold for this niche market?

- What is the current state of the condominium market in Toronto and what can we expect to see happen in the near future?

To answer these questions, this thesis draws insights from urban, political, economic and social geographic literature, statistical and policy data, as well as twenty-five (25) semi-structured interviews with a variety of key industry stakeholders in the City of Toronto. The results of this study point to a changing demographic landscape in a city where fundamental elements have not only secured Toronto’s reputation as a place of safe investment, but also created an environment of pent up demand leading to the emergence of the ultra-luxury condominium market. The City of Toronto has garnered international attention for its rapid rate of high-rise growth, and continues to craft its reputation as a world city through the addition of four, 5-star hotel condominiums. Additionally, this thesis recognizes the pressing social, environmental and political issues that accompany this recent, rapid growth, and provides general recommendations for addressing these complex topics through the suggestion of future research on the topic.
Acknowledgements

This study was made possible by the remarkable efforts of many individuals, and I am so grateful to each one of them for their contributions. First, I would like to give a special thank you to my supervisor, Dr. Betsy Donald, who went above and beyond her supervising duties during this process. From our first meeting until the final editing of my thesis, she was a constant support, providing the perfect balance between giving guidance and creating the opportunity for independent discovery. Dr. Donald’s ability to provide constructive feedback demonstrates the trust and care she places in each one of her students, and I feel very fortunate to have had her as a guide during this academic endeavour. Thank you, Betsy!

Secondly, I would like to thank the entire faculty in the Department of Geography at Queen’s University for providing an enriching learning environment. In particular, I would like to acknowledge the following individuals for their mentorship, guidance, and support over the course of my graduate studies: Dr. Anne Godlewska, Dr. George Lovell, Dr. John Andrew, Dr. Laura Cameron, Dr. Mark Rosenberg, and Dr. Paul Treitz. I would also like to thank all of the staff in the Department of Geography for their hard work in providing such a high quality academic experience, and allowing me the opportunity to pursue my Master’s degree at Queen’s University.

I would like to thank my fellow graduate students for both their encouragement and humour, essential components in making all of our challenges become attainable goals. I would like to show my gratitude to my family and close friends who were there every step of the way. I could not imagine completing this degree without their love and support, for which I will be forever grateful.

Finally, I would like to thank all of the individuals who agreed to be a part of my study. Their contributions provided the valuable material required to create original and insightful research findings. I am extremely grateful to each and every one of these individuals for their efforts.
# Table of Contents

Abstract ................................................................................................................................. ii
Acknowledgements ............................................................................................................. iii
Table of Contents ................................................................................................................ iv
List of Figures ...................................................................................................................... ix
List of Tables ....................................................................................................................... x
Glossary of Terms ............................................................................................................... xi

Chapter 1: Introduction ...................................................................................................... 1
  1.1 Introduction .................................................................................................................. 2
  1.2 Purpose of Study and Research Questions .................................................................. 3
  1.3 Focus of Study ............................................................................................................. 6
  1.4 Methodologies ........................................................................................................... 7
    1.4.1 Literature Review .................................................................................................. 7
    1.4.2 Quantitative Analysis of Secondary Housing Market Data and Statistics .............. 8
    1.4.3 Qualitative Analysis of Primary Semi-Structured Interviews with Various Stakeholders ........................................................................................................... 9
  1.5 Quantitative and Qualitative Analysis ........................................................................ 12
    1.5.1 Positionality ....................................................................................................... 13
  1.6 Conclusion .................................................................................................................. 14

Chapter 2: Literature Review ............................................................................................ 16
  2.1 Overview .................................................................................................................... 16
  2.2 Post-War Toronto ....................................................................................................... 17
    2.2.1 The Influence of Fordism .................................................................................... 18
    2.2.2 Canadian Housing Acts and the Canada Mortgage Housing Corporation ............ 21
  2.3 Policies of Metropolitan Toronto: 1954-1998 ............................................................. 24
    2.3.1 Rapid Suburban Growth: 1950s and 1960s ......................................................... 25
    2.3.2 Rethinking Planning and Stimulating the Housing Market: 1970s ....................... 26
      2.3.2.1 Federal Policy: Assisted Home Ownership Program (AHOP) ......................... 27
Chapter 2: A Historical Overview of Toronto's Urban Housing Environment……..23
2.1 Introduction...........................................................................................................23
2.2 The Municipal Planning Process: Toronto’s Urban Area Plan (1976)..................24
2.2.1 The Provinces of Ontario’s Housing Developments......................................24
2.2.2 Municipal Planning: Toronto’s Central Area Plan (1976).........................28
2.2.3 Citizen Activism: The Influence of Jane Jacobs.............................................31
2.3 Economic Boom and the Affordability Crisis..................................................34
2.3.1 Provincial Responses to a Demand for Social Housing..............................34
2.3.2 Municipal NIMBY Reactions.........................................................................35
2.4 Promotion of Urban Intensification: 1990s.........................................................35
2.4.1 Government Reactions to Globalization.......................................................36
2.5 Amalgamation and Creating the New City of Toronto: 1998..........................37
2.5.1 Restructuring of Provincial Government......................................................37
2.5.2 Municipal Evaluation: The Greater Toronto Area Task Force........................39
2.6 Policies of the 2000s: Toronto’s Growing Knowledge-Based Economy, Curbing Sprawl and Concerns Over Gentrification............................................41
2.6.1 A New Wave of Gentrification.......................................................................42
2.6.2 The Greenbelt Act.........................................................................................47
2.6.3 The Influence of Richard Florida’s Creative Class.......................................51
2.6.4 Condoification..............................................................................................54
2.7 Conclusion...........................................................................................................56
2.7.1 The Future of Toronto....................................................................................57
2.7.2 Seeking Local Understanding within a Broad Field of Literature: Project Rationale.................................................................58

Chapter 3: A Current Overview of the Condominium Market in Toronto........60
3.1 Introduction...........................................................................................................60
3.2 The 2007-2008 Financial Crisis........................................................................60
3.2.1 Overview of the Subprime Mortgage Crisis..................................................61
3.2.2 Crisis’ Impacts on the Canadian Housing Market.......................................65
3.2.2.1 The Role of Canadian Banks...................................................................66
3.3 The Current Status of Mortgage Lending in Canada.......................................69
3.3.1 The Bank of Canada......................................................................................70
4.3 Personal Interview Results ................................................................. 112
   4.3.1 Employment Background and Experience .................................. 112
   4.3.2 New Home Sales 2012 ............................................................... 112
   4.3.3 Comparing 2012 to 2011 ......................................................... 114
   4.3.4 Ultra-Luxury in Toronto ......................................................... 116
   4.3.5 Foreign Investment and Buyers ............................................... 117
   4.3.6 Demographic and Statistics Specific Questions .......................... 117
   4.3.7 Introduction of the New Mortgage Rules .................................. 120
   4.3.8 Global Implications Affecting Local Decision-Making .............. 121
   4.3.9 Major Historical Observations in the Toronto Market ............... 122
   4.3.10 The Current State of the Toronto Market ............................... 124
   4.3.11 The Future of the Toronto Market ........................................ 125
   4.3.12 Specific Participant Directed Questions and Miscellaneous ....... 126
4.4 Industry Events ............................................................................. 126
   4.4.1 Building Industry and Land Development (BILD) Association High-
       Rise Forum .................................................................................. 127
   4.4.2 RealNet Q3 Results and Insights Webinar ............................... 128
   4.4.3 Canada Mortgage and Housing Corporation (CMHC) Housing
       Outlook Conference 2012 .......................................................... 129
4.5 Conclusion ..................................................................................... 130

Chapter 5: Discussion and Analysis ....................................................... 131
5.1 Introduction .................................................................................... 131
5.2 Themes Emerging from Interview Results .................................... 132
5.3 The Influence of Government Regulations and Policy ................. 132
5.4 Increased Desire for Urban Living (Social and Cultural Factors) .... 134
5.5 The Attraction to Toronto ............................................................. 135
   5.5.1 Economic Stability ................................................................. 135
   5.5.2 Health, Happiness and Higher Education ............................... 136
5.6 The New Standard of Luxury Exposed .......................................... 138
   5.6.1 Pent-Up Demand ................................................................. 139
   5.6.2 What Makes This Market Unique ......................................... 142
   5.6.3 Potential Problems ............................................................... 144
List of Figures

Figure 1: High Rise Buildings Under Construction, North American Cities ..............4
Figure 2: Greater Toronto Area and Census Metropolitan Area (CMA).........................5
Figure 3: Proposed Toronto Expressways System, 1966........................................32
Figure 4: Neighbourhood Gentrification in Toronto, 1961 to 2001............................43
Figure 5: Ontario’s Greenbelt.................................................................................50
Figure 6: GTA New Home Sales............................................................................75
Figure 7: Percentage of owner households living in a condominium, Canada,
1981 to 2006........................................................................................................81
Figure 8: Toronto CMA Housing Starts 2002-2012.................................................84
Figure 9: Greater Toronto Area Number of Starts (Multiples) January-March 2012......85
Figure 10: Greater Toronto Area Number of Starts (Singles) January-March 2012........86
Figure 11: Apartment starts percentage of Total Starts in Ontario............................87
Figure 12. The Residences at The Ritz-Carlton Toronto Logo.................................89
Figure 13. Trump International Hotel & Tower, Toronto Logo.............................90
Figure 14. Living Shangri-La Toronto Logo............................................................92
Figure 15. Four Seasons Private Residences Toronto Logo.......................................94
Figure 16. Locations of Ultra-Luxury Condo-Hotels in Toronto.............................99
List of Tables

Table 1: Predicted Housing Starts in Canada.............................................77
Table 2: Comparing Ultra-Luxury Amenities.............................................96
Glossary of Terms

**Business Improvement Areas** – A defined area in which commercial and industrial properties fund improvements within the district’s boundaries.

**Canada Mortgage and Housing Corporation** – Canada’s national housing agency and premier provider of mortgage loan insurance, mortgage-backed securities, housing policy and programs, and housing research.

**City of Toronto** - Refers to ‘Megacity’ Toronto, comprised of Toronto and East York, North York, Etobicoke and Scarborough.

**Fordism** – A concept of an economic and social system based on industrialized and standardized forms of mass production.

**Greater Toronto Area** – Refers to the Greater Toronto Area (GTA), comprised of Toronto, Durham, Halton, Peel and York.

**The Greenbelt Act (2005)** – Legislation passed by the Government of Ontario to prevent urban development and sprawl on 1.8 million acres of environmentally-sensitive land surrounding the Greater Toronto Area.

**Toronto Census Metropolitan Area** – Refers to the Toronto Census Metropolitan Area (CMA), comprised of Toronto, Peel, York and some parts of Durham and Halton.

**Ultra-Luxury Condominium** – Generally refers, but not exclusively, to real estate in the City of Toronto priced at over $1000 per square foot in units over 1000 square feet large.
Chapter 1

Introduction

1.1 Introduction

The groundbreaking work of Austrian-born academic John Friedmann (1986) links the urbanization process to global economic forces in his presentation of ‘the World City Hypothesis’. Friedmann (1986) suggests there are multiple interrelated theses in this hypothesis, of which several directly influence the formation of this thesis research and are considered influential to this study of the City of Toronto. Points of relevance to this thesis made by Friedmann (1986) in his world city hypothesis suggest the form and extent of a city’s integration with the world economy will be decisive for any structural changes occurring within it. Key cities throughout the world are used by global capital as ‘basing points’ in the spatial organization and articulation of production and markets. World cities are major sites for the concentrations and accumulation of international capital. World cities are points of destination for large numbers of both domestic and/or international migrants (Friedmann 1986).

Described by Friedmann himself, the world city hypothesis “is primarily intended as a framework for research. It is neither a theory nor a universal generalization about cities, but a starting-point for political inquiry” (1986, 69). This thesis uses Friedmann’s framework as a platform for research exploration in the world city of Toronto, not through direct causal links, but as Friedmann intended it to be used; as a starting point for political inquiry. The City of Toronto experienced a post-millennial condominium boom that would forever change the city skyline, proving to have direct social, political and economic ties to the functioning of the city. Changing social norms about urban living, policies encouraging density in housing growth, and a pent up demand in human and financial capital gave way to a rapid growing
vertical urban metropolis. This thesis argues that the condominium boom in Toronto, and the emergence of the ultra-luxury condominium market, has contributed to Toronto’s standing as a world city. To understand how this came about, this thesis explores both global flows, in terms of the influence that the global flows of people, capital and ideas has made on making Toronto a world class city, as well as the more particular national, provincial and local regulatory context that facilitated the boom in condominiums and the ultra-luxury market.

1.2 Purpose of the Study and Research Questions

The purpose of this thesis is to examine the rapid condominium growth occurring in Toronto, Ontario, Canada, from both historical and modern day perspectives. Within this investigation looking at the entirety of market growth, the study focuses on providing insight into the emergence of the ultra-luxury condominium market in Toronto. In order to understand the effects of this niche market, a greater perspective on the market as a whole must be provided. An analysis of both the regional and global factors that contribute to this growth equation are essential in creating insightful commentary on the state of the condominium market in Toronto today. This thesis is a time period piece; it is representative of a moment in time, in the city of Toronto, where rapid development brought with it uncertainty about the effects rapid growth may cause. This study addresses the following research questions:

- Why has Toronto become a place of safe investment for condominium buyers during a time of global economic uncertainty?

- Why has the ultra-luxury market emerged in Toronto? What are the driving forces behind it, how does it contribute to Toronto’s standing as a world city, and what does the future hold for this niche market?
What is the current state of the condominium market in Toronto and what can we expect to see happen in the near future?

The importance of this research lies in the project’s timely reflection on a topic that has taken over modern day Canadian media. The abundance of speculative reports, articles and interviews available to the public create an environment of chaos and confusion, leaving the consumer to sift through piles of contradictory information. This research contributes to a modern day analysis of the market with the support of an academic approach behind it. As this research is based on using both modern day and historical perspectives, a multi-methods approach is used to meet these criteria. The strength and relevance of the findings rely on this approach; we simply cannot understand the modern day situation without first understanding the contributing historical factors.

1.3 Focus of Study

This thesis undertakes a case study research design by focusing on the geographic area, the City of Toronto. Within this geographic space, the project targets a component undeniably essential to the study of urban living: high-rise housing growth. Focusing the topic even further, the research aims to provide insight specifically to high-rise condominium growth and development in Toronto, with a particular interest in the emerging niche market that is ultra-luxury condominium living.

Toronto was chosen as the case study city for this research for many reasons, but much of the inspiration came from the timely discussion of this topic in the Canadian media. At a time when Toronto leads with the highest number of high rise buildings under construction among all North American Cities (see Figure 1), real estate is never far from the
minds of most Torontonians, Canadians and North Americans alike. The specific interest in ultra-luxury condominium growth acknowledges a new standard of luxury in Canada that has emerged through the appearance of four five-star rated condominium-hotels in Toronto, all opening within a significantly short period of time. The arrival of glistening glass towers brings with it new research questions, not only quantitative in nature through the monitoring of numbers and sales, but also qualitative in understanding the “why” of the arrival of a new standard of luxury in Canada, and the lifestyle that comes with a golden lock & key.

Figure 1: High Rise Buildings Under Construction, North American Cities

Source: Toronto City Council Economic Development Committee (2011).
The title “City of Toronto” in this study refers to Megacity Toronto, comprised of the following districts: Toronto and East York, North York, Etobicoke and Scarborough. In this study, this title is not to be confused with the GTA (Greater Toronto Area, comprised of Toronto, Durham, Halton, Peel, and York) or the Toronto CMA (Census Metropolitan Area, comprised of Toronto, Peel, York and some parts of Durham and Halton) (see Figure 2). On occasion, when discussing the Toronto condominium or housing market as a broad topic with primary interview participants, the GTA or CMA may be referenced, but should not be considered one and the same as the City of Toronto.

**Figure 2: Greater Toronto Area and Census Metropolitan Area (CMA)**

Source: University of Toronto Centre for Urban & Community Studies (2008)
Cartographer: Andrea Mager (2013)
The City of Toronto has a population of 2,615,060, which is 7.8% of Canada’s total population (City of Toronto 2012a). Between the collection of the 2006 census and the 2011 census, Toronto’s population grew by 111,779 residents, an increase of 4.5% (Ibid.). According to the 2006 census data on immigration in Canada, the census metropolitan area (CMA) of Toronto is still the major gateway for immigrants in Canada, with the foreign-born population growth charting 14.1%, in comparison to 4.6% for the Canadian-born population (Statistics Canada 2007). With the continuation of strong immigration into Canada’s major urban centres, it is important to draw connections between increased numbers of foreign-born residents and how individual groups have the potential to play a role in driving housing demand.

Additionally, as of February 2012, the City of Toronto is tracking applications for approximately 152,000 units of proposed residential development. Of these proposed units, 40,000 were approved but not yet under construction, with an additional 38,500 under construction that had not yet reached completion (City of Toronto 2012a). It is impossible to ignore these numbers and the probing questions they bring with them on the future of condominium development and growth in Toronto. It is only through academic investigation that we can sort through the headlines and attempt to separate hearsay from here and now when it comes to understanding where the Toronto market is heading.

1.4 Methodologies

As part of the multi-methodological approach used by the research project, this study draws upon the following methods: (1) a literature review highlighting historical policy and changing social norms in the City of Toronto that continue to affect growth today; (2) a secondary analysis of quantitative data on Toronto and Canada’s housing markets; and (3) primary interviews with industry experts and stakeholders on the topic.
1.4.1 Literature Review

This thesis begins with a thorough examination of the literature, unraveling the topic through a discussion revealing how Toronto has become the booming urban metropolis it is today. This portion of the research provides a detailed outline of the impact policy restructuring continues to have on the development of Toronto. It also documents periods of time when different social norms and ideologies have shaped lifestyle factors influencing urban growth. The literature review provides the historical foundation required to comprehend the current state of condominium growth and development in Toronto.

The review begins with Betsy Donald’s (2002a) discussion of Canada’s post war economy, examined alongside David Harvey’s (1989, 289) concept of the ‘commodification of culture’ in the prompting of change in the spatial distribution in the city. As Fordism rose to become a way of life, the works of Donald (2002b); Filion (2001); Spiegel (1992); and Jensen (1989) are used to paint a picture of Toronto’s post-war growth.

As the city experienced this rapid development and needed room to grow, a call for the restructuring of the municipal government was in order. The writings of Filion (2000, 2001); Keil (2000); Newman & Thornley (2005); Hulchanski (1988); and Frisken, Bourne, Gad & Murdie (1997) are used to depict this process.

The Toronto Central Area Plan of 1976, considered essential for understanding the value of property in downtown Toronto today, was the first document aimed at orienting real estate investments towards the city centre. This historical component with such modern importance is described using the work of Hall (2010) and Lehrer & Wiedetz (2009).

Additionally, contributions on the effects of policy are provided by: White (2011); Skaburskis & Moos (2010); Boudreau (1999); Kipfer & Keil (2002); Gordan (1998); and Lehrer & Laidley (2009), among others. The topic of gentrification is discussed by Toronto
research teams Hackworth & Rekers (2005) and Hackworth & Smith (2001), Ley (1986), with contributions focused on immigration by Goonewardena & Kipfer (2005).

In addition to the academic publishing described above, grey literature was also consulted. This included policy documents, press releases, private professional organization reports, Government of Canada or Government of Ontario ministries and divisions, and municipal government departments and websites. Notably, the use of documents provided by the Canada Housing and Mortgage Corporation provided a large amount of information for this research project. Additionally, due to the presence of the topic in local and national media, various magazine and newspaper articles, blog posts and websites were also consulted.

1.4.2 Secondary Quantitative Analysis of Housing Market Data and Statistics

I also undertook a secondary analysis of quantitative findings on the housing market in Toronto and examined demographic trends relevant to the study. The reason I did not undertake a primary analysis of raw data is due to the limited scope of the project; a detailed, first hand analysis of the raw data would require a longer duration research period and substantial financial resources to obtain such data. Several graphs and tables presented in this thesis are taken from the public press releases provided by private research and consulting firms. In order to retrieve further data from these organizations, subscriptions to these private company services require more financial commitment than allotted for in this study. Therefore, the graphs and figures in this study are original productions with authorship credited, unless stated otherwise.

The secondary analysis of housing market data and statistics provide a quantitative perspective on the current state of the condominium market in Toronto. As the literature
review provides the historical context, the quantitative analysis provides the context for understanding what is occurring in the market today.

1.4.3 Qualitative Analysis of Primary Interviews with Various Stakeholders

Over the course of three months between August and October of 2012, I conducted a total of twenty-five (25) semi-structured interviews with industry experts and various stakeholders whom I believed contributed essential knowledge and expertise to the research. Of these 25 participants, 4 are ultra-luxury sales managers, 6 are development executives, 7 are market analysts and consultants, 2 are members of local government, and 6 are major media contributors and other industry experts.

Prior to the beginning of the primary data collection process, my methods for obtaining data were reviewed by the Queen’s General Research Ethics Board (GREB). Following the completion of all revision suggestions provided by GREB, my study was granted clearance to commence in the summer of 2012. Approval was based on the review of my Interview Schedules (see Appendix D) and the means of data collection, storage, and destruction.

Due to the case study nature of this research and my decision to interview a wide variety of stakeholders in the industry, interview questions were subject to slight modification in order to efficiently obtain as much information as possible from the participant. For example, the questions selected for an interview with a market analyst contained some overlap when compared to the questions selected to interview a sales representative; however, there was differentiation in some of the questions in order to cater to and retrieve from the participant the maximum amount of knowledge in their field of expertise. Due to the small sample size (25 interviews), qualitative findings should be considered supplementary to the Literature Review and Secondary Quantitative Analysis,
presented with the purpose of providing new information and more detailed perspectives on
the existing literature and findings.

Interviews were arranged through e-mail or telephone communication using a GREB
approved Recruitment Notice (see Appendix A). Additionally, key informants arose through
the interview process, which helped connect me to additional contacts to interview. The real
estate industry in Toronto is intricately intertwined and often interviewees would recommend
names to me or pass along my contact information to individuals they believed would be
beneficial to the study. This aided in the research process and in seeking new participants in
two ways: (1) it led me to new potential contacts; and (2) it reaffirmed that I was speaking
with the right people, as often I had already interviewed the expert whose name was being
recommended for the study.

Each of the 25 interviews was scheduled, conducted and transcribed by me, with no
additional researchers gaining access to the data aside from my supervisor, Dr. Betsy Donald.
Audio-recording devices were used to record the interviews that were then transcribed at a
later date. Both digital and hard copies of the data were contained in a password-protected
computer with encrypted storage capabilities and/or contained in a locked filing cabinet in
my office during the research project. The data will be destroyed no later than two years
following the completion of this research.

Each participant was provided with a Letter of Information (see Appendix B) containing
details about the study, how their answers would be used, and their options to withdraw at
any point in time leading up to the completion of the research. Due to the nature of this
research and the industry it investigates, I believe it is beneficial to reveal the name and
organizations of the individuals involved. Each participant signed off on a consent form
stating whether they would like their name, occupational titles and place of employment to be
revealed or replaced by pseudonyms and general occupational titles (see Appendix C). I
believe the overwhelming response (100%) of the respondents who agreed to have their factual name and occupation titles used in this research reflects the nature of the industry studied. Many of the industry professionals interviewed for this project frequently provide commentary for various media outlets, are interviewed and quoted in major newspapers, blog their opinions publicly on the Internet, or act as spokespeople for their company. The consent form also required the participant’s permission to audio-record the interview for research purposes; to that each individual participant (100% of respondents) obliged.

In addition to conducting the 25 semi-structured interviews, I also attended three (3) private panel seminars on my research topic. Typically, only members of these private organizations attend these events, so I was pleasantly surprised to be granted permission to attend as a student researcher. The first event was the Building Industry and Land Development Association (BILD) High-Rise Forum, held on September 19, 2012. The High-Rise Forum consisted of a panel of six industry experts providing insight on the current and future state of the condominium market in Toronto. The second event was the RealNet Q3 Results and Insights Webinar on October 22, 2012, which also consisted of a panel of six experts providing commentary on trends seen in the housing market in the third quarter of 2012. The third event was the Canada Mortgage and Housing Corporation (CMHC) Housing Outlook Conference 2012, held on November 14, 2012, which consisted of four speakers from CMHC: Deputy Chief Economist, Regional Economist, and two Senior Market Analysts. All three events contributed valuable information to my research and provided great support to the semi-structured interviews that I had conducted independently.
1.5 Quantitative and Qualitative Analysis

Both quantitative and qualitative methods of analysis are used in this study. The analysis of quantitative findings occurs purely through secondary observations; no primary data was collected and analyzed by the researcher, but it is sourced accordingly throughout the thesis. The qualitative data, however, is entirely primary and was collected by the researcher. Both methods are used in order to show the variety of ways in which to approach such a complex topic, and both are used to strengthen the discussion of conclusions drawn from the research.

Adler & Clark (2008) emphasize the importance of qualitative research, as it “allows the research to develop insights into other people’s world and lend themselves to working inductively toward theoretical understandings” (293). The qualitative method selected for this study is the semi-structured interview, which is designed ahead of time, but can be modified to be appropriate for each participant (Adler & Clark 2008). The qualitative data collection for this study uses this approach; the interview schedule is prepared with questions in a suggested order, but most of the questions are open-ended, allowing for a range of responses. Qualitative analysis of the semi-structured interviews involve the process outlined by Adler & Clark (2008), in which the transcribed interview material is sorted by topic, and patterns are found among the 25 accounts.

In Chapter Four: Methods and Findings, my methodologies are further discussed and interwoven among the findings of this research. This approach allows for the explanation and justification of the questions posed to participants with the results following directly after for support.
1.5.1 Positionality

I implicitly discuss my positionality as a researcher throughout this thesis, particularly in Chapter Four, when addressing the challenges in obtaining qualitative interviews. Hay (2000) describes positionality as “a researcher’s social, locational, and ideological placement relative to the research project of other participants in it”, and that biographical characteristics such as class, race and gender have the potential to influence this positionality (193). As a young, female, graduate student entering an exclusive corporate environment to conduct research, I was actively aware of the gaps that needed to be bridged in order for me to obtain the information I was seeking. Awareness of my social conduct and mannerisms, careful selection of my written and spoken language, and maintaining a professional appearance were important components in this research endeavour. Acknowledging my positionality in relation to the research participants was an essential learning experience in this process, as it allowed me to accept subjective research and writing as an active characteristic of my methodology.

Dowling (2000) suggests that subjectivity involves the insertion of personal opinions and characteristics into your research practice, and that “qualitative research gives emphasis to subjectivity because the methods involve social interactions. You need to draw on your personal resources to establish rapport and communicate with informants” (31). I chose to accept subjectivity, as opposed to strive for objectivity, when analyzing and performing this research, as developing rapport with my participants was critical to the data collection process. Additionally, as collecting and interpreting qualitative information relies upon the dialogue and exchanges between the researcher and their information, certain elements of subjectivity, such as personal characteristics and social position cannot be fully controlled (Ibid.) Dowling (2000) suggests, “the ways you are perceived by your informants, the ways you perceive them, and the ways you interact are at least partially determined by social
norms” (32). The informants and the environment in which this research takes place are no exception to this, and therefore is addressed implicitly throughout this thesis as having an influence on the data collected.

1.6 Conclusion

One of the biggest challenges in this academic undertaking was also one of the most significant motivators to complete this thesis; a topic relevant in everyday life provides information that is constantly changing. Through an extensive literature review reflecting on the past, a quantitative analysis stating the present, and qualitative interviews providing insight into the future, this thesis attempts to paint a picture of a moment that is frozen in time, yet is unrestricted in its future use and leaves opportunity for the potential expansion of its findings.

This study speaks to both public service and private industry audiences, whether in the form of providing suggestions to the City of Toronto or supplying a compilation of resources to a real estate research company. Most importantly, it takes an academic approach with a big picture perspective on the City of Toronto real estate market for those who desire and require it most: Torontonians.

The outline of the thesis is as follows: Chapter Two provides a literature review on the economic factors and modern history of Federal, Provincial and Municipal policy, the restructuring of city government, and social influences that have contributed to the development of the Toronto skyline seen today. Chapter Three provides the context for the topic by addressing current statistics and trends in the Toronto condominium market, as well as introducing the niche market of ultra-luxury condominiums. Chapter Four documents the findings of the 25 personal interviews collected in discussion with various industry stakeholders. Chapter Five analyzes these findings and provides recommendations. Finally,
Chapter Six concludes the thesis with reflective writing on the topic in a geographical context.
Chapter Two

Literature Review

2.1 Overview

Residents of Toronto, Ontario, sweltered through the hot summer of 2012 in a city under renovation, as Canada’s biggest construction zone continued to undergo a landscape transformation. With 200 new buildings and projects underway, Toronto surpassed the number of projects currently under construction in New York (Spears 2012) and became the leading city in North America for high-rise buildings under construction (Toronto City Council Economic Development Committee 2011). Understanding the current boom in real estate development and growth involves questioning how Toronto has “shifted from that of acknowledged economic and cultural capital of Canada to an aspiring world city” (Newman & Thornley 2005, 95). A platform of knowledge is required to understand the city’s capacity to support high-end development and its ability to compete within the global real estate market. The modern history of government restructuring in Toronto and policy making decisions within the last 60 years provide suggestions for Toronto’s present and future state of success in housing development. Political decisions and the social responses that accompany them shaped the economy of Toronto, and contributed to the city’s reputation as a place of safe investment.

Donald (2002a) suggests Toronto is a strong case study to use to understand “the extent to which institutional innovation and social norms may have contributed to the overall social and economic viability of the city-region in the post-war period” (2131). Toronto was prosperous in the years following the war, but the city slipped from success in the mid-1990s as investment slowed and services declined (Warson 2001). During this time, Toronto’s municipal structure faced deep transformations (Boudreau 1999), as the Province of Ontario increased its role in decision-making in the future of Toronto.
The four decades of a metropolitan form of government that followed the establishment of Metropolitan Toronto in 1953 were praised for its many economic and social successes; several regions even attempted to reproduce and adapt this model (Donald 2002a). The changing population needs of growing Metro began to surpass city limits, requiring a change in government structure. Additionally, the increased pressure of globalization set challenges for city politics and policy (Newman & Thornley 2005). Political reorganization was crucial to the future success of Toronto, as “decisions made by politicians at the urban level have the potential to shape the future of the city” (Newman & Thornley 2005, 1). While not possible within the limits of this analysis to review all elements that have affected Toronto’s current housing development success, this literature review will attempt to highlight key policy and structural changes occurring within the last 60 years that have had a significant impact on the landscape of construction we see today.

2.2 Post-War Toronto

Post-War Toronto emerged through the settled dust of the industrial revolution as a thriving centre for finance and culture in North America. While the Industrial Revolution of the 1700 and 1800s produced steam power that released production capacities beyond the limits of human labour (Kim & Short 2008), the transition to Fordism in the early 1900s supplied capitalist economies with a new way to live, produce and consume. The Soviet economist Kondratieff first identified long waves of production based on the clustering of innovations in the 1920s, each wave being associated with key innovations that structure society and space (Ibid.). Fordism is often associated with the Third Kondratieff wave, in which production was based on automobile manufacturing, giant factories and standardized deskilled manufacturing (Kim & Short 2008).
2.2.1 The Influence of Fordism

The rise of Fordism contributed to spatial shifts not only in manufacturing, but also in the reorganization of the spatial arrangement of housing and transportation, to which Toronto was no exception. Postwar Fordism could be seen “less as a mere system of mass production and more of total way of life” (Harvey 1989, 135). The surge of mass production created by Fordism was accompanied by mass consumption, essentially a self-propelling system embedded within a capitalist society. Canada’s post war economy saw strong growth after 1945, which can in large part be attributed to its mass production and mass consumption industries (Donald 2002a). This new aesthetic of accumulation led to a ‘commodification of culture’ (Harvey 289), which prompted a change in the spatial distribution in the city.

As the previous century had demonstrated methods of production through assembly lines in manufacturing industries, Ford did not in fact invent mass production, but refined and improved it (Kim & Short 2008). His organizational and technological innovations were simply an extension of well-established trends (Harvey 1989). Capitalist countries achieved strong, relatively stable rates of growth in the years following World War II (Harvey 1989), entering what can be described as Kondratieff’s fourth wave of production between 1948 and 2000 (Kim & Short 2008). The postwar period saw an increase in the number of industries focused on technologies that had developed during the years of war (Harvey 1989). Among changing industries of technology focused on the transistor and computer, industrial organization was defined by large and small factories, leading to the geographical production of new industrial regions (Kim & Short 2008). Manufacturing in Toronto underwent a spatial relocation, moving its locale of production from the inner city to the suburbs. In the 1960s and 1970s, manufacturing was increasingly moved outside of Metropolitan Toronto boundaries in response to the demand for larger industrial land sites (Donald 2002a). The need for larger industrial sites came in response to the demand of the markets and the scale at
which production was occurring, as Toronto’s continued economic prosperity boomed during what Donald (2002a) describes as ‘full-swing Fordism’ (2136).

Fordism, at its height of success, formed the basis for a long postwar boom that stayed more or less intact until 1973 (Harvey 1989). During this time, when industrial sites had been dispersed to the urban fringe of Metropolitan Toronto, the city saw a mass exodus of residents towards the suburbs. The highest population growth rates between 1945 and 1950 were found in the suburbs rather than in the city (Donald 2002a). A housing boom soon followed, characterized by low-density, private-sector housing construction (Ibid.). The intensification of Metropolitan Toronto’s suburbia grew through single-family suburban dwellings, and caused the largest housing boom of its kind in Canadian postwar history between 1954 and 1961 (Colton 1980; Donald 2002a).

The postwar momentum produced a new generation of offspring, a baby boom generation, who needed homes to live in and contributed to the growing culture of mass consumption and the advancement of technology. The rapid increase in suburbanization played a major role in the post-war Fordist mass production boom, which was largely fueled by the automobile and appliance sectors (Filion 2001). Spiegel (1992) studied the television as a product used to strengthen the bonds of families who had become isolated after moving out of the city and into the suburbs, leaving friends and family behind. The television was also meant to bond together the fragmented lives of families who had been separated during World War II. Trends in urban development through the Fordist era show the effects that the urban built environment can have on lifestyle and consumption patterns (Filion 2001). High levels of production and consumption in products such as the television maintained the boom until 1973. The capitalist world was overcome with strong inflation as a result of “excessive funds and few diminished productive outlets for investment” (Harvey 1989, 145). Attempts to halt rising inflation during this time exposed excess capacity in Western economies, which
sent the property market crashing down and caused severe difficulties for financial institutions (Ibid.)

Major weaknesses started to emerge in the world economy during the early 1970s. While other parts of Canada also experienced economic insecurity, Toronto was able to maintain stability during this unsettled time (Donald 2002b). This can be attributed to Toronto’s economic diversity, which maintained strong manufacturing and service industries, as well as the functionality of its institutions at the city-region scale (Ibid.). One of the institutional innovations behind Toronto’s ability to remain constant in unstable times was the Municipality of Metropolitan Toronto (Metro), a political structure celebrated for its advanced municipal political structure and comprehensive planning system (Filion 2001). As the primary institution through which land-use planning and urban infrastructure development occurred (Donald 2002b), Metro was praised as an institution for facilitating a rapid growth rate, as Toronto became the financial, manufacturing and cultural centre of Canada (Filion 2001).

Jensen (1989) suggests Canada did not experience a postwar settlement similar to other advanced industrial societies, like the United States. Canada has always been a country where resources and international trade have been an important part of the regional economy. Jenson describes Canada’s Fordist system as ‘permeable Fordism’. As Fordism unraveled, Canada was far less affected than the United States, as it could still rely upon its plentiful resources. Jensen (1989) suggests Canada had designed its particular version of Fordism domestically, but “with an eye to the continental economy”, partially attributing post-war growth to the country’s traditional reliance on the export of staple products (as cited in Donald 2002b).

The stability of Canada’s international connections, however, could do little to provide the support needed to address the demand that postwar population growth placed on
housing. The return of Canadians from war, emotionally fragmented and property ownership insecure, spawned the beginning of the baby boom generation who required places to live and raise their new families.

### 2.2.2 Canadian Housing Acts and the Canada Mortgage Housing Corporation

In 1946, the Canada Mortgage and Housing Corporation (CMHC) was established as a government-owned corporation to address Canada’s post-war housing shortage. The CMHC is currently Canada’s national housing agency, providing mortgage loan insurance, mortgage-backed securities, housing policy and programs and housing research (CMHC 2012).

Prior to the creation of post-war housing legislation, Canadian mortgage lending practice had been regulated through several housing Acts. The Dominion Housing Act of 1935 introduced joint lending by the government and institutions (insurance, trust and loan companies) on new houses for owner-occupancy or rental (Canada Mortgage 2012). The government provided 20% of the lending value and the private lenders provided between 50-60%, which was the maximum value permitted at the time. The interest rate on the mortgage was set at 5%. The Act also introduced the constant payment plan typical of today’s mortgage practice, wherein the loan was repaid monthly with equal payments of principal and interest (Ibid.).

The National Housing Act of 1938 replaced the Dominion Act, and changed the proportion of each loan that was provided by the federal government on a joint mortgage (Canada Mortgage 2012). The proportion of the loan by the government, regardless of the loan by private lenders, was set at 25%, thereby discouraging lenders from promoting low loan-to-value loans and assisting low-income families in attaining house ownership (Ibid.).
The outbreak of the Second World War caused significant changes in the government’s economic priorities. This resulted in modifications to federal housing policy and resulted in limited lending in a restricted housing and mortgage market. The establishment of price and rent controls for housing followed, and a maximum loan amount of $4000 was set for National Housing Act loans. The Wartime Housing Corporation was established in 1941, and it aimed to produce housing units for individuals involved in war efforts (Canada Mortgage 2012). Between 1941 and 1949, the Wartime Housing Act constructed over 45,000 units with an expenditure of $253.7 million (Ibid.) Amendments were made to the 1938 National Housing Act in 1943, in which the loan-to-value ratio was to be calculated according to the formula of 90% of the first $2,200 of lending value, and 80% on the remainder up to the maximum loan of $4,000. In 1944, the interest rate on NHA loans were reduced to 4.5%.

Following World War II, the demand for home ownership was met by the building of detached houses on individual lots on the fringes of cities (Hulchanski 1993). The National Housing Act of 1944 retained joint lending with terms of mortgage set at 20 years. The interest rate of 4.5% prevailed until 1951, and provisions were included to further encourage joint lending in remote areas (Canada Mortgage 2012). New housing on farms received eligibility for loans up to $5,000 on unencumbered titles and $8,000 loans if debt consolidation (one loan taken to pay off others) was required (Ibid.). This promoted the sprawl of growth outside city limits. All low cost housing received eligibility for 90% loan-to-value ratios.

The Central Mortgage and Housing Corporation (later changed to the Canada Mortgage Housing Corporation, CMHC) Act established the CMHC as the administrator of federal participation in housing as described by the 1944 National Housing Act (Canada Mortgage 2012). The CMHC was authorized in 1947 to make direct loans to homeowners,
builders and developers; this had a significant effect on rural areas where previous lenders had been reluctant to invest. Home ownership became closer within reach for low income buyers, as the terms for both joint and direct loans were extended to 25 years for owner-occupied units and 30 years for rental units, as well as increases in the loan-to-value formula (increased to 95% on the first $3,000, 85% on the next $3,000 and 70% on the rest of the lending value). This loan-to-value formula was replaced in 1948 by a flat 80% ratio, due to the rapid rise in construction costs. At this time, the corporation was also permitted to grant an additional 1/6 of the total loan amount, increasing the government’s share of the loan from the standard 25% to 35.7%, placing the level of the loan at 93.3% (Ibid.). This was all contained within a maximum term for loans set at 30 years. In 1951, a new method of determining the interest rate under the NHA would be used, in which a maximum rate would be set periodically, by an Order-in-Council, not to exceed the going yield rate on long-term (12 year) Government of Canada bonds.

In 1954, the federal government expanded the National Housing Act to allow chartered banks to enter the NHA lending field. CMHC introduced Mortgage Loan Insurance, taking on mortgage risks with a 25% down payment, making home ownership more accessible to Canadians (CMHC 2012). This was intended to meet the demands of postwar residential construction driven by growing families and immigration. The legislation under the 1944 National Housing Act that stated mortgage funds would primarily come from government and selected lenders, typically insurance companies, became outdated as these sources were no longer able to meet the demands for mortgage funds. The 1954 National Housing Act legislation aimed to free government funds by shifting lending to private sources, increasing the amount of mortgage money available from private lenders and allowing the government to address other housing concerns (Canada Mortgage). Three main innovations were introduced:
1. Joint lending was replaced by government insured loans, the full amounts of which were provided by the lenders.

2. The Bank Act was changed to permit chartered banks to lend on mortgages insured under the 1954 National Housing Act.

3. Provision was made to establish a secondary market for insured loans (e.g. resale market). The sale of insured loans to investors other than approved lenders would increase both the supply of mortgage funds and the liquidity of the insured loans (Canada Mortgage 2012).

The 1954 National Housing Act legislation provided security to the approved lender; despite advancing the full amount of the loan, the lender would be protected under a government mortgage insurance policy. This protection was funded by the borrower’s payment of an insurance fee, which allowed for lenders to grant higher loan-to-value ratios. An application fee is paid to CMHC, which is fully responsible for the administration of the mortgage loan. The changes in legislation were necessary to meet the demand post-war housing growth would bring during the 1950s.

2.3 Policies of Metropolitan Toronto: 1954-1998

Toronto experienced rapid postwar growth, causing development to branch out into the suburbs, and a need arose for the restructuring of the municipal government. Poorly connected suburban developments lacked the infrastructure and services they needed to support the rapid growth (Filion 2001). From an institutional perspective, the establishment of the Municipality of Metropolitan Toronto was one of the most important events in the 1950s and 1960s (Filion 2000). Metro acted as an umbrella local government body, providing important urban services to six independent local governments under its reign: Toronto, Etobicoke, York, East York, North York and Scarborough (Keil 2000). As the strategic
authority between 1954 and 1998, Metro maintained a strong, collective identity in managing the reconstruction of the central city (Newman & Thornley 2005), and assumed planning responsibility for major land-use designations, important roads, sanitation, green belts, large parks, public transportation and public housing development (Filion 2000). From a planning perspective, one of Metro’s major contributions was playing a key role in the enforcement of suburban planning standards; disorganized peripheral development was severely reduced as a result (Frisken, Bourne, Gad & Murdie 1997).

2.3.1 Rapid Suburban Growth: 1950s and 1960s

As Toronto development picked up speed in the postwar years, Fordist ideologies of consumption and the relocation of industrial centers drove sprawl outward from the city core. Dispersed suburban patterns designed largely around the use of the automobile contrasted with earlier developments in urbanization (Filion 2000). Spacious, suburban homes provided room for the increased perception of the necessity of appliances, and driveways and lawns provided convenience for growing families with a heightened desire for personal space and security. The inconsistencies that occurred in prewar and postwar urban development are still evident in downtown Toronto today, where narrow streets, lack of parking, and frequent intersections designed for a pedestrian friendly atmosphere contrast with the design of the suburbs.

Through the 1950s, contemporary suburbs were characterized by “rigid, functional compartmentalization, housing segregation according to type and size, a road hierarchy assuring the tranquility of single family housing districts, and the presence of industrial parks and shopping plazas” (Filion 2000, 171). Blended into the planning formula, these developments were fueled not only by the prosperous economy and a massive demographic shift as a result of the baby-boom generation, but supported as well by the National Housing
Acts of 1944 and 1954. According to Bacher (1993), the National Housing Act of 1944 limited mortgage rates to 3% and provided mortgage subsidies (as cited in Filion 2000). Combined with the 1954 National Housing Act, which introduced mortgage guarantees, the federal government promoted the production of single-family housing. The Housing Act passed in 1954 was the fourth of its kind, and provided assistance through the medium of the mortgage market, concerned with the provision of mortgage credit for house building at terms more favourable to the borrower than those prevailing in the conventional loan market (Poapst 1956). Economic, demographic, and policy conditions amongst a changing view of consumption in society marked a shift from development of housing in the downtown core to a dispersion of dreamland suburbia.

Post-war development continued in the suburbs throughout the 1950s and 1960s and was geared toward private-consumption activity (Donald 2002a). Toronto’s two-tier government structure supported this growth through its “fiscal capacity as well as administrative and jurisdictional authority to plan, develop, and implement badly needed region wide services and infrastructure” (Donald 2002a, 2135). The first twenty years under the Municipality of Metropolitan Toronto also received support from the provincial government in adjusting the functions of Metro to meet the changing needs of economy and society (Donald 2002a), which were undergoing transformations with the advancement of technology, knowledge, and the interconnectedness of globalization.

2.3.2 Rethinking Planning and Stimulating the Housing Market: 1970s

The 1970s brought peace and love, but also hardship for the global economy as the world faced instability and plunged into a recession between 1973 and 1975, largely prompted by the oil crises and the fall of the Bretton Woods System. As Fordism unraveled, despite the integration of the US-Canada economy, Toronto was not affected as severely by
the economic slowdown as its comparable American counterparts (Lemon, 1996; Wolfe and Gertler, 1998; as cited in Donald, 2002a). Toronto continued to grow, and the early 1970’s marked the juncture when suburbia began to creep over Metro Toronto boundaries. Instead of extending Metro’s territory or reverting back to its 1953 solution when faced with similar growth issues, four suburban regional governments were created in the existing space beyond Metro. The Province made this decision largely based on pressure from out-of-Metro suburbanites who did not want decisions about their region to be under control of a metropolitan-wide administration (Filion 2001).

Tensions between Metro and the newly developed surrounding municipalities unfolded as the disintegration of Fordism progressed through the 1970s as a result of growing globalization. During these times of free trade, the focus of policy-making shifted from national market sustenance to international competition (Filion 2001). The rise of the professional-managerial sector, as well as a decrease in industrial jobs from the breakdown of Fordism and the rise of new technology, contributed to a growing labour market in the downtown core oriented towards office employment (Donald 2002a). Early signs that Toronto was headed towards a knowledge-based economy suddenly allowed downtown property to be seen in a whole new light; it had the potential to become the most valuable property of all.

2.3.2.1 Federal Policy: Assisted Home Ownership Program (AHOP)

In the 1970s, the government and the private sector promoted new initiatives to provide affordable, inner city housing (Ley 1986). In 1971, the CMHC created The Assisted Home Ownership Program (AHOP), which offered reduced interest loans to assist first-time buyers in an attempt to stimulate the housing market (CMHC 2012). The National Housing Act was amended in 1973, and introduced the AHOP among nonprofit and co-op assistance
initiatives, the Neighbourhood Improvement Program, new communities programs and First Nations housing assistance. The goal of many of these programs was to integrate different socio-economic groups into housing projects and prevent the kind of ghettoization that had occurred in earlier public housing programs (Begin 1999). However, two-thirds to three-quarters of the housing went to middle-income families, leaving low-income families without accommodation (Ibid.).

The Assisted Rental Program (ARP) was introduced in 1975 to encourage the development of modest rental housing (Hulchanski 1998). Both the Assisted Home Ownership Program and the Assisted Rental Program faced abolition in 1978 during state cutbacks, when most public housing plans were dismantled across Canada (Ibid).

2.3.2.2 Municipal Planning: Toronto’s Central Area Plan (1976)

Hall (2010a) argues that the gaps left behind by lost factories and warehouses in our post-industrial city are now filled with culture and a new urban image that attracts mobile capital and professional workers. Toronto’s transformation of this lost space began with the approval of Toronto’s Central Area Plan in 1976, and marks a substantial landmark in understanding the value of property in downtown Toronto today. The plan was the first aimed at reorienting real estate investments towards the city centre and differed from the “centrifugal postwar ‘spatial fix’ that led to the suburbanization of production and reproduction” (Lehrer & Wiedetz 2009, 145). The Plan demonstrated commitment to expand Toronto’s finance, insurance and real estate industries, as well as cemented an essential foundation for later planning proposals that would be created in response to the unforeseen real estate slump from 1989 to 1990 (Lehrer & Wiedetz 2009).

With the plan’s heavy focus on improving the economic positioning of the private sector in the inner city, social groups in the city began to voice their concerns about the
gentrifying of neighbourhoods, displacing populations affected by an increase in rental and sales prices. The concern of gentrification was accompanied by questions about where the waves of new immigrants would settle in the city and at what cost. Pressure from social groups shaped much of urban policy during this time and focused on housing needs (Filion 2001). Public housing, built under the direction of the long-reigning Progressive Conservative provincial government, was cast out to peripheral building sites where less expensive land could be found. This was implemented without consideration of the poor access to public transportation these sites possessed (Filion 2000). The provincial government terminated that particular type of public housing construction in 1975, as a reaction to the perceived ghettoisation effects it had on social groups (Filion 2001).

David Ley (1986) writes about inner-city gentrification occurring between 1971 and 1981, and identifies four major explanations. Firstly, studies on demographic change in Canada have attributed rapid price inflation in the housing market during the 1970s to the demand surge of the baby boom generation, who may have forced first-time homebuyers into the inner-city market (Ley 1986). Additionally, a sharp reduction in household size (due to more persons remaining unmarried and a rising divorce rate) led to the explosion of demand for medium and high-density central city neighborhoods.

Secondly, Ley (1986) discusses issues of affordability, as new housing stock in the suburbs inflated rapidly in price, where the availability of affordable housing in the inner-city became a priority for both public and private organizations. Ley (1986) specifically discusses the issue in a Canadian city context, where the condominium is a major housing type associated with inner-city revitalization. In his writing in the mid 1980s, Ley (1986) suggests 70 percent of condominium buyers were more than 40 years of age and half were older than 50 years. Ley’s (1986) early observations of demographic patterns in condominium purchasing are interesting to think about in a modern day context; we continue to see empty
nesters moving downtown into condominiums, but we also see a huge number of young, first
time homeowners wanting and choosing the downtown lifestyle.

Thirdly, Ley (1986) identifies the value of urban amenity, in which inner city
investment is associated with a set of values defined by aspects of an urban lifestyle. Criteria
for urban amenity, such as better access to recreational and cultural activity, better jobs,
higher wages, and aesthetically pleasing landscapes, have been vigorously promoted by city
administrations, and have created the high-amenity central city landscape that gentrifiers
have come to desire.

Finally, Ley (1986) looks to the economic base literature as a major contributor to
inner-city gentrification, suggesting the “post-industrial” metropolitan economy transitioned
from industrial labour to advanced services and a white-collar employment structure. The
concentration of high-status occupations are disproportionately clustered in the downtown
cores of Canadian cities; a reflection of the rapid growth of office space in the central
business districts (Ley 1986). At the time of this study, the core area of Toronto accounted
for 55 percent of the metropolitan office space, amounting to a threefold increase in office
space between 1964 and 1982. Gad (1985) suggests that despite vigorous office
suburbanization that has mostly consisted of smaller consumer and business oriented
establishments as well as branch offices, the head offices of Canada’s elite firmly remain in
Toronto’s central district. The increase in the proportion of high level, executive managerial,
and professional jobs available in the core, are a result of the increasing sectoral
specialization of the financial district and the spatial fragmentation of large offices (Gad
1991). A new middle class emerged during this time through the rapidly growing downtown
workforce; this generation of professionals had a significant impact on adding a new
dimension to the inner city housing market.
2.3.2.3 Citizen Activism: The Influence of Jane Jacobs

The late Jane Jacobs (1916-2006) continues her legacy as one of the most influential writers on cities in the twentieth century (Klemek 2009). Her many efforts during the 1970s spurred a need for rethinking the way we plan cities. Jacobs was born in Scranton, Pennsylvania, but relocated to Toronto in 1968 in opposition to U.S. foreign policies and the Vietnam War. Following the 1961 publication and mass success of her influential book, The Death and Life of Great American Cities, Jacobs played an essential role in preserving Toronto’s downtown neighbourhoods and defeating the construction plans for the Spadina Expressway.

The Spadina Expressway was proposed in the 1950s as an expressway link from the northwest areas of the city into downtown Toronto (Get Toronto Moving 2012). The creation of this four to six lane highway with a subway line running through the middle could not be built without causing devastation to old city neighbourhoods along the route, demolishing homes in Forest Hill and Jacobs’ neighbourhood, the Annex (see Figure 3).
In the 1960s, the northern section of the expressway was constructed between Eglinton and the newly constructed Yorkdale Shopping Centre, and renamed the William R. Allen Expressway in 1969 after the renowned Toronto politician. Massive protests and displays of public opinion against the southward expansion of the Allen Expressway in 1971 caused the Provincial Government to overrule the Ontario Municipal Board’s decision and cancel the construction of the planned southbound expressway (White 2011). Jacobs’ joined with influential University of Toronto professor Marshall McLuhan and brought her experience to a campaign that defeated the proposed Spadina expressway through her promotion of mass transit (Klemek 2009). In 1978, the subway was built in the expressway’s median linking the northwest to downtown, and was the only part of the planned project to be completed (Get Toronto Moving 2012).

Jacobs’ influence on the city of Toronto can be felt long after her involvement in the most controversial expressway project in Toronto’s history. Jacobs played a crucial role in the development of the St. Lawrence neighbourhood in the 1970s, based on a model of mixed
commercial and residential land use, as well as subsidized and market oriented housing. White (2011) describes plans for this neighbourhood as “a fairly radical idea from the start: a downtown public housing for low- and moderate-income earners to be built on some 18 hectares of nearly derelict industrial land right against a railway/expressway corridor- not everyone’s idea of an ideal residential location” (125). Built under the watch of City of Toronto Mayor David Crombie, the $20 million public undertaking dispersed ownership among nonprofit housing cooperatives in order to avoid the uniform look of government housing (White 2011).

The St. Lawrence neighbourhood has been critically acclaimed as a major success story in urban planning, particularly in its ability to avoid the urban renewal design mistakes made in earlier decades. However, even after her passing, Jacobs faces her share of critics, including White (2011) who acknowledges the considerable impact *The Death and Life of Great American Cities* had on Toronto, but suggests there were many other forces of change contributing to this impact and she herself was not as influential an activist as some have claimed. Geographer James Lemon (1996) sees Jacobs as “the importer of destructive American ideas into Canadian cities, namely a misguided faith in those very uncontrolled market forces that comprehensive planning brought under control” (Klemek 2008, 327).

Despite the true levels of Jacobs’ involvement in influencing the shaping of Toronto’s growth, the St. Lawrence area has since been redeveloped into a vibrant, downtown residential neighbourhood. As of October 2012, the City of Toronto plans to acknowledge her contributions by bidding on a downtown lot at 11 Wellesley Street West, east of Queen’s Park, and turn it into a park named for Jane Jacobs, instead of seeing it become “yet another thicket of condominiums” (Rider 2012, 1). Councillor Kristyn Wong-Tam of Ward 27, Toronto Centre-Rosedale, believes this is the last opportunity to build a park of this significant size in the dense, Toronto urban environment. The City will face some
tough bids from competitors interested in the vacant space, but Wong-Tam believes with full council support, the City still has the potential to purchase 1.5 acres of the land, leaving room for the highest bidder to erect their highrise tower as well (Rider 2012).

**2.3.3 Economic Boom and the Affordability Crisis: 1980s**

Ontario witnessed a remarkable economic boom once oil prices collapsed (Donald 2002a). Under the leadership of then Mayor Art Eggleton, Toronto’s policy environment was ripe for an economic boom. Through the promotion of lax planning laws, Toronto’s new official plan implemented the development of several important buildings in the downtown west, including the Toronto Metro Convention Centre, the Rogers Centre (formerly the Skydome), and the CBC broadcast centre. With the rise of a knowledge-based economy came the demand for downtown living. In terms of its financial sector, Toronto surpassed Montreal in the 1980s as the most important city in Canada.

Real estate prices skyrocketed during the second half of the 1980s. This caused an escalation in housing prices, provoking an affordability crisis (Filion 2000). Commitment to aid in this situation from the Province of Ontario intensified, launching a succession of financially demanded housing subsidy programmes (Filion 2001).

**2.3.3.1 Provincial Responses to a Demand for Social Housing**

The Ontario Ministry of Housing committed to funding 30,000 non-profit rental units within the framework of the Homes Now Programme, an expenditure predicted at 3 billion Canadian dollars (Filion 2001). The centre-left New Democratic Party (NDP) came into provincial power in 1990 determined to further strengthen the provincial commitment to housing, promising the construction of 20,000 social housing units annually in the GTA. Despite the party’s momentum to restructure social housing in Ontario, the NDP never came
close to meeting its initial social housing target due to budget constraints, where housing and infrastructure programmes were no match for the housing affordability and unemployment problems of the 1980s and early 1990s (Ibid.).

2.3.3.2 Municipal NIMBY Reaction

The new suburbs surrounding Metro projected NIMBY (Not In My Back Yard) reactions towards the implementation of social housing, rejecting all proposals for not only the development of social housing but non-subsidized affordable housing as well (Filion 2001). Neighbourhood groups believed the presence of social housing would prove to have negative effects on their regions, causing a decrease in property value and an increase in crime (Fillion 2000). This contributed to the continuing growth of a socially unbalanced urban environment, defined by the polarization and segregation of differing socio-economic groups.

2.3.4 Promotion of Urban Intensification: 1990s

With the unknown of the millennium within reach, the 1990s brought plans that “endorsed urban intensification on environmental and financial grounds” (Filion 2000, 174). At the municipal level, intensification in Toronto was promoted to curb sprawl and loss of natural land and to create healthier environmental habits through walking, cycling, and the use of public transportation (Filion 2000). Influenced by Andres Duany, referred to as the Father of New Urbanism, this movement promoted communities that were mixed-use and mixed-income, with design that allowed individuals to live without a car (Redmon 2010). Duany believed that sprawl was more costly than smart growth.

Metro experienced intensification through the development of brownfield sites transformed for residential use, however, the growth in the city was modest relative to the
growth of the suburbs. Part of the blame for this occurrence was placed on the severe fiscal crisis that followed the 1989-1993 recession, in which transit projects were abandoned, including the $5 billion ‘Let’s Go’ programme, which intended to build new subway lines, increase the Toronto Transit Commission bus fleet, and improve light rail transit (Ibid.). The ambitious transit system that seemed within reach in the booming 1980s was now far out of reach in the 1990s. Without an improved transit system, and the added recession-induced job losses in downtown Toronto (Filion 2001), the City of Toronto was unable to relieve its car dependent commuters and suburban growth continued. The future of the Toronto Transit Commission still remains to be one of the city’s most debated and discussed topics, as the needs of the public have long surpassed the capabilities of the current system to support them.

2.3.4.1 Government Reactions to Globalization

After four decades in municipal power, Metro Toronto had its successes, but it also had its downfalls. Patterns of highs and lows in the global economy were felt in Canada, but fortunately did not have as severe an impact as they did on their counterparts, and the Metro system of governance played a large role in this stability. During these years, the City saw the demise of the Fordist system and the rise of a knowledge-intensive sector, as labour was either outsourced or outgrown by technology. Globalization was about to take a great leap forward as the Internet would rise in popularity and common use in the mid 1990s. Newman & Thornley (2005) have suggested that, “perhaps equally important in shaping Toronto’s planning resources to globalization is the changing structure of the institutions of the government” (96). The 1990s witnessed a major reconstruction in the municipal government, beginning with the Progressive Conservative party defeat over the New Democratic government. A pre-municipal transformation announcement made in 1994 by then mayor of
Toronto Barbara Hall outlined her new economic development policies and is said to have marked a significant moment in renewed, post-recession real-estate interest in Toronto’s inner city. By suggesting the “speedy” conversion of industrial buildings into residential and mixed-use facilities, a new emphasis was placed on the “recreation of markets in the inner city and the reintegration of former Fordist areas into the circuits of the global economy” (Lehrer & Wiedetz 2009, 146).

2.4 Amalgamation and Creating the new City of Toronto: 1998

By the mid-1990s, Metro Toronto had reached a point in history where it needed to decide if it would continue to dive into uneven development patterns or reinvent itself to “address the constellation of economic, social, and political challenges facing it” (Donald 2002b, 197). There was a perceived notion that the existing government structures had stopped working and could no longer meet the needs of the public that had grown beyond the existing jurisdictional boundaries. Taxpayers could no longer “afford” to pay taxes in an unequal property tax system (Donald 2002b). Upon its creation in 1953, the original idea behind the Municipality of Metro was to have the wealthy core of the City of Toronto share in the cost of infrastructure and development in the booming but tax-poor suburbs (Keil 2000). However, the relationships between city centre and the periphery became reversed as development continued, with the centre footing the bill for suburban sprawl that had created subnodes with their own strong tax base (Ibid.).

2.4.1 Restructuring of Provincial Government

The Ontario Government responded to the needs of Torontonians by rethinking policy between 1994 and 1998. In that time, the commissioning of the Greater Toronto Area Task Force recommended policy changes that would have a huge impact on governance and
finance in the region (Keil 2000). On April 1, 1995, The Greater Toronto Task Force was created by the Premier of Ontario, “in response to growing concerns about the future health and workability of our urban region” (Report of the GTA Task Force 1996, 17). Notable suggestions for change produced by this document, such as the following barriers listed here, capture the restructuring that was occurring in the nineties: an inequitable and eroding tax base; outdated infrastructure; inefficient urban development patterns; outdated legislation, fragmented economic development; and inadequate government structure (Report of the GTA Task Force 1996, 35-36).

The deep transformations in the restructuring of Toronto began at the state level when Mike Harris and his Progressive Conservative Party (PC) were elected to govern the Province of Ontario in 1995 (Boudreau 1999). From the province’s perspective, reinventing a competitive new City of Toronto meant “fiscal cutbacks to suit the neo-liberal ideology of suburban and provincial governments” (Newman & Thornley 2005, 97). The PC government won the provincial election with their Common Sense Revolution platform, a right-wing program that implicitly targeted municipal reform in Toronto (Boudreau 1999). Two essential promises were made during the electoral campaign of the PC Party; they promised to balance the provincial budget while at the same time lower the provincial income tax rate by 30% (Ibid.). The Common Sense Revolution promised tax and spending cuts designed to appeal to rural and suburban voters across Ontario, sensitive to their needs since the Progressive Conservatives held all the seats of the Greater Toronto Area (Donald 2002b). The 1995 provincial election was the first time a party had won the election through obtaining their winning votes outside of the City of Toronto and not within it, solidifying what Donald (2002b) describes as an “ideological split” between urban voters in Toronto and the suburban and rural voters clustered around the city (197).
On December 17, 1996, the Provincial government officially stated its plan to eliminate the metropolitan level of government and its six lower-tiered municipalities (Boudreau 1999). A municipal government system that had been in place for nearly half a century transformed into an amalgamated megacity, the new City of Toronto, comprised of seven city councils; Metro Toronto, Toronto, Scarborough, York, East York, North York and Etobicoke, with a population of 2.4 million people (Ibid.). Al Leach, then Minister of Municipal Affairs and Housing, presided over a number of issues including the amalgamation of the City of Toronto. Leach (1996) introduced the City of Toronto Act (Bill 103) to the provincial legislature, he stated the goals were to “save money, remove barriers to growth and investment, and help create jobs” (as cited in Boudreau 1999). Leach’s rationale behind the amalgamation of the Metropolitan Toronto was rooted in financial goals to save money by eliminating the duplication of services that resulted from the former two-tiered municipal system. The dismantling of the former two-tiered system would also increase accountability to taxpayers. The amalgamation was also predicted to eliminate competition between existing municipalities, which was thought to be beneficial to the region as whole in terms of its economic growth (Boudreau 1999).

2.4.2 Municipal Evaluation: The Greater Toronto Area Task Force

Prior to the Provincial government’s decisions to go forward with the amalgamation, policy recommendations from the Greater Toronto Area Task Force on how to accommodate the needs of a growing Toronto area were based on studying the growth pattern shifting from the metropolitan core to the newer outer suburbs. The report acknowledged that many of the problems that were addressed were not new, but had grown more pressing, “now that we face new competitive realities and unprecedented fiscal constraints” (Report of the GTA Task Force 1996, 37). If these issues were to go unaddressed, the region’s economic
competitiveness and quality of life was predicted to decline. The Progressive Conservative government rejected the recommendations provided by the Task Force and contrarily decided to amalgamate only the core of the Greater Toronto Area; the Old City of Toronto and its surrounding older suburbs (Boudreau 1999). The most widely accepted recommendation that was passed on to the government was to revisit city municipal structures of the past by extending the old Metropolitan boundaries to the GTA and revert back to a two-tiered governance structure (Donald 2002b). However, the Harris Progressive Conservative government realized they had won the election in large part due to their suburban power base and were reluctant to pursue a plan that interfered with governance beyond Metropolitan Toronto’s boundaries (Ibid.) As a result, they eliminated Metro and through the amalgamation of six cities, created a Megacity. This was implemented regardless of the fact that amalgamation as a strategy for restructuring the municipality had not been recommended in any report in the past 30 years (Isin and Wolfson 1999, as cited in Boudreau, 1999).

Donald (2002b) suggests there were disconnects in the government’s set of policies aimed at, on the one hand, increasing Toronto’s economic competitiveness through investing in education, training and industrial policy and, on the other hand, disregarding these investments and instead implementing a political platform that promoted low taxes, low wages and low cost production. These latter policies did not provide support for the new forms of economic growth Toronto would need to compete at a global economic scale. As acknowledged by Kim & Short (2008), the manufacturing decline was a worldwide phenomenon that would take place in the years immediately following the implementation of the government’s platform. In 1995, just prior to the amalgamation, there were 172 million manufacturing jobs, but by 2005, this number had significantly decreased to just 150 million (Kim & Short 2008). The government had proposed a plan that did not take into account the
pressures of economic change leading up to the 21st century in our continuously knowledge-intensive, globalizing world.

It was brought to the attention of the public in January 1997, soon after the implementation of the City of Toronto Act, that the restructuring of municipal boundaries had set the foundation for several other major reforms under the new government (Boudreau 1999). The Province announced what was referred to as ‘disentanglement’ reforms: reducing the number of school boards in the province; removing education costs from property taxes; raising daycare costs; reducing long-term health care service from the province from 80% to 50%; and most significant to this analysis, downloading the responsibilities of public transit and public health in totality to municipalities and implementing a province-wide property tax based on actual value assessment (Ibid.).

Following institutional reform in the amalgamation of the municipalities, the first comprehensive plan, ‘City Vision Toronto’s Official Plan’ was released by the new City of Toronto and drew together the plans of seven former municipal authorities (Newman & Thornley 2005). The plan aimed to “complement the city’s economic development strategy” by placing emphasis on “the environment, transit, the public realm, increasing housing density and maintaining a mixed-use downtown” (Newman & Thornley 2005, 98), with a heavy stress on quality of life as the city’s focus. The Official Plan proposals placed a heavy focus on “smart growth”, a form of urban intensification that would strategically promote real estate investments in designated areas in the City of Toronto (Kipfer & Keil 2002).

2.5 Policies of the 2000s: Toronto’s Growing Knowledge-Based Economy, Curbing Sprawl and Concerns over Gentrification

A shift in thinking about economic and land development during the nineties fueled new plans for development of the city core and increased the demand for inner city living.
The late 1990s began a wave of capital reinvestment in the inner city, with plans to rejuvenate neglected space and increase its potential market value. Coupled with the emergence of a growing knowledge-based economy, demanding city living near their place of work, this led to a geographic expansion of gentrification processes (Lehrer & Wiedetz 2009).

2.5.1 A New Wave of Gentrification

Hackworth and Smith (2001) identify three significant waves of gentrification. The first wave came prior to the economic recession of 1973, in which gentrification was “sporadic if widespread” (Hackworth and Smith 2001, 466). The second wave of gentrification, in the late 1970s, surged like never before; cities that had not previously experienced gentrification implemented strategies to attract this form of investment (Hackworth & Smith 2001).

The third-wave of gentrification of the late 1990s, or “post-recession gentrification”, is linked to the large-scale capital of reinventing entire neighbourhoods, and is characterized as distinct from earlier phases in four ways: (1) Gentrification no longer affects just the inner-city neighbourhoods, but has expanded to more remote neighbourhoods as well; (2) Larger developers are now taking on the role as the first to orchestrate reinvestment in a neighbourhood, a result of a restructuring of the real estate industry and increasing globalization; (3) Resistance to gentrification has declined as the working class continues to be displaced from gentrifying inner city neighbourhoods; and (4) The state has become more involved in the process than ever before (Hackworth & Smith 2001).

Examples of Hackworth and Smith’s 2001 observations about the distinction of a fourth wave gentrification can be seen in the landscape following the amalgamation of Toronto. First, gentrification no longer just affects the inner-city neighbourhoods of Toronto,
but expands far beyond the old City of Toronto limits. Research by Walks and Maaranen (2007) shown in the map below (Figure 4) depict neighbourhoods where complete and partial gentrification is complete, where middle and elite class upgrading is occurring and where potential gentrification may occur in the future.

Figure 4: Neighbourhood Gentrification in Toronto, 1961 to 2001

As presented in the findings above by Walks and Maaranen (2007), gentrification has radiated outward from the city centre in the past 40 years, with potential for much more redevelopment to occur, particularly along the Yonge Street corridor. The publication of this map uses the most recent data based on 2001 census findings, and is validated today as the
Yonge Street corridor is lined with construction sites and cranes. Another pattern of notable mention is the way in which gentrified neighbourhoods, or areas considered prone to gentrifying in the future, cluster along the subway transit routes. If a picture is worth a thousand words, then this map is worth a hundred thousand in depicting one of Toronto City Hall’s biggest struggles and the most valuable asset one can have when it comes to real estate: easy access to public transportation.

Hackworth and Smith’s (2001) second characteristic of “post-recession gentrification” suggests larger developers are now taking on the role as the first to orchestrate reinvestment in a neighbourhood. This was evident in my discussions with several Canadian real estate developers currently orchestrating such development slightly off the beaten path. During one interview, a respondent suggested their upcoming project was in an area that “is still compromised in terms of what is there, but what we have found is that once the project goes up, it started to fill up between what other projects are there and that one [the one we are building]” (Development Executive, personal communication, October 2012). This individual added that another one of the company’s upcoming projects is in “not a very attractive area”, but does not doubt the neighbourhood will be hot in real estate in the future (Development Executive, personal communication, October 9, 2012). These sentiments are reflective of Hackworth and Smith’s (2001) ideas of what is resulting in a restructuring of the real estate industry.

Thirdly, resistance to gentrification has declined as the working class continues to be displaced from gentrifying inner city neighbourhoods. Soaring land costs in downtown Toronto neighbourhoods have already pushed the working class, particularly those in rental properties, out of neighbourhoods to make room for expensive new developments or higher rent costs. Resistance is still seen among pre-gentrified neighbourhoods, but the voices are less likely to come from the working class, who are limited in options and resources, than
from outspoken middle-class residents resisting height and density in their beloved
neighbourhoods.

Finally, Hackworth & Smith (2001) suggest that third-wave, “post-recession”
gentrification sees the state involved in the process more than ever before. In Toronto
specifically, this is seen through the economic analysis report conducted in the city in the
early 2000s, discussed further below, in section ‘2.5.1.1 The Toronto Economic Development
Strategy’.

Following the amalgamation of Toronto, policies endorsed by the city -- often to
boost economic competitiveness -- disguised the promotion of gentrification in many Toronto
neighbourhoods, creating uneven development in the social and economic landscape and
displacing the city’s most vulnerable populations.

2.5.1.1 The Toronto Economic Development Strategy

An economic analysis of the city was conducted in the early 2000s, carried out by a
team of experts to evaluate the economic competitiveness of Toronto’s key export clusters
and to compare its status with other leading cities. The finished product, “Toronto Competes:
An Assessment of Toronto’s Global Competitiveness”, released results geared towards
strengthening Toronto’s economic position among other global cities (Lehrer & Wiedetz
2009). The plan worked in accordance with the new structure proposed by the provincial
government, suggesting the private sector must take on a leading role in adjusting Toronto’s
economy (Ibid.).

Gordon (1998) has suggested the early 1990s marked a new shift in rebuilding the
inner city. Previously, the 1950-1970s was a time of urban renewal overseen by the housing
authority. This was followed by the mid 1970s development of public-private partnerships by
redevelopment agencies and the private sector. The 1990s and beyond spawned the creation
of ‘private megaprojects’, as land use changed from transport and industrial property into mixed-used, private sector growth (Gordon 1998). Gordon (1998) identifies the key success factors of this shift as being the creation of private land ownership with political approval; however its shortcomings resulted in a loss of public control in the matter and very few social benefits for others.

The Toronto Competes report also signaled a transition in Toronto’s urban policy regime from traditional forms of “urban entrepreneurialism” into more creative-city inspired policies (Lehrer & Wiedetz 2009), reflective of a growing knowledge-based, creative economy in the inner core. Reurbanization was singled out as an essential strategy for continued economic success, but the report stressed it was not important to attract just anyone to locate within the city, but “highly skilled, innovative and entrepreneurial knowledge workers, which are much in demand and highly mobile” (ICF Consulting 2000, as cited in Lehrer & Wiedetz 2009). Toronto’s reurbanization strategy also suggested housing policy to be an essential link between economic development and planning, and that the strategic building of housing would attract the knowledge-economy workforce. This would be done while simultaneously adhering to housing policies that would reduce the potential for increased spatial polarization in the city (Lehrer & Wiedetz 2009).

The City of Toronto published The Toronto Economic Development Strategy based on the results of the previous economic assessment, with its main objective being to “reconcile livability and quality of life with economic growth and competitiveness, and implies that economic growth would result in high quality jobs, wealth and investment for all Torontonians, thereby securing the fiscal well-being of the city” (City of Toronto 2000, as cited in Lehrer & Wiedetz 2009). Objectives to stimulate investment in the city through the renovation and renewal of inner city neighbourhoods and the movement to improve Toronto’s business climate resulted in private sector real estate investments becoming an
integral part of Toronto’s plan to restructure itself as a competitive city (Lehrer & Wiedetz 2009). In addition to plans for urban renewal, planning in Toronto in the late 1990s prioritized redeveloping the waterfront as a mode for increasing Toronto’s global competitiveness (Lehrer & Laidley 2009). Under the leadership of then mayor Mel Lastman, the city published *Our Toronto Waterfront! The Wave of the Future*, a plan to redevelop the waterfront “as a model to the world of how economic development, environmental protection, and cultural and recreational growth can go hand in hand, each complementing one another” (City of Toronto 1999, as cited in Lehrer & Laidley 2009). With Toronto’s bid to host the 2008 Olympic Summer Games, revitalizing the waterfront was also associated with increased tourism and international investment (Lehrer & Laidley 2009). The 2008 Games proved to be a two-week international sporting spectacle; however, in Beijing, China, not in Toronto, Canada. Years after losing the Olympic bid, plans for the redevelopment of the Toronto Waterfront continue to be revisited and serve as a hot button topic for debate in the city today.

### 2.5.2 The Greenbelt Act

The Greenbelt Act was passed by the Government of Ontario in 2005, and is considered to be innovative in preventing urban development and sprawl on environmentally-sensitive land. The Greenbelt protects nearly 1.8 million acres of land in the Golden Horseshoe (see Figure 5) and includes and builds on about 800,000 acres of land within the Niagara Escarpment Plan and the Oak Ridges Moraine Conservation Plan (Ministry of Municipal Affairs and Housing 2008). With the natural border of Lake Ontario to the South and the Greenbelt encircling the remaining area surrounding the City of the Toronto and Greater Toronto Area, this legislation has essentially turned Toronto into an island, with finite building potential. This has affected the housing industry in several ways: land prices
have increased, the demand has risen for single unit homes, and the developers are forced to take lessons from cities such as Manhattan who are also working within a limited amount of space. Toronto, as a result of the Greenbelt Legislation, continues to grow up and not out.

Desfor, Keil, Kipfer, and Wekerle (2006) write extensively on the urban and exurban dichotomy in the Greater Toronto Area, in relation to how policy and government have significantly influenced and shaped our landscape. They identify the election of a neoliberal and Conservative provincial government in 1995 as a time when any previous plans for growth management were disregarded in the path of economic viability promotion. Desfor et al. (2006) write,

Early on in this government’s first term, major changes in the planning regulatory framework sped up the approvals process for new development proposals and made it easier for developers to sidestep local councils and appeal directly to the provincially appointed Ontario Municipal Board for development approval on greenfield sites (145).

As a result, plans for sprawl crept around Council and displayed strength as it spread out into the Greater Toronto Area (GTA). Several factors made sprawl onto the Oak Ridges Moraine, a geological formation extending 160 km north of Toronto, very appealing. Most importantly, its proximity to the City of Toronto was cause for development attractiveness. Additionally, the land was comprised of relatively cheap farmland, conducive to large-scale development. The scenic landscape, the infrastructure of sewers and water mains already in existence along the Yonge Street Corridor, and the ease of constructing individual water and septic system on the sands of the moraine caught the eye of subdivision developers (Desfor et al. 2006). Concerns about the depletion of the Oak Ridges Moraine, which provides water to
500,000 people in Ontario, were introduced by a citizen activist group called Save The Oak Ridges Moraine (STORM).

Little was done to prevent further sprawl into the Moraine during the years of the Progressive Conservative government’s power, the mid 1990s to early 2000s. When the Liberal government gained power of provincial office in October of 2003, the government “moved quickly to signal its determination to curb sprawl and manage growth” (Desfor et al. 2009). The Liberals proposed Bill 26, the *Strong Communities Act*, which sought to rein in the powers of the Ontario Municipal Board, and Bill 27, *The Greenbelt Protection Act, 2003*, which set up a task force to address the growing concern of sprawl in the GTA. The Province of Ontario released the *Places to Grow* policy document in 2004, that described initiatives needed to curb sprawl, preserve farmland, and promote growth into existing built-up areas (Desfor et al. 2006). Desfor et al. (2006) conclude,

Growth as it is supported and managed by the City and the provincial government is assumed to benefit all, if only by osmosis. Neither the provincial government nor the City of Toronto recognizes that the urban region is the spatial scale at which to address environmental and social justice (153).
The perceived success of preserving nearly 1.8 million acres of land in the Golden Horseshoe area came along with its criticisms, particularly concerning the Province’s ability to effectively address regional issues. As well, their power to impose growth management policies that dismiss issues of social justice is questioned, such as access to affordable housing, jobs and services needed throughout the region (Desfor et al. 2006). The Ontario Greenbelt today has expanded into several organizations working towards the common goals of preservation and use of this land conducive to Greenbelt goals. Organizations include: Greenbelt Farmers Online Market; Tour de Greenbelt, Hiking, Running and Riding Cycles Routes; and Ontariogreen.ca, Growing the Business of Local Food. It is impossible to ignore the impact that Ontario’s Greenbelt has had on curbing sprawl and promoting density in built-up areas of Toronto and its surrounding area.
2.5.3 The Influence of Richard Florida’s Creative Class

Among provincial and municipal policies promoting urban intensification and curbing sprawl, the emergence of certain strategies were seen to attract not just anyone to our cities, but a certain type of person. The rise of knowledge-based economies combined with the effects of globalization allowed for people to have options about where they chose to put down roots. Individuals were no longer pulled to the urban core to find work; it was now the job of the city to attract the biggest and brightest required for continuous growth of cities, economies and ranking on an international scale.

The widespread influence of Richard Florida’s (2002) *The Rise of the Creative Class*, became a back pocket planning guide for many North American city planners and local governments looking for a quick fix in boosting the economies of cities stagnant in growth. Florida’s “Creative Class” influenced the creation of spaces where a new demographic group, the creative class, would want to live and stay (Lehrer & Wiedetz 2009). Florida (2002) suggests there are three main requirements of creative cities in order to attract the Creative Class; Talent (highly talented/educated/skilled population); Tolerance (a diverse community); and Technology (infrastructure needed to fuel and entrepreneurial culture). Florida (2002) hypothesized that the economic geography of talent is associated with diversity or openness as low barriers to entry for human capital.

Many academics and planners alike have struggled with Florida’s ideas, including Peck (2005), who critically questions Florida’s “hipsterization strategies” (747) for attracting creative capital and his ideas of “ensuring that creatives are ‘welcomed’, by extension, becomes the new task for cities” (743). Peck (2005) among others believe Florida’s policy proposals carefully integrate creative empowerment, “gently lubricating the gentrification process”, and critics complain this is “cappuccino urban politics, with plenty of froth” (760).
Toronto was no exception when it came to integrating undertones of Florida’s strategies into their plans, echoed today through hip, coffee-shop lined neighbourhoods, the celebration of diversity through several festivals and parades, and the creation of unique, urban living spaces. Celebrations can be seen in several distinct neighbourhoods in Toronto including: Taste of the Danforth in Greektown, Toronto Ukrainian Festival in Bloor West Village, and the annual Toronto Pride Week, celebrating diverse sexual and gender identities. Founder of the Creative Class Group, a global think tank based in Washington, D.C., Florida continues to influence Toronto both through his writing and as the Director of the Martin Prosperity Institute and as a professor of Business and Creativity at the Rotman School of Management.

Hackworth and Rekers (2005) define gentrification as “the reinvestment of urban space for the use of a more affluent clientele” (213) in their groundbreaking work focusing on the relationship between produced culture and economics in the gentrification of ethnically defined inner-city neighbourhoods in Toronto. As a result of a mass immigration through the 1900s, first from Southern and Eastern Europe and later on from the Caribbean, Eastern and South Asia, Toronto now ranks among the most impressively globalized social spaces in the world (Goonewardena & Kipfer 2005). Hackworth and Rekers (2005) suggest culture and economics are not mutually exclusive. This has resulted in disguising gentrification as an effort to diversify neighbourhoods and celebrate culture.

2.5.3.1 Business Improvement Areas (BIA)

One policy method Toronto has used to diversify neighbourhoods and celebrate culture is through the development of Business Improvement Areas (BIA), which the City of Toronto defines as:
An association of commercial property owners and tenants with a defined area who work in partnership with the City to create thriving, competitive, and safe business areas that attract shoppers, diners tourists, and new businesses. By working collectively as a BIA, local business have the organizational and funding capacity to be catalysts for civic improvement, enhancing the quality of life in their local neighbourhood and the City as a whole (City of Toronto 2012b).

BIAs, however, are not regarded by all as a positive means for diversification in the city, but in fact provide negative effects as a result. Hackworth & Smith (2005) suggest BIAs are highly strategic operations, and ethnically labeled BIAs package and reproduce ethnicity for consumption. Their attention to the displacement of nearby residents through inflated rent prices is overshadowed by efforts to attract young urban professionals. The economic, cultural and development activities are supported by all levels of government in Canada, that aim to “promote multiculturalism regardless of its form or consequences for nearby residents (who are, more often than not, from the very group whose identity the government is aiming to protect)” (Hackworth and Rekers 2005, 232). Goonewardena & Kipfer (2005) suggest multiculturalism in Canada is best understood as:

an influential, liberal-cosmopolitan component of ‘bourgeois urbanism’: an ensemble of strategies, knowledge forms and everyday sensibilities that has absorbed subcultural practices and socio-political aspirations into dominant processes of capitalist urbanization and population milieus shaped by elite and new middle-class fractions (671).

This paints a dark image of multiculturalism in Canada, a country that values the cultural mosaic and prides itself on being a democratic society that has addressed the issue of cultural and linguistic pluralism, incorporating it into its definition of national identity
(Moodley 1995). However, issues such as gentrification affecting immigrant populations and ethnic enclave communities cannot be ignored. Lehrer & Wiedetz (2009) suggest that praise for the city of Toronto as a multicultural and diverse space is not reflective of its true social landscape. The movement back into the inner core has promoted a homogenous and less diverse, highly exclusive environment, which is inaccessible to most. It has emerged as an epicenter of wealth comprised of individuals that happen to be mostly white (Lehrer & Wiedetz, 2009).

2.5.4 Condoification

Aside from the effects gentrification has had on various cultural and ethnic groups, the rejuvenation of buildings and neighbourhoods has also affected and isolated members of lower socio-economic statuses, surrounding businesses and local economic activity. In the context of this research and in an attempt to place how policy has affected housing development today, the final discussion will address the ‘condoification’ of Toronto’s inner city, which Lehrer & Wiedetz (144) suggest, can be understood as the latest phase of gentrification in Toronto.

2.6 Housing Developments Today and the Rise of Condominiums

The Toronto skyline is currently undergoing a makeover of sky-high proportions, as, at the time of writing, real estate continues to boom and condominiums rise higher than ever before. Lehrer & Wiedetz (2009) suggest that the condominium boom in Toronto must be understood within the context of municipal and provincial policies that have contributed to the transformation of downtown Toronto. Policies that have been targeted at redirecting growth of already built up areas, transforming inner brown-field sites, rejuvenating social housing complexes and intensifying the existing urban landscape, are often used by
developers to bypass accusations of gentrification, which can lead to major social problems in the city. An example of a policy that has the ability to do just that is Section 73 of Ontario’s Planning Act. Criticized for its broad nature that allows for open interpretation of its guidelines, this Act is often used by developers of condominium projects to provide public art in exchange for added density and building height (Devine & Casgrain 2008, as cited in Lehrer & Wiedetz 2009).

The most important planning policy in contemporary Toronto is the Official Plan (Lehrer & Wiedetz 2009), which continues to promote private sector entrepreneurialism and intensification through the redevelopment of existing urban land. Overseeing the Official Plan is the Provincial Policy Statement, which in 2005, focused on the growth of built up areas and brownfields (Ibid.) Ideas of reurbanization were additionally given momentum from The Places to Grow Act, a provincial legal document with policies intending to curb sprawl in the GTA and the development of greenfields by promoting density in already built up areas.

In October of 2007, The City of Toronto City Planning and Policy Research Unit released the study Profile Toronto: Living Downtown to analyze the links between “quality of place” and workers in the “new economy” (Lehrer & Wiedetz 2009). The report highlights the success of Toronto’s economic planning policies in attracting young, urban professionals who have embraced the ideas marketed to the public about the urban lifestyle of the new inner city (Ibid.)

**2.6.1 Selecting Building Sites: Urban versus Suburban**

The continuous development of condominiums in Toronto we see today suggest builders favour urban sites for high-rise condos over suburban communities because of higher demand for the type of housing development and because they can avoid development
charges to pay for infrastructure, schools, parks, recreation centres and other community facilities (Warson 2001). As explained by Skaburskis & Moos (2010), the high property prices in the urban core and the lesser expensive property in the periphery exist because the city centre to this day provides primary employment and service sectors. Drawing from noted land economist Richard Hurd (1903), the value of characteristics of a location are determined by attributes related to proximity and accessibility (Skaburskis & Moos 2010). This may refer to locations closer to desirable living spaces, or accessibility of getting from one place to another. This explains why property close to major transportation routes or public transit tend to be perceived as higher valued property. Improvement in transport infrastructure raises the value of land in its vicinity, as it enhances the accessibility of the locations connected by the system (Skaburkis & Moos 2010).

Toronto’s recent urban centre growth include the development of several high-profile, ultra-luxury condominium-hotel residential buildings, including the Four Seasons Private Residences, The Residences at the Ritz-Carlton Toronto, Shangri-La Toronto and Trump International Hotel & Residences Toronto. The international community cannot help but take notice of the present development of such luxurious and costly real estate in Toronto, especially due to its arrival so soon after the financial crisis of 2007-2008, which devastated much of the housing market in the United States. It is evident that Toronto has created not only a reputation for itself as a place of safe investment, but it has done so through a formula of strategic planning and development policies leaving Toronto with ample room to grow.

2.7 Conclusion

Throughout the past century, the City of Toronto has brushed off the dust of the post-war industrial economy, stopped the conveyor belts and curtailed (to some extent) the sprawling suburbs brought on by Fordism, and kept pace with emerging technology in our
ever-globalizing world. Throughout the years, Toronto has benefited from local, provincial, and national policies all aimed at promoting the growth and management of an economically vibrant and generally well-functioning city. While global flows are also key to Toronto’s success, it is clear that the nature and degree of Toronto’s growth has been shaped and influenced by the wider institutional architectures within which the economic activity is situated.

2.7.1 The Future of Toronto

Several authors have suggested that the growth seen in the inner city today is the result of the deregulation of zoning bylaws and the reduction of bureaucratic regulation in the development industry (Lehrer & Wiedetz 2009). The modern history of governance in Toronto proves that government restructuring brings with it changes in policy that have the potential to affect the economic and social functioning of a city, and not always for the better. Toronto will continue to struggle to find balance in creating policies that will promote growth in the housing development industry while simultaneously acknowledging the potential these policies have on the city’s most vulnerable populations. Additionally, the rapid growth of these development projects will require attention be brought to policy regarding emerging issues, such as the increased demand for public transportation and the impact that intense, rapid development may have on the environment. Newman & Thornley (2005) suggest, “Toronto’s reputation for culture and quality of life is a clear asset in a competitive North American Region” (95). In order to maintain this reputation, the City of Toronto must continue to be innovative in its planning policies to reduce social inequalities amidst rapid growth.

With this in mind, what does the future hold for housing development in the city of Toronto? Lehrer & Wiedetz (2009) have suggested that the US subprime mortgage crisis of
the late 2000s may slow or halt the continuous “condofication” of Toronto’s inner city, a pattern that has held strong through much of the 2000s. If such impacts were felt in Toronto as a result of this crisis, this would allow for a rethinking of current policy documents that have unintentionally promoted spatial segregation and created a landscape of high land values that would be inaccessible to most during time of economic hardship (Ibid.).

2.7.2 Seeking Local Understanding within a Broad Field of Literature: Rationale for the Project

It is nearly impossible to comprehend the current housing market without first understanding the geographical and historical context of Toronto. This review of literature has attempted to provide this context by addressing historical shifts in governance at the federal, provincial and municipal level, and the economic and social affects that resulted. Civic action by the likes of Jane Jacobs and others played a huge role in preserving the culture and uniqueness of Toronto; if the “coolness” of the city had been bulldozed during the 1970s, it is unlikely Toronto would have retained the same cultural reputation and demand for downtown accommodation seen today.

While the historical analysis provides an overview of housing in Toronto, much of the literature is broad and lacking the analytical depth needed to yield the results my research questions seek. The rationale for this project is that local understanding of the ultra-luxury condominium market cannot be understood alone through secondary analysis, but must be further explored through primary data collection. Living, studying and speaking to people in Toronto can gain the most thorough and in-depth perspective through conversation and first person observation. Applying these experiences to common frameworks gives the research the academic support it requires, while adding new and current information to an issue unfolding before our eyes in real time. If the city’s rising skyline and ever-present mass
construction are any indication of the future for housing development in Toronto, the City is well on course to reach new heights.
Chapter Three

A Current Overview of the Condominium Market in Toronto

3.1 Introduction

This chapter provides context and a current overview of the condominium market in Toronto, exploring recent events and trends in housing that have influenced the growth that can be seen today. An overview of the 2007-2008 financial crisis stemming from the subprime mortgage crisis in the United States, as well as a look into the Canadian banking system and current mortgage rules is essential to understand where Toronto sits today among the global market. A quantitative exploration of recent housing trends, particularly among condominium starts, outlines the current status of growth seen in Toronto. An overview of census data from Statistics Canada provides context of the demographic needs for housing in Toronto and Canada. Finally, a focus on the exclusive ultra-luxury condominium market provides a foundation for the primary qualitative data to follow in Chapter Four.

This chapter begins with an overview of the 2007-2008 Financial Crisis and its deeply embedded roots in the housing market. Globalization, interconnected marketplaces and geographical proximity fuel the critical need to preface the discussion of Canada’s market with an overview perspective on how the world changed during these years.

3.2 The 2007-2008 Financial Crisis

The mid to late 2000s saw a strain on the global economy that can be largely linked to the North American housing market. People who had never before had the opportunity to own a home were given the opportunity to apply for mortgages with modest prerequisites. Mortgage lenders loosened their grip on granting loans to those who met the very basic criteria requirements, while some would argue, letting control completely slip away from
their grasp. As the housing bubble in the United States began to deflate, the repercussions were felt far and wide through a widespread recession that continues to debilitate the potential for an effective, well-functioning, global economy. Civil unrest echoed through the streets, as protesters across the world demanded awareness for the great disparities in social and economic inequality, and the imbalance in economic structure and power relations currently held by society. After all the ‘Occupy’ tents had been taken down and the last banner exclaiming “We are the 99%!” had been destroyed, we are left in the aftermath of a financial crisis that has left people without a home, without a job and many without a future.

### 3.2.1 Overview of the Subprime Mortgage Crisis

The financial crisis of 2007-2008 can be largely rooted in the US subprime mortgage crisis that began in 2007, in which an unusually large fraction of subprime mortgages originating in 2006 and 2007 became delinquent or in foreclosure only months later (Demyanyk & Van Hemert 2009). At the height of a US housing market bubble caused by low interest rates and inflows of foreign funds, banks were supplying subprime mortgages to home buyers with poor credit history. Subprime loans have a higher default risk (Demyanyk & Van Hemert 2009) and are characterized by higher interest rates and less favourable terms to compensate for higher credit risk.

The end of the housing boom was triggered by the reversal in the monetary policy course of the Federal Reserve, as it gradually raised interest rates from 1% to 5.25%, beginning in mid-2004 (Ackermann 2008). This ceased rising housing prices and began the upward shift in adjustable rate mortgages. Reassured by mortgage lenders that property would only go up in value, many people had been encouraged to obtain adjustable-rate mortgages. Borrowers were often told by their mortgage company that once the value of their home increased, they had options to either sell their home to pay back their mortgage or
refinance their mortgage at a lower rate (Ackermann 2008). Default rates began to rise in 2006, and the credit crisis began in 2007 when mortgage holders were unable to make higher interest payments on their mortgages once their initial stable rate period ended.

The surprise at which this came to the financier world was unwarranted; the distribution of subprime mortgages were granted primarily to individuals who had not proven their ability or potential ability to pay them back. Subprime mortgage holders were merely required to provide vague, self-reported information about their income and employment status, if any at all. Ackermann (2008) suggests that many people and institutions had in fact warned of a cooling US housing market in the near future, adjusting their strategies accordingly to account for its occurrence. The speed at which the crisis spread to other markets and other countries, and the unimaginable impact it would have drying up the money markets, had not been factored into risk models (Ackermann 2008).

Interest rates were rising, while income was staying the same. Foreclosure and default rates went up and housing prices went down (Aalbers 2008). As homeowners were no longer able to afford their payments, they were forced to default on their mortgages. Pockets of abandoned homes popped up across the United States. In many cases, mortgage prices had surpassed the actual value of homes in neighbourhoods taken over by foreclosures, a devastating reality for many mortgage holders who had been ill informed by their lenders and now held worthless investments.

What initially appeared to be a localized issue tearing through residential streets began to broaden, as mortgage brokers had sold enormous amounts of subprime loans to investors all over the world. From individuals to big financial institutions, the impact was widespread and caused devastating financial loss. Aalbers (2008) describes the current financial crisis as originating within the housing and mortgage markets, but having a widespread effect on financial markets around the world. Mortgage lenders have changed
from local and regional institutions in recent decades to national lenders, competing for the same credit in the global credit market (Aalbers 2008). Though the crisis originated at the ground level between subprime mortgage holders and their brokers, waves of devastation spread throughout the intertwined financial system.

Once thought to be a precautionary measure should the market go bust, savings and loans institutions increased their loan potential beyond the resources available in their geographical market. By connecting local markets and therefore, spreading risk, interest rates were predicted to fall based on a “more efficient market for the demand and supply of money and credit” (Aalbers 2008, 35). The introduction of securitization nearly 40 years ago, through government-sponsored enterprises Fannie Mae and Freddie Mac, enabled mortgage lenders to sell their mortgage portfolio’s on the secondary mortgage market to investors and enabled non-banks to enter the mortgage market (Aalbers 2008).

The early 2000s saw an excess of global capital and investors eager for investment options. This drove demand for safely rated and reliable investments, which at the time were mortgage-backed securities (MBS). MBS are debt obligations representing the right to the cash flows pouring out of pools of mortgage loans on residential properties (U.S. Securities and Exchange Commission 2010). Through the process of securitization, the purchasing entity of the MBS would sell their contractual debt to various investors as collateralized mortgage obligations (CMOs), while regularly paying back principal and interest on the debt, underlying the security, to the various investors.

Mass inflows of financial wealth as the result of these agreements increased the demand from investment bankers for more mortgages. However, the supply to meet this demand could not be found, as everyone who was eligible to obtain a mortgage already had one. To get around this issue, lenders began adding risk by giving out subprime mortgages to those without the resources to pay them back. If the homeowners were to default on their
mortgage, the lender had the security of receiving the house in a time period where housing prices were continuously rising. As homeowners doomed from the beginning began to default on their mortgages, the banks took ownership of these homes and put them back on the market for resale (Jarvis 2012). However, as more and more homeowners defaulted on their mortgage, the supply surpassed the demand for homes and prices began to plummet. The rapid foreclosure of homes reduced the value of surrounding homes in those neighbourhoods. Homeowners were now paying mortgages much higher than the actual price of their home, and therefore walking away. Banks were left with useless houses that no one wanted to buy, and many investors and banks went bankrupt as a result. This echoed back to the homeowners whose investments were now worth nothing (Ibid.).

Nguyen & Enomato (2009) state, “starting with the housing boom, rising home prices and subprime mortgages, the stage was set for a series of disastrous events that would create volatility in stock markets seldom experienced” (91). On September 15, 2008, the Dow Jones Industrial Average experienced its largest one-day point drop in 2008 up to that day, falling by 504 points (Nguyen & Enomato 2009).

Under the authority of then president George W. Bush, the United States federal government established the Troubled Asset Relief Program (TARP) and the Capital Purchase Program (CPP) in October 2008, to purchase assets and equity from financial institutions in order to address the subprime mortgage crisis and strengthen the financial sector. A bailout of $700 billion was proposed, of which $250 billion would be dedicated to injecting capital into the banking system to increase bank lending to consumers and businesses. On December 19, 2008, President Bush declared he would be using his executive authority to spend TARP funds on any program he believed necessary to mitigate the financial crisis, which allowed him to extend the use of funds into supporting the auto industry (Nguyen & Enomato 2009).
The results are not in yet and won’t be for some time about just how successful TARP has been in restoring the financial system in the United States, but the repercussions of the subprime mortgage crises continue to reverberate throughout the world. This is seen today in the European debt crisis, as much of the increased debt levels are a result of large bailout packages provided to the financial sector in the late 2000s and the economic slowdown that followed soon after.

As our neighbours to the south struggle to rebuild a strong economy and celebrate what can be referred to as modest economic growth, we must question how Canada has fared through these challenging times. How can similarly sized homes be sold for one dollar in one city but in another city on the same continent, the same sized house would sell for one million dollars? An analysis of Canada, and specifically Toronto, within the North American Housing market during and following the financial crisis may provide insight as to why Canadian real estate continues to show strong signs of life.

3.2.2 Crisis’ Impacts on the Canadian Housing Market

While geographically rooted in the subprime mortgage crisis in the United States, the financial crisis of 2007-2008 was a disaster of global proportions. Funds and banks around the world have been hit hard after purchasing massive amounts of collateralized debt obligations (CDOs) (Anderson & Timmons 2007). Shockwaves sent through the financial sector have surprised even the investors and executives of banks, who were unaware of the extent of the risks they were taking. There are those who attribute the confusion surrounding these products to the complexity of their structure; pooled assets that have been chopped up and sold in smaller pieces. CDOs were created within CDOs and became further removed from the original asset (Anderson & Timmons 2007).
The American banking system and mortgage lending practices can be considered complex and risky when compared with Canadian lending practices. One of the major buffers between the influence of the global financial crisis and Canada’s housing market is the Canadian system of banking. A different approach is taken by Canadian banks to mortgage lending, requiring more stringent prerequisites for obtaining a loan. Following a breakdown in the global financial sector, Canada emerged with less devastating effects to the housing sector, particularly among mortgage holders. The role Canadian banks played in maintaining stability in the housing market following the crisis is discussed below.

3.2.2.1 The Role of Canadian Banks

To understand Toronto’s housing strategy and relative immunity to the subprime mortgage crisis, one must look to the influence of the Canadian banking system. Why was Toronto able to emerge relatively unscathed following the global financial crisis, particularly considering our proximity to the largest economy in the world - the United States?

It is early yet to see a large supply of academic writing on Canadian banking systems during and following the financial crisis, and one would have to pursue in-depth research on the topic to fully explain the differences between the current Canadian and America banking systems. Though it is not academic, credible information from the Canadian Bankers Association (2012) attribute Canada’s strong banking system to the following factors:

1. **Canada has a national banking system with diversified and well-managed institutions.** Investment banks are anchored by solid deposit-taking institutions in a national system that balances the economic sector by moving funds from areas of excess deposits to regions where growth is creating demand for new credit.
2. **Canada’s strong regulatory system.** Praised by the International Monetary Fund (IMF), Canada’s streamlined bank regulatory system has two primary regulators: the Office of the Superintendent of Financial Institutions (OSFI) for prudential regulation and the Financial Consumer Agency of Canada (FCAC) for consumer matters. This differs from the United States’ complex network of different regulators.

3. **Well-capitalized banks.** Canada’s banks were able to continue lending and provide a cushion against loan losses during the economic downturn, as they had been strengthening their capital levels by raising new capital from investors in the marketplace. Banks of Canada are among the best capitalized in the world.

4. **Stable and prudent mortgage lending.** Unlike the mortgages given out prior to the subprime mortgage crisis in the US, banks in Canada make loan decisions on a case-by-case basis, extending credit only to those who have proven they are able to repay their loans. The US also have many high-risk mortgage products that do not exist in Canada, including: adjustable-rate mortgages with low interest rates that can rise substantially; interest-only payments, where the mortgage principal is never lowered; negative amortization payment schedules, with payments that are less than the interest charged; and no-documentation lending.

5. **A strong system that benefits all Canadians:** As taxpayers, Canadians have not had to bail out or inject capital into financial institutions. When the global credit market froze, the Canadian government maintained consumers’ access to credit by buying more than $69 billion of safe, insured mortgages from the banks through the Insured Mortgage Purchase Program, which has now ended. Additionally, banking in Canada is accessible, affordable and competitive; this keeps consumers confident, as banks continued lending to individuals and businesses throughout the economic downturn. Finally, most Canadians are shareholders in Canada’s banks either directly or through the Canada Pension Plan, pensions and mutual funds. Pensions funds and RRSPs are key beneficiaries of the billions of dollars of dividends banks pay each year (Canadian Bankers Association 2012).
These reasons contribute to why The World Economic Forum has ranked Canada’s banking system as the most sound in the world, four years in a row between 2008 and 2011 (Canadian Bankers Association 2012). Research findings in the fall of 2011 showed 84% of Canadians gave banks a good to excellent performance rating when it comes to being stable and secure (Ibid.). The precautionary and strategic planning of Canadian Banks have proven to have a large impact in our ability to dodge the financial and social devastation south of the border, and have provided Canada with a reputation of being a place of safe investment. Of particular interest to this study, comparing the mortgage lending practices of Canada to those of the United States suggest Canadian banks had a stronger, more precautionary and more realistic grasp on who they should be lending. Canadian mortgages have persisted with stability as interest rates and housing prices go up and down, whereas American mortgages with their high risk features have seen mortgage prices soar above the actual value of the home. Most significantly, however, is that Canadian lenders tend to hold the mortgages they originate, unlike the US system, where the “originate to distribute” securitization model promoted the purchasing, reselling and gambling of individual’s mortgages and futures. Mortgage originators tend to be more cautious and aware of their lending decisions, as they are directly affected by the outcomes of their decisions. The combination of these factors, with the suggestion that Canadians are careful borrowers, has resulted in the healthy maintenance of equity among homeowners with mortgages; the average amount of equity in a home being 66% of total home value (Canadian Bankers Association 2012). Canadian Banks have not only been influential in Canada’s resilience to the impact of the subprime mortgage crisis, but have likely been a significant factor in the ability of major cities like Toronto to continue seeing traditional patterns in housing, where the value of property and homes continues to rise.
3.3 The Current Status of Mortgage Lending in Canada

In June 2012, Canadian Finance Minister Jim Flaherty outlined new rules governing the Canada Mortgage and Housing Corporation (CMHC), attempting to cool down a red hot housing market in order to ensure Canadians were not taking on more debt than they could afford. The CMHC is the Crown corporation overseeing the housing market by insuring the vast majority of Canadian mortgages.

The maximum amortization period has been reduced to 25 years, down from its previous term of 30 years. This is the third time amortization periods have been adjusted by Ottawa since 2006, when the CMHC briefly issued mortgages with 40-year terms, lowered the limit to 35 years, then 30 years and now 25 year limits (Evans 2012). With maximum amortization periods now set at 25 years, the monthly mortgage payments are higher, but end up saving the borrower more money overall over time. The shortened amortization period is likely to affect the market through the tougher qualification requirements for a 25-year mortgage.

Additionally, the government is promoting saving through home ownership and encouraging homeowners to manage borrowings against their homes by lowering the total amount of home values that Canadians can withdraw when refinancing their homes. Previously, Canadians were permitted to withdraw 85 percent of their home’s value, but this percentage has now been lowered to 80 (Evans 2012). Another measure being taken to prevent excessive borrowing is moving the maximum gross debt service ratio (the maximum home-related expenses one can afford to pay each month) to 39 percent, and the maximum total debt service ratio (the maximum debt load one can carry each month) to 44 percent in order to be eligible for CMHC insurance (Evans 2012).

Finally, limits were placed on CMHC insurance lending to homes priced over $1 million. Homebuyers wanting to purchase a home for over $1 million can not get insurance,
meaning the buyer has to come up with a 20 percent down payment in order to get an uninsured mortgage (Evans 2012).

All of the changes came into effect July 9, 2012, raising questions about how this was going to impact investors and buyers. The months following the rule changes did see modifications to the market, but a long term analysis is required to be able to draw connections between the rule changes and the impacts felt in the second half of 2012 and the beginning of 2013. This is a question the primary analysis will address in Chapter Four when reporting on the findings from discussions with primary stakeholders in the industry.

Critics of Flaherty’s June announcement acknowledge that he may be right about Toronto’s condominium sector being overheated, but believe the market is beginning to already correct itself on its own. By pushing the market too far, Flaherty may be running a risk of psychologically cooling the entire market, says real estate author Don Campbell (as quoted in Marr 2012). The Canadian Real Estate Association (CREA) sent out a response to Flaherty’s announcement that reminded him that the home resale market contributes $20 billion per year to Canada’s economy. The CREA urged the government to consider the impact of further interventions in the market carefully (as quoted in Evans 2012).

Flaherty also faces the fact that despite his efforts to contain the market, he could be defeated by banks who offer lower mortgage rates to preferred customers, which is currently not being publicly promoted (Evans 2012). Currently, the unstable global economy and startling world events have prompted Flaherty to take matters into his own hands in restraining the real estate market.

3.3.1 The Bank of Canada

The Bank of Canada is the national central bank, responsible for Canada’s monetary policy, bank notes, financial system, and funds management, promoting the economic and
financial welfare of Canada (Bank of Canada 2012a). It became a Crown corporation in 1938, belonging to the federal government, yet conducts its activities with considerable independence, as it is not a government department (Ibid.).

The Bank of Canada’s monetary policy has direct effects on mortgage rates through the implementation of inflation-control, introduced in 1991 (Bank of Canada 2012b). The inflation-control target helped to make the Bank’s monetary policy actions more readily understandable to financial markets and the general public. At present, the inflation-control target range is set at 1 to 3 percent, aiming to keep inflation at the 2 percent target midpoint. As stated by the Bank of Canada:

One of the most important benefits of a clear inflation target is its role in anchoring expectations of future inflation. This, in turn, leads to the kind of economic decision making – by individuals, businesses, and governments – that brings out non-inflationary growth in the economy (Bank of Canada 2012b).

As of January 17, 2012, the Bank of Canada announced there was no need to modify its stance of monetary policy and that the bank would be leaving the target overnight interest rate unchanged at 1 percent (CMHC 2012b). The overnight rate is the interest rate at which major financial institutions borrow and lend funds among themselves; the overnight rate target is raised and lowered by the Bank, who carries out monetary policy by influencing short-term interest rates. Theses changes made by the Bank in the overnight target rate influence other interest rates, such as those for consumer loans and mortgages (Bank of Canada 2012b). Overnight target rates continue to sit at 1 percent, and as a result, mortgage rates are predicted to remain near historically low levels (CMHC 2012b).
3.4 The Condominium Market Today

Upon entering the process of collecting primary research on the ultra-luxury condominium market, it is vital to perform a secondary analysis on the current trends of the entirety of the condominium market. This enables us to situate the very niche ultra-luxury market within the condominium market as a whole, as well as note the differences between the varying markets. The Canadian Mortgage and Housing Corporation is Canada’s national housing agency. The CMHC provides annual reports and monthly updates on housing in Canada, as well as data on new home construction, new home prices and sales, rental statistics and the demographics of housing demand. Much of this analysis will use information provided by the CMHC.

3.4.1 The New Home Market

It is important to differentiate between the new home market and the resale market in Toronto. This research focuses primarily on the new home market, meaning units purchased during a pre-construction state, which turn into tangible dwellings. As they are inextricably intertwined, the research touches on the resale market and the renters market; however the purpose of this is to strengthen and better explain results of the investigation of the new home market.

The new home market in the Greater Toronto Area showed a post-recession high in the first quarter of 2012, as new home construction starts jumped by 20 percent to a seasonally adjusted 45,500 units (CMHC 2012a). Validating the need for my current research, the CMHC suggests condominium apartments drove this increase, representing nearly 60 percent of total new home construction (2012a). When excluding the amount of apartment starts, total new home construction starts actually declined by 10 percent during the first quarter (Ibid.). Despite the slowdown in single-detached and row home starts in the
first quarter, the current level of housing units was still able to reach a new high of 55,000 in the early months of 2012.

The CMHC (2012a) attributes the recent strength in condominium apartment starts to the success of pre-construction sales campaigns, and rising absorption rates that have allowed the market to avoid significant supply pressures. Less than five percent of over 17,000 condo units completed in the twelve months leading up to the end of the first quarter were completed and left unoccupied (CMHC 2012a). The prosperous sales of 2011, however, have slowed slightly in 2012. RealNet Canada Inc. reported first quarter new condominium sales imply a seasonally adjusted annual rate of roughly 18,500 units down from the record 28,500 sales achieved in 2011 (Ibid.). Sales of low-rise home (singles, semis and towns) have been strengthening in recent months, and for the first time since the third quarter of 2009, there has been a larger number of low rise homes sold during the first quarter than high rise units (CMHC 2012a). Despite highs in condominium construction starts, rising unsold condo inventory has been reported at the pre-construction stage of development; the number of sales in new condominiums has slowed down. The CMHC makes an important note in their report that:

It appears the new home market is attracting more interest as competition amongst buyers in the resale market has driven prices up to a more comparable level to new builds. The average price of a resale single-detached home in the GTA has risen by 10 percent over the past year to approximately $625,000, while Statistics Canada’s New Home Price Index shows slower annual growth of roughly six per cent for new singles. Rising prices and declining availability of both new and resale singles has helped give a boost to row home development, which maintained one of its highest rates of starts in the first quarter since 2007 (CMHC 2012a).
The rising cost of resale homes has promoted purchasing new homes in the GTA, but is not the only factor in the increase of new home starts. Perhaps a rising culture with an ever-increasing need for modernity and style has enhanced the desire to purchase new spaces. While some would argue this counteracts the thirst of the creative elites moving into the city looking for unique homes with character and flair, it is important to remember that old does not necessarily equal character. We have somehow found a way to amalgamate the two concepts, creating weathered flooring, vintage furniture and facades frozen in time that still smell of fresh paint. We appear to be headed down a path where it is becoming more financially logical to buy a new house with an old feel than it is to buy an old house with a new feel.

3.4.2 The Golden Years: 2009-2011

The devastating financial crisis of 2007 and 2008 was a very scary and unpredictable time for those in the housing development industry. During this time, one of the most coveted Toronto land development addresses in the city, One Bloor Street East, was sold from Bazis International to developer Great Gulf Group. One of Bazis International’s financial backers was Lehman Brothers, who declared bankruptcy on September 15, 2008 (Hammer 2009). The collapse of Lehman Brothers is often regarded as the apex of the financial crisis (Humer 2012).

Following a dark economic time with much uncertainty about when, if ever, the market would pick up again came a resurgence of new home sales in Toronto. In April 2009, the Building Industry and Land Development Association (BILD) reported that there were more new homes sold in the Greater Toronto Area in the month of April than in any other month since the onset of the global economic crisis the previous fall (BILD 2009). Information provided by RealNet Canada Inc., BILD’s official source of new home market
information, suggested there was a striking 1,880 new homes and condos sold in the GTA in April compared with 1,485 units the month before in March, 876 units in February, 616 units in January and just 476 units in December (BILD 2009). What would shock the Toronto market next was numbers in new home sales in the Greater Toronto Area unpredictable by even the most seasoned economists. As seen in the graph below, new home sales in the GTA saw numbers dip below 15,000 units both in the low and high rise sectors during 2008. The low-rise new home market picked up steam in 2009 as high-rise began to see modest growth. Numbers brought in by 2010 displayed high-rise growth surpassing low-rise growth, and then surging into 2011 with record breaking numbers (see Figure 6).

**Figure 6: GTA New Home Sales**

![GTA New Home Sales Graph](image)

Source: CMHC and RealNet Canada Inc.

When examining the current state of condominium growth in 2012, sales numbers from the past several years are commonly drawn upon. In terms of high-rise sales, the year 2011 saw record-breaking growth with an astonishing 28,000 units in new home sales
(RealNet Canada Inc. 2012). The year prior in 2010 saw nearly 22,000 new units sold. This set a very high standard for 2012 in new home sales in Toronto, one that would be difficult to surpass after record breaking years. Charting the highest numbers of sales on record two years in a row, with an estimated 15,000-20,000 in the works for 2012, new challenges for an industry accustomed to producing 15,000 units a year arise and will be discussed later on in this research exploration.

### 3.4.3 The Reality of 2012

A decline in sales since the record breaking numbers in new home sales during the post-recession boom have sent the media into a frenzy, threatening a bubble burst and market crash for the overheated and oversupplied market. CMHC quarterly reports for the year 2012 provide suggestions about where the market is headed and the reasons behind the change in numbers.

#### 3.4.3.1 First Quarter: Stable Growth Predictions

In the First Quarter report of 2012, the CMHC predicted Canada’s housing market would remain steady through the year, despite rising concerns over a growing condominium bubble in Toronto. Dr. John Andrew of Queen’s University is quoted in one of the many housing bubble articles bombarding Canadian media as stating, “Investors are piling into Toronto’s condo market because of cheap borrowing costs and that may become risky when interest rates rise”, (as cited in Alexander 2012). These units are being purchased because the interest rate is so low, which makes them sensitive to the refinance risk when the interest rates start to rise (Ibid.). Notwithstanding the risk involved in purchasing units at such low rates, CMHC suggests housing starts in Canada will be stable in the years to come (Table 1). While 2012 may see slightly less growth in housing starts, 2013 is predicted to return to
normal levels of construction (CMHC 2012b).

Table 1. Predicted Housing Starts in Canada

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Housing Starts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>193,950 units</td>
</tr>
<tr>
<td>2012 (Predicted)</td>
<td>190,000 units</td>
</tr>
<tr>
<td>2013 (Predicted)</td>
<td>193,800 units</td>
</tr>
</tbody>
</table>

Source: CMHC Report- Housing Market Outlook Canada Edition (First Quarter 2012)

CMHC identifies several trends that have significant effects on the number of housing starts we see today; mortgage rates, employment, income, net migration, natural population growth, the resale market and vacancy rates (2012b). With mortgage rates at all time lows and predictions from the CMHC that they will stay this way, Canadians are taking advantage of these rates, particularly in the condominium market, as seen in the new construction starts. The fear surrounding this is that if mortgage rates were to increase, many families would be in trouble and unable to afford their mortgages.

Additionally, an increase in total net migration (net international migration including non-permanent residents) is estimated to increase by approximately 20,000 people (0.085 percent) in 2012, helping to support Canada’s housing sector (CMHC 2012b). Unlike the United States where growth is still driven by natural increases in population, the 2011 census revealed only a third of Canada’s growth is due to fertility (Cohen 2012). Two thirds of the country’s growth is fueled by immigration. Additionally, as Canada’s economy is expected to be a better performer in the years to come relative to other countries, Canada will attract more immigrants in the long term, which will fill the gaps left behind by the slowing of growth in the natural population (CMHC 2012b).
CMHC predicts growth incomes are expected to continue at a moderate pace, growing modestly due to global economic markets. Specifically in Ontario, housing activity will slow due to “slowing growth in consumer discretionary spending, fewer first-time buyers and a modest pace of economic growth” (CMHC 2012b, 13).

3.4.3.2 Second Quarter: Canadian Housing Market Expected to Moderate

Released in May 2012, the CMHC Housing Market Outlook Second Quarter report reflects a strong start to 2012, driven largely by multiple housing starts. The predictions produced in this report, however, suggest multiples starts are expected to moderate throughout the year while single starts will remain fairly level (CMHC 2012d). The stronger than usual activity seen in 2012 was driven by lower interest rates, but housing activity will begin to moderate in the near future. Overall in Canada, total starts are predicted at 202,700 for 2012 and 195,700 for 2013 (Ibid.).

Specifically among the condominium market, CMHC predicts multi-family starts will moderate in 2013, as slowing growth in condo resale prices and an increased supply of condo rental stock will deter investor buying (CMHC 2012d). Multi-family home starts are expected to drop from 40,100 starts in 2012 to 38,400 starts in 2013 (Ibid.).

It is possible the new mortgage rules in effect July 9, 2012 will be a major factor in the rate of starts and sales that continue throughout the rest of the year. Whether it became a frenzy to buy before the rules came into effect, a slow decline or business as usual, only time will tell.

3.4.3.3 Third Quarter: Nearing Moderation in the Market

The third quarter report of the CMHC Housing Market Outlook repeated a similar story told in the second quarter report; the housing market is expected to moderate
throughout the rest of the year (CMHC 2012e). It states, however, that Ontario’s economy will finish 2012 and enter 2013 with less momentum than was earlier forecasted due to multiple factors: cautionary spending due to instability in the global economy; the potential for below-average employment in Ontario may result in less “big ticket” consumer spending; and an out migration of Ontarians to western Canada, where improving job prospects suggest increased opportunities for employment (CMHC 2012e).

Multiple starts, led by the apartment sector, will continue to capture a significant portion of new home activity, but will moderate in 2013 as the demand for apartments slows down. CMHC suggests, “slowing growth in condo resale prices combined with a rising unoccupied condo rental stock will also dampen buying activity in some market segments” (CMHC 2012e, 13).

3.4.3.4 Fourth Quarter: Less Demand, Time to Settle

The CMHC (2012f) suggests Ontario housing demand peaked in the second quarter of 2012. Trends in multiple starts will continue this quarter, however, apartment demand will slow due to the development of downward pressure on condominium resale prices and a rising number of completions in condo rentals deterring investment activity (CMHC 2012f). Andrew (2012) anticipates significant price drops in the resale condo market. With as many as 48,000 to 52,000 condo units still under construction, suggesting “that’s an awful lot of supply coming down the pipe”, causing buyers to take a step back (as cited in Ireland 2012).

While CMHC reports provide a quarterly outlook on what we can expect to see in the market based on statistical interpretation, it is important to also address directly the demographic factors connected to housing patterns. Census data from Statistics Canada provide a platform for understanding how the changing demographic profile of the Canadian citizen is connected with market patterns.
3.5 The Changing Demographic Profile of Canadians

Aside from policy decisions that have shaped why more and more Canadians are now living in condominiums, the issues of demographic change over the years in Canada must be brought to light. As immigration continues to fuel population growth in major urban centres, such as the Toronto CMA, there are several reasons why condominiums have become a viable option for many new immigrants. Affordability plays a major role, as well as living in urban areas, promoting proximity to job opportunities and employment. Additionally, there are several cultural factors that contribute to living in a condominium. New immigrants to Canada may have previously lived in dense urban places, for example, cities like Shanghai, where family units living in a condominium would not necessarily be out of the norm. With new immigrants accounting for the majority of total population growth in Canada, it is no surprise that real estate brokers are now learning to speak additional languages to connect with their clients and are publishing advertisements and magazines in several different dialects.

The 2006 census findings regarding changing patterns in Canadian homeownership and shelter costs tell us that more than two-thirds of Canadian households (68.4%) owned their dwelling in 2006, which is 8.5 million out of 12.4 million households in Canada (Statistics Canada 2009). With homeownership on the rise, the census also highlights the increase in condominium owners between 2001 and 2006, accounting for more than one-quarter of the increase in the number of Canadian households that own their dwelling (see Figure 7 below). Between 1981 and 2006, household owners in condominiums increased from 4.0% to a record high of 10.9% (Statistics Canada 2009).
The increased number of Canadians owning a home as well as the increased number of citizens living in condominiums can be attributed to several factors. Home ownership has increased due to record low interest rates and attainable mortgages. In 2006, nearly six out of every 10 households that owned their home had a mortgage, the highest level since 1981 when the baby boomer generation entered the housing market (Statistics Canada 2009). Canadians moving into condominiums can be attributed to policy regulations curbing sprawl and promoting density, among several other factors.

Looking at the changing age of Canadians living in condominiums, households in condominiums with a mortgage were dominated by younger households. Theories about condominiums primarily being owned by “empty-nesters” and those looking to downsize after the family has flown the coop must be questioned by the census data stating the two youngest household maintainer age groups increased their share of condominium households with mortgages at a faster pace than any other age group (Statistics Canada 2009). The two
youngest age groups accounted for 24.7%, nearly one quarter, of all condominium owner households with a mortgage in 2006. This percentage increased from 21.8% in 2001 (Statistics Canada 2009). Serious considerations must be taken when attempting to understand why the youngest groups of Canadians are now moving into condominiums; factors such as affordability and changing lifestyle demands are potential drivers.

The changing dimensions of household composition must also be considered when examining the increased demand for condominium living in Toronto. The typical Canadian family no longer consists of two parents raising two or more children in one household. The rise of single-parent families, smaller families, empty nesters craving an urban lifestyle, and a larger divorced community all contribute to condo demand in the inner core. Analysts for far too long have placed an emphasis on young singles that in time will couple and need housing to accommodate this trend. It is now time to consider the other side of the equation, during a period when the likelihood of a coupled household splitting back into two is higher than ever. The divorced community contributes a significant amount of demand to both the need for small units in the case of individuals living on their own, or larger units in the case where children were produced as the result of cohabitation.

The changing norms about family size and having children has also had an impact on the condo boom. Family size trended downwards during the 2000s in the GTA, creating new options for living arrangements for smaller families different from the traditional, suburban, detached home. Smaller families require smaller spaces, creating more options for families wanting to live in the downtown core. Additionally, a new era of career-oriented, financially independent singles has spiked as young Toronto urbanites postpone marriage and children later in life to prioritize career advancement, education and independence. Some are choosing not to couple at all during a time when stigmas traditionally attached to living alone have
begun to diminish, a living arrangement now viewed by society as independent and empowering as opposed to unacceptable or indulgent.

Finally, is it essential to address the impact of aging populations on condominium and housing growth when discussing the changing demographic profile of Canadians. Rosenberg & Everitt (2001) suggest, “there is probably no developed country which is fully prepared for the changes which will likely be required to accommodate their ‘baby boomers’ as they retire in the early decades of the 21st century”, and includes providing housing accommodation for this generation a key consideration in the matter (120). As the baby boom generation reaches the age of retirement between 2010 and 2030, the increase in the numbers of the elderly will have resounding effects upon planning, the social geography of the elderly population, and society as a whole (Ibid.). As members of the baby boom generation age en mass, decreased physical mobility among seniors combined with increased health complications requiring care and services will complicate living arrangements. Rosenberg & Everitt (2001) argue that public and private sectors have responded to such scenarios by “developing a multiplicity of lifestyle choices and housing options at a growing number of locations both within and outside cities”, but these choices do not come without controversy and criticism about segregating housing for seniors (143).

The aging baby boom generation raises many questions about how housing can be provided that is not only accessible to seniors through transportation, health services, and housing design, but additionally provides opportunities for independence and increased overall quality of life. As Toronto undergoes a transformation through rapid condominium growth, the question may be asked if enough emphasis is being placed on creating housing and accommodation that can meet these criteria, or if development is too focused on providing growth that accommodates a younger, investor-driven economy.
The acknowledgement of these demographic changes outlined above, either discussed in isolation or in combination, are important to consider when discussing the variety of demands placed on condominium growth and how the City of Toronto is choosing to adapt.

3.6 Focus on Toronto Condominiums

As the number of housing starts in Canada is predicted to remain relatively stable, the true variation that can be seen in the data is in the difference in the type of dwellings under construction in Toronto. As seen below in Figure 8, provided by the CMHC, single home construction starts have been on the decline since 2004, evening out in the past few years. Housing starts among multiples, however, have continued to rise, with huge declines surrounding a peak during the financial crisis. The road to recovery following the crisis, however, shows the number of multiple starts is on the rise again.

Figure 8: Toronto CMA Housing Starts 2002-2012

Source: CMHC Report- Housing Now, Greater Toronto Area (April 2012)
3.6.1 Condominium Starts, 2012

When comparing the location of multiples starts and singles starts in the Greater Toronto Area, very distinct development patterns have surfaced. The highest number of multiples starts during the first quarter of 2012 have occurred in the Toronto City region (see Figure 9).

Figure 9: Greater Toronto Area Number of Starts (Multiples) January-March 2012

Source: CMHC Report- Housing Now, Greater Toronto Area (April 2012)

The highest number of singles starts in the first quarter of 2012 occurred in Peel Region, encompassing the suburban areas of Brampton, Caledon and Mississauga (see Figure
10). Not only does this demonstrate the urban intensification process and a demand for multiple style living in the urban core, it also shows significant differences in the number of starts being built between the two types of dwellings. The highest bracket of multiples starts in the GTA ranges from 3,245-4,856 starts, while the highest bracket of singles starts in the GTA ranges from 233-236 starts. There is clearly a much larger supply of multiples starts, regardless of urban location in the GTA.

Figure 10. Greater Toronto Area Number of Starts (Singles) January-March 2012

Source: CMHC Report- Housing Now, Greater Toronto Area (April 2012)
Additionally, the total percentage of apartment starts among all housing starts in Ontario has consistently been on the rise since 2001 (Figure 11).

**Figure 11: Apartment Starts Percentage of Total Starts in Ontario**

Source: CMHC Report- Housing Market Outlook, Ontario Region Highlights (First Quarter 2012).

### 3.7 Classifying Ultra-Luxury Condominiums

Luxury condominiums are sold in a niche real estate market that generally targets the highest socio-economic group of consumers. Defining luxury, however, can be quite complex when applying the term to condominium buildings and units. James Parakh, the Program Manager in the Urban Design Department in the Toronto and East York District at the City of Toronto, states that the City does not have a system for classifying “luxury” buildings in Toronto, but would generally look to the price point as opposed to the cost of the unit per square foot when seeking definition. He suggests this gets complicated, however, as family
styled units may have the same price per square foot as “luxury” condominiums in many cases (J. Parakh, personal communication, June 27, 2012).

A case study of buildings with high price points, high prices per square foot, plentiful amenities and locations with valuable land value can assist in grasping an understanding of luxury condominium developments in Toronto. Parakh notes the recent trend in luxury development is building luxurious condominiums attached to amenity rich five star hotels. The City of Toronto is witnessing many of these buildings coming to completion during the summer and fall of 2012 (J. Parakh, personal communication, June 27, 2012). An investigation of four specific buildings meeting the standard of a five-star condo-hotel building provide a case study analysis of a new standard of luxury developing in Toronto.

3.7.1 The Residences at the Ritz-Carlton

Pursuing the origin of true hotel luxury needs no further searching beyond the legendary name, César Ritz. A Swiss hotelier and founder of several hotels, Ritz was the vision behind the famous Hotel Ritz in Paris opened in 1898 and later, The Carlton in London in 1899. He was nicknamed “king of hoteliers, and hotelier to kings”, setting a precedent for international luxury accommodation. The Ritz-Carlton Boston was opened in 1927, and instilled the philosophy of service and innovation César Ritz had refined in Europe (The Residences at the Ritz-Carlton 2012).
Over 70 years later, the Ritz-Carlton name is internationally recognized as a luxury brand in hotel and real estate, bringing not only hotel rooms to Toronto but also residential suites. Towering 53 storeys high, the distinctive glass and limestone Ritz-Carlton Toronto transitions from hotel to residences beginning at the 25th storey, and is completed by an 11,000 square foot penthouse on the 52nd floor. As the first to open of the four five-star condo-hotels, the Residences at the Ritz-Carlton Toronto was revealed in February 2011, and as of May 2012, had sold over 90% of its residential units. However, there is rising concern over the demand for resale condos in this market. With more than 20 units back on the resale market, it makes it difficult for the developer to sell its remaining units and compete against lower prices (McInnis 2012a).

Equipped with a geothermal heating and cooling system, the Residences uses a unique pipe line to pump water from the centre of Lake Ontario into the Ritz to create fresh, humidified air throughout the building. A common criticism of the building arising through my conversations with various stakeholders in the industry is the lack of outdoor space the Ritz has provided for its residences. A further exploration of this criticism is provided through the primary analysis of the qualitative interviews I conducted.
3.7.2 Trump International Hotel and Tower Toronto

Born out of the American real estate empire, plans grew to make the Trump International Hotel and Tower Toronto as recognizable as the namesake’s timeless hairstyle. Donald J. Trump, real estate mogul, reality television celebrity, and internationally recognized mega-millionaire, spreads his name over the globe at the company’s several hotels, resorts, and residences. Trump International Hotel and Tower Toronto follows in the footsteps of sibling towers in New York, Chicago, Las Vegas, Panama, and Waikiki, putting Canada on the roster for the first time in Trump real estate. Mr. Trump himself, who licensed his name to the project but only has a minor equity stake, appeared at the ribbon-cutting event held in Toronto in mid-April 2012, exposing the world to the 65-storey tower built by Talon International Development Inc. The Toronto tower holds 261 hotel condos priced at $970,000 and up; owners can use their room when in Toronto and receive revenue when guests stay there while the owners are out of town (Perkins 2012). The tower also has 118 residential condominiums and penthouse residences at the top of the tower (Trump International Hotel and Tower Toronto 2012).

Figure 13: Trump International Hotel & Tower, Toronto Logo

Source: Trump International Hotel and Tower Toronto 2012

Trump Toronto attracted some negative media attention during its initial building phase. Toronto police had to shut down the major intersection of Bay Street and Adelaide Street, a busy pedestrian artery in the financial district, in order to address reports of falling
glass from the tower. There were no injuries reported, though the streets around the tower remained closed that morning as crews cleaned up panes of glass that are suspected of falling as a result of wind blowing loose wires and scaffolding into one of the panels on the building still under construction (Vitullo 2012). Additionally, delays in the towers completion have caused some buyers to look for a way out; the building was originally slated to open in 2009. Representatives from Talon Inc. blame several poor weather days and the confined building site in downtown Toronto for the late opening.

According to the Wall Street Journal, at least eight investors have contacted lawyers to help them out of their contracts and regain hundreds of thousands of dollars in deposits for a wide array of reasons (MacDonald 2012). Such pleas include worries about Toronto’s condominium bubble bursting; investments made ahead of the economic downturn and no longer having the cash to complete the purchase; or finally, clients “were dazzled by the Trump name and marketing, and they did not take into consideration that they were paying in excess of a thousand dollars a foot” (MacDonald 2012).

Despite a difficult start for the Trump Tower that was scrutinized by the vigilance of Toronto media, the Tower has quickly been able to establish itself as one of the most luxurious buildings in the city, with no expenses spared in the creation of this masterpiece.

3.7.3 Living Shangri-La Toronto

Shangri-La Hotels and Resorts is Asia Pacific’s leading luxury hotel group, and opened its first deluxe hotel in Singapore in 1971. The name Shangri-La was inspired by James Hilton’s 1933 novel, Lost Horizon, which “encapsulates the serenity and service for which our hotels and resorts are renowned worldwide” (Shangri-La Hotels and Resorts 2012). Shangri-La Hotel is set to open early August 2012 with residents taking occupancy of their units beginning in May 2013. Climbing 66-storeys into the sky, the first 17 floors of the
building contain 202 luxury hotel rooms; the remaining space above is composed of residences, private estates and penthouses for a total of 393 units. Vancouver-based Westbank Projects Corporation in partnership with Peterson Investment Group is behind this project, where suites range from 891-square-foot one-bedroom units (priced from $988,600) to 3,349-square-foot three-bedroom penthouse suits (price from $9.3 million). Both penthouses are two storeys high, have internal elevator service, and boast 1,400-square-foot terraces, which are the highest terraced residential suites in Toronto, according to the developer (Starr 2012).

Figure 14: Living Shangri-La Toronto Logo

In early May 2012, Living Shangri-La unveiled the highly anticipated public art installation that crawls up the building’s façade. Contemporary Chinese artist Zhang Huan created the piece titled “Rising”, his first public art commission in Canada. As described by Zhang, Rising symbolizes a city where mankind and nature live in harmony, as portrayed through “peace pigeons” and twisted tree branches made to resemble the body of a dragon (Starr 2012). The massive artistic undertaking took two years to complete in the artist’s Shanghai studio before traveling by boat to the West Coast and then trucked across Canada to rest at its final destination.

City of Toronto’s Section 37 bylaw grants developers building-height concessions in exchange for public art, among other such community improvements. Shangri-La developers, in conjunction with the Art Gallery of Ontario, which curated Rising, in what City Councillor
Adam Vaughn describes as a testament to the value of Section 37 (Starr 2012). Councillor Vaughn of Ward 20 Trinity-Spadina is quoted as saying:

This would not be possible if the city did not have a way of combining institutions and private enterprises and artists. (Ward 20) is a neighbourhood that has an abundance of cultural institutions . . . and it has amazing vitality in terms of its private sector partners willing to partner with institutions and individuals to do something more than simply add buildings to a city, but to, in fact, try and build a better city (as cited in Starr 2012).

Craig White (2012), writing on behalf of well-known website and online newsletter UrbanToronto.ca, suggests Rising bodes quite well for Toronto with its scale and location. Rumoured to cost upwards of $5 million, Rising exceeds the 1% of the total cost of the building’s budget required by the bylaw to be spent on public art (White 2012). This art installment presents a new standard and challenge for future developers who are unlikely to have budgets of similar pricetags. AGO Director and CEO Matthew Teitelbaum told the crowd during the unveiling of Rising, “this is a very special moment for our city. It is about many things coming together in one moment, and may this moment last forever” (as cited in Starr 2012).

3.7.4 The Four Seasons Hotel and Private Residences Toronto

Four Seasons Hotels Inc. is a Canadian-based international luxury five-star hotel management company, founded in 1960 by Canadian entrepreneur Isadore Sharp. The opening of the Four Seasons hotel in London, England in the 1970s was a defining moment for the brand focused on luxury and quality service. Over 50 years later, the company welcomes guests to 50 properties worldwide on every continent except Antarctica (Four Seasons 2012).
A public company from 1986 onward following a close call with bankruptcy, Four Seasons returned to private ownership when Microsoft’s Bill Gates and Saudi Arabia’s Prince Al-Waleed bin Talal purchased the company in 2007. Isadore Sharp and his family retained a significant share and operating involvement in the company (Four Seasons 2012).

Four Seasons latest Canadian endeavour will open its doors to guests and homeowners in the Fall of 2012, boasting 55 storeys of luxury hotel rooms and private residences in the upscale Yorkville Neighbourhood. The Four Seasons Hotel and Private Residences Toronto has two towers; the taller tower contains 253 hotel suites with 100 condominiums above, and the other building hosts residents in 110 condominium units. Sitting atop the taller building of the two, the 55th-floor penthouse has gained the title as the most expensive Canadian condominium ever sold. Purchased by an out of country buyer, the 9,038 square foot penthouse was sold for $28-million in 2011 (Ladurantaye 2011). Aside from the $7,000 per month condominiums fees that accompany the penthouse, the top floor of the Four Seasons is considered a bargain by international standards. At approximately $3,000 per square foot in Toronto, a comparable property in New York would start at around $5,000 per square foot (Ladurantaye 2011).
3.8 A New Standard of Luxury

All four of these hotel-condos stand behind their 5-star rating, but how do these buildings measure up when compared side by side? Luxury is no longer simply defined by the amount of space and the price tag placed upon it. These days, it is all about the extras: service, amenities, and of course, location, location, location.

3.8.1 Service and Amenities

Based on an analysis of each luxury condo-hotel website, each of the four has a striking similar ‘Service and Amenities’ list. The services and amenities are offered on an \textit{a la carte basis}, and include: concierge service, valet parking, hotel lobby, bar, restaurant, outdoor terrace, spa and salon, pool, fitness centre, meeting centre, ballroom, semi-private and private elevators for residential suites, in-residence dining, housekeeping services, resident lobby and car service. By attaching condominium residences to luxurious brand hotels, residents have access to all the same amenities a hotel guest would, with an additional price tag to go with it. The services and amenities shown in this list truly create a new standard of living; they define the five-star lifestyle.

3.8.2 Cost, Developers, Units and Extras

The National Post (2012) conducted an investigation of these four buildings, accessing insider information about what makes these buildings unique. Below are some of the most fascinating findings this report provided.
Table 2: Comparing Ultra-Luxury Amenities

<table>
<thead>
<tr>
<th>Developer</th>
<th>The Residences at the Ritz-Carlton, Toronto</th>
<th>Trump International Hotel &amp; Tower, Toronto</th>
<th>Living Shangri-La Toronto</th>
<th>Four Seasons Private Residences Toronto</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developer</td>
<td>Graywood Developments Limited</td>
<td>Talon International Development Inc.</td>
<td>Westbank Peterson Group</td>
<td>Menkes Developments Ltd./Lifetime</td>
</tr>
<tr>
<td>Hotel Units</td>
<td>267</td>
<td>261 (Hotel Condominiums)</td>
<td>202</td>
<td>259</td>
</tr>
<tr>
<td>Hotel Room Starting Price per Night</td>
<td>$500</td>
<td>$395</td>
<td>$515</td>
<td>$535</td>
</tr>
<tr>
<td>Condominium Units</td>
<td>135</td>
<td>118</td>
<td>393*</td>
<td>210</td>
</tr>
<tr>
<td>Condominium Price per Square Foot (Average)</td>
<td>$1,160</td>
<td>$1,650</td>
<td>$1,300</td>
<td>$1,850</td>
</tr>
<tr>
<td>Height</td>
<td>53 storeys, 15 hotel floors</td>
<td>65 storeys, 19 hotel floors</td>
<td>66 storeys, 17 hotel floors</td>
<td>55 storeys, 21 hotel floors</td>
</tr>
<tr>
<td>Colour Scheme</td>
<td>Warm neutrals, contemporary/modern décor</td>
<td>Caviar and Champagne – a contrast of light and dark</td>
<td>Neutral – cream travertine tile, light oak wood, soft grey leather furnishing to Champagnes and Chocolate</td>
<td>A neutral palette of natural earth tones and slate greys</td>
</tr>
<tr>
<td>Works of Public Art</td>
<td>450 pieces of original Canadian artwork by Ontario artists</td>
<td>“A small part of something larger” - a mural in the port cochere, comprised of more than 500,000 individually cast, coloured, sized and textured porcelain tiles</td>
<td>Rising, a polished stainless steel sculpture by renowned Chinese artist Zhang Huan. The 22 x 20 metre work graces the University Avenue entrance and extends inside the lobby’s hotel lounge</td>
<td>Claude Comier designed rose garden and four-storey fountain at port cochere</td>
</tr>
<tr>
<td>--------------------</td>
<td>----------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
</tr>
<tr>
<td>High Tech Features</td>
<td>The Ritz-Carlton app allows visitors to make reservations, view photos and hotel details, as well as gain information onsite through the use of QR codes</td>
<td>Light touch pads in all provide four separate pre-set lighting levels</td>
<td>In-room iPads with ICE technology allows guests to order room service, connect with the concierge and arrange transportation</td>
<td>iPads in every room allow guests the option to order room service, book a spa treatment or even take a virtual tour of the Canadian-curated art collection inside the hotel</td>
</tr>
<tr>
<td>Restaurant Bragging Rights</td>
<td>A new breed of Canadian cuisine influenced by Toronto’s multiculturalism</td>
<td>Famed master sommelier John Szabo is on staff; menu boast impressive collection of organic and biodynamically produced wines, and myriad craft beers</td>
<td>Bosk, the signature restaurant of Shangri-La Hotel, Toronto offers a globally inspired menu with Asian influence; Lobby Lounge menu inspired by Asian street vendors.</td>
<td>Café Boulud and bar by acclaimed chef Daniel Boulud</td>
</tr>
</tbody>
</table>

Source: The National Post (2012)
From this investigation, it is clear that Toronto has joined the list of the world’s most prestigious cities, offering world-class hospitality with no expenses spared. No matter how bright and crisp the linen may be, however, or how much ornate detail is carved into the mantelpiece, the true value of a real estate development comes down to one key element: location.

3.8.3 Location, Location, Location

It is not purely coincidental that in a country with plentiful opportunities for land development, all four of the 5-star condo-hotels discussed here decided to open up shop at the same time in downtown Toronto. As further discussed through the results of the study’s primary analysis, key stakeholders continuously refer to Toronto as the economic and cultural epicenter of Canada, making it a natural choice for developers attempting to attract a wealthy and diverse client base.

Approaching the topic of location using a micro scale to examine Toronto, the four developments took unique approaches in picking which spaces to erect their tall towers. The map below depicts the variations in location selections (see Figure 16). The Four Seasons selected an address in Yorkville, one of Toronto’s most exclusive neighbourhoods known for its upscale shopping district and fine dining. The site is located at 60 Yorkville Avenue, north of Bloor Street between Bay Street and Yonge Street. Brian Brown, Vice President of Lifetime Developments, describes how they came to acquire the location and how they began to pursue this site nearly eight years ago. The property was owned at the time by an individual in Germany. They went through the process of tracking the individual down and translating letters into German at times in order to be able to communicate their offer. Lifetime Developments believed that through making this deal, they just might have acquired
one of the most attractive locations in the city (B. Brown, personal communication, Sept. 20, 2012).

**Figure 16: Locations of Ultra-Luxury Condo-Hotels in Toronto**

![Map of Ultra-Luxury Condo-Hotels in Toronto with locations marked as Four Seasons, Ritz-Carlton, and Trump. Source: Google Maps (2013)](image)

Lifetime Developments then partnered with Menkes Developments Ltd. and began talking to hotel operators about the possibilities for this site. According to Brown, “We had also heard that the Four Seasons was looking for a new head office location, and given that they were a great Canadian brand with strong operations and flagship locations throughout the world, they felt that their [current] home location… it didn’t reflect the brand in many cases” (personal communication, Sept. 20, 2012). Brown’s comments refer to the former Four Seasons Hotel in Yorkville, located at the corner of Yorkville Avenue and Avenue Road since 1978 and closed in March of 2012. The property was purchased by Comrost-Felcorp
with plans to gut the outdated building, add a glass base with restaurants and shops, and turn the former 380 hotel rooms into 490 condominium units in a project called ‘Yorkville Plaza’ (McInnis 2012b). Brown states the Four Seasons was looking to find a new site they could redevelop and showcase what the brand was really all about. Lifetime Developments decided the Four Seasons was the right brand and right product for their Yorkville location.

The Shangri-La stands tall at 200 University Avenue between Richmond Street West and Adelaide Street West. Located on the west side of Toronto’s Financial District, the location suggests the building attracts a business group of clientele, whether that be local Torontonians living and working downtown or those residing at the luxury building while on business trips to Toronto. As a very highly regarded brand throughout Asia, Shangri-La made its first appearance on Canadian soil in Vancouver, opening its doors in 2009. With the successful reception of the brand out on the west coast, the second Shangri-La and Living Shangri-La residences opened in Toronto in 2012.

The website for the Toronto residences describe the location as “Big, Bold and Confident”, as well as “Cultural, Stylish and Streetwise” (Living Shangri-La Toronto 2012). The location page profile claims Shangri-La is situated on prestigious University Avenue, and refers to this street as Toronto’s ceremonial grand boulevard. Additionally, the building is “just steps away from the city’s finest entertainment, cultural, shopping, business, educational and dining venues” (Living Shangri-La Toronto 2012).

The Trump International Hotel and Tower Toronto selected 325 Bay Street at Adelaide Street West for their first Canadian location. This luxury condo-hotel sits even deeper in the heart of Toronto’s financial district than the Shangri-La does, claiming an actual Bay Street address typically reserved for banking institutions and professional services firms. Brian Scott, Vice President of Sales in Real Estate at Trump Toronto, suggests this is
one of the biggest selling features of the building. The location is critical, claims Scott, who says:

We are standing on the corner of Bay and Adelaide in the heart of the Financial District; it doesn’t get any better than this if you’re looking to do business in Toronto, if you are a lawyer or accountant or stockbroker or investment banker. This corner is where all of those people are and that is one of the reasons people seek us out because they want to have their office there and be able to walk across to work. Or if they have employees coming from all over the world they want them staying here so in the morning they can go right to the meeting. We have the best location and certainly the most expensive piece of dirt in the country (personal communication, Sept. 25, 2012).

The approach Trump Toronto took in terms of selecting a location is clear: proximity to the hustle and bustle of the financial district, and those working within it, was a priority.

The locations selected by both Shangri-La and Trump are interesting in that the street life provides a lively, downtown feel during the weekdays; the financial district is packed with suits, cell phones and briefcases moving importantly along sidewalks, shooting up tall office towers, and dining at lunch time hot spots. Come the weekend, however, the area becomes desolate and deserted, the financial crowd retreats back to their urban lofts and midtown duplexes, savoring moments away from the busy schedule the weekdays bring but undoubtedly ever connected to their cell phones. One could argue the Shangri-La location merges closer into the entertainment district, just a short jaunt away from where nightclubs, restaurants and weekend activity can be found.

The Ritz-Carlton selected 181 Wellington Street, the most southerly Toronto location of all the luxury condo-hotels. Steve Gutfreund, the Senior Vice President of Graywood
Developments who partnered with Cadillac Fairview in this luxury undertaking, describes how the location came to be in our interview one Friday afternoon in September. Gutfreund describes the relationship with the Ritz-Carlton as one that was established many years ago, little known to the public, when the Ritz-Carlton was originally slated to be built on another site in Toronto at the corner of Queen Street and York Street where the opera house would be built (personal communication, Sept. 14, 2012). The Ritz-Carlton hotel was to be tacked on to the back end of the opera house but in the course of time and design, the architects decided they needed more space for the back of house for the opera stage. The plans for the Ritz-Carlton Hotel did not carry through.

A number of years later, Graywood Developments was approached by one of their industry connections, Cadillac Fairview, who had acquired a parking lot on the south side of Wellington Street, offering to sell a portion of the land they had acquired and enter a partnership with Graywood Developments. Gutfreund describes the decision to buy into the property:

We immediately said yes because of the location. We called our friends at the Ritz-Carlton and because they knew Toronto, they said, it’s the best location for Ritz-Carlton in all of Canada. On the strength of that, we changed our plans and said let’s try something innovative. It was the first mixed use condo and hotel in the city. Not in the world, it’s been done elsewhere, but in the city of Toronto. And so we started to plan it out and things started to really gain momentum and became exceedingly exciting (personal communication, Sept. 14, 2012).

As seen through the analysis of location selection for all four buildings, it is clear each developer and brand had a carefully thought out plan and set of ideas about what type of product they would be developing and the location they saw the best fit for their individual designs. In creating luxury projects of these proportions, the brands also were required to
create clever marketing strategies to accompany the projects that would set these luxurious buildings apart from the mass amount of other development occurring in Toronto. These marketing strategies created a seamless transition from concrete construction sites to a street level campaign with one goal in mind: to redefine luxury.

3.8.4 Marketing and Image

Time and time again, each sales manager I spoke to in spectacular showroom suites provided me with the same resounding message, “We are not selling condos; we are selling a lifestyle”. As the redefined standard of luxury hit Toronto, it brought with it glossy advertisements depicting beautiful people gracefully exiting their shiny chauffeured vehicles after a night out after the theatre. A weeknight even, perhaps? When you live a lifestyle this glamorous, you too could spend your Tuesday nights at the theatre instead of at home watching television.

Is this truly representative of the typical Torontonian? I would say absolutely not. That being said, it is not the typical Torontonian who is spending $1500 a square foot on their first, second or third homes. It is a niche market of wealthy people from close and abroad who are investing in this lifestyle. The feeling of exclusivity has been created through extensive marketing campaigns, making the lifestyle even more desirable when it is out of reach for so many.

Additionally, the marketing strategies have not just been designed to target Canadians for that matter, but spread internationally to attract foreign buyers to buy into the Torontonian lifestyle. A further analysis of how effective these marketing campaigns were in attracting offshore money is discussed in the primary research findings through discussion of how many international buyers are present in the Toronto market today.
3.9 Changing Social Geographic Landscape: Toronto and Beyond

The development trend of the first quarter century in Toronto is focused on high-rise, condominium style living. Catering to young professionals, the creative class, and foreign investors who see Toronto living as a bargain compared to other cities world wide, brings with it challenges and questions about a changing social geographic landscape in Canada. The thirst for downtown living, culture, and convenience has made urban the new suburban, and this is reflected through the type of development seen in the city today. Real estate experts in the city are predicting the housing dreams of families wanting to live in central Toronto may be crushed in the upcoming decade as the supply of detached homes dwindles and the remaining homes for sale soar in price in bidding wars for tens of thousands of dollars. Prices for single detached homes and townhomes in the city are projected to skyrocket by 30 to 50 percent in the next decade, while condominium prices are expected to rise only moderately or stay flat, as oversupply in the market lessens the competitiveness directed at condominiums sales (Yelaja 2012).

The reality may be for many Toronto families in the coming years that condominium living is the only option for those wanting to remain in the core, due to the unfathomable cost of detached dwellings. Brad Lamb, Canadian real estate broker, developer and one of the most notable voices in the Toronto real estate industry, has referred to this phenomenon as the “Manhattanization” of Toronto. Lamb claims this phenomenon is similar to those happening in other big cities of the world, like Hong Kong, Tokyo, London and Paris. Lamb describes this as the “natural evolution of a city” in which families will be forced to buy into high-density living if they want to live in Central Toronto (as cited in Yelaja 2012).

Ben Myers, vice-president at Urbanation, suggests “for families, the transition to condo life will require a change in mindset and shift in expectation to vertical living in a smaller space” (as cited in Yelaja 2012). Lamb and Myers suggest the days of dreaming
about driveways and grassy lawns may be numbered. There are, however, different opinions, on the potential for Toronto to become a mini-Manhattan in the future, one of which is offered by John Pasalis, the president of Realosophy Real Estate Brokerage, who I had the opportunity to interview first hand during this project and I will discuss later on. In this same article, Pasalis suggests we have not arrived at the Manhattan scenario culturally and economically – yet. He says, “You can’t buy a house in New York City or Hong Kong. It’s so expensive, it’s just not an option, but in Toronto we still do have affordable houses”, and that we may be a decade away before people truly cannot afford houses and have to start considering condos as an option (as cited in Yelaja 2012). While some may argue we have reached the level of affordability, Pasalis suggests people may need to lower their expectations on location and finishes.

3.10 Conclusion

Toronto is now home to four, 5-star condo hotels and some of the most recognizable luxury brands in the industry, but where will trends in condominium growth move forward from here? Now that an overall historical and present day context of the housing and condominium markets in Toronto has been established, this thesis continues to dig deeper into the exploration of the niche ultra-luxury market through primary interviews with various industry stakeholders.
Chapter Four
Findings

4.1 Introduction

This chapter summarizes the results of the 25 personal interviews conducted with industry stakeholders on the topic of condominium growth and the emergence of the ultra-luxury market in Toronto, Canada. The literature review in Chapter Two and the secondary analysis of quantitative data and reports in Chapter Three provide a historical and current day overarching presentation of the condominium market. The primary findings presented in Chapter Four dig deeper and provide details that only a first hand encounter can supply. This chapter presents overall themes revealed by the qualitative interviews, followed by a thorough discussion and analysis of the results in Chapter Five. The stakeholder responses aid in understanding the current situation of condominium growth in Toronto, as well as identifying barriers to the current market situation may be having on the city, economically, socially and geographically.

Before describing the findings, the chapter begins with a brief explanation of the individuals selected to be interviewed for this study, and the reasons why they were considered excellent candidates to participate in primary interviews. While I began to describe this approach in the methodologies section in Chapter 1, I believe it makes sense to elaborate on it in more detail in this chapter, because it helps to contextualize the findings that immediately follow.

4.2 Descriptions and Identification of Interview Participants

The case study nature of this research project makes it beneficial to have participants reveal their name and the industry organization with which they are affiliated. Reader awareness of the participant’s role strengthens the results of this study; descriptions of who the individual is and the position they hold reflect their knowledge, experience and ability to contribute to the project. As many of my participants are public figures who make frequent contributions to
various media outlets, it is not surprising that all 25 (100%) of the participants agreed to have their name and occupational titles made public in the case of this research.

Finding the right participants for this particular project required me to become fully immersed in the day-to-day workings of the real estate industry. Major components of this research involved following several newspapers, magazines, blogs, and Twitter accounts, in order to get the latest articles and updates on industry happenings. I attended industry events as a student researcher, scoured company websites, utilized LinkedIn Profiles, dropped names here and there, and networked at every possible opportunity. I found this to be the most effective way to access the best and brightest minds in Toronto’s high-end condo real estate market. That being said, my method had occasional flaws; there were times when my request for information was turned away, ignored, or simply disregarded and left to languish in an email junk mail folder. I was delighted to find, however, that the majority of people I asked to assist me in this project agreed to help if they had the ability to do so.

Below I group together the industry experts selected as participants and justify the reasons their contributions to the project were necessary. The groupings are presented as follows: Ultra-Luxury Sales Managers; Development Executives; Market Analysts and Consultants; Members of Local Government; and Major Media Contributors and Other Industry Experts.

4.2.1 Ultra Luxury Sales Managers

In order to obtain detailed information about these four specific buildings central to this study, it was necessary to go right to the source: the sales office. I scheduled appointments with each individual luxury building sales manager, and was privileged to conduct the majority of these interviews in each building face-to-face with the managers with the exception of one interview, which was conducted over the telephone. Sitting on suede sofas, surrounded by the breathtaking views of forty storey model suites provided almost a participant observation experience for me as the researcher. During one of the first interviews I conducted for this thesis,
I recall sitting with a sales manager while a meeting was underway in the model suite dining room within earshot. A recent buyer expressed his concerns to a sales assistant, “The doors all need to be redone. If I am going to be paying $3 million dollars for a condo, the doors should be perfect. Everything should be perfect”. This moment was truly defining in the research project process, when I realized, this was no ordinary group of clientele who the sales team was dealing with. The research participants defined under the title, “Ultra-Luxury Sales Managers” are:

1. **Janice Fox**, Director of Sales, Four Seasons Private Residences
2. **Robbyn Hayden**, Sales Manager, Living Shangri-La Toronto
3. **Mary-Jane Schneeberger**, Sales Manager, The Residences at the Ritz-Carlton
4. **Brian Scott**, Vice President of Sales, Real Estate, Trump International Hotel & Tower, Toronto

### 4.2.2 Development Executives

The next critical group I gained access to was the development executives, the Vice-Presidents and Presidents who oversee all aspects of their major development companies. This was the group I was most concerned about accessing: after all, time is money, and with the growth happening in Toronto, I never would have expected the extremely positive responses I received to my requests. The help of some key informants arising through the process was absolutely necessary in gaining all of these interviews, and for that I am sincerely grateful. I had the opportunity to interview seven (7) very influential members of the Canadian condominium development community. Some of these participants and their companies were directly involved in the development of the ultra-luxury buildings discussed in this thesis; Lifetime Developments and Menkes Developments are partners in the building of the Four Seasons, and Graywood Developments is a partner in the building of the Ritz-Carlton. The other participants contributed unique perspectives about other facets of the market and industry. As well, several of these participants contributed a depth of experience from being involved in the industry for many years.
in various roles other than the one they are currently in. The research participants defined under the title, “Development Executives” are:

1. **Brian Brown**, Vice President, Lifetime Developments

2. **Steve Gutfreund**, Senior Vice-President, Graywood Developments Ltd.

3. **Alan Marcovitz**, President, Westcliff Developments

4. **Mimi Ng**, Vice President, Marketing, Menkes Developments Ltd.

5. **Harry Rosenbaum**, Principal, Great Gulf Homes

6. **Jeanhy Shim**, Vice President, Strategic Planning & Marketing, Mattamy Homes Limited High Rise Division

7. **Alan Vihant**, Senior Vice President High-Rise, Great Gulf Homes

4.2.3 Market Analysts and Consultants

The best way to grasp an understanding of the current state of the market is to speak with those directly involved within it in their daily roles and responsibilities. I was able to contact and access a group of seven participants in this group; consultants and analysts both in the private and public sector. They provided insightful information based on either statistical information they themselves have collected or on general trends about the Toronto market. The research participants defined under the title, “Market Analysts and Consultants” are:

1. **Jasmine Cracknell**, Partner, N. Barry Lyon Consultants Ltd.

2. **Shaun Hildebrand**, Senior Market Analyst, the Greater Toronto Area, Canada Mortgage Housing Corporation (CMHC)

3. **Pauline Lierman**, Senior Research Analyst, Urbanation
4. **N. Barry Lyon**, President & Senior Partner, N. Barry Lyon Consultants Ltd.

5. **Jason Mercer**, Senior Manager, Market Analysis, Toronto Real Estate Board (TREB)


7. **Jerry Situ**, Senior Analyst, National Household Survey, Statistics Canada

**4.2.4 Members of Local Government**

Equally as important in understanding development from a private sector perspective point of view is the public sector and how rapid growth has affected various populations, policies, infrastructure and society in the City of Toronto. My initial intention when creating an interview list was to include a wide variety of public officials as part of this interview process. Surprisingly, the group of local government officials, who I expected to be the most accessible, turned out to be the most difficult to track down. Repeated attempts to contact individuals through emails, phone calls, voicemails and even an insider connection failed to produce the number of interviews I had hoped for. I was continually greeted with the response that the individuals I was trying to connect with were extremely busy; as a student researcher studying rapid growth in Toronto, I could understand why. I was able, however, to reach two important individuals at City Hall, one of whom is Councillor Adam Vaughan, who represents a ward undergoing massive change in vertical growth. The research participants defined under the title, “Members of Local Government” are:

1. **James Parakh**, Program Manager, Urban Design Department, Toronto and East York District, City of Toronto

2. **Adam Vaughan**, Councillor, Ward 20 Trinity-Spadina, City of Toronto
4.2.5 Major Media Contributors and Other Industry Experts

The final group of contributors, the media and industry experts, was critical to the study, as they are the eyes, the ears and the voice for the common consumer. They write candidly on the state of the market, commenting on trends, developments and policy. Unique to this group is Matthew Slutsky, President of buzzbuzzhome.com, a website that catalogues new residential developments in North America and connects purchasers directly with sellers. Aside from their daily blog posts, each media expert also holds a title as a sales representative at a reputable brokerage, and has also taken on additional roles, such as Richard Silver’s eight years experience as a member of the Board of Directors at the Toronto Real Estate Board. The research participants defined under the title, “Major Media Contributors and Other Industry Experts” are:

1. David Fleming, Sales Representative at Bosley Real Estate, Author of torontorealtyblog.com, by David Fleming

2. Andrew la Fleur, Sales Representative with Re/Max Condos Plus Corp. Brokerage, Author of truecondos.com, Get the Truth

3. John Pasalis, President and Broker of Record, Realosophy Realty Inc. Brokerage, Author of movesmartly.com, the Toronto Neighbourhoods and Real Estate Blog

4. Richard Silver, Sales Representative at Bosley Real Estate, Past President of the Toronto Real Estate Board, Author of torontoism.com, Richard Silver’s Downtown Toronto Blog

5. Matthew Slutsky, Founder and President, Buzzbuzzhome.com, Listing of New Construction Homes

Regardless of the variations among their backgrounds, each individual participant was carefully selected for their experience, reputation in the industry, and their relevancy to current day topics.
4.3 Personal Interview Results

What follows is a description of the questions posed to participants and an overview of common responses. These responses are then categorized into themes and addressed thoroughly in Chapter Five. As mentioned above, five groups of participants contributed to this research, resulting in interview schedules that were created to directly retrieve specific information within a limited period of time. The following section will address questions that were asked of all participants, and note where modifications were made for individual groups in order to obtain the information needed for the study. Additionally, it must be mentioned that the semi-structured nature of the study allowed for open ended responses; interviewees often took control of the interview and manipulated our time together, reflected in the answers they provided. Participants may have provided additional information, and in some cases, neglected to answer the question that was asked of them entirely, perhaps purposely or perhaps not. This portion of the research attempts to organize these answers, but due to the small sample size, these answers cannot be analyzed quantifiably. Primary data should be considered supplementary and viewed in conjunction with the information retrieved through the other methods used in this project.

4.3.1 Employment Background and Experience

Each interview began with a general set of questions to open the conversation. These questions remained standard among all interviews, with the exception of when I asked each participant about their current role by title.

- “Please describe your history of involvement in the industry.”
- “Please describe your current role.”
- “How long have you held this position?”

Often times, as a researcher, I was fully aware of the response that would be provided. Many participants’ employment history was available through the public domain; the Internet. In many
cases, the participant was likely aware that I already knew this about them, as I had previously used this accessible public information to my advantage when contacting a potential participant through a recruitment notice. I understood from very early on in the research process that a person is much more likely to respond to you if you have shown an interest by researching what they have done, what they currently do, and the contributions they are making to their field. I decided to open each interview by asking these questions regardless of my previous knowledge for two reasons; the first being that I could have the information first hand, audio-recorded, and directly coming from the source. The second, being that a casual, conversation starter type of question allowed for me as the researcher to build, or continue to build, a certain level of rapport with the participant. By obtaining this information early on, I was also able to strategically ask more insightful questions using the new information I had just obtained.

Answers varied among participants as one could imagine, with their involvement in the industry beginning with as little as five years experience and ranging up to 45 years. The history of the experience of participants will be referenced in Chapter Five when necessary, to emphasize the importance of an answer that has been provided.

4.3.2 New Home Sales 2012

The next question asks the interviewees to provide their analysis of the sales trends seen during 2012. This question was asked across the board among the majority of participants, but modified slightly if directly addressing numbers provided in analyst reports. The general questions ask:

- “We saw a strong start to 2012 for condominium sales, and the market was expected to moderate over the second and third quarters. What trends have you seen in new condominium sales over this past year and can you comment on the sales numbers being reported?”
Many of the respondents commented anecdotally, while some of the respondents recalled recent statistical data. Nearly all respondents agreed with the statement the sales were moderating, if not dropping, over the second and third quarters and typically began answering the question by stating this was true. Common answers among respondents as to why this was occurring included:

- Investment has dried up and investment slowed, slowing the market, particularly in pre-construction sales
- Concerns around strong price growth from lending institutions, putting new mortgage rules into place as a result
- The industry is cyclical - the summer is always a slower time for new home sales
- Lots of new projects came to market in the beginning of the year, less in the second half, resulting in less sales
- Pre-construction sales are starting to slow down

Common answers to this question are expanded on with further discussion in Chapter 5, as many of the answers are dependent upon one another.

4.3.3 Comparing 2012 to 2011

One of the most common misconceptions about the Toronto condominium market is driven by the media’s focus on micro scales in market trends. Comparing month-to-month data, or even data between two years, is not as effective a method in analyzing the market when compared with the option of longer-term analysis. The obsession within the Canadian media of comparing sales from 2012 with the record-breaking sales of 2011 leave the consumer thinking the market is plunging downward, with sales far below the “average”. That “average” ignores statistics from years previous to 2011, misleading the consumer through shock headlines. It may be true that a bigger decline makes for a better headline, but it also makes for ill-informed consumers.
As a self-professed believer in what the media was saying prior to this research experience, I felt it was important to deconstruct some of the ideas out there by asking the interviewees to compare sales numbers from this year to last, in hopes of continuing to provide an understanding of Toronto’s market. The general interview question asks:

- “We saw 2011 was a record-breaking year for new home sales, leaving people to believe the numbers we are seeing this year are extremely low and a sign that the market is headed for a downturn. Are the sales numbers being reported this year truly that abnormal and do they have the potential to cause the detrimental effects on the market the media is predicting?”

Common responses to the question in regards to the sales numbers included:

- Last year was a record breaking year for new condo sales in the GTA at 28,000 pre-construction units sold
- Despite a drastic decline from last year, we are close to the averages we have seen in the past 6-7 years
- The current market is at a level of sales matched well with the level of demand
- The year 2011 was an anomaly for new condo sales
- We have hit the ceiling, which is at about 16-17,000 units, in terms of what the construction industry and the trades can produce
- The media is focused on a very specific time period that is not reflective of long-term sales

Themes quickly emerged among the respondent’s answers, suggesting the media has taken a very narrow approach in reporting trends month over month from one year to the next. If they were to take a step back and examine trends incorporating larger time periods, Toronto is in fact, in a relatively normal range of new home sales this year. Many respondents also suggested that while the market is undeniably undergoing some adjustment, a shift back to the sales numbers we are seeing is good for the economy and required to maintain a healthy market.
Another note of particular interest to be further discussed is the capacity of the industry to produce condominium buildings. We are aware of the cranes that obstruct our daily view, but do we really consider the number of people, hours, material and costs that go into producing just one of these units? Selling a condominium is only the beginning; bringing the product to completion is a time-consuming and complicated process.

4.3.4 Ultra-Luxury in Toronto

After retrieving information from the participants about overall sales in the condominium market, I narrowed the focus to ultra-luxury developments in the city. This question was asked of all groups of participants with the exception of Jerry Situ at Statistics Canada, who made contributions to this research in other discussions, but does not specialize in this area of expertise. The general question asked on this topic was:

- “The emerging ultra-luxury market in Toronto supplied four, 5-star condo-hotels coming to market within a relatively short period of time. Why do you believe this occurred and why have big names such as Four Seasons, the Ritz-Carlton, Shangri-La and Trump, chosen to build in Toronto?”

An obvious theme emerging from the responses to this question was that there was a pent-up demand for this type of product in Toronto. The city has grown to a level of attractiveness where it welcomes people from all over the world, but still lacks the high standard of hospitality that can be found in comparable cities to accommodate this demand. Reasons as to why Toronto was chosen pointed to the city’s status as the economic capital of Canada. Toronto is rich in multi-culturalism and diversity, and provides high standards in education. Additionally, owning multiple luxury properties around the world has become a global phenomenon for the wealthiest group of people, and property rights in Canada are appealing for foreign investors.
4.3.5 Foreign Investment and Buyers

A large part of understanding the ultra-luxury market is establishing where the vast amount of wealth supporting this industry is coming from, which is easier said than done, I soon realized through this process. As there is no known resource that tracks where sales are coming from, most responses to this question were declared anecdotal by the participants themselves. I believe the responses provided by the sales managers and developers to be the most insightful, as they are the gatekeepers who arrange the purchasing of these units. The general question posed to participants asks:

- “Where do you believe the buyers of ultra-luxury units are originating from; is the money proving to be domestic within Canada or are the units being purchased by overseas buyers?”

This question proved to supply the widest range of responses by participants, validating the need for a deeper investigation. As an example, on a day where I conducted two interviews, the first respondent suggested the ratio of domestic buyers to international buyers was approximately 50:50. One hour later, another participant stated with confidence that 95% of the units were sold to Canadians. I find the most interesting way to approach this theme is through the discussion of quotations collected from participants who recall stories about making sales to a variety of buyers, included in Chapter Five. While it may not provide exact numbers, these narratives provide anecdotal insight into just how complicated it is to find an answer to this research question.

4.3.6 Demographic and Statistics Specific Questions

In order to collect demographic and statistical information essential to understanding the condominium market, I conducted interviews with a range of demographic, economic and market analyst specialists. Some of the questions for these interviews would often arise outside the script
of the interview schedule, and therefore vary in format. Below are examples of questions asked that are pertinent to the demographic questions surrounding Toronto:

- “What is the most important trend in Toronto real estate development to keep an eye on in the near future, in terms of meeting the needs of Torontonians?”

- “Will we see a continuation of high-rise condominiums being built, or is there going to be a rejuvenation of different Toronto neighbourhoods?”

- “What type of demand do you see for future condominium development?”

- “How does the abundance of very small condo units being built today affect the needs of Torontonians in the future?”

Additionally, I interviewed Senior Analyst at Statistics Canada, Jerry Situ, and specifically asked questions based on the results of the Housing Related Variables on the National Household Survey. Questions asked during this interview included:

- “The 2006 census reported that the increase in condominium owners between 2001 and 2006 accounted for more than one quarter of the increase in the number of Canadian households that own their dwelling. What does this say about what was happening in Canadian households and real estate development during this time period?”

- “How must the creation of new housing move forward to meet the changing demographic profile of Canadian families, and their needs and wants? Do you believe condominium living could become the norm for families who want to raise their children downtown?”

- “Do you see any issues with the current development and sales of so many single bedroom and very small units in downtown Toronto?”
• “What do you believe is the most important observation from the 2006 National Household Survey in terms of condominium living and what trends should we keep an eye on for the future?”

A very important theme that arose through asking demographic related questions about the needs of Torontonians is many units currently being built and sold are very small, with many of them containing only one bedroom. The suggestion arising through these interviews is that small units are what developers are able to sell extremely quickly, with their target consumer likely being investors purchasing the unit to list in the rental market. Despite the ability to sell small units quickly, this poses a host of complications for people who are living downtown and want to stay downtown as their family grows. Land, material, and building cost increases have raised the price per square foot in prime downtown locations, making large units with 3 or more bedrooms practically unaffordable for families.

To add a perspective from the local government on how to deal with this issue, I conducted an interview with Councillor Adam Vaughan of Ward 20, Trinity-Spadina, in the City of Toronto, where much of the new downtown high-rise condominium growth is occurring. Councillor Vaughan stands proudly behind the ideology that people have the right to raise their families downtown should they choose to do so, and includes family housing as a priority point in his platform. The following questions were included during the interview with Councillor Vaughan:

• “One of you key points in your platform is to build more family housing, and more than 1,000 units of housing with three or more bedrooms have been constructed or approved for construction in the last four years. Please tell me more about your proposal to have 10% of units in new condominium buildings consist of three or more bedrooms and ‘knockout panels’ be placed in one bedroom units?”
• “With so many high-rise buildings emerging in the Trinity-Spadina area, what challenges are you currently experiencing in your ward as a result of this development or what issues do you foresee arising in the near future?”

• “If Toronto continues on the path of intensifying our downtown core, encouraging more and more people to live in the city, how do you believe the issue of much needed transit improvement should be dealt with?”

The themes revealed through this interview and others provide great insight into some of the major problems resulting from rapid development in the downtown core and what needs to happen in order to be able to accommodate the groups of people living here. These themes will not only be discussed in Chapter Five, but will be expanded upon in the discussion and recommendations portion of this thesis, as these are some of the critical social and geographical issues addressed in this thesis.

4.3.7 **Introduction of the New Mortgage Rules**

As discussed in Chapter Three, the introduction of the new mortgage rules in the summer of 2012 were put in place with the intention of cooling a hot housing market. The condo market took a portion of the blame for fueling the fire. The general questions ask:

• “How will the new mortgage rules affect the housing market in Toronto, and does this effect trickle into the ultra-luxury market in any possible way?”

The answers I received implied that I should not be asking this question in relation to the ultra-luxury market, and therefore it was removed from the interview schedule after conducting a small number of interviews. I was told repeatedly that it was extremely wealthy clients who were purchasing the majority of ultra-luxury units, and therefore, cash was the typical form of payment. While the question proved to be irrelevant in this context, it was still an important question to ask when attempting to understand how the rules would affect the condo market in
Toronto as a whole. Therefore, the question was rephrased for future interview use, as addressed in the discussion portion of this thesis.

4.3.8 Global Implications Affecting Local Decision-Making

This thesis places value in approaching the topic at hand with a bigger picture in mind. As the ultra-luxury market can only be understood by placing it within the Toronto market as a whole, the market in its entirety can only be understood by accepting the Toronto market as part of something much bigger than the GTA. It is important to acknowledge the interconnectivity of housing markets and global economics, though a full investigation of this issue goes far beyond the scope of this thesis. Primary interview participants were asked to share their position on this topic through the asking of the question:

- “How has the current instability of the global economy affected the real estate market in Toronto?”

While I did not encounter any participants who had found a direct correlation between world events and the Toronto market, many of them offered educated, anecdotal insight based on their daily interactions in the marketplace and their knowledge of current events. Common answers that resulted from this question were:

- Toronto has been shielded from the impacts of the global economy due to our secure banking system

- The impacts seen in the Toronto market are often a result of the psychological effects on consumers and investors

- The instability in the world has in fact benefited Toronto, boosting the city’s reputation as a safe place of investment and through receiving flight capital
Toronto is protected by our commodity based economy

Toronto is still seen as affordable and a bargain compared with other major global cities

Global instability may be causing the market to cool off, but due to several factors, we will not see a complete exodus from the investor market in Toronto

These factors, among others, are paired with interesting participant dialogue from the 25 primary interviews conducted in this research project and discussed in Chapter Five.

4.3.9 Major Historical Observations in the Toronto Market

One of the challenges of using a historical approach to a topic older than myself is that I lack the first hand experience considered common knowledge among industry experts. Countless times, interview participants made references such as, “Back in ’91…” which refers to a time when I was just three years old. I have made a conscious effort to educate myself as best I can through reading and asking questions about these time periods in order to have a better understanding of these references the participants make. There is no better way to learn, however, than through listening to the experiences of others. This interview process has given me that advantage in learning firsthand how people experienced the time periods that I am referencing to support my understanding of the topic.

Drawing upon decades of combined experience in the Toronto real estate market, firsthand knowledge of the participants was used through the interview question asking about major historical observations during the time they have been involved in the industry. The question attempts to probe their memory and retrieve information about time periods in their career in which the Toronto market saw shifts and changes, positive or negative. By asking this question, predictions can be made about whether or not history is repeating itself; is this a period
of rapid growth, and the recession, be similar in composition to previous recessions and aftermaths? The general questions ask:

- “In the time that you have been involved in Toronto real estate, how have you seen the market change significantly - positively or negatively?”

This question was asked only if respondents had been in involved in the industry for a significant number of years (at least ten), and therefore was often added or removed from the interview schedule during the interview. Sometimes the question was answered prior to my asking during another answer, one of the qualities of the semi-structured interview. Common responses provided inside or outside of the asking of this question included:

- Toronto has always had the ability to bounce back through previous recessions
- A major distinction between now and the early years is affordability of housing
- The market has become full of investors, which we didn’t have years ago
- The downtown core and urban lifestyle has become much more popular
- Commuting has become a major problem
- Architectural design among condominiums has become stronger and more creative in order to stand out in the market

For the “Ultra-Luxury Sales Managers” group of respondents, the question was also asked with a focus on what major observations in sales they have witnessed during their time in this position. It is critical to track sales in a brand new niche market where there are no historical patterns in a market quite like this one. The question directed specifically at ultra-luxury sales managers is:
• “Since you have been involved in this project as a sales manager, can you identify any significant trends you have witnessed in sale numbers?”

• “Have there been any time periods of rapid growth and slower times?”

A common response among the respondents was that 2008 was a difficult time for sales in the ultra-luxury market, consistent among all buildings and all markets. However, the sales managers emphasized that since this time, sales have been consistent and on track with where they should be.

4.3.10 The Current State of the Toronto Market

There were two questions that were asked of absolutely everyone (25 interviews); one asked the participants to take a position on the current state of the condominium market in Toronto and the other asked participants to provide their outlook on the market in the near future. I believe this was a question that was important to consistently ask among all interviews because it attempted to answer one of the main research goals in this project. Additionally, regardless of how many years experience or what role a person holds in the industry, everyone contributed his or her perspective on this because of their daily interaction with this topic. The general question asks:

• “How would you describe the current state of the condominium market in Toronto?”

Responses to this question showed overwhelmingly similar themes, which will be expanded upon in the discussion in Chapter Five. Variations of these responses included:

• The current market is one that is changing

• We are in store for a soft patch, where prices don’t really move a whole lot

• The slow down is allowing for projects to finish
• The market needs to take a breath, but it will come back
• If you look at the trends over time, we are now in a normal market and where we should be in terms of volume
• There is a divide between condos in abundance and not enough houses
• The rental market has become extremely tight, which is inseparable in analysis from the condo market

There were no major outward responses from respondents that suggested the market is in prime condition for impending doom. Respondents answered questions thoughtfully, thoroughly, and with the consistency to suggest some of the most knowledgeable individuals in the industry are on the same page about our current conditions.

4.3.11 The Future of the Toronto Market

The second question I found essential to ask all of the participants was on the future of the Toronto market. Professional analysts and forecasters exist to incorporate past trends with current conditions to produce predictions, but the truth is, no one can perfectly predict the future in any case. Experience, however, contributes to the strength of our predictions and that is what these participants have to offer. The general question asks:

• “What are your predictions about where the market is heading in the near future?”

Common answered included:
• We are going to stabilize
• We are headed towards a normal state
• We are not going to see the record setting sales we saw each month last year, we are going to see less sales and less launches
• The greater impact of units currently under construction really isn’t going to be felt until next year, when the acceleration of project completion feeds into the resale and rental market
• The capacity of the construction and building industry has been surpassed
• Levels of supply and demand in houses and condos over the next few years will be a key component in determining the state of the market

Similar to the question asking about the current state of the market, there were many common answers among the responses about the future state of the market. It is clear there will be several factors that shape how the market will play out in the near future, some that can me measured, and others, only imagined.

4.3.12 Specific Participant Directed Questions and Miscellaneous

The goal of using an in-depth interview with a semi-structured approach with a small sample size was not to collect large numbers of quantifiable data, but to retrieve as much detailed information on the topic as possible. Therefore, some stakeholders in the industry who held specific roles were asked unique questions directed to retrieve specific information from their personal wealth of knowledge. The results are integrated throughout Chapter Five’s discussion, providing purposeful insight throughout and supplementing other major findings as they were intended to do.

4.4 Industry Events

In addition to the 25 personal interviews conducted during this research process, I was fortunate to also attend three industry events, which contributed further detail and insider information to my project. Below is a description of how each event invitation came about and
how the major take away points from the topics of discussion will be incorporated into discussion.

4.4.1 Building Industry and Land Development (BILD) Association High-Rise Forum

Hours and hours of searching the web for the most influential real estate organizations in Toronto led me to BILD, the Building Industry and Land Development Association. BILD was formed through a merger of the Greater Toronto Home Builders’ association (GTHBA) and the Urban Development Institute/Ontario. BILD is the voice of the land development, home building and professional renovation industry in the Greater GTA, and represents more than 1,375 member companies (BILD 2012). After discovering the online flier for the High-Rise Forum event, and then noticing the price it would cost to attend, I realized this was out of reach for my student research budget. I decided, however, that one of the most important lessons this data collection had taught me is that sometimes in order to get what you need, you must put yourself out there, and see what comes back. What came back was an invitation to attend the event as a student researcher, free of charge. I attended the event on September 19, 2012.

I could not have asked for a more informed panel of people with experience relevant to my topic than what was provided. Industry experts who had been involved in the Toronto real estate market for years came and offered their position on the current and future state of the high-rise market. Jeanhy Shim, a seasoned real estate developer, consultant, analyst, and current Vice President of Strategic Planning & Marketing in the High-Rise Division at Mattamy Homes Limited, moderated the panel. I had the opportunity to interview Shim one-on-one at a later date, and she became a key informant in connecting me with several other individuals in the industry. The High-Rise forum panel consisted of:

- **David Feldman;** Founder, President, and CEO of Camrost-Felcorp
- **Barbara Lawlor;** President of Baker Real Estate Incorporated
• Barry Lyon; Senior Partner and President of N. Barry Lyon Consultants Limited
• Hunter Milborne; CEO of Milborne Real Estate Incorporated
• Charles Stuart; Vice President of Land Sales, Marketvision Real Estate Corporation
• Alan Vihant, Senior Vice President High-Rise, Great Gulf

The event was a new experience for me, which I will openly admit, I found to be quite intimidating. Walking into the room, I immediately got the impression of how close-knit the real estate and land development community is in Toronto; developers and brokers who were surely competing with one another for the same clientele were shaking hands and chatting, greeting one another with warmth and graciousness. It would fair to say I was the youngest person in the room, and completely accurate to say I was the least experienced. As a student, in no way do I consider myself to be an expert on the topic; I am simply striving to learn more about it through this thesis experience.

There was remarkable resemblance between the questions Shim chose to ask the panel members at this event and some of the questions I had created to ask my participants. I will weave these responses into the discussion throughout Chapter 5, indicating when necessary that they are not from my personal interviews, but from the BILD High-Rise panel discussion.

4.4.2 RealNet Q3 Results and Insights Webinar

I was invited to ‘attend’ the RealNet Third Quarter Results and Insights Webinar online on October 22, 2012, by Phong Ngo of RealNet Canada Inc. This invitation arose from our primary interview and meeting that had taken place the week prior. Ngo suggested I would find the most up to date numbers and statistics in this webinar, and while it was typically an invitation-only event for clients of RealNet Inc., he would grant me access as a student researcher.

Due to the exclusivity of the event, unlike the others where the media was prominent, I reference this webinar only for my personal advancement of knowledge on the topic. I will refrain
from directly citing individuals who spoke and presented data during this time, as to protect the privacy of RealNet Canada Inc.

### 4.4.3 Canada Mortgage and Housing Corporation (CMHC) Housing Outlook Conference 2012

The Canada Mortgage and Housing Corporation (CMHC) has been one of the most essential resources for this project, particularly in the secondary analysis of quantitative data portion of this project. I took a similar approach to attending this conference as I did the high-rise forum; through contact with the media relations personnel, requesting to attend the event as a student researcher.

Suggesting that attending the BILD High-Rise Forum was an intimidating experience is an understatement compared with the challenges I faced entering this conference. I walked in solo to an event where most people were attending with corporations and organizations, tables assigned for them to sit together. I managed to find a table where I sat with a mix of people; members of the media and a group from the Municipal Property Assessment Corporation (MPAC).

The theme of the conference was “How Does Toronto Measure Up??”, and consisted of four sessions. The First Session was presented by Mathieu Laberge, the Deputy Chief Economist at CMHC, and began with an overview of the Canadian economic landscape and how it shapes the local housing market. Laberge shared his perspective on the outlook for the Canadian economy and mortgage credit conditions for 2012. The second session was presented by Ted Tsiakopoulos, Regional Economist at CMHC, who discussed the global and regional factors that will shape Ontario’s economy and housing market in 2013.

CMHC Senior Market Analyst, Shaun Hildebrand, whom I had the opportunity to interview personally a few weeks prior to the conference, presented the third session. This session was relevant to my topic, and explored what the future has in store for the Toronto condo market.
Hildebrand also presented an in-depth analysis of variables that affect the housing market in the GTA, and position Toronto within a global housing context. Finally, CMHC Senior Market Analyst, Inna Breidburg, discussed regional differences in the GTA, explaining we cannot paint the whole GTA with the same brush. Breidburg also discussed whether neighbourhoods in the “905” region will face the same housing concerns as those in the Toronto core.

Overall, attending this conference was extremely beneficial to my research, as it continued to extend my base of knowledge on the topic. Additionally, seeing familiar faces at the event of people I had interviewed reaffirmed that I had successfully spoken to the best possible people in the industry.

4.5 Conclusion

This brief presentation of the results of 25 primary interviews and three industry events has summarized the major findings of this research. Numerous themes in the topic of study, the growth of the Toronto condominium market, have presented themselves through these findings. Additionally, challenges in city infrastructure, land development, and misunderstanding Canadian demographic needs, have arisen and are important topics to address. To analyze this information with further depth and detail, Chapter Five discusses the findings using direct quotations, stories, and experiences collected during the primary interviews. Recommendations will be made about how the challenges uncovered through this research process must be addressed in order to see a well-functioning, thriving economy and housing market in Toronto.
Chapter Five

Discussion and Analysis

5.1 Introduction

This chapter interprets and discusses the findings revealed in Chapter Four and determines their meanings for geographers studying housing markets and economies in Canadian cities. It also presents insight into the newly emerging niche real estate market in Canada, described as the ultra-luxury market. Chapter Five draws deep discussion from stakeholder responses, reflects on the themes emerging from these conversations, and provides recommendations on the major challenges that rapid growth in real estate development presents. These recommendations are addressed to specific stakeholders and parties in order to offer insight into how Toronto and other Canadian cities can better accommodate rapid growth and emerging niche markets, and stay balanced among a sea of global instability.

5.2 Themes Emerging from Interview Results

The next portion of this thesis will present a series of short essays written on themes emerging through interview results, making connections to the geographic literature presented in previous chapters. The method of using short essays to present these themes allows for insightful writing in the overlaps in respondent answers to different qualitative interview questions. Simply categorizing themes under the interview questions outlined in Chapter Four would be nearly impossible and weaken the content and detail of this analysis. This method allows for the free flow of writing and discussion informed by both the literature review and the answers to the questions outlined in Chapter Four.
5.3 The Influence of Government Regulations and Policy

The review of literature in Chapter Two points to the influence of government regulations and policy ultimately contributing to the condominium growth we have seen over the past several decades, and leading up to the current condominium boom we see today. With respect to the development of land in the Greater Toronto Area (GTA), several stakeholders pinpointed these policies as a starting point to understand the current growth in Toronto. Richard Silver, Past President of the Toronto Real Estate Board and Veteran Sales Representative in Toronto, suggested during our interview,

The city is really moving vertically rather than horizontally for certain reasons; there is a bit of a ring around the city as far as the growth that is allowed, and the restriction of the way the city set up; its intensifying downtown and you are going to see more of that over the next few years. It will be more like Manhattan, where most people grow up in apartments as opposed to houses.

(R. Silver, personal communication, Sept. 10, 2012)

Matthew Slutsky, Founder and President of buzzbuzzhome.com, compares Toronto with another Canadian City, Vancouver, in the ways in which policy designed our patterns of growth. Slutsky suggests the landscape does naturally for Vancouver what policy has created for Toronto. In our interview, Slutsky stated,

If you look at places like Vancouver, for example, you’ve got a dense city with ocean on one side, and mountains on the other; it forces the city to grow up. Toronto, on the other hand, has a lake on one side and greenfields and open space as far as the eye can see. We saw a lot of sprawl in the city, which meant there was cheap, affordable, big houses with lawns.

(M. Slutsky, personal communication, Sept. 6, 2012)

Slutsky continues to suggest that while there were people who chose to reside in the downtown core, the suburbs were a great option for people who wanted to live farther out. As a result of this
continued sprawl, the government more recently put policies in effect to contain this, and he points to the attention regarding the Oak Ridges Moraine, the Green Belt Legislation, and the Places to Grow Act as the major stopping point for sprawl and a downtown that continues to intensify. Slutsky remarks that this upward growth continues to creep outwards from the core, and says,

You can no longer build outwards, which is causing intensification in the city, and in turn, a lot more condos going up. It’s not just downtown; you’re seeing intensification of Toronto, Markham, Mississauga. All the major centres are starting to intensify. A lot of those areas, with the exception of Toronto, have traditionally been low-rise. They are now becoming more high-rise, which is a good thing.

(M. Slutsky, personal communication, Sept. 6, 2012)

Not only have these policies affected the way in which we build, but they are affecting the way in which builders do business, according to Jeanhy Shim, Toronto real estate guru and current Vice President of Strategic Planning & Marketing in the new High Rise Division at Mattamy Homes. Shim says, “If you look at these two legislations [The Greenbelt Legislation and Places to Grow Act], that actually had a direct impact on the type of housing that we are building, and the type of businesses. All the low-rise builders have already moved into or are moving into high-rise” (J. Shim, personal communication, Oct. 16, 2012). Shim suggests many major developers have gone this route because there is only so much land in Toronto. Mattamy Homes develops land not only in Toronto, but also across Canada and in several American cities. Shim suggests their wide spread geographical range in areas they develop keeps the company strong and that they are not turning to high-rise out of desperation, however, generally speaking, “If you want to be in business long-term in Toronto, you have to be in the high-rise business” (J. Shim, personal communication, Oct. 16, 2012).
5.4 Increased Desire for Urban Living (Social and Cultural Factors)

It is clear that policy has played a role in establishing where buildings can and cannot be built, and where sprawl has been constricting urban growth. What policy does not explain, however, is the move from the suburbs back into the core and the increased desire for the urban lifestyle. As briefly touched upon in the review of literature through the discussion of Richard Florida’s Creative Class (2002), and a discussion of “post-recession gentrification” (Hackworth & Smith 2001), Toronto has seen a major shift in attraction to living in the urban core. Barry Lyon, President & Senior Partner of N. Barry Lyon Consultants, suggests in his earlier career days,

_Downtown was not nearly as popular, the ‘Urban Lifestyle’, as it is now. Commuting wasn’t particularly a problem; the transit system was coping, or better than coping. It was in pretty good shape. The majority of jobs were downtown, but people were able to live further out and commute in relatively good time and everyone had a car pretty much._

(B. Lyon, personal communication, Oct. 26, 2012)

Lyon opened his consulting business in 1976, but had been in the development industry several years prior to what he calls, “opening the shop” (2012). Lyon is a well-respected member of the real estate and development community and thought highly of among his colleagues. I was often given suggestions by other participants to speak to him, as someone who had been in the industry “since the beginning” and had “seen it all”. Lyon therefore became a key source of information for this study.

Jerry Situ, Senior Analyst at Statistics Canada, working on the National Household Survey, suggests that there is an increased preference shift towards home ownership, and the desire for people to live in the downtown core; really, the only option is to own a condominium in the way we are seeing constructions being done (J. Situ, personal communication, Oct. 18, 2012). Jeanhy Shim adds that society and our values are changing. Shim says,
The things that we place importance on are changing, and that inevitably, is affecting the housing market. Looking at the urban family trends, it’s not like families are going to stop buying houses in the suburbs. The compromise is that people want the house, but they still want to live within the city. But these neighbourhoods [in the city] come at a price, and not many people can afford to buy $1 million house that needs another hundred thousand in renovations. The urban family is something to watch for.


These “things” that we place importance on are changing; is it more time at home after work with your children in the city instead of a hour long commute out to the suburbs? Does it come with the sacrifices of a smaller car, in a smaller garage, in a smaller living space in the city? The desire for urban living in Toronto has rapidly increased, and the answer to the dilemma between city, space, and price, is the condominium.

5.5 The Attraction to Toronto

Among cities worldwide, Toronto has emerged as a shining star through the rubble and destruction of the financial crises, gaining international attention and praise. While Canada had some comparative economic advantages going into the recession (e.g., a strong resource economy which also benefited Toronto’s finance and insurance industries), much of Toronto and Canada’s ability to weather the crisis has been attributed to the security of Canadian banks and their mortgage lending practices. In this short essay, stakeholders weigh in on the topic, and identify key factors in the protection and recovery of the Canadian housing market, as well as touch upon other reasons explaining how Toronto has become so attractive as a city to invest in and to live in.

5.5.1 Economic Stability

Canada was given the chance to prove its stability during the recession of the late 2000s. Brian Scott, veteran Toronto sales representative and current Vice President of Sales at Trump International Hotel & Tower Toronto, suggests,
The recession really showed that Canada is a very stable economic environment. The world saw that we didn’t have a single bank failure in Canada, and we were the only country in the civilized world that didn’t have a bank failure. I think a lot of other countries want to put money into Canada, and that helped encourage people to get into the market.

(B. Scott, personal communication, Sept. 25, 2012)

President and Broker of Record at Realosophy Realty Inc. Brokerage in Toronto, John Pasalis, expressed similar sentiments about the gaining of Toronto’s reputation as a safe place of investment. In our interview one morning at Realosophy’s Leslieville office, Pasalis said to me,

We do benefit from the fact that our mortgage and lending policies are way more conservative and safe. So we don’t have a lot of the same risks that we saw in the US housing market. While a lot of people criticize it for not being so aggressive, it did save us from a massive collapse and I think that speaks a lot to have people see that.

(J. Pasalis, personal communication, Sept. 20, 2012)

These words come from the mouths of those on the ground, the sales representatives who directly felt the impacts of this crisis as it happened. Common answers about Toronto’s escape from market disaster often looked in the direction of immigration, and how attractive the city had become to the world while in the global spotlight. Answers as to how much of an impact international investment, however, plays in the market is a huge topic of discussion, which will be addressed later on in this chapter. What we do know, however, is that immigration remains high, and the stability of our economy through rough times is not the only indicator contributing to the attractiveness of Toronto.

5.5.2 Health, Happiness and Higher Education

Toronto is not only attractive in terms of its strong economic indicators, but also because of the quality of life found in this city. James Parakh, Program Manager in the Urban Design Department at the City of Toronto, emphasizes the importance of quality of life in a city as being
critical to growth. Parakh acknowledges there may be other world-class cities, like New York, London, Paris or Tokyo, that attract a higher number of visitors than Toronto, but from his perspective, he says, “it is more important to be world class from a quality of life perspective”, as that’s what brings people to stay and live (J. Parakh, personal communication, June 28, 2012). Toronto has livability factors that attracts new residents both through immigration and immigration.

High employment rates, a strong education system, and accessibility to health care are just a few examples of the draw to living in Toronto. Mary-Jane Schneeberger, Sales Manager at the Ritz Carlton, suggested in our interview,

> Internationally, our city is very attractive. It’s a big city, but it has a lot to offer in terms of commerce, manufacturing, and all of the industries. It’s safe. It’s clean. And it’s multicultural.
> (M-J. Schneeberger, personal communication, Sept. 6, 2012)

Additionally, Richard Silver points out that Canada may be a more viable option when compared to the United States for some immigrants heading to North America, because,

> It’s a little bit easier to establish yourself business wise in Canada than it is in the United States. And you know there are things like healthcare, social services, good schools, and the cost of doing that in the states would probably be much higher. Canada has more favourable laws around immigration.
> (R. Silver, personal communication, Sept. 10, 2012)

Robbyn Hayden, Sales Manager at Living Shangri-La, presents a summary statement that suggests it is the combination of these factors as well as the rationality we have seen in our market that has drawn in large immigration numbers. Hayden’s responses during our interview in the Living Shangi-La model suite suggest,
A lot of Asians go to Vancouver for proximity, but it’s not the economic hub. The other thing is, in Toronto we’ve got large immigration numbers; we’ve got great schools, where people want their families to be educated here, and we’ve been rational. Our market has been rational. Even in Vancouver, their prices were a lot higher per square foot. Now, we’ve caught up in luxury, but our prices, even though there have been some increases, are still rational. And even though it seems as though there is tons of supply, we are a huge city with large immigration, and we are looked on as the place to invest now in North America, because a lot of our clients from other countries no longer go to the USA.

(R. Hayden, personal communication, Sept. 5, 2012)

The combination of factors that contribute to a high quality of life in Toronto, as well as the consideration that the United States has fallen behind Canada in North American desirability and economic stability, has boosted Toronto in livability rankings. According to the Economic Intelligence Unit (EIU) report on livable cities released in August of 2012, Toronto ranked fourth among the world’s most livable cities (Edmiston 2012). The annual survey released by EIU looks at 140 cities and uses more than 30 factors to gauge the state of education, infrastructure, healthcare, stability, and culture and environment in a city. Each city is scored out of 100 – Toronto received 97.2 on the latest study, falling just behind Melbourne, Australia in first place; Vienna, Austria in second; and Canadian city Vancouver, British Columbia in third (Ibid.). Notable findings from the study; Toronto received a ranking of “Tolerable”, as opposed to “Acceptable”, in the categories of roads, public transit and housing.

5.6 The New Standard of Luxury Exposed

The research question posed in Chapter One asks, Why has the ultra-luxury market emerged in Toronto, what are the driving forces behind it, and what does the future hold for this niche market? This next short essay begins to address these questions, revealing insider findings only accessible today through primary interviews. The essay begins with a discussion of why these buildings all emerged during a relatively short period of time. Next, the discussion turns to
an examination of what makes these buildings unique within the entirety of the market. Potential issues arising from the rapid development of a new market in Toronto are then discussed, and summarized through an outlook into the future potential of the ultra-luxury market in Toronto. The driving forces behind the growth is touched upon through this essay and the discussion continues under the topic of international investment.

5.6.1 Pent-Up Demand

The Ritz-Carlton was the first of the four 5-star luxury condo-hotels to open its doors in February of 2011. Just one year later, the Trump International Hotel and Tower began to welcome guests in January of 2012. The Shangri-La followed later in 2012 with an August opening date, and the Four Seasons rounded out the group with its grand opening in October. While years of construction and sales prefaced the grand openings, the relatively short period of time in which all four buildings began welcoming residents and guests begs the question, Why here and why now? A resounding theme among the answers of developers, sales representatives, and industry experts alike suggest the bombardment of choices in luxury buildings is simply due to demand.

Jasmine Cracknell, Partner at N. Barry Lyon, recalls a time when she saw the first signs of demand among an ultra-luxury market emerging in Toronto, in the upscale Yorkville area. Cracknell suggests,

*I think the first thing to start with, the first luxury building that went into Yorkville, 100 Yorkville, opened at $750 a square foot, which was unheard of at the time. The average for Toronto was $300 a square foot. The project virtually sold out in a day to end-users. The appetite was just so strong because there was a pent-up demand from empty-nesters in the surrounding neighbourhoods. After that happened, it put a bit of a spotlight on Yorkville, and that there was this appetite for high-end buildings.*

(J. Cracknell, personal communication, Oct. 26, 2012)
In addition to the luxury units at 100 Yorkville, the Hazelton Hotel, which opened in the summer of 2007, was the first and only true 5-star status hotel in Toronto. Some would argue that the original Four Seasons ranked in similar status, but many developers disagree with this, including Alan Vihant, the Senior Vice President of High-Rise at Great Gulf, who suggests the former hotel resembled “a concrete bunker” (A. Vihant, personal communication, October 31, 2012). The Four Seasons, as discussed through this thesis, has recently sold the old property, which is currently undergoing a major conversion into condominiums. Pauline Lierman, Senior Research Analyst at Urbanation, agrees with Vihant, suggesting that, “places like the old Four Seasons, as high-end as it was, it was aged” (P. Lierman, personal communication, Sept. 13, 2012). Lierman continues to suggest there was a pent-up demand for luxury in our interview by stating,

There was really a vacuum for that type of market... You really had no new fresh opportunity for residential along with luxury hotel. Toronto was totally bereft until about four years ago. It’s been a couple years at least since the Hazelton Hotel opened up, and that was leading the pack and it’s gone up from there.

(P. Lierman, personal communication, Sept. 13, 2012).

Barry Lyon suggests there are two aspects that make these luxury projects work; one is land cost and the other is need. Lyon works closely with one of the country’s top hospitality consultants, and he spotted the need for five-star hotels in the city because,

We are increasingly sophisticated in the city. We’ve got the [Toronto International] Film Festival and all these things that are bringing high spending, affluent people to the city. We had next to nothing; even our best hotels were getting along in the twos [stars]. The needs for hotels... the economics of hotels are such that they can pay very little for land. The reason they have the condominium components is because the condominiums subsidize the hotels. The hotels couldn’t be built without the condominiums. Condos drive down the hotel land values to make that part of the equation work.

(B. Lyon, personal communication, Oct. 26, 2012)
Lyon addresses not only the issue of pent-up demand, but also that high land costs in the city create impossible conditions for a hotel to be built without residential condominiums attached to it. Alan Vihant also says that the hotel room rates in Toronto are not very high. When you compare the rates with the amount of return on the cost to construct these hotel rooms, these costs cannot be met by the rate they receive for rooms (A. Vihant, personal communication, October 31, 2012).

Vihant further explains,

So they say [the hotels] to the developer, you are going to get a lift because of our brand. You are going to sell a condo for a thousand dollars per square foot, but if you put the Four Seasons underneath it, you are going to sell it for $1500 per square foot. You can’t keep that extra $500, I want a slice of it. And subsidize my hotel and you will see a significant lift. And by the way, your residences will now get all the benefits of my hotel.

(A. Vihant, personal communication, October 31, 2012).

Jeanhy Shim adds, “All of these hotels, they don’t own the buildings, they just operate them… they don’t have the money, it doesn’t make sense for them financially to just buy the building, so the financial model has worked as a hybrid between the ultra-luxury residences and hotel” (J. Shim, personal communication, Oct. 16, 2012). This financial model discussed by Shim also suggests brand affinity is extremely important in selling a product, hence the brands we are seeing in ultra-luxury condo-hotels in Toronto today. Shim states,

The reasons why ultra-luxury condos have been tied to a five-star hotel is because you are delivering the brand, leveraging the brand equity in order to buy Four Seasons or the Shangri-La. That buyer is very fickle, but they like certainty. Why do people eat at McDonald’s? No matter where they are in the world, they know what they are going to get. Why do people stay at the Four Seasons or the Ritz or the Shangri-La? People have brand affinity.

(J. Shim, personal communication, Oct. 16, 2012)
The above stakeholder responses clearly show the emergence of these buildings all within a short period of time was not purely coincidental; there was a demand for this type of product in the market, and high-end brands rose to the occasion in meeting this demand with a carefully crafted formula; creating condominiums that were given lift through strong brand affinity. Vihant summarizes the point, “I think people came together at the same time because there was an obvious lack of supply in the city. I’m not sure if you ask anyone of them that they are thrilled that there are four here at the same time, but there was a lack of supply” (A. Vihant, personal communication, October 31, 2012).

Next, this discussion approaches ways in which the niche ultra-luxury market, and the clientele within it, are unique to the whole of the condominium market in Toronto.

5.6.2 What Makes This Market Unique

The standard of luxury has changed in Toronto. Matthew Slutsky suggests,

> What we’re seeing also in a lot of the non-luxury, the building of it, could have been considered luxury a few years ago. Using the downtown Toronto market, you’ve got top of the line everything; the finishes and details in the units. What could have been considered luxury six years ago is now commonplace. The luxury you’re seeing now is really the uber-luxury; $1200-$2000 per square foot, which in New York is nothing, but in Toronto, that’s where the luxury market is at. And a lot of this is bigger spaces and now that’s what luxury is; a lot of space”

(M. Slutsky, personal communication, Sept. 6, 2012)

Not only have top of the line finishes and brands become important, but also the amount of living space a unit provides has become critical. This is ironic in a market where a portion of these ultra-luxury units are bought as second or third properties, and only “lived-in” a few weeks out of the year. Jasmine Cracknell identifies a luxury unit as 900-1000 square feet at a price of $800-$900 per foot, and super-luxury (or ultra-luxury as referred to in this study) at 1000 square feet and above, at $1000 per square foot and up (J. Cracknell, personal communication, Oct. 26, 2012).
There are strong geographical connections between ultra-luxury real estate and the City of Toronto. Shim suggests the market is so small because there are very few locations in the city where this type of buyer would want to reside. Housing reflects the changes in lifestyle and needs, and the luxury market has paralleled that very small percentage of the population. These affluent buyers have options, she says, and they are going to be picky about where they want to live. Shim states,

*Every affluent area [in Toronto] has an area that affluent people would choose to downsize to. If there are no condos available, they’re not going to [downsize]. They don’t have to. They can stay in their homes, because they are affluent enough to hire people and take care of the maintenance of their home.*


Shim suggests you can count the possible locations for affluent downsizers to move in Toronto on one hand. Matthew Slusky agrees that these individuals will only leave their home if there is something else to entice them; the ultra-luxury lifestyle that comes with the condominium. Slutsky remarks,

*If you want a luxury home in Toronto, you can buy the condo, or for the same price, you can buy the luxury house in Forest Hill, Rosedale, or the Annex for about the same price. There are options, so it becomes a lifestyle thing. Let’s say you look at New York; people are forced to live in high-rise or luxury condos, but that’s not needed in Toronto. The market in Toronto is people who really want to be living that lifestyle. And it is really a whole lifestyle you’re buying into; you’ve got valet parking, a doorman, and top of the line appliances. It’s carefree living.*

(M. Slutsky, personal communication, Sept. 6, 2012)

This is the lifestyle discussed in Chapter Three that draws the affluent buyer to the condo-hotel concept. With the lifestyle and price point come higher demands and expectations from the buyer. Barry Lyon outlines this in saying,
One distinction in the luxury market is that it’s more of a touch and feel market; they really like to see an actual unit and not buy it from paper. In a normal pre-sales market, people are signing on the spot for something that is four or five years out. The luxury market does not do that. They want the building to be under construction, they want to know when it’s going to happen, they want to negotiate. That’s another characteristic of the market; they want highly customized units, but they want assured occupancy and they want to stand there and feel the quality.

(B. Lyon, personal communication, Oct. 26, 2012)

Quality is what separates this niche market from others, but can quality be distinguished between one building and the next? Andrew la Fleur, author of truecondos.com, says,

The reviews of all the buildings have been incredible throughout. The buildings are absolutely stunning, brilliant, nothing like we’ve seen before in Toronto. They are the best buildings in Toronto for sure; they are gorgeous. In terms of who is the most luxurious? In terms of who is the most luxurious, well, it’s all the same granite; it’s all the same marble. It really is just what you prefer. They take slightly different approaches in the delivery of it all.

(A. la Fleur, personal communication, Oct. 16, 2012)

Jeanhy Shim emphasizes that this niche market truly represents a small fraction of the condominium market in Toronto. The ultra-luxury market represents, “less than 1% of the condo market overall, but it probably gets 75% of the media attention. There is a disproportionate amount of attention drawn to the market” (J. Shim, personal communication, Oct. 16, 2012). Comprised of less than 1% of buyers overall, there are potential for issues to arise in the ability to grow, maintain and sustain this niche market.

5.6.3 Potential Issues

When you place a high-ticket price on condominium real estate, buyers cannot expect to pay a one-time fee for the purchase of their unit. Condominiums, whether high-rise or low-rise, luxury or standard, require monthly fees that contribute to maintenance of their unit and support
the amenities offered within the building. In these luxury suites, where the suites are large and plentiful would be an understatement in describing the amenities, owners find themselves paying extremely high maintenance fees and taxes. Alan Vihant points out,

*I could imagine the carrying cost for a typical two bedroom, two bathroom unit of 1400 square feet at the Four Seasons is around $25,000 per year in taxes and about $30,000 a year in maintenance fees. That’s over $50,000 a year to maintain that suite. But somebody who can afford a $3 million apartment... probably, four or five grand a month is affordable.*

(A. Vihant, personal communication, October 31, 2012).

Vihant suggests the market is at a level where these monthly fees may be affordable for the buyers involved. It does, however, add additional costs to the units if they are put up on the resale market that must be considered by future buyers.

Additionally, there are some criticisms arising from the development community about the four buildings this thesis focuses on, for their lack of livability and catering to an end-user. Vihant points out that both the Shangri-La and the Ritz have provided virtually no outdoor space for the units (A. Vihant, personal communication, October 31, 2012). In a hotel room, he suggests, this works just fine, but for a condominium targeted at an end-user, it does not provide the full package, including an outdoor living area. Brian Scott of Trump International Hotel and Tower explain how their building is set apart from the other three buildings in Toronto. Scott describes as we chat in one of the hotel suites,

*We are unique in the city in that we sell the hotel units as well as the residences. Our competitors don’t actually sell their hotel rooms, only their residences. Somebody could actually purchase the hotel suite we are in [right now]. And if they do this, they receive the deed for the condo the same way they would in any other condo. The difference is, as an owner, you have the option of entering into a management agreement with Trump Hotels, where by when you are not using your suite, Trump rents it out as if it was a hotel room and revenue that is generated goes to you.*

(B. Scott, personal communication, Sept. 25, 2012)
Scott continues to describe the benefit he sees in this agreement, stating,

"People buy as an investment in hopes they will make more revenue. Whether it’s because they want a place to stay when they are in the city and when they are not using it, at least its generating revenue, it’s being looking after, its cleaned and its furnished. It comes exactly as you see here and everything would be included in the purchase price; they own it, using it 365 days per year, there are no restrictions. Obviously, nobody lives here, there is no laundry or kitchen, but if they wanted to, theoretically, they could be here 365 days a year."

(B. Scott, personal communication, Sept. 25, 2012)

As mentioned earlier, different brands took different approaches to the space they decided to create, evident here in Trump’s decision to sell their hotel units uniquely to individual buyers. The best formula for Toronto, however, can only be determined in time.

5.6.4 The Future of Ultra-Luxury

With the emergence of four spectacular buildings in such a short time period, one must wonder if Toronto has met the demand and the capacity of the market in Toronto. Stakeholders offer their opinion based on their knowledge and experience. Phong Ngo, Manager of New Homes Research at RealNet Canada Inc. suggests it may be a wait and see game. Ngo says,

"When these products first came on the market, sales were relatively good, or stronger than they are now. I think there was an appetite for those projects once upon a time; there still is. It’s probably not quite as prevalent as it was, but I think it still is there to some extent. There is still some inventory left of those projects; they are about 85% sold between the four that you have mentioned. They’ve done well; it’s been tougher for them to move the last remaining units, we’ll see how that plays out over the next little while."

(P. Ngo, personal communication, Oct. 17, 2012)

Andrew la Fleur is confident the ultra-luxury market needs a breather. “Nobody is going to launch anything in a number of years, I believe, because there’s so much product on the
market” says la Fleur, and continues, “it doesn’t make sense for anyone to put new luxury stuff on the market until it gets eaten up and prices start going up again” (A. la Fleur, personal communication, Oct. 16, 2012). La Fleur believes these units will first need to be snapped up by the resale market and all the investors trying to cash out will need to successfully do this before the market grows any larger.

Four Seasons Sales Manager Janice Fox, on the other hand, sees room for future growth in the Toronto market. Fox suggests, “From the luxury end, we are not at the top yet. We have a ways to go. We have a tremendous amount of international buyers here with specific needs, and I think there is room for more product on the market” (J. Fox, personal communication, Nov. 14, 2012).

Whether the market remains contained within the four buildings we see gracing the skyline today, or expands beyond today’s limits of luxury in unimaginable ways, the ultra-luxury condominium market has had a huge impact on the city of Toronto. Not only has it drawn international attention to the town we call T.O., but it has paved the path for Canada to compete with the most affluent cities in the world, attracting the elite investor, the worldly traveler, and the prying eyes of student researchers and curious citizens. Movie stars may gracefully glide across foyers on their way to TIFF premieres, and rock stars may hole up here on their tour around the world. However, when all is said and done, the one common attribute that brings buyers, guests, developers and investors from all over the world together is that despite all the options available, they have chosen Canada, and they have chosen Toronto.

5.7 Keeping the Market Balanced

As Toronto benefited from a high-flying market following the recession and after several years of continuously climbing in new homes sales numbers, those involved in the industry had to accept this could not last forever. Following a record-breaking year in 2011, reality set in in mid-2012 when numbers began to drop from the previous years sales. Rumours of a growing housing
market bubble, and the potential for it to burst, flooded Canadian media sources, projecting pre-
mature panic on the people of Toronto. Despite the assurance of several stakeholders, who suggest our cautious Canadian banking practices and overall sensible buyers mentality has protected us, it is important to understand what is being done to keep the market balanced. Two major topics are explored here; the new mortgage rules in Canada, and the power of consumer consciousness.

5.7.1 The New Mortgage Rules

As touched upon in Chapter Three, Finance Minister Jim Flaherty put into place new mortgage rules in Canada in July 2012 in an attempt to cool down a red-hot housing market. During the primary interviews, I gained a greater understanding of who these rules were going to affect and how. The ultra-luxury market was going to see little change, as the affluent buyer involved in these market transactions were typically purchasing these units in cash; no mortgage was required. The resounding message of who was going to be affected, however, was targeted at the first-time buyer who was just beginning to enter the housing market. With these stricter rules in place, entering the market became much less accessible for those with just enough money to put down to buy a property.

John Pasalis says, “It really impacts the people who are really at the fringe of barely putting 5% down or just trying to enter the market”. Additionally, Pasalis noticed that among his buyers, it was impacting clients buying in the $1 million price range, who fall under the rule that if you are buying a home over $1 million dollars, the buyers must have a down payment of at least $200,000. Pasalis says,

There are a lot of people who went to school for a very long time and have some student debt. They now make a ton of money because they are doctors or lawyers or whatever they are doing, but now even though their salaries are amazing, they can’t buy a million dollar home because they need $200,000 in cash. I find it is impacting a lot of people who are in this position.

(J. Pasalis, personal communication, Sept. 20, 2012)
David Fleming, author of torontorealtyblog.com, suggests that these rules are really only affecting about 3-4% of buyers. “The affordability is so low, if you can afford $1300 a month and you can’t afford $1370…” says Fleming, “then you shouldn’t really be in the market anyway” (D. Fleming, personal communication, Sept 17, 2012).

Looking directly at how the new rules will affect the condo market, Jeanhy Shim differentiates between how sales transactions differ between freehold houses and condominiums by stating,

*If it [the new mortgage rules] does affect the condo market… we have enough financial discipline in place that there is no 5% down [like in the resale housing market]. You do hear that, for example, developers will start to accept 5% down on units once the building is under construction. You’ve already done your 70-80% pre-sales, you’ve got your financing… [the developer is] willing to take a risk of having a 5% buyer because [the developer] already has inventory. As a 5% buyer, you still have to get the mortgage pre-approval, there are still things you do as a developer to make sure you’re managing risk.*

(J. Shim, personal communication, Oct. 16, 2012)

As a summarizing statement, Shim declares:

*The mortgage rules, have they had an impact? Yes. Has it been solely on the condo market? No. I think it’s unfair that Mr. Flaherty singled out the Toronto condo market as the reason why we have to bring in these rules. That’s just pandering; sound-biting; it sounds really good.*

(J. Shim, personal communication, Oct. 16, 2012)

Another important point to note about the new rules is made by Jason Mercer, the Senior Manager of Market Analysis at the Toronto Real Estate Board. Mercer said during our interview,

*When you look at the condo market, there are changes around the amount that you can draw down on your existing home, or draw against your existing home equity. If you think about what drives the condo market, there is obviously the end-user component and there is the investor component. A lot of investors may be using equity in existing properties in order to make down*
payments on other investments. Both of the facts that the cost of home ownership went up and the amortization period went down, in terms of the monthly mortgage payment and also your ability to access funds from existing properties was also tightened up, both of those, hand in hand, have impacted sales over the last 3 to 4 months. It’s not just the condominium-apartment side, but I think at least outwardly, it was the focus of some of these initiatives.

(J. Mercer, personal communication, Oct. 4, 2012)

The new mortgage rules were enforced during a time when the condominium market was booming at rates perceived as uncontrollable. As suggested by stakeholders in this research, the condominium market, however, should not have been solely targeted as the reason these rules came to surface. Critics of Flaherty’s decision suggest that the market was slowing naturally, and that the policy-induced decision was unnecessary in a market that tends to regulate itself.

One of the less direct but increasingly significant factors that impact the Toronto condominium market is the psychological impact the media can have on consumers. As discussed in this next section, consumer awareness is critical in avoiding market fluctuations prompted by uninformed decision-making.

5.7.2 Consumer Consciousness and the Psychological Impact of the Media

The Toronto condominium market issue holds a special place in the media and the persistent media attention it receives was indeed a major factor in the initial development of this research project. One of the main goals of the project has been to think critically about the everyday headlines that are fed to consumers, who are eager to understand this topic that affects every part of their daily life. The goal of the media is not always to inform; it is often to entertain, and this can lead to deceptive presentations that focus on just fractions of big picture ideas. Comparing housing from one month to another, for example, can produce some shock headlines that prove for an interesting read, but can also lead the consumer astray in making well-informed decisions in real estate.
Phong Ngo of RealNet Canada Inc. advises people to question where they get their information. He says,

_It’s quite easy to get one piece of information, for example, sales decreased by such and such percent, month over month, and look at that in isolation and say the markets going to crash. What we try to do is give perspective to the entire market. You can’t just look at one month over the next. We don’t know where some of the media gets their information. You have to take it with a grain of salt._

(P. Ngo, personal communication, Oct. 17, 2012)

Jeanhy Shim believes so much is written about the condominium market because it is a very attractive topic that appeals to a wide audience. Shim says, “Housing markets in particular…it’s very sexy; it’s very headline grabbing” and adds, “everybody likes to talk about real estate because everyone has a roof over their head. Real estate affects everybody” (J. Shim, personal communication, Oct. 16, 2012).

Shaun Hildebrand, Senior Market Analyst for the Greater Toronto Area at the Canada Mortgage Housing Corporation, says he, “wouldn’t discount the psychological impact [of the media] these days”. (personal communication, Oct. 2, 2012). Hildebrand says,

_Condo sales numbers in terms of resales have come off quite a bit over the last few months and I can’t see that being entirely attributed to the recent mortgage rule changes. Nothing else has really happened since then. We haven’t seen a downturn in employment, interest rates are still at rock bottom levels; I do think that it has a bit of a psychological impact. Everybody is interested in the Toronto condo market. Every newspaper picks up the statistics that come out and everybody has an opinion - most of them are negative – about where it’s going. If you combine predictions about the market with other things about the condo market – falling glass, building quality coming into question – I think that there may be a bit of a stigma materializing around condos for the time being. Interestingly, what you’re seeing are people shying away from buying condos, but they certainly aren’t shying away from renting them._

(S. Hildebrand, personal communication, Oct. 2, 2012)
Ngo also comments anecdotally on feedback he has received from sales centres from the agents on the floor, suggesting the influence of the media is playing a role in precautionary measure buyers are now taking. Ngo suggests,

_They [sales representatives] tell us people come in and they are nervous, because they don’t know where the market is going. They hear all kinds of things in the media, and that plays a part in their decision-making. Anecdotally, what we are hearing is that people are taking more time to decide to buy, whereas before, a builder could bring a product to market and it would sell out virtually in no time, and now people are coming back two, three, four times to decide whether they really want it or not. They are doing their due diligence to make that decision._

(P. Ngo, personal communication, Oct. 17, 2012)

Negative press that began in April 2012 proved to be timely in creating interesting interviews and responses to questions about the impact of the media. Once again, the importance and relevance of this topic was reaffirmed through these interviews, and that misunderstanding surrounding the topic requires further investigation.

### 5.8 International Involvement

Real estate has always required an understanding of geography; a house is only so valuable as the location of land it sits upon. This is clearly seen in Toronto today, where the consumer’s dollar stretches much further in real estate if they choose a less desirable, less central location to live. Real estate today, however, is more now than ever rooted in geography, as territorial boundaries become obsolete in the interconnected bridge that technology and globalization have built. Individuals involved in real estate are now not only being affected by fluctuations in the world marketplace, but can actually buy property on the other side of the world without physically visiting the site. Both of these factors are discussed through the next short essay that reflects the human geography study of space through time and how it relates to the world of real estate.
5.8.1 Global Uncertainty

Toronto, and the rest of Canada for that matter, has been fortunate in its ability to remain relatively stable during recent times of global instability. In the past several years, the world market has been affected by several major events; the American sub-prime mortgage crisis, leading up to the global financial crisis of 2008 and the ongoing European sovereign debt crisis; civil uprisings in the “Arab Spring” revolutions; ongoing political and military unrest in the Middle East; nuclear weapon controversies; several significant natural disasters; and the marking of the first decade in which the global population has become more urban than rural.

It is unfathomable to imagine the way in which one would start to unravel the complications brought on by these significant events and how they can be contained within the scope of this study. To keep the research manageable, the research simply asks why Toronto was able to remain stable during these chaotic social, economic, and violent times, when it is nearly impossible to avoid news from the other side of the world showing up on your front doorstep. I posed this question to most of the participants, acknowledging that the question was extremely large, but interested in hearing what they would have to say. Responses were similar in suggesting that the media played a large role in how consumers think, but that in the end, Canada has the fundamentals in place to sustain a healthy market, despite what is happening in the rest of the world. Brian Brown, Vice President of Lifetime Developments, acknowledges,

Toronto has been very lucky and very fortunate over the past several years. As we have seen other cities go through tough times, Toronto is very different in a lot of ways, especially with the banking system we have in place. We are structured a little differently from banking and mortgage standpoints, and that has benefited us from a development standpoint.

(B. Brown, personal communication, Sept. 20, 2012)

Shaun Hildebrand suggests that while these major events may be happening globally, people look to more local indicators as a judge of where they stand in the real estate market. Hildebrand says,
When there’s a lot of uncertainty, and equity markets don’t do well, the bank profits start to come into question. Employers become a little bit more hesitant to hire, so employment is really the fundamental driver behind the housing market over the longer term. And confidence as well. People start to see that their financial systems aren’t doing so well, and they are hesitant to commit to making any big purchases, so the combination of the impact of uncertainty, finance and employment levels, at some point, we see that feedback into housing.

(S. Hildebrand, personal communication, Oct. 2, 2012)

Hildebrand continues to emphasize the importance of employment levels by saying,

If there’s not as many people employed and they are uncertain about whether or not they’re going to get a raise next year or if their job is secure, they are not going to commit to buying a home. All of this moves to create a situation where housing becomes a little bit less desirable and ironically at a time when interest rates are at rock bottom levels, at a certain point, low interest rate are to have a minimal effect on the market.

(S. Hildebrand, personal communication, Oct. 2, 2012)

Identifying direct relations between world events and local markets is almost as impossible as separating local consumer decision making from global influence. The bottom line suggests that Canada has created a method of shielding itself from crisis through banking and lending during a time when it is impossible to shield consumers from the uncertain feelings that surround the globe. Some participants even suggested that global uncertainty has aided in the growth of Canadian economies and housing markets; during a time when the rest of the world is at unrest, consumers look for a safe place to put their money. Richard Silver, who has witnessed during his career the international migration of money to Canada, discusses during our interview examples of how global affairs can have an impact on the condominium market.

It really started with the colonization of Hong Kong. All of the sudden, people were worried that it [Hong Kong] was going to be taken over by communist China; a lot of Cantonese
started buying here and their kids went to school here, so the market boomed at that point; there is a huge Asian buyers population. It’s happened in the past 10 years, it’s become very international. There are a lot of buildings that are almost totally sold offshore.

(R. Silver, personal communication, Sept. 10, 2012)

Jeanhy Shim comments:

Canada right now is considered an island in a world of instability and for very good reason. It’s not perfect here, but we’re getting a lot of flight capital. If you have money and you want to put it in a safe and secure place... these people are immigrants and people from overseas, they are not worried about the return on their investment, or what kind of percentage they are making. That is a very Western mentality towards investing. A lot of the immigrants, and I can speak from experience, the attitude towards home ownership is very different in real estate. Look where immigration is coming from... owning real estate in their country is typically the only vehicle of investment. Again, look in North America; stock markets, bonds, mutual funds, GICs. If you look where people are coming from, South Asia and Asia and those countries, that seems totally foreign. That seems something only the rich, 5% elite play in. The fact that we’re in a society where the middle class can dabble in the stock market; it’s very North American.

(J. Shim, personal communication, Oct. 16, 2012)

Additionally, Silver says that the luxury market has benefited from housing market restrictions in other parts of the world. Silver adds,

The new, luxury buildings are more a worldwide phenomenon. There are a lot of internationals that like to own properties in different locations. What you have to remember is that in Canada, you have very, very strong property rights; property rights that don’t exist in Russia; the property was all owned by the government, you are allowed to live there, but you do not own the property. The same goes for communist China. As those markets have increased, in size and value, people are making more money and they are saying, ‘Do I take my money and invest in a country where you know what happens if we go back to the past and back to a time where we have a government who says the property belongs to us? The countries that are doing well now, like China and India, who haven’t established a middle-class, they are looking to spend their money offshore and buy in Canada or the United States. You’ve got established hotels like the Four Seasons, like Trump... what they are doing is selling residences to people who may
come and spend a small amount of time here. It’s a way for people to have a very secure home offshore.

(R. Silver, personal communication, Sept. 10, 2012)

David Fleming agrees with Silver in suggesting, “You have places like China and Russia, where you have no rights and ultimately, the government can step in and take your property. They are buying in Toronto because they can and because they have never had the ability to” (D. Fleming, personal communication, Sept 17, 2012). Interestingly enough, participants failed to directly mention Canada’s triple A credit rating among the factors that were enticing the international investor of today. There are clear differences between the Canadian investor of the 1980s and 1990s, who believed real estate value had no where to go but up, and the international investor of today who crosses boarders to find ownership rights, world city status and security.

The commentary by Silver and Fleming acts as a segue into the next topic of discussion, which questions where the vast amount of money used to purchase luxury residences in Toronto comes from.

5.8.2 Luxury Purchases: Local or Offshore Investment?

One of the most intriguing sub–questions of this research project resulted in the largest discrepancy between respondent’s answers. There is a lack of data collected and compiled among developers and brokers about where purchasers of luxury units originate. There is no direct requirement for buyers to disclose their country of origin, causing primarily anecdotal responses to the question. The real insider information on this topic comes from the sales managers of the luxury buildings and in some cases, the developers, who have witnessed or been directly involved in these transactions. That being said, there is a possibility that a Canadian citizen purchases a unit and then the funding is routed through another country by family members or otherwise. Therefore, results of this question are inconclusive, but provide interesting insight into the diversity of this market.
Looking to the sales managers first, Robbyn Hayden of Shangi-La responded to the question about where the money is coming from.

*It’s everything. It’s Canada; it’s Toronto, which has a lot of wealth. We have a lot of clients from Korea, India, China, the United Arab Emirates, the United Kingdom, Iran… it’s not all coming from offshore, but a lot of it is. This is a favorable place for people to invest.*

(R. Hayden, personal communication, Sept. 5, 2012)

Brian Scott of Trump International Hotel & Tower Toronto states, “By and large, I would say the vast majority of our ownership base is Canadian” (B. Scott, personal communication, Sept. 25, 2012). This may be reflective of awareness of the Trump brand, or perhaps how and where the product was marketed. On the other hand, Ritz-Carlton developer Steve Gutfreund, Senior Vice-President of Graywood Developments Ltd., mentions,

*You have to brand your products; setting it apart from your competition is very important. Ritz Carlton is very strong on the branding side. We spent an enormous amount of money on marketing, and advertising, and promoting this thing. And we traveled literally around the world marketing it. I sent out a team, and I went myself, around the world; my partner went to Russia, Ireland, and Dubai. I went to the Orient; Singapore, Shanghai, Jakarta, Beijing. We had other people go to South Korea... we were all over. And over the years, we managed to successfully sell quite a few of these units. Our market is an international market. We really do have a United Nations in this building and it’s fabulous. We would have I’d say about 60% local and 40% international; we have buyers from all over the world, and we still do.*

(S. Gutfreund, personal communication, Sept. 14, 2012)

The Four Seasons has catered to a different clientele in many ways, and while it does have international buyers in the building, including the purchasers of the $28 million penthouse, it appears as though it has attracted a more local crowd when compared with its counterparts; end-users and downsizers from Rosedale, Forest Hill and other upscale Toronto neighbourhoods. Mimi Ng, Vice President of Marketing at Menkes Developments Ltd, a partner in developing the Four Seasons, says,
In our case, for Four Seasons, we were kind of against the grain. Shangri-La, Trump, and Ritz publicly acknowledged that they had very significant international buyer components. In our case, we were actually the exact opposite. We have 80% of the buyers are domestic Canadians, and 20% are international; in the case of the international buyer, this is their second, third, or fourth residence. Even then, they have some sort of connection to Toronto; whether it’s because of business or family or what not, they have some connection, they are not just buying randomly in Toronto because they think it’s a nice city.

(M. Ng, personal communication, Nov. 22, 2012)

Ng puts into perspective the speculations from stakeholders, and the media, reporting that the international buyer plays such a significant role in the Toronto ultra-luxury market. Ng recalls,

Leading up to our launch we were thinking, how many million dollar deals are there in Toronto? We were banking on a larger international component based on what everyone was saying to us... ‘You’re going to need that international market to carry this project’. And it didn’t happen for us. We were really pleasantly surprised at how many domestic buyers came to us and also in a very short span of time.... it was crazy to see that much multi-million dollar product move and realized it was a lot of Toronto and Canadian people.

(M. Ng, personal communication, Nov. 22, 2012)

Answers from respondents on how much of the market was supported by international funds ranged from 5% international, all the way up to 50% international. It is clear there really is no way of tracking exactly how many of these multi-million dollar units are sold offshore. Looking ahead at the luxury market, Ng states,

There is actually a ton of wealth in the city; that super luxury market is deeper than people realize, but they [the buyers] only come out for the right product... I think we have reached where the luxury market has maturated to a critical mass and there are more developers out there offering that type of product. It is very competitive; these buyers have more than enough options and they have time on their side.

(M. Ng, personal communication, Nov. 22, 2012)
The international flavour of Toronto, while difficult to measure, is certainly vibrant in its contributions to Toronto’s economy, social diversity, and attractiveness as a global city. A main point of attraction to this city as previously discussed, is the reputation Toronto has for maintaining a stable market. Next, the stakeholders weigh on the current state of the Toronto condominium market.

5.9 Insider Information on the Current State of the Market

One thing that is for sure about that condominium market in Toronto is that it has changed over time, and continues to change to this day. Richard Silver, who has been involved as a sales representative in the industry for several decades, recalls, “When I first got in the business, there was almost no condominium activity. There were few buildings, it was maybe 2-3% of our business and now it’s grown to over 50% of our business in the downtown core. Lots of condominium activity” (R. Silver, personal communication, Sept. 10, 2012). As John Pasalis acknowledges, “it’s a whole new game, I think we are in uncharted territory” (J. Pasalis, personal communication, Sept. 20, 2012). Putting into perspective just how massive the current growth Toronto is experience, Pasalis says,

The level of development in the condominium market is really amazing; it is not comparable to any other city in North America. We are double whatever the next person is doing. It’s just an amazing amount of development and a very big shift. A lot of this is end-user demand, and a lot of this is a shift towards urban demands; living downtown and living close to work.

(J. Pasalis, personal communication, Sept. 20, 2012).

Next, this thesis provides insider insight beyond the numbers and statistics, and describes where exactly our market sits in the year 2012.
5.9.1 Yearly Cycles

Implications about the current state of the market are difficult to separate from the yearly cycles that seem to repeat patterns annually, and therefore, they must be taken into consideration in this analysis. Pauline Lierman of Urbanation says that the moderation of sales seen in the second and third quarters when compared to the first quarter of 2012 could be following a traditional pattern of a summer slowdown in new building openings. Lierman suggests,

Going into the third quarter for us, we didn’t have as many openings, but that’s not unusual in the summer market. The last couple weeks in August and even the first couple of weeks in September are pretty quiet; they haven’t been in the last couple of years but we saw before that, they were. This year was a lot more of a traditional period, and for some of us who have been around for several years, what we’re used to.

(P. Lierman, personal communication, Sept. 13, 2012)

The sentiments of Phong Ngo agree with what Lierman has to say about the summer market, and he stated in our interview,

The first part of the year, sales were strong. What’s happened in the early third quarter was that sales started to taper off a little bit. It is a very cyclical industry, so I think what happened is the summer came on, and sales typically are slower in the summer. A lot of sales, especially on the condo side, are driven by new project launches. We saw happen in the first half of the year, particularly in the first quarter and midway through the second quarter; there were a lot of new projects that came to market. I think people were still riding on the sales pace from last year and just wanted to get their projects to market and take advantage of the sales.

(P. Ngo, personal communication, Oct. 17, 2012)

Ngo continues by suggesting this large number of product launches directly contributes to the numbers being reported in sales. According to Ngo,

A lot of new projects came on board; so far we’re up to 65 new project launches from January to June. Better than last year, better than the year before. More condo launches than any

160
year dating back to 2000. Builders, like I said, were looking to get their projects out there. The
number of launches tapered off early third quarter. During the summer, there were not a lot of
projects that came to market. I think that affected the sales; obviously, if there’s more inventory
out there, there’s more sales happening.

(P. Ngo, personal communication, Oct. 17, 2012)

Matthew Slutsky reiterates the Toronto new condominium industry is cyclical in stating, “It’s not
big changes, that are traditionally seen in resale, but the summer is definitely slower”, and cites
vacation time and weekends up north at the cottage as potential reasons for a summer slowdown
(M. Slutsky, personal communication, Sept. 6, 2012).

In comparing cycles of 2012 to those of years past, Pasalis states there are significant
differences between this housing boom and the market growth that was seen in the 1980s. Pasalis
says,

It’s not like the market in the 80s. The 80s was a very highflying time; houses were
appreciating 25-30% per year, which is insane. Toronto hasn’t had that. Toronto has been at 6-
8% per year, which is still above average and is relatively high, but it’s not thirty. It’s not like
Vegas, or Miami, or even Vancouver’s appreciation. The condo market is the one thing that
makes things really hard to predict. And I think if there is really any kind of uncertainty, it sort of
stems from that side of the market.

(J. Pasalis, personal communication, Sept. 20, 2012)

Lierman also suggests that coming off of a very strong period of market activity, Toronto has
likely peaked in a market cycle that has been on a ramping up basis since the early 2000s, with
the exception of 2009, following the recession and the collapse of Lehman Brothers, who had
been backing some projects in the city (P. Lierman, personal communication, Sept. 13, 2012).
5.9.2 Investor Fatigue

One of the potentials for a slowdown in the condominium market as the year progressed was “fatigue in the investment community, which has been driving a great deal of sales in the city” (P. Lierman, personal communication, Sept. 13, 2012). Shaun Hildebrand turns to statistics to explain,

Some of the new projects that have opened over the last quarter didn’t do so well. I think it was 35% of units opened during the second quarter sold during that time period. An absorption rate of 35% for a new project opening is considered to be unsuccessful by the developer; typically, it’s at least 40-50%, and last year, they were able to get 60%. That really reflects the fact that the investor may be starting to back off a bit.

(S. Hildebrand, personal communication, Oct. 2, 2012)

Barry Lyon recalls how the presence of investors in the market is a relatively new phenomenon. He states,

Back in the early days of the market, if you asked, ‘Do you have any investors?’ we would say, ‘What’s an investor?’ They didn’t really exist. Now depending who you talk to, in our opinion, the market is at least 70% investors who have a variety of motivations in what they are doing.

(B. Lyon, personal communication, Oct. 26, 2012)

“When I was first starting out, nobody really wanted to talk about investors”, says Mimi Ng of her experience in the industry (M. Ng, personal communication, Nov. 22, 2012). She recalls,

Everywhere you would go as an analyst, you would say. ‘So how much of this is investor driven?’ And they would say. ‘Oh 30-50%, depends on the building, depends on the developer’. You kind of would dance around it and you didn’t want to talk about it. Investors became a really dirty word, mostly because I think in the late 80s and early 90s, investors meant speculators; people who were buying product and just flipping product. It got a negative connotation of people just coming in without really caring about the long-term future of the market and really interested in the short-term gain aspect of it.

(M. Ng, personal communication, Nov. 22, 2012)
Signs of a cooling investor market could be considered worrisome, but many stakeholders emphasize the market has a natural way of balancing itself; as investors back off and sales start to drop, experienced developers will make smart decisions to hold back on releasing product launches. Ng states,

*In April, we started to see things come off, and developers made adjustments by June in terms of incentives or price adjustment, or just being self disciplined in pulling themselves out of the market and not coming out with new product; delaying new launches, focusing on your buildings under construction and selling off that inventory. The market is good at taking cues and being disciplined. There may be outliers that act irrationally, but for the most part, the market is dominated by medium to large size organizations and people who have been through cycles, and know how to work through them.*

(M. Ng, personal communication, Nov. 22, 2012)

Last year, new condominium sales in the Great Toronto Area were close to 29,000, which is a new record by 30% (S. Hildebrand, personal communication, Oct. 2, 2012). Lierman notes, “it’s very hard to top that kind of year; it sets a historical precedence, a record setting year that will not be surpassed for a very long time, even under a set of very positive market conditions” (P. Lierman, personal communication, Sept. 13, 2012). Shaun Hildebrand leads into the next topic of discussion of what a normal market should look like by stating,

*This year, it looks like we’ll come in around somewhere between 18,000-19,000 new condo sales. Obviously, a drastic decline if you look at percentages from last year, but I would say it’s close to the averages we’ve had over the past 6-7 years. I think it’s a level that the market needs at this point. We don’t need to sell 28,000 new condos a year. There just isn’t enough demand to sustain that level of development.*

(S. Hildebrand, personal communication, Oct. 2, 2012)
5.9.3 A Normal Market

As of September 2012, Toronto proved to be having a very strong year, despite what the media had been suggesting to the public. New condominium sales were at 10,839, the second highest annual total record for the first half of the year, according to Senior Market Analyst at Urbanation, Pauline Lierman (personal communication, Sept. 13, 2012). Harry Rosenbaum of Great Gulf says, “Right now, the market has slowed down. I don’t want to use the word significantly, but it has slowed down. The market has to take a bit of a breather, because so many condo units have been sold in the GTA, but it will come back” (personal communication, Oct. 9, 2012). Phong Ngo of RealNet Canada Inc. suggests, “The current state… we think we are where a normal market kind of should be. If you look at the numbers and plot them out over time, you can see that we are in line with historically what we’ve done” (personal communication, Oct. 17, 2012).

Barry Lyon takes a straightforward approach to answering this question during our interview and says,

We are going through a major readjustment. I don’t think many in the industry really appreciate just how sobering it is going to be. It’s not a recession, but we are seeing our sales drop as you know to maybe 17,000 this year. Next year, we think it could be 15,000 or 16,000, something in that order. That, as you’ve heard, is what our industry can produce. We can only produce 16,000 units a year, full construction capacity, so we’ve been selling more than we can build, which is a little crazy.

(B. Lyon, personal communication, Oct. 26, 2012)

Lyon suggests, however, that this is a healthy slowdown, resulting in lower land prices that will create a buyers market where people will be able to go into sales centres, negotiate, and will have incentives offered to them. Lyon states,

A lot of the younger developers have never been through tougher times, they are in for a shock. The goods news is, the level we’re dropping to is not unlike a normal level. Things are just too unsustainable, so we are going back to a more sustainable level and there will be some pain...
for the industry. So what that means for the consumer: lots of choice, some price drops, and importantly, I think for a few years there will be an emphasis on smaller projects in more decentralized locations.

(B. Lyon, personal communication, Oct. 26, 2012)

This normalizing of the market will curb what Ng describes as a market place that became “a bit too frothy”, where people were just so driven to buy, they were not thinking through their purchases (personal communication, Nov. 22, 2012). What the media portrays as a slowdown in the market neglects to look at the big picture of real estate in Toronto, and does not account for historical trends or the fact the slow down is needed, as selling is occurring at a faster pace than construction can keep up with.

5.10 The Future of the Toronto Market

Now that the past and the present have been discussed, one must look to the future to see what lies ahead. A major public concern driven by the crowded, crane filled Toronto skyline suggests there will be an oversupply of units built in Toronto and this could have detrimental effects on market prices. Answering this question provides a lead into the discussion of the rental and resale market in Toronto; a topic which was initially dismissed in importance, but came to light during the research process as an inseparable element in understanding the new homes market. Future market predictions will be provided from the study’s stakeholders, as well as the possible influence the resurgence of office building development in downtown Toronto could have on the new condominium market.

5.10.1 Questions of Oversupply in the Condo Market

It is difficult to ignore the constant construction in the city and not ask yourself, ‘Who is going to live in all of these units?’ The concern of an oversupply in the industry has accompanied rapid growth in the past few years, with growing concern over the sudden plummet of housing prices. However, the number of immigrants moving to Toronto is often forgotten about when
jumping to conclusions about oversupply, a group that the condominium market relies upon for support. Mary-Jane Schneeberger emphasizes, “We still can’t keep up with the growth of immigration to Canada in terms of housing starts. The number of people that are immigrating to Canada, most of that population is coming to Toronto” Schneeberger, personal communication, Sept. 6, 2012).

Robyn Hayden emphasizes, “Remember, all the openings that you hear about, not all of them come to fruition” (personal communication, Sept. 5, 2012), as the market and financial institutions have learned discipline in making smart building decisions. Most buildings in the city must have met the pre-sales requirements of 70-80% in order to get financing from the bank for the project to go ahead. Shaun Hildebrand states,

> What we’re seeing is that the preconstruction market is beginning to slow down. The reason behind that is, the predominant purchasers at preconstruction levels are investors and the number one reason for an investor to get into buying in the condo market is capital appreciation. They want to know the value of the unit is going to be higher when it comes to completion in a few years time. But now, we are starting to get signals from the resale market that the potential for capital appreciation isn’t there. Resale prices are beginning to really flesh out, and this has been happening for several months now.

(S. Hildebrand, personal communication, Oct. 2, 2012)

5.10.2 Rental and Resale Market

As mentioned by Hildebrand, and reiterated by Ng, “Without that investor component, who is really willing to jump in and buy early on, this industry just would not survive and be able to get to the pre-sale threshold. End-users just don’t buy that way; they have to see the product and know when it’s going to be completed” (personal communication, Nov. 22, 2012). Investors today are savvier than they were in previous markets, holding on to their unit as a medium to long-term investment. Jeanny Shim states,
What happened in Toronto for decades is that we are not building rentals [apartments], so what’s happened in the condo market is these investors have been buying units and renting them out. The rental market in Toronto is incredibly strong right now. If you try to find a rental in downtown Toronto right now, it’s multiple bids; its multiples offers; its ridiculous.

(J. Shim, personal communication, Oct. 16, 2012)

The prohibitive cost of land for large-scale rental property developers, combined with the implementation of the Residential Tenancies Act, has contributed to the lack of rental housing built in Toronto over the past decade. The purpose of the Residential Tenancies Act of 2006 is “to provide protection for residential tenants from unlawful rent increases and unlawful evictions, to establish a framework for the regulation of residential rents, to balance the rights and responsibilities of residential landlords and tenants to provide for the adjudication of disputes and for other processes to informally resolve disputes” (Residential Tenancies Act, 2006). Developers have veered away from the obligations tied to rental properties and are now catering their product to a rental market controlled by a new generation of real estate savvy investors who become landlords through the purchase of a single unit. It has become much more common place in Toronto today to rent from individuals who have taken on the role of landlord as a secondary occupation to their primary profession.

Matthew Slutsky suggests that while the luxury market typically sells to end-users, it should not be discounted from the topic of rentals. “I’ve heard some great stories from people… renting out their unit at the Ritz for $10,000 per month” says Slutsky (personal communication, Sept. 6, 2012). However, this is more likely the exception than the rule. End-users typically do not buy until construction is underway, particularly in the luxury market, so the builder may be required to put in more equity to get the project started and get the financing quicker if presales cannot meet this need.

In terms of resales, the decline in price is another indicator that the market is changing, and investors are backing off as a result, or holding on to their existing properties until they get a
return on their money. Stakeholders suggest that the rental market is what is fueling all the new condo construction in Toronto, which in turn is fueled by investors, and this is a very important distinction to make. The lack of rental supply in the city, combined with high land prices and an unstable economy, has created a market where young buyers are waiting longer to get into the market and choose renting for several years as a viable option before making a purchase.

5.10.3 Resurgence of Office Building Development

Barry Lyon suggests, “To a degree, they [the condominium market and office building market] are inseparable” (personal communication, Oct. 26, 2012). He reflects,

*There was a major movement in the 80s and 90s to grow office development outside of the core and into the suburban nodes, and that is still going on. That supposedly took the pressure off downtown in terms of transit and infrastructure. Now, it’s turned again and there is a renewed interest in coming downtown to the point where right now, we’ve just tracked 8,000,000 square feet of new office development coming in the downtown area, which is amazing.*

(B. Lyon, personal communication, Oct. 26, 2012)

Lyon discusses how critical the condominium industry has been to office development in stating,

*Our argument, which has been and is of the office boom, [is] that where we are not would have been if not for the condominiums. They provided the talented workforce living downtown. Employers are finding now that it is both easier to attract employees downtown and even more important to retain them. There’s a big turnover…. the suburbs will keep going fine because they are trying to rationalize live-work problems, to live close to your work in the suburbs. We’ve never seen downtown as popular for office development as we do now, and that is almost entirely because of the growing population of young, well-educated, food-oriented, not necessarily needing a car, young singles who then couple.*

(B. Lyon, personal communication, Oct. 26, 2012)

In terms of what happens now as the condominium market begins to slow, Lyon says that office building market is surging, keeping the concrete suppliers and other trades happy because they
are not losing any supply. Lyon states the supply “will be picked up by the office buildings now and when there’s office buildings, they in turn stimulate more of a housing market. So you get these combined waves, you get these intersections at points.”


5.10.4 Future Market Predictions

Where the market is headed, nobody knows for sure. This thesis compiled a team of the most knowledgeable and experienced industry experts in Toronto to shed light on answering the questions today that shape our tomorrows.

Shaun Hildebrand predicts the market is changing. During our interview, he suggests,

*I think it’s hit an inflection point in a few different ways. I think we’ve hit our maximum in terms of the number of units that are under construction. I don’t think we will return to preconstruction sales of 28,000-29,000 a year for several years down the road. I also think the days of seeing 5 to 10% annual growth in prices is over for the time being. The market is changing. It’s slowing down. The people in the market are going to have to adapt, and adjust their expectations; if you’re an investor, for the return on the investment, if you’re a homeowner, it will be enough equity you’re going to build up over the next few years. Expect that for the next several years. It’s a very simple supply and demand balance that’s happening.*

(S. Hildebrand, personal communication, Oct, 2, 2012)

Alan Vihant says we need to accept the reality of what our market can handle,

*In a two-year period, the number of units sold is cut in half. When we were selling 14,000 units seven years ago, on the way up, it was thought the market was on fire and the bubble was going to burst. The market was deemed to be a bubble burst disaster. If we come back down and we stay at a stable state, and I think 15 to 17,000 units is a stable state, you can’t say its on fire on its way up and then come down here and say its a disaster. We, as an industry, are saying it is a stable state in terms of what the bank can lend, and in terms of what our labor and material can supply to the market.*

(A. Vihant, personal communication, October 31, 2012)
Although a slowdown in the market is agreed upon among industry leaders, stakeholders interviewed remain surprisingly optimistic about where the market is headed in the near future. Andrew la Fleur suggests,

*I think that the slowdown we’re in right now is a temporary thing. I think we’re in a bit of a lull, and in Spring 2013 and in a few months time, people will realize that there is really no reason why were slowing down and the opportunity to buy is still the same. I think the next five years in the Toronto market are going to be strong. I think we will see price increases. I don’t think it’s going as much in the last five years, but I do think the market is strong moving forward.*

(A. la Fleur, personal communication, Oct. 16, 2012)

Brian Brown of Lifetime Developments acknowledges some of the challenges that lie ahead, as “it is becoming harder and harder to find a site to develop, but there is a lot of product still coming out in the next two years and lot of great projects. It is an exciting time; I think the next 10 years are going to be quite strong, and that is what we are focused on right now” (personal communication, Sept. 20, 2012). “What we are also going to see is there are too many developers with too many big buildings” says Vihant, who believes tall towers with 500-700 units is not sustainable. Vihant adds, “Back in 2003 and 2004, 350 units was really the threshold. Now we are up to [buildings with] 700 units. I think the industry is shifting backwards to where we were five years ago” (personal communication, October 31, 2012).

Industry veteran Barry Lyon concludes on an optimistic note by saying,

*The future for condominium looks very, very bright, particularly with the provincial intensification policies and a very smart industry that isn’t going to allow this thing to slip away. They will promote themselves well and promote a lifestyle. Just think; we are falling short on providing broad enough lifestyle not just for tenants, but for seniors, empty-nesters, young families, the divorced community or ‘born-again singles’ as we call them. Condominium is the answer... it just makes increasing sense, right across the country, as the best means of delivering*
the urban lifestyle. And that isn’t only an 80-storey tower; it’s a three to four story, 20-unit building. It can take all kinds of forms.

(B. Lyon, personal communication, Oct. 26, 2012)

There it is - ‘condominium is the answer’. Straight from the mouth of one of the most well-respected individuals in the Toronto real estate and land development industry. The acknowledging of condominium as the answer, however, comes with several complications that this rapid development has the potential to bring. This next section of the thesis identifies and discusses the major issues arising from this research through stakeholder responses. Additionally, recommendations are made accordingly on how Toronto can effectively manage the new challenges of rapid growth.

5.11 Complications of Rapid Condominium Development

The pristine product of a newly constructed building paints a picture of a seamless industry, every detail accounted for with no ceramic tiles left unturned. Behind panels of glass is a development process fraught with complications, even among the most luxurious and expensive buildings discussed in this thesis. Recommendations are made following the short essay on five major issues that have come to light throughout this thesis in regards to condominium growth in Toronto: the capacity of the building industry; limited land resources; transportation; changing needs of Canadian families; and affordability.

5.11.1 The Capacity of the Building Industry in Toronto

It’s reasonable to say that construction has spread out... it’s tough to get labour on site, it’s tough to get a crane on site, all your staff and all your materials and everything else because you are competing with all these other projects. Not just condo projects, but office projects and infrastructure projects.

Jason Mercer
Senior Market Analyst
Toronto Real Estate Board
There is a large disconnect between understanding the process of buying a condominium and the process of building a condominium, one that is unknown to the common consumer. Additionally, the process between building a house and building a condominium varies in great measure. “The difference between low-rise, single-family development and condo development” says Mimi Ng, “is that in low-rise, you can sell something and deliver it within six months or a year. That’s a really short time line” (personal communication, Nov. 22, 2012). This is nearly impossible in high-rise, where timelines are substantially longer due to mass construction and meeting sales quota before groundwork begins. There is also more risk involved in high-rise condo construction, because “once you get into concrete construction, the timelines are so much longer” and you end up working through various market cycles (M. Ng, personal communication, Nov. 22, 2012). Not only are the time lines longer, but also the shrinking size of building lots in the downtown core due to the popularization of urban living is causing delays and new challenges for the construction industry. Many of these spaces were once modestly sized parking lots wedged between office towers, and are now becoming the platforms for 60-storey buildings, where one swift movement of a crane anchored to a construction site risks knocking out the windows of the tower next door.

Along with these new lessons in construction challenging the building sector in Toronto, the industry can only supply so much product to the market. When building demand overtakes the ability to supply, this creates construction delays and an industry stretched too thin that results in poor quality construction, high labour costs, and inflation in material prices.

Reiterated time and time again by stakeholders across the board, the capacity of the building industry in Toronto to produce a final product is at approximately 16,000 units per year. Vihant states,

*In 2010, we sold 24,000 units. In 2011, we sold 28,000. And the year before that [2009], we sold 22,000. That is close to 75,000 units in a three-year period. We don’t have the labour...*
and material to keep up. So there’s inflation, and in some trades, there’s hyperinflation. With that much stuff being sold, the number of decent sites that are left are dwindling. The sites that are left, combined with zoning restrictions, and political ill-will towards development, the cost of land went way up. As well as all the levees that are associated with value go up with it.

(A. Vihant, personal communication, October 31, 2012)

Jason Mercer says its important to remember the demand on the industry is not just from condo projects, but from office and infrastructure projects as well. Mercer notes,

Don’t forget, over the same period of time, we also saw the fiscal stimulus from Ottawa. We are seeing a ton of public infrastructure work going on: Union Station; we’re building subways; all these inputs are similar. You can take a concrete worker from a condo site and find him a job redoing Union Station, working on part of the subway expansion. The labour market is tight for some of those jobs. It’s tight for materials; commodity prices, generally speaking, are quite high, and that’s all indicative of a pretty tight situation.

(J. Mercer, personal communication, Oct. 4, 2012)

Following a time period of rapid sales must come rapid building, but the Toronto trades simply cannot keep up with this demand. As demonstrated through stakeholder responses this leads to several issues, including delays in project completions, which may deter buyers from entering the market or encourage them to walk away from their deposits. The state of our condo market does not currently appeal to the end-user; a condo buyer who has to wait up to four years from the time of purchase to the time of completion for a project is not buying this unit to live in it; they are buying it as an investment. Additionally, as demand continues to put pressure on the trades, the price of materials increases and the quality of work deteriorates. Inexperienced trades people are pressured into quick completions, which is resulting in the lessening of the quality of construction in Toronto and producing projects with more structural complications than there should be. Vihant says we are not bringing in skilled trades through immigration and suggests, “You pick up a hammer, and the next week you’re a $40 an hour paid carpenter. We have got a problem with labour” (personal communication, October 31, 2012). Additionally, Vihant is
taking notice of signs from the US housing market that suggest they are on their way back, going from 300,000 home sales to 600,000 homes sales and on their way to one million sales. Vihant outlines the affect this will have on the Canadian labour market by stating,

“If their [US] market comes back, they will demand supply or building materials from Canada. That will only make inflation here worse. If it can be sold to the US on mass, it will. It has happened before, and it will happen again. We are really watching to see what’s happening with pricing. We are putting some projects on hold and will see what’s happening in the spring.

(A. Vihant, personal communication, October 31, 2012)

The outlook of the capacity of the building and construction industry in Toronto suggests a slowdown is not only needed, but indeed required, to maintain a healthy market. There is potential for disaster among a condominium market selling more units than can be built in a reasonable time period, and will only contribute negatively to Toronto’s reputation, as lag times in completions will have significant impacts over the next year or two. This may be a case in which experience prevails, as inexperienced developers who overestimated their ability to keep up with sales may face financial hardship.

5.11.2 Limited Land Resources

The detached dream home is now over, financially.

Alan Vihant
Senior Vice President High-Rise
Great Gulf

The Greenbelt Legislation combined with the demand for urban living has created levels of intensification in the city that have eaten up most of the land available for building. Vihant states,

There is no low-rise land left. The Toronto CMA goes from Burlington to Hamilton to Oshawa. In that whole region, there are only 7,000 lots left that are serviced and zoned and ready to go. Only
7,000 suburban lots left. And we need to create 30,000 homes a year for the type of population growth that we are seeing. We are taking on 80,000 people a year, including immigration and inmigration, and we are growing by about 100,000 to 120,000 people per year in that region. If there are only 7,000 lots left, and we need to create 30,000 homes, by default, we need to create at least 15,000 or 20,000 condo units. What is going to happen in the suburbs; you are going to start to see stacked townhouses, and four-story high apartment buildings with wood frames. We are building them right now. You will start to see the infill of more affordable housing. The detached dream home is now over, financially.

(A. Vihant, personal communication, October 31, 2012)

Harry Rosenbaum, also of Great Gulf Homes, mentions they have scaled down their number of low-density projects over the last few years due to difficulties in getting land approved in the GTA, and increased the number of projects they are doing in the high-rise division. Rosenbaum suggests other house builders have done the same, “partially because they have also experienced the problem of getting land lots. And also the condo market has heated up so much in the last five or six years” (personal communication, Oct. 9, 2012).

At the BILD High Rise Forum in September, panel experts weighed in on the issue of available land in Toronto. Barry Lyon believes that unlike single-family home building where there is a shortage of land, there should be no problem in high-rise development (BILD High Rise Forum, 2012). Lyon reflects:

When I first came to Toronto, downtown was a sea of parking lots. That is an endangered species now; we have almost no parking lots left. The school boards will have more sites available, as schools close due to lack of population in older neighbourhoods. Toronto will have a lot more sites coming up.

(B. Lyon, BILD High Rise Forum, Sept. 19, 2012)

Charles Stuart of Marketvision Real Estate Corporation suggests that although there may be a plentiful amount of zoned units in the pipeline as suggested earlier by Lyon, people may not
really want to live in these areas. Stuart says this is just one of the many challenges of new locations by noting,

* A lot of these locations are reflected in the land price. That is a factor of regulation, levees, increased construction costs and the municipalities under the pressure of development pushing back and listening to their constituencies. A lot of people don’t like what’s happening in terms of construction, so they are implementing policies. There is this trend towards a more restrictive environment, a less permissive environment for development. I think it is quite wrong because the business of Toronto is growth. We have a great immigration policy with tremendous education institutions that have attracted young people from all over the world. I think the challenge is to keep open minded on these things.


The land lots available may not only be less desirable, with access to transit as a major factor, but additionally, builders face the challenges posed by both political and civilian resistance to development and growth. Current residents place pressure on local councillors to keep their neighbourhoods low-rise, creating an almost exclusive and uninviting atmosphere for the thousands of newcomers each year to Toronto who have been permitted into the country only to face housing rental shortages and unfathomable prices for urban lots. Toronto is currently lacking the strong leadership needed to oversee positive directions for growth that best utilizes the land resources that remain.

5.11.3 Transportation

* The government needs to start investing in transit. That’s a given.
  We need to start to understand that transit in the downtown needs to be both efficient and convenient, not one or the other.

    Councillor Adam Vaughan
    Ward 20, the City of Toronto

As population grows, and plans for transit development remain stagnant, an unequal balance of supply and demand creates packed streetcars, crowded subway turnstiles, and
increased traffic jams fueled by angry citizens who have either lost hope in the Toronto Transit Commission (TTC) or who have never had sufficient access to it to begin with because of where they live. Torontonians deserve better methods of transit in their city, but due to lack of funding and most importantly, lack of leadership, relief from crowded commutes grows more problematic with increased density and development in the city’s core.

Industry experts who address transportation on a daily basis as an element of their profession, and even the ones who do not, acknowledge that transportation is a major obstacle the City of Toronto continues to face. Phong Ngo suggests the most popular projects being built right now are transit-oriented projects, as there is “a shift away from having to commute to work; people want to be close to where they work, and they want amenities around them” (personal communication, Oct. 17, 2012).

Adam Vaughan, who promotes increasing the options available for families to live the urban lifestyle, suggests we need to better understand transit in the downtown core, and that the government needs to step in financially to make this happen. Vaughan suggests during our interview,

> When they propose that instead of having 10 streetcars an hour come down the street to have one big one every hour instead, you are not creating a downtown that actually serves the needs of the people living there; you are just engineering the solution for the number of people you have to move through a neighbourhood. Fine-grained transit investments are needed and the other thing needed is wider sidewalks. People downtown tend not to drive everywhere, and people with kids tend to walk more. We need to marry the transit and pedestrian experience together and provide convenience and efficiency, not one or the other.

(A. Vaughan, personal communication, Oct. 5, 2012)

Barry Lyon, who has done consulting directly in the transit sector in Toronto, says that transit supported density is needed to support the home building industry. Otherwise, there could be a
second wave of movement out to the suburbs, a retreat away from the congestion of the inner city. Lyon says,

You have to ask yourself the question... if it becomes so hard to move around, people and firms start looking at 905 again, saying ‘We don’t need this headache of the difficulty of moving goods or even moving the trucks that service these buildings’; wait five or ten years, and this could be a problem.

Lyon suggests the discussion of a downtown subway relief line for the Yonge and Spadina subway line could help in intercepting the pedestrian traffic, and they have been urging this in their talks for several years. Lyon continues,

The downtown relief line has finally gained some currency and we like it for several reasons. Not only does it take the pressure off the other lines... but it would be a great platform for new [condominium] development, because it’s going through an area where you get less opposition than you do in low-density neighbourhoods, so we think we can get transit supported density all the way along that new line.

(B. Lyon, personal communication, Oct. 26, 2012)

Bruce McCuaig, head of governmental agency Metrolinx that manages and integrates road transport and public transportation in the Greater Toronto Area, suggested in late November of 2012 that the Downtown Relief Line is so important to help reduce congestion in Toronto that they are moving up their target to complete the project by a decade (Moore 2012). McCuaig suggests, “We think it’s important to provide more capacity. Not only for the downtown area, but more broadly in the region so that we can support other projects”, and says the line is estimated at 13 kilometers long at a price tag of approximately $7.4 billion (Ibid.).

The relief line is part of the transit plan called The Big Move, which also includes extending the subway line north to Richmond Hill at a cost of $3.4 billion. McCuaig notes that
none of the money has been allocated for the plan and believes it is unrealistic to expect it will come from the government or though the increase of transit fares. Metrolinx is currently preparing an investment strategy to be presented in the summer of 2013 that may draw upon methods other cities have successfully used to fund transit. McCuaig acknowledges how important it is to have the funding in place as soon as possible to ensure the subway gets built in the next 15 years, instead of the originally slated 25 (Moore 2012).

The plans are underway, but the challenge will be keeping up with the development occurring in a city whose population has long surpassed its transportation capabilities. Lyon summarizes the urgency of our transit situation,

_The full impact hasn’t hit us yet, but we are coping. You have tens of thousands of new condominiums residents, tens of thousands of jobs coming in the downtown core. The downtown system will strangle itself._

(B. Lyon, personal communication, Oct. 26, 2012)

5.11.4 Changing Needs of Canadian Families

_We have a responsibility as a city to build what is required for the next 50 years, not the next 50 minutes._

_Councillor Adam Vaughan_  
_Ward 20, the City of Toronto_

The prevalence of investors in the market and rising prices per square foot have resulted in downtown units becoming smaller and smaller everyday. Many builders are no longer catering to the end-user who actually desires to live in the unit long term, but builds and markets a product to investors who can rent these micro-units out to short term tenants. This creates a problem as the needs of Torontonians change: a large portion will couple up, co-habitate and begin a family where they will need more space for a larger household. Concerns about an oversupply of small units in the future are overshadowed by the simple fact that small is what sells right now.
Developers are not going to put a risky project on the market that is virtually unaffordable due to the cost of land creating a high price per square foot unthinkable for building units big enough for a family to live in. Councillor Adam Vaughan presents his stance on the topic, suggesting,

*When I started to look at development agreements in the city, and charting the reality that 98% of the units that were being constructed were one-bedroom units, it was quite clear that we are only building a single type of housing for a single type of user and that this is becoming disposable; it’s not transient housing for a lot of people. In order to accommodate what was clearly an emerging reality inside the condominiums was that people were meeting, becoming couples, and producing children, if not taking on responsibilities to bring in aging parents, and we determined that a more diversified mix of housing was required to make sure we had the opportunity to house people in different configurations other than just being empty-nesters or singles.*  

(A. Vaughan, personal communication, Oct. 5, 2012)

Vaughan moved forward with a strategy in which any developer who requested an increase in height and densities outside of the existing regulations must set aside a proportion of their building to accommodate families; three bedroom units must account for 10% of the units in new buildings falling under these guidelines. In inquiring about how a balance is struck between private and public goals, Vaughan states,

*If they [the developers] do not want to build units with three bedrooms, then they can build within existing density. They do not have to come in and ask for a 40-storey building; they can build a 10-storey building and be relieved from some of the obligations. It’s not that hard. Instead, they want to sell a lot of singles and they want to build as many single units as they possibly can. What we have said to them is, ‘No, if you want excessive density, you’ve got to start negotiating with the city on other social goals’ and the choice is yours; you can take the gamble and assume the risk of building family homes [for more density], or you can build within the existing zoning. The clear thing here is that the market shouldn’t be doing the planning. The condo development industry effectively builds today what they sold yesterday for a market they hope still exists tomorrow.*

(A. Vaughan, personal communication, Oct. 5, 2012)
John Pasalis, along with several other industry experts, respectfully acknowledges the importance of Vaughan’s principles, but is concerned about the way in which they have been carried out, where units are becoming increasingly smaller in order to be able to keep them affordable for families. Pasalis says, “I don’t think that forcing developers to build 800 square foot, three bedroom condos is the solution. It’s ridiculous; I have been seeing literally 800 square foot units with three tiny bedrooms that are 10 foot by 9 foot” (personal communication, Sept. 20, 2012). To put this size into perspective, Harry Rosenbaum comments that the average size of their units at Great Gulf is approximately 700 square feet, which he describes as “not a very large unit”. Often these units contain one bedroom, and a very, very small second bedroom (personal communication, Oct. 9, 2012). Lyon also respectfully agrees with Vaughan in principle, but suggests even these units are often sold to investors, instead of the families they are targeted to, who purchase them to rent them out to several students or groups of young adults, not families.

Barry Lyon suggests adapting to the up and coming needs of Canadian families is one of his consulting firm’s biggest worries. He says,

We have a growing concern that we are not providing for the evolution of the marketplace, because it is so investment oriented; we cater the product to the investor and don’t think about the move of that young person or couple as their needs change and they need more space... we are not providing anything for them to move into and they have adapted to the downtown lifestyle. They have got to head to the 905 and lose a lot of the benefits they have become accustomed to in the downtown social, educational and entertainment infrastructure.

(B. Lyon, personal communication, Oct. 26, 2012)

Lyon adds, “It’s not about bedroom counts, it’s about family-rearing environments” (personal communication, Oct. 26, 2012). Conflicting opinions exist on the issue of downtown Toronto as an appropriate place to raise a family and vary greatly among industry players. There is evidently a great need for a diversified supply of new home developments that can accommodate families who choose to live downtown, but with these units comes the demand for infrastructure. Parks,
playgrounds, schools, transit, sidewalks and safe recreational areas are needed to truly see the
downtown area begin to thrive for young families. In addition to infrastructure, one other major
factor contributes to the future of housing in Toronto - affordability. The issue is discussed below
as the final major issue surfacing through this research.

5.11.5 Affordability

The distinction between the early years and now is affordability;
it wasn’t a major concern in the early years, but it is right now.

Barry Lyon
President & Senior Partner
N. Barry Lyon Consultants Ltd.

The dream of living in the downtown core is far out of reach for many Canadian families,
whether they are newcomers to the country or grew up in the City of Toronto. Affordability has
become one of the most important issues in housing in Toronto, as limited land resources cause
the continuous rising of home prices. Once upon a time in Toronto, one used to worry about
selling their home and receiving their original asking price. This worry is but a distant memory in
many Toronto neighbourhoods. Single family homes in Toronto over the past several years have
only increased in value, leading to bidding wars from multiple prospective buyers; homes selling
after only a few days on the market; and often receiving tens of thousands of dollars above the
original asking price.

The cost of single-family homes in Toronto makes residing within the limits of the city
out of the question for many. As a result, condominium developments have emerged as an
alternative for perspective homebuyers, but come at a steep price if living space is what the buyer
is looking for. As mentioned earlier, the cost per square foot deters families from living
downtown, where larger spaces in the suburbs are available for the same price. Jasmine Cracknell
of N. Barry Lyon Consultants suggests,
A major problem with the three-bedroom [condo] unit and the price that is associated with it... as soon as you’re in the $600,000 range, you start looking at other options. That could be Milton, elsewhere in the 905, or a small townhouse. It’s a hard dichotomy. People will forgo being right downtown because they will pick a different neighbourhood.

(J. Cracknell, personal communication, Oct. 26, 2012)

Jeanhy Shim emphasizes a sense of urgency felt among the single-family, freehold housing market by stating,

There’s desperation because there’s a limited supply in the city for houses, but in the condo market, you don’t have that limitation for supply. We’ve actually been able to adapt when there’s more demand and supply it. Those neighbourhoods are fixed and if the demand increases, what’s going to happen? The prices of those houses go crazy.

(J. Shim, personal communication, Oct. 16, 2012)

John Pasalis does not see condo living as a financially viable option for families just yet, and says, “The fact is, that if I had $1 million and I wanted to raise a family, it makes sense to buy a house in Toronto because you have more room and it’s less expensive. The size of the condo for the same money.... and I think that’s why Toronto is pretty far off when it comes to families living in condominiums” (personal communication, Sept. 20, 2012). However, the number of people with $1 million to spend on a house is a small group, particularly when you consider young and first time buyers. Homes under $500,000 are considerably difficult to come by, with townhouses and semis in the Greater Toronto Area as the only viable option.

The mortgage rules that were put into place during the course of this research project were intended to take some of the heat out of the housing market and slow down skyrocketing home prices. As third quarter changed to the fourth quarter, the statistics reported came in to suggest the number of home sales dropped during the months following the enforcement of the new mortgage rules. It is still too early to tell if the changes in reported sales numbers are a direct result of the new mortgage rules or simply a more natural adjustment in a housing market where
an increase in sales is next to impossible. It is clear, however, that affordability of housing in Toronto has became a major issue for Canadian families. The government has stepped in from a policy perspective to make adjustments they see as essential in controlling the market, however, it will take not only adjustments in policy, but innovative ideas from the building and development community to create solutions for affordable housing options in the Greater Toronto Area. It will take great efforts from both the private and public sector to ensure that the affordability of housing in Toronto continues to support the number of new residents entering the market each year.

In contrast to the issues in housing affordability facing the majority of Canadian families, this thesis also highlights the opposite end of the spectrum by narrowing in on the ultra-luxury market, which represents only 1% of the housing market overall in Toronto. This minute representation of the market in Toronto is a reflection of greater societal issues in the disproportionate dispersion of wealth, here in Canada as well as internationally. Our growing hourglass society sees a rising 1% of the population virtually impervious to the boom or bust of the housing market and removed from harms way of suffering economies. This case study specific thesis just scratches the surface of the discrepancies existing between the wealthiest 1% of society and the rest of the world, but speaks volumes to the reverberating effects felt throughout the world by this unbalanced equation.

5.12 Recommendations

In response to the complications documented in the literature and reported through stakeholder interviews, this thesis puts forward a list of suggested recommendations to provide short-term and long-term solutions to address just some of the complications rapid condominium development brings to Toronto. The emergence of the ultra-luxury market amid this growth and the populations involved proves to be less affected by the resulting social issues plaguing the City of Toronto.
This portion of the thesis will briefly address and provide recommendations on the five major themes previously discussed in this chapter and provide recommendations on: the capacity of the building industry in Toronto, limited land resources, transportation, changing needs of Canadian families, and affordability.

**Capacity of the Building Industry in Toronto**

The responses from industry experts suggest there is growing pressure on the building industry in Toronto, as trades become maxed out and the quality of work begins to deteriorate due to time constraints and poorly trained individuals in the profession. The following recommendations are made in response to this issue:

- Integrated, cooperative approaches to building and construction must be taken between the private and public sector to reduce time delays, poor quality construction, and lack of labour available to support these projects. Increased communication among industry stakeholders is key to understanding how to build within the limits of the existing industry.

- To support a growing construction industry, increased access to training and a stronger emphasis placed on skilled trade opportunities for both immigrants and Canadian born populations must be made readily available. As Toronto prepares for major public infrastructural growth over the next decade, as well as the continuation of private development opportunities, the city will eventually lose the battle against time, deterring new investors from placing their trust and finances in a city with a reputation for false promises of construction timelines.

- As the potential reemergence of a growing US housing market threatens the cost of building supplies in Canada, the temptation for domestic suppliers to sell internationally will grow. Incentives for the manufacturing and sale of materials within Canada will have to be offered to local businesses in order to control the inflation of material costs.
Limited Land Resources

As growth continues to spread outward from the downtown core, limited land resources for building family homes threatens both the City of Toronto and the surrounding Greater Toronto Area. The following recommendations are made in response to this issue:

The City of Toronto

- City of Toronto City Planning Division must move forward in supporting builders who face resistance from local councilors and citizens, while at the same time promote high-density housing that can be integrated with the needs of its surrounding area. As more neighbourhoods in Toronto undergo restructuring in housing composition, a balance must be found in satisfying existing residents and preparing for the arrival of new ones.

- New housing should be built not only to cater to the existing community, but should reflect within its unit composition the future plans for public infrastructure in that area, such as the removal of a school or the building of a park. Additionally, new buildings should be created to “fit” within the existing community in terms of their physical appearance and promote a pleasant urban experience for residents. The level of density in the building should consider the current height composition of the community.

The Greater Toronto Area

- The suburban ring surrounding the City of Toronto will also face its challenges, as available land for single family, freehold homes diminishes. The answer provided by several respondents to this problem is the wooden-framed, stacked townhouse, built to reach three to four storeys high and house the same number of families alike. Not only does this provide a solution to space, but also creates an affordable option for families stuck in between the exasperating price of a freehold home, and the limit of space in a condominium.
- The stacked townhome built with a wooden frame, as opposed to concrete slabs, not only results in lower construction costs, but also reduces the amount of time in which it can be produced. This is a much more viable option for families needing to move into a space within a year of closing, as opposed to the several years it may take to sell out a condominium building and start the timely process of working with cement.

- The Greater Toronto Area, as vast as it may seem today, is limited and thus should be treated this way when it comes to housing development. Sprawling new home developments fan outward from the city, where the homes are uniform in composition and adjacent brick walls flirt with one another at the property lines; next-door neighbour is an understatement in many of these developments. Well-planned communities are essential even in the GTA, where even the most inexperienced real estate seeker might question how some of these development plans were approved.

**Transportation**

The issue of transportation in the City of Toronto, as well as the commute for many from the suburbs into their place of work in the city, has been reaffirmed in this thesis as a major problem. A serious lack of leadership and funding, resulting in significant time delays putting plans into action, have left Toronto in a situation where the city’s population has overtaken the capacity of transportation, both publicly and privately on the roads. The following recommendations are made in response to this issue:

- The Province of Ontario must step forward and provide financial support to the City of Toronto in order to see a decrease in the timeline for desperately needed projects, such as the downtown subway relief line. While a grand sweeping statement such as this is easier said than done, it appears unrealistic and unfair that citizens of Toronto could be expected to pay for an increased and improved transit system. The funding allocated towards transit in Toronto is unacceptable for a city this size, and therefore it is essential the Province increase financial support to the city government in order to keep Toronto thriving.
Due to extended timelines in the actual production of such transit systems, proposals must no longer reflect band-aid solutions, but anticipate growth beyond the current demands. It is suggested that the current Union Station expansion, as an example, will outgrow itself within years of its completion. Smart proposals and a generation of innovative planners must begin preparing for permanent, long-term solutions.

Emphasis must be placed on a rejuvenation of the pedestrian experience in the City of Toronto. If subways, buses, and streetcars are not an option for citizens due to overcrowding or lack of accessibility, the promotion of sidewalks and safe bike lanes need not be ignored. In a city where it is not uncommon to hear of pedestrians and cyclists struck, or even killed, by motor vehicles and public transportation vehicles, it is simply unacceptable to suggest we have a safe pedestrian environment. The promotion, not removal, of bikes lanes and safe sidewalks are essential, more affordable, and less painstakingly time consuming, than any transit plan currently in the works and indeed required with the continuous condominium development in the downtown core.

The Changing Needs of Canadian Families and Affordability

As emphasized by several industry experts in this research process, the investor driven condominium culture Toronto has developed is arguably not particularly conducive to a child-rearing environment. With the overwhelming majority of units produced targeted at the one-bedroom buyer, Toronto has failed to create options for raising families in the urban core that are financially attainable and socially idyllic. I discuss both the issues of the changing needs of Canadians families and affordability as intertwined, as they are undeniably dependent upon each other. The following recommendations are made in response to this issue:

Affordability must be prioritized if the motive is to keep families downtown. If the condominium is the answer to dwindling space, the builders and developers who can formulate an option for families to live in a comfortably sized, affordable unit will ultimately prevail. Builders must take new perspectives in seeking land to build on, exploring a variety of neighbourhood options in Toronto, and finding compromise
between high rise and low rise. Risks may have to be taken in the building of larger units not seen before in our City, and that are not a sure guarantee to sell.

- Just because the units exist does not necessarily mean urbanite families will flock to them. There are requirements and expectations of any family when selecting where to live, and proximity and access to the benefits of being near the core will not necessarily rule out all others. Infrastructure such as good quality schools, parks, transportation, family-friendly areas, and walkable neighbourhoods should go hand in hand with the building of high-density family housing. This will take action on the part of the public and private sectors working together to attract, and maintain, families living downtown.

- Concerns over gentrification will always exist and there will forever be contrasting opinions voiced against the rejuvenation of old neighbourhoods. With the number of immigrants and inmigrants to the GTA each year, it is unrealistic to expect Toronto neighbourhoods will prevail in their low-density composition; this is simply uncharacteristic of a growing population. There are ways, however, to grow and develop while preserving and catering to original architecture, culture and population groups. Various innovative forms of mixed-use development provide affordable options and maintain original neighbourhood composition while implementing new options for families who desire to live in the city.

5.13 Conclusion

This chapter has discussed and analyzed the results found through this research process and presented recommendations to the resulting arising issues. In answering the three research questions posed early in this chapter, this chapter concludes the following:

- Toronto has emerged through times of global economic uncertainty and become a place of safe investment for condominium buyers as a result of a set of fundamental principals unique to the Canadian financial, economic and social systems. The international spotlight on Canada drew attention to a relatively balanced economy unique to others during a time when the rest of the world was suffering economically. Without these fundamentals in place, Toronto may have faltered in similar ways to
the United States, leaving a questionable future for the recent emergence of the ultra-luxury market in Toronto.

- The ultra-luxury market emerged in Toronto as a result of the city’s safe reputation, not only drawing in international investment but also maintaining much of the country’s wealth on domestic ground. The pent-up demand for a luxury product in the Toronto market also contributed to this growth, resulting in an international awareness of Toronto’s transition from a national to global city. The development of these ultra-luxury condominium-hotels raises Toronto’s status among its world-class counterparts, opening doors financially and culturally for the city, but also reveals greater issues existing in the discrepancies between the wealthiest 1% of society and the rest of the world.

- The reality of the current state of the condominium market should not be discredited by the media’s interpretation of the situation. The fundamentals mentioned in this thesis will keep Canada stable and functioning economically, though the resulting social geographical issues arising from rapid condominium growth will become the next challenge for Canadian society to address in order to avoid potential downfalls.
Chapter Six
Conclusion

This thesis has been structured to first present a brief history of modern-day Toronto using the large body of literature written on the urban, political, economic, and social development of the City of Toronto. This review is used as a platform to understand the need for research on the current state of the market, where most literature is saturated with popular media musings and lacking academic discipline. This is the nature of choosing a current and relevant topic, and therefore proves challenging in drawing connections between existing literature and the research results I seek to present. Additionally, the emergence of an ultra-luxury market and its resulting contributions to Toronto becoming a world city is a topic pertinent to the last decade. From a very broad perspective, one can interpret the rise in the 1% ultra-luxury market as reflective of a broader trend in our society, which sees incredible concentration of wealth in the top 1%, a hollowing out of the middle-classes, and disproportionate growth in the working poor. But we must also seek to explore why Toronto in particular has seen this kind of boom in ultra-luxury growth.

Using political, economic and social urban geographies, this thesis has addressed three major research questions to help understand this growth by asking:

- Why has Toronto become a place of safe investment for condominium buyers during a time of global economic uncertainty?

- Why has the ultra-luxury market emerged in Toronto? What are the driving forces behind it, how does it contribute to Toronto’s standing as a world city, and what does the future hold for this niche market?
• What is the current state of the condominium market in Toronto and what can we expect to see happen in the near future?

Through the use of the literature and the analysis of quantitative and qualitative data, this thesis successfully draws such connections between the material, and additionally results in a presentation of potential issues initially unfathomable in the early planning of this project.

Toronto has indeed transitioned from a national to a global city in a short period of time, to which the growth and development of condominium living space has been a large contributing factor. The achievement of Toronto reaching global city status cannot solely be attributed to local factors, but must be considered within a global understanding. As Skabourskis & Moos (2010) write, “the value of land and its use are determined by the conditions in the city but also by what is happening in other parts of the world” (26). Toronto emerged as a safe haven for investment during a time of instability by possessing geographically desirable qualities, thus leading to the growing demand for a transnational elite urban lifestyle infiltrating the City of Toronto. As presented in this thorough research exploration, the particulars of the Toronto market cannot be understood in isolation from the national, provincial, and local regulatory context, as well as the cultural context. Toronto would not have become the world city it is today without the early influence of Fordism on how we worked and lived; the involvement of the Canada Mortgage Housing Corporation which made home ownership a possibility for the first time for many Canadians; and the policies of Metropolitan Toronto that oversaw a changing city landscape for nearly a quarter of a century. For decades, the contributions of policy structured the way in which the city was built, while at the same time combated the changing cultural norms and ideals about how and where people wanted to live. A shift in Provincial leadership near the turn of the century restructured the city to compete in a world still misunderstood in complexity, as the term
globalization became as commonly utilized in the household as did the use of computers with Internet.

The beginning of the new millennium brought with it a generation that sought after more than the cookie-cutter suburban dream that once marked homeownership as the benchmark of success. The combination of promoting urban density, curbing urban sprawl, and catering to a growing knowledge-based economy created a new generation of urbanites drawn from close and afar. Lynch and Ley (2010) describe the rise of such global places by stating, “goaded by imagineering consultants, place has become the local tool by which public and private interests seek to attract global assets, including corporate headquarters, transportation and other infrastructure, tourists, and skilled national and foreign workers” (335).

Friedmann and Wolff (1982) argued in their original statement of the “world city hypothesis”, such cities were nodal points in which flows of people, products, services, finance, information and ideas intersect (Hall 2010a). Toronto’s success as a global city has proven to be equally dependent on the global flows of people, capital and ideas, as well as the national, provincial, and local regulatory context. This combination created a platform for which a booming condominium market was given life, where both foreign and domestic wealth and a pent up demand for an ultra-luxury market saw the emergence of transnational development and growth in Toronto.

Surfacing from this research were several issues undeniably geographical in content that accompany the success of a rapidly growing world city. Challenges facing the capacity of the building industry in Toronto may see an influx of international labour in the future to support both the public and private, infrastructural and residential growth anticipated in near decades. Limited land resources, as a result of sprawl conscious legislation, have placed limits on areas in which future residential development can occur. The City of Toronto has
geographically become an island through legislative movement, forcing the real estate
development industry to recreate the ways in which they house Canadians. With continuous
population growth, and the most valuable real estate popping up on subway lines,
transportation has arguably become the most pressing and urgent issue in Toronto. Industry
experts expressed their concerns about a mass reversion back to the suburbs for many people
and businesses fed up with commuting times, lack of transportation in the urban core, and the
inaccessibility of major arteries prohibiting the delivery of services to businesses.

Concerns have progressed to the changing needs of Canadian families and if the
industry is catering to the next generation of Torontonian urbanites. The deadly combination
of the shrinking sized investor unit, the sky-high price per square foot, and the backwards
steps being taken that remove family friendly infrastructure, are making it impossible to
accommodate the next generation of urban families. The builder who creates the affordable,
urban, family-friendly product will come out on top, and this may mean opting for building
sites in less explored areas of Toronto. The host of problems, both social and economic, that
are created by rejuvenating older neighbourhoods will need to seek balance in order to meet
the demand of housing families on this geographical island known as the City of Toronto.

This thesis contributes to the geography literature by delivering a ground level
exploration of a city undergoing a transformation of its economic, social, and geographical
landscape. This thesis captures a period of time that will forever be remembered as the age
when cranes ruled the Toronto skyline, construction consumed the street level, and consumer
anxiety ran high during a time of global instability. The academic platform of literature
relevant to the topic has undoubtedly not only inspired and created the topic of this thesis, but
also permitted my research to reach further into an in-depth analysis of Toronto.

While this thesis prides itself on its relevance and modernity, it also strives for further
exploration on a topic ever changing, growing, and seeking inquiry. Additionally, this thesis
faces limitations in its methodologies, particularly seen through the small sample size used in this study. I have strived to present an insightful account of my research process through the presentation of the primary findings; however, I acknowledge the strength of this study could have been improved through the use of a larger participant sample size. Additionally, the use of a semi-structured, qualitative interview schedule proved to result in inconsistent responses from the participants involved. While as a researcher I found this to be the best method for uncovering new information from participants, it proved to be impossible to quantify the responses collected in this research. Finally, the overall optimistic outlook on the housing market provided by participants can potentially be attributed to their professional roles and the maintenance of their livelihoods. Therefore, finding participants with the ability to offer a more critical stance on the topic could have provided more strength for both sides of the housing market debate.

The vast array of information collected through this research, however, provides a platform that gives rise to a new area of study not yet frequented by geographers. Future research in this field should continue studying the ultra-luxury market in Toronto, specifically narrowing in on how this niche market contributes to the growing hourglass shape of society, and the issues that will accompany the influence of the upper 1% on the rest of the world. As Toronto continues to further gain status in its recognition as a world city, it will only become more diverse, intricate, and interesting, and wrought with the issues that accompany the complexity of changing urban composition.

The fundamentals of a secure banking system, strong immigration, and precautionary cultural norms in real estate decision-making, make it apparent that Toronto is on track to see a continued future of growth and success in the real estate industry. From the mouths of veteran Toronto experts, it is inevitable there will be ups and downs in the housing market. However, they all emphasize that the market is cyclical and this will not be the last time the
city experiences insecurity. How Toronto weathers those downturns in the years to come will very much depend on the two mutually constitutive forces of global flows and local context. One certainty gained is that the past is inseparable from the present, and as uncertain as the future may be, the period of time captured through this thesis is one that has changed the future of the world city that is Toronto.
Bibliography


   accessed 12 May 2012).


Boudreau, J-A. (1999). Megacity Toronto: Struggles Over Differing Aspects of Middle-

   -banking-issues/469-canadas-strong-banking-system-benefiting-canadians (last
   accessed 13 June 2012).

   accessed 16 May 2012).

Canada Mortgage Housing Corporation (CMHC). (2012). About CMHC.
   May 2012).

Canada Mortgage Housing Corporation (CMHC). (2012a). Housing Now, Greater

Canada Mortgage Housing Corporation (CMHC). (2012b). Housing Market Outlook

Canada Mortgage Housing Corporation (CMHC). (2012c). Housing Market Outlook


_The Review of Financial Studies, 24_, 6, 848- 880.


_Environment and Planning A, 34_, 2127-2154.


Living Shangri-La Toronto (2012). Location.


Appendix A

Recruitment Notice

Dear Potential Participant,

My name is Andrea Mager and I am a Master of Arts Student in the Department of Geography at Queen’s University. I am writing to invite you to participate in my Master’s thesis research titled, “The Growth of Ultra-Luxury Condominium Developments in Toronto”. This research is being conducted under the supervision of Associate Professor Dr. Betsy Donald, and will strive to explain the current growth in ultra-luxury condominium development occurring in Toronto, Ontario. The study will require a single session, semi-structured interview, and will take no longer than one hour to complete. There are no known physical, psychological, economic, or social risks associated with this study.

I found your contact information through your website/blog. Given your knowledge in the ultra-luxury condominium movement, your participation would be an excellent and essential contribution to my Master’s thesis research.

Further details of the study will be provided in the Letter of Information, which will be included in a follow-up email. Signing a letter of Informed Consent at the time of data collection will ensure your confidentiality is protected.

If you are interested in participating in this study or have any questions about the research process, please do not hesitate to contact me at any time.

Principal Investigator: Andrea Mager, Master of Arts Candidate
Department of Geography
Queen’s University
Kingston, Ontario, Canada
a.mager@queensu.ca

Supervisor: Dr. Betsy J. Donald, Associate Professor
B.A, M.E.S. M.Sc.Pl., Ph.D
Department of Geography
Kingston, Ontario, Canada
betsy.donald@queensu.ca

Thank you in advance for your consideration in participating in this research project and I look forward to hearing from you soon.

Sincerely,

Andrea Mager
a.mager@queensu.ca
Appendix B
Letter of Information

Letter of Information
“The Growth of Ultra-Luxury Condominium Developments in Toronto”
Semi-Structured Interview Participation

Principal Investigator: Andrea Mager, Master of Arts Candidate
Department of Geography
Queen’s University
Kingston, Ontario, Canada
a.mager@queensu.ca

Supervisor: Dr. Betsy J. Donald, Associate Professor
B.A, M.E.S. M.Sc.Pl., Ph.D
Department of Geography
Kingston, Ontario, Canada
betsy.donald@queensu.ca

This research is being conducted by Andrea Mager under the supervision of Dr. Betsy Donald, in the Department of Geography at Queen’s University in Kingston, Ontario.

What is this study about? The purpose of this research attempts to explain the current growth in ultra-luxury condominium development occurring in Toronto, Ontario. The study will require participation in a single session, semi-structured interview, and will take no longer than thirty minutes to complete. There are no known physical, psychological, economic, or social risks associated with this study.

Is my participation voluntary? Yes. Although it be would be greatly appreciated if you would answer all material as frankly as possible, you should not feel obliged to answer any material that you find objectionable or that makes you feel uncomfortable. You may also withdraw at any time from the interview process. To withdraw from the study during the initial time of participation, please verbally express your desires to the principal investigator. Your collected information will be destroyed in your presence with no further questions asked.

To withdraw from the study at a later date, please contact the principal investigator at a.mager@queensu.ca. Upon confirmation of your desire to withdraw from the study, all data collected during your participation will be destroyed, including both digital and hardcopies of information.

What will happen to my responses? Your responses will remain confidential through the use of pseudonyms to protect your identity. Your occupational title or organizational affiliation will be replaced with a general occupational title. Should you choose to not use a pseudonym or general occupational title, the researcher will respect this request.
The data may be published in professional journals, presented at scientific conferences, or published in public documents, but any such presentations will be of general findings and will never breach individual confidentiality. Should you be interested, you are entitled to a copy of the findings.

The data collected from this study will be encrypted and stored in a password-protected computer. Data will be destroyed after the research project has been completed, up to a maximum of three years.

Recording devices may be used during interview sessions.

**What if I have concerns?** Any questions about study participation may be directed to Andrea Mager at a.mager@queensu.ca, or the supervisor of this research, Dr. Betsy Donald at betsy.donald@queensu.ca. Any ethical concerns about the study may be directed to the Chair of the General Research Ethics Board at chair.GREB@queensu.ca or 613-533-6081.

*This study has been granted clearance according to the recommended principles of Canadian ethics guidelines, and Queen's policies.*

Again, thank you. Your interest in participating in this research study is greatly appreciated.
Appendix C

Consent Form

Semi-Structured Interview Consent Form
“The Growth of Ultra-Luxury Condominium Developments in Toronto”

Name (please print clearly): ____________________________________________

1. I have read the Letter of Information and have had any questions answered to my satisfaction.

2. I understand that I will be participating in the study called “The Growth of Ultra-Luxury Condominium Developments in Toronto”. I understand that this means that I will be asked to participate in a semi-structured interview.

3. I understand that my participation in this study is voluntary and I may withdraw at any time. Only researchers will have access to this data. The data may also be published in professional journals or presented at scientific conferences, but any such presentations will be of general findings and will never breach individual confidentiality. I understand that every effort will be made to maintain the confidentiality of the data now and in the future, unless otherwise discussed.

I want my name to be replaced by a pseudonym.

   a. Yes   b. No

I want my occupational title to be replaced with a general occupation title.

   a. Yes   b. No

I want my place of employment or affiliation with an organization to be kept confidential.

   a. Yes   b. No

I agree that the interview can be audio recorded.

   a. Yes   b. No

4. Should I be interested, I am entitled to a copy of the findings. I am aware that if I have any questions, concerns, or complaints, I may contact:

   Graduate Student, Andrea Mager; a.mager@queensu.ca

   Project Supervisor, Dr. Betsy Donald; betsy.donald@queensu.ca

   Head of the Department of Geography, Dr. Paul Treitz; paul.treitz@queensu.ca.
Chair of the General Research Ethics Board at Queen’s University; chair.GREB@queensu.ca

I have read the above statements and freely consent to participate in this research:

Signature: ___________________________   Date: ___________________________
Appendix D
Semi-Structured Personal Interview Schedules

Interview Schedule A: Ultra-Luxury Sales Managers

1. Describe your current position and outline your roles and responsibilities in this position.

2. Have you held this position since the beginning of this condominium-hotel project? If not, how long have you been in this position?

3. Within this time period in this position, can you identify any trends in sale numbers that you have witnessed since the project began? Have there been any periods of rapid or slow growth in the ultra-luxury market?

4. How many condominium units does the building have and what percentage of the condominium units are sold as of this date? Which units sold the most quickly and which units were more difficult to sell? Why is this?

5. What is the current average price per square foot amongst the units? How have these prices fluctuated since the project started?

6. What is the biggest selling feature of this project? What amenities set this building apart from the other luxury hotel-condo developments in the City of Toronto?

7. Where do you believe most of your buyers are coming from; within Canada or outside of Canada? Can you provide any additional information on this?

8. Can you tell me a bit more about the demographics of the buyers in the building… age range of buyers, occupation, various stages of life?

9. What would you say the ratio of investors to end-users is in this building?

10. Why do you believe Toronto has seen a recent boom in the condominium market? What sets Toronto apart as a city when compared to other Canadian cities or even American cities?

11. Why is Toronto seen as a safe place of investment and how was the city able to emerge relatively unscathed after the US housing market crashed?

12. What marketing strategies were used for this project and do they in any way attempt to create an image of Toronto as a world-class city? Have these strategies varied for advertising to Canadian buyers and advertising outside of Canada?

13. What is your opinion of Toronto as a world-class city when compared with cities such as New York and London? Does Toronto have the potential to gain similar status?

14. With so many projects underway, is there concern about an oversupply in the condominium market in Toronto and have you seen this reflected in the sales?
15. How would you describe the current state of the condominium market in Toronto?

16. Any predictions on which direction the condominium market may be heading? Are we moving towards a crash?
Interview Schedule B: Development Executives

1. Describe your current position and outline your roles and responsibilities in this position.

2. How have you seen the demand for real estate development change over the course of your career? Was there a point when you started building less projects with single family unit houses and began to develop more condominiums, or have you had a balance all the way through? How about in the future, similar ratios of houses to condos?

3. From your expert opinion, how have you seen condominium development as a whole change over the past several years in Toronto? In terms of what style of building is popping up.

4. One of the themes in high-end development we see today is plentiful, luxurious amenities. How and when did this new standard of luxury emerge and how can it be defined?

5. What makes your project unique from other five-star, luxury condo-hotels popping up in the city? What is the most important feature of this building?

6. There’s a lot of discussion about Toronto becoming similar to Manhattan in the future with families living in condominiums in the downtown core. Are there any consumer trends in condominium development that we should be looking out for and how does your company plan to address these demands?

7. Has there ever been any concern within your company that the state of the global economy could affect sales and growth in Toronto? Why or why not? How have you addressed these concerns, if any?

8. Recently we have seen the opening of four, five-star luxury hotel-condos in Toronto. My first question related to this is why are these big international names choosing Toronto as a place to open their doors, and secondly, do you have a sense about where the vast amount of wealth among the purchasers of these ultra-luxury units is coming from, internally within Canada or is it offshore investment?

9. How would you describe the current state of the condominium market in Toronto?

10. What are your predictions about where the market is heading and what can we expect in the near future?
Interview Schedule C: Market Analysts and Consultants

1. Describe your current position and outline your roles and responsibilities in this position.

2. We saw a strong start to 2012 for condominium sales, and the market was expected to moderate over the second and third quarters. What trends have you seen in condominium sales over this past year?

3. As many condo projects come to completion this year, do you believe we will see similar condo development underway for the next year?

4. We saw 2011 was a record-breaking year for sales in Toronto, leaving people to believe the numbers were seeing this year are low and a sign that market is headed for a downturn. Are the sales numbers being reported this year truly that abnormal? Do they have the potential to cause the detrimental effects on the market the media has been predicting?

5. How has the instable state of the global economy had an effect on the Toronto real estate market?

6. How will the new mortgage rules affect the GTA market and are we already seeing these changes?

7. What is the most important trend in Toronto real estate development that we are seeing right now?

8. How would you describe the current state of the condominium market in Toronto?

9. What are your predictions about where the market is heading and what can we expect in the near future?
Interview Schedule D: Members of Local Government

1. One of the key points in your platform as Councillor of Ward 20 is to build more family housing, and more than 600 units of housing with three or more bedrooms have been constructed or approved in the last four years. Would you please tell me more about your proposal to have 10% of units in new condominium buildings consist of three or more bedrooms and ‘knockout panels’ be placed between one bedroom units, so more family sized units can be created in the future’?

2. I understand you support the idea of families growing up downtown and having the opportunity to raise their children in the urban core. How has a balance been struck between real estate developers and the city to keep to support this?

3. With so many high-rise buildings emerging in the Trinity-Spadina area, what challenges are you currently experiencing in your ward as a result of this development or what issues do you foresee arising as a result of this development in the near future?

4. If Toronto continues on the path of intensifying our downtown core, encouraging more and more people to live in the city, how do you believe the issue of much needed transit improvement should be dealt with?

5. Recently we’ve seen the development and opening of four luxury 5-star condo-hotels in Toronto, The Ritz-Carlton, The Shangri-La, The Trump and the Four Seasons. What do you believe is attracting such luxurious brands to the city of Toronto?

6. Do you see these luxury hotels as beneficial to the city of Toronto and in what ways? If not, what are the negative affects?

7. Finally, could please summarize your position on high-rise condominium growth in Toronto during a time period where cranes have taken over the skyline?
Interview Schedule E: Major Media Contributors and Other Industry Experts

1. Please provide a brief history of your involvement in real estate industry in Toronto.

2. In your years of experience, are you able to point out periods of rapid growth in terms of condominium development and other times where growth has been slower or less present? How about in the last 5-8 years?

3. When did the luxury condominium market emerge and gain the presence we see today?

4. Why do you believe Toronto has become a place where luxury buildings are popping up and do you have an idea about where the purchasers are originating from?

5. How do you believe the new mortgage rules are going to impact the condominium market as a whole, and then specifically will there be any ripples into the luxury market? Have you seen these changes starting to occur already or is it too early to tell?

6. When do you predict we are going to see a change among interest rates in Canada and how soon will we see this change affecting sales among the condo market?

7. In the condominium division, is there a resale market emerging and how is this impacting new home sales? How about among luxury buildings?

8. With so many projects in progress, is there concern about an oversupply of units and how this could affect sales?

9. Why do you think Toronto is a great city to invest in?

10. Do you have any insight as to where the market is heading? What can we expect?
General Info

FileNo: -1
Title: The Growth of Ultra-Luxury Condominium Developments in Toronto
Start Date: 01/05/2012
End Date: 01/09/2013
Keywords: Toronto, Condominium, Real Estate, Housing Market

Project Members

Principal Investigator

Prefix: Ms.
Last Name: Mager
First Name: Andrea
Affiliation: Unit Geography
Rank: Master's Student
Gender: Female
Email: a.mager@queensu.ca
Phone1: 647-919-0990
Phone2:
Fax:
Mailing Address: 44 Oriole Road Toronto, ON M5V 2E8
Institution: Queen's University
Country: Canada
Comments:

Others

<table>
<thead>
<tr>
<th>Rank</th>
<th>Last Name</th>
<th>First Name</th>
<th>Affiliation</th>
<th>Role In Project</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associate Professor</td>
<td>Donald</td>
<td>Betsy J</td>
<td>School of Graduate Studies/School of Urban and Regional Planning/Unit Urban Planning &amp; Regional Planning</td>
<td>Supervisor</td>
</tr>
</tbody>
</table>

Common Questions

1. CORE/CHRPP Completion

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1</td>
<td>Applicant: CORE/CHRPP Completion</td>
<td>YES</td>
</tr>
<tr>
<td>1.2</td>
<td>Co-Applicant I - CORE/CHRPP Completion</td>
<td>N/A</td>
</tr>
<tr>
<td>1.3</td>
<td>Co-Applicant II - CORE/CHRPP completion</td>
<td>N/A</td>
</tr>
</tbody>
</table>

2. Project details

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Level of Research</td>
<td>Masters thesis</td>
</tr>
</tbody>
</table>
The main objectives of the research are: to provide a detailed explanation behind Toronto's boom in ultra-luxury real estate development; to make predictions about future real estate trends in Toronto based on the results from this research; and to understand the influence past economic trends have had on the current real estate market. During the summer of 2012, the city of Toronto will undergo a massive expansion in development, including the construction and completion of several high-profile, ultra-luxury condominium buildings. This research is situated in an ideal timeframe to ask questions about why this development is occurring, where the investment is coming from and if there is enough consumer demand to support this surge in development and growth.

This research project will use both qualitative and quantitative methods. Qualitative data collection will involve approximately 25 semi-structured interviews with two sample groups. The first sample group of interviewees consists of condominium development sales representatives, members of condominium development groups, marketing specialists, real estate brokers and other leading experts in the field. The second sample group consists of current residents of built condominiums, and individuals who have recently purchased units in condominiums buildings that are currently under construction. I plan to collect an additional set of responses on condominium ownership using questionnaires and involving approximately 15 participants. I will be supplementing my qualitative data with a quantitative analysis of trends in housing prices and sales using data provided by Statistics Canada and the Canada Mortgage Housing Corporation.

The data will be collected in Toronto, Ontario, in various condominium buildings, real estate offices, condominium sales offices and participant's homes.

3. Recruitment

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1</td>
<td>Number of participants</td>
<td>40</td>
</tr>
<tr>
<td>3.2</td>
<td>Sources of Participants - Check all that apply</td>
<td>Businesses/Industries/Professions/Other</td>
</tr>
<tr>
<td>3.3</td>
<td>IF OTHER above, please describe. If you selected SCHOOLS above, please identify the School Board(s) from whom permission will be sought.</td>
<td>A portion of my interview and questionnaire respondents may be residents of the condominium buildings being studied. The first sample of study participants will be condominium sales</td>
</tr>
</tbody>
</table>
3.4 Description of Study Participants
representatives, members of condominium development groups,
marketing specialists, real estate brokers and other leading
experts in the field. The second sample group of study
participants will be current residents of completed condominium
buildings, as well as individuals who have recently purchased
units that are currently under construction.

| 3.5 | Will vulnerable population(s) be recruited? | NO |
| 3.6 | If YES above, please describe the population and any special measures that will be needed to address their vulnerable status | N/A |
| 3.7 | Will Aboriginal peoples in Canada be recruited or Aboriginal communities studied? | NO |
| 3.8 | If YES above - Has band approval been obtained? | |
| 3.9 | Will the findings be reviewed by an Aboriginal community before dissemination? | N/A |
| 3.10 | If NO to 3.8 and/or 3.9, please explain | |
| 3.11 | Describe how and by whom potential participants will be recruited. | I will personally be recruiting potential participants. This will be done through email contact and face-to-face meeting. Contacting residents living within particular buildings may occur with the cooperation of building supervisors, landlords or managers. |
| 3.12 | Please describe procedures should someone wish to withdraw? | Each participant will receive a letter of information and sign a letter of informed consent. Both documents clearly state that the participant may withdraw at any point during the study. Data collection through the completion of a questionnaire or participating in a semi-structured interview will involve a single session meeting with a duration of less than one hour. If the participant chooses to withdraw at any point during the study, all copies of the data collected will be destroyed. |
| 3.13 | If remuneration or compensation will be offered, please provide the details. Indicate N/A if not applicable. | N/A |

4. Risk Assessment

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Will this study involve any of the following (Check all that apply)</td>
<td>No known risks</td>
</tr>
<tr>
<td>4.2</td>
<td>Please describe risks selected from above or any other risks. Indicate N/A if not applicable.</td>
<td>N/A</td>
</tr>
<tr>
<td>4.3</td>
<td>Please describe your plan to minimize these risks and describe how you will provide support to participants in the context of these risks. Indicate N/A if not applicable.</td>
<td>N/A</td>
</tr>
</tbody>
</table>

5. Benefits

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.1</td>
<td>Please describe the potential benefits of the research to the participants in your project, the research community and/or to society at large</td>
<td>The potential benefits from this research are unlikely to have a direct effect on the participants involved in the study. I do predict, however, the findings from this study will provide a greater understanding of the condominium market in Toronto and how perceptions of the city as a place of safe investment have developed. Benefits provided to the public sector from this research may include: submitting finalized research results to city planning and policy departments; providing promotional material for the City of Toronto; and identifying potential</td>
</tr>
</tbody>
</table>
negative effects ultra-luxury developments may have on surrounding social groups and local businesses. This research will emphasize the importance of identifying which population groups may be vulnerable and negatively affected by large scale, luxury developments.

6. Privacy and Confidentiality

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1</td>
<td>Please identify which of the following applies to your project:</td>
<td>Directly identifying information/Anonymous information</td>
</tr>
<tr>
<td>6.2</td>
<td>Based on 6.1, explain if and how you intend to protect the privacy of your participants. If not, why not?</td>
<td>Due to the case study nature of my research, it may be beneficial to the study to disclose the participant's name, occupation or organization affiliation. For example, it will be helpful to identify which respondents are real estate brokers. Participants are given the option to remain completely anonymous in their participation or to disclose partial information about themselves. The participants confidentiality preferences will be indicated on the signed consent form.</td>
</tr>
<tr>
<td>6.3</td>
<td>Will information about the participants be obtained from sources other than the participants themselves?</td>
<td>NO</td>
</tr>
<tr>
<td>6.4</td>
<td>Will the information on individual participants be disclosed to others?</td>
<td>NO</td>
</tr>
<tr>
<td>6.5</td>
<td>If you answered YES to 6.3 or 6.4, please explain</td>
<td>N/A</td>
</tr>
<tr>
<td>6.6</td>
<td>Will the participants be made aware of this disclosure?</td>
<td>N/A</td>
</tr>
<tr>
<td>6.7</td>
<td>Will the confidentiality of the participant's identity be protected to the extent possible?</td>
<td>NO</td>
</tr>
<tr>
<td>6.8</td>
<td>If you answered No above, please explain</td>
<td>The participants confidentiality will be protected to the extent possible if requested on the signed consent form. If the participant is comfortable revealing their identity, they will indicate this on the consent form.</td>
</tr>
<tr>
<td>6.9</td>
<td>Could publication of the research allow participants to be identified?</td>
<td>YES</td>
</tr>
<tr>
<td>6.10</td>
<td>If you answered YES above, please explain</td>
<td>Participants who choose to reveal their identity will sign the consent form that states their name/occupation/affiliation may appear in publications or presentations.</td>
</tr>
<tr>
<td>6.11</td>
<td>Will anyone other than the principal investigator or co-applicants listed on the application have access to the data during collection or processing?</td>
<td>NO</td>
</tr>
<tr>
<td>6.12</td>
<td>Please identify who will have access?</td>
<td>N/A</td>
</tr>
<tr>
<td>6.13</td>
<td>Will the person identified above (e.g. translator, transcriber, RA, etc.) sign a Confidentiality Agreement?</td>
<td>N/A</td>
</tr>
<tr>
<td>6.14</td>
<td>Will the data or aspects of the data be encrypted:</td>
<td>NO</td>
</tr>
<tr>
<td>6.15</td>
<td>Provide specific details about security procedures for the data, methods of data transcription as well as plans for the ultimate disposal of records/data.</td>
<td>All collected data and results will be stored on a password protected computer. Any digital audio recordings or paper questionnaires will be locked in a secure filing cabinet stored in the researcher's office. All data, including audio recordings, paper questionnaires, interview notes, and transcriptions will be destroyed upon the completion of the research process, up to a maximum of 2 years from this date.</td>
</tr>
</tbody>
</table>

7. Informed Consent

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Question</td>
<td>Answer</td>
</tr>
<tr>
<td>---</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>7.1</td>
<td>Will participants be given a written Letter of Information (LOI)?</td>
<td>YES</td>
</tr>
<tr>
<td>7.2</td>
<td>If you answered NO above, please explain</td>
<td>N/A</td>
</tr>
<tr>
<td>7.3</td>
<td>Will participants be asked to sign a written consent form (may be combined with LOI)?</td>
<td>YES</td>
</tr>
<tr>
<td>7.4</td>
<td>If you answered NO above, please explain:</td>
<td></td>
</tr>
<tr>
<td>7.5</td>
<td>Does the research project involve deception of the participant?</td>
<td>no deception</td>
</tr>
<tr>
<td>7.6</td>
<td>Describe the deception of the participant</td>
<td>N/A</td>
</tr>
<tr>
<td>7.7</td>
<td>Describe the debriefing procedure for the participant, if applicable</td>
<td>N/A</td>
</tr>
<tr>
<td>7.8</td>
<td>If participants are not in a position to give consent to participate, will written permission be acquired from a person with legal authority?</td>
<td>N/A</td>
</tr>
<tr>
<td>7.9</td>
<td>If participants are children or other population unable to legally provide consent, what procedure will be followed?</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### 8. Checklist

<table>
<thead>
<tr>
<th>#</th>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>8.1</td>
<td>Copy of the completion certificate for the CORE Course for each participant.</td>
<td>Attached</td>
</tr>
<tr>
<td>8.2</td>
<td>Letter of Information</td>
<td>Attached</td>
</tr>
<tr>
<td>8.3</td>
<td>Consent Form</td>
<td>Attached</td>
</tr>
<tr>
<td>8.4</td>
<td>Questionnaire, sample questions, interview guides, verbal scripts, letter scripts, research stimuli.</td>
<td>Attached</td>
</tr>
<tr>
<td>8.5</td>
<td>Copies of your recruitment notices, emails, scripts, advertisement, and/or information sheet as well as any information for participants provided by a sponsor or supportive organization, as may be applicable</td>
<td>Attached</td>
</tr>
<tr>
<td>8.6</td>
<td>Confidentiality Letter (for translator, RA's, etc)</td>
<td>N/A</td>
</tr>
<tr>
<td>8.7</td>
<td>Debriefing Letter</td>
<td>N/A</td>
</tr>
<tr>
<td>8.8</td>
<td>Other support information (e.g., sponsor or supportive organization)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

### Attachments

<table>
<thead>
<tr>
<th>Description</th>
<th>File Name</th>
<th>Created</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andrea Mager CORE Certificate</td>
<td>MAGER_tcbps2_core_certificate.pdf</td>
<td>11/04/2012</td>
</tr>
<tr>
<td>Andrea Mager, Consent Form</td>
<td>MAGER- Consent Form.doc</td>
<td>11/04/2012</td>
</tr>
<tr>
<td>Andrea Mager, Sample Interview Questions and Questionnaire</td>
<td>MAGER-Questions.doc</td>
<td>11/04/2012</td>
</tr>
<tr>
<td>Andrea Mager, Recruitment Notice</td>
<td>MAGER-RecruitmentNotice.doc</td>
<td>11/04/2012</td>
</tr>
</tbody>
</table>