"More of the same for 2014," according to realtor and developer Brad Lamb

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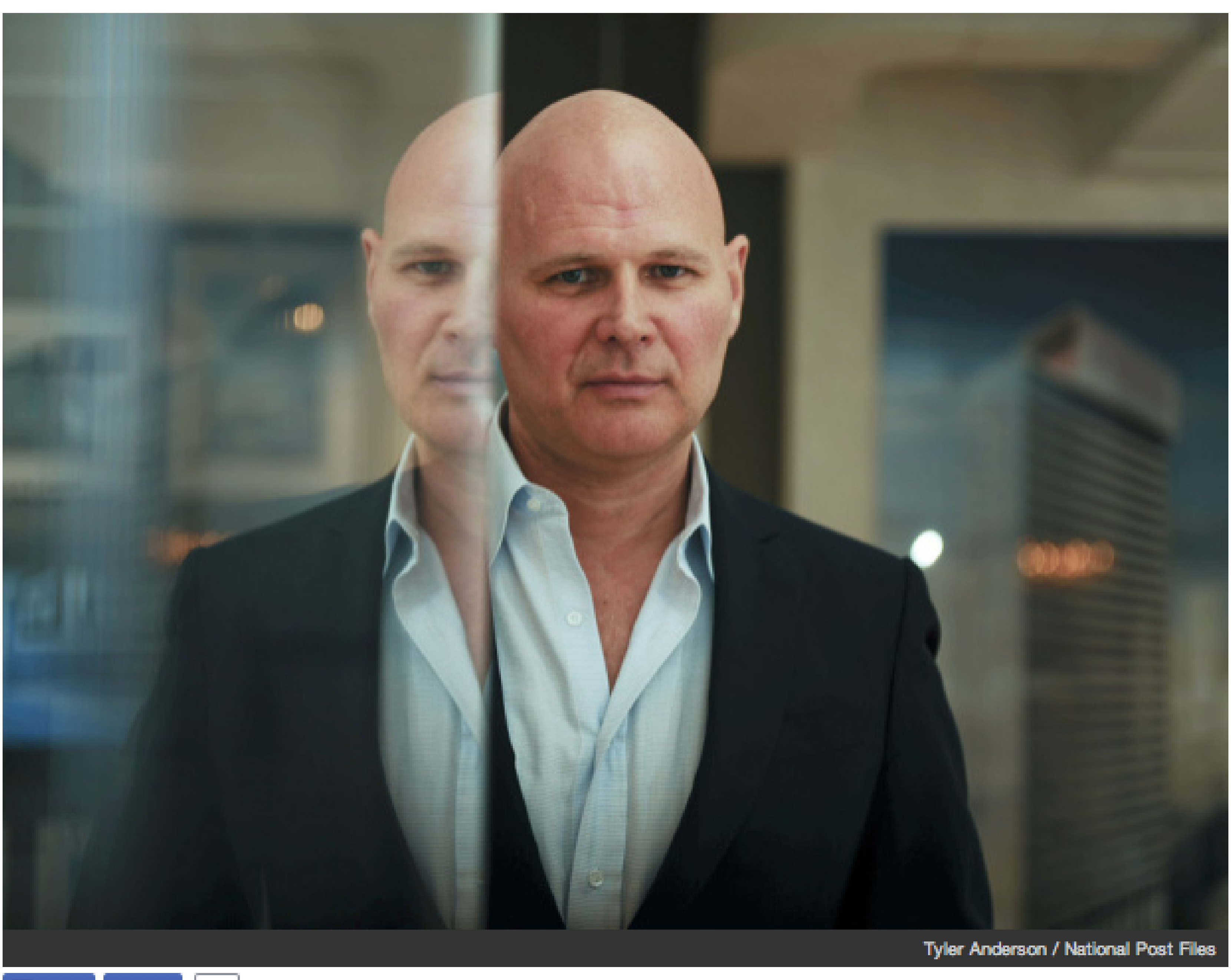

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Baloney. That's what Toronto-based broker/developer Brad Lamb says about the nattering out there saying that tapped-out borrowers will result in real estate price Armageddon. Canadians borrowing to invest in real estate are not over-leveraged, he maintains. Especially not the people he sees looking to buy condos in Toronto.

Prices have levelled out, true, but they won't sink this year, or any time soon, he predicts. There won't be a major softening in real estate values in general until Canada is hit by another recession, and he sees that as a long way off. Meanwhile, things are humming along in the country's biggest metropolis.

"What you're going to see in the condo market this year is more of the same that you saw last year," he says. "We've had a stable market for existing condominiums at around $600 a square foot downtown — as a benchmark for the average condo — and I think that will continue for the next few years."

This will provide some breathing room for prospective owners who want to live in the city but can't afford pricier single-family homes. And also opportunities for people looking to invest.

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"From what I see now, I think we are in a very good position in Toronto, and I think that consumers are in a good position," Mr. Lamb says. "Buyers and sellers will be quite balanced, allowing buyers to negotiate a bit, to feel like they bought a property for a fair price and not like they had a gun to their head like they have felt for a number of years."

He characterizes the high-rise supply coming up as "ample."

"I believe we're going to see somewhere around 16,000 to 17,000 deliveries every year to 2018, so we'll have enough product to not have any shortages over the next four to five years."

After that, however, there could be a crunch because, with developers regrouping, there are fewer new projects in the planning stages.

Mr. Lamb has about $1-billion worth of development in the pipeline, including several prime properties in the city's core as well as projects in Ottawa and Calgary.

Of the 75% of units sold by his company before construction begins, he says about half are to investors and half to end-user owners.

The percentage of investors in the condo market — specifically the influx of foreign investors — has caused a bit of hand-wringing. The worry is that foreign investors will be the first to rush to the exits as soon as rising interest rates result in negative cash flows on rented properties.

But Mr. Lamb believes foreign investors are not the ones to worry about. He believes they tend to be people with ties to the region, either with relatives living here or children here to study, not pure speculators. Also, he says, once people go to the trouble of getting their money out of such places as China, Pakistan, Iran or Syria, it is not likely that it will be going back.

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"I think it's a zero percent chance that a foreign investor is going to dump real estate when rates go higher," he says. "Foreign investors are absolutely thrilled that they can buy real estate in this country." If there must be something to worry about, he says it is more likely that domestic investors would be the ones to sell in a rising rate environment.

In any case, interest rates are expected to remain low for the next couple years. "In that kind of environment, with economic growth taking place, real estate doesn't fall. It never has."

According to market research firm RealNet Canada Inc., 14,500 new high-rise units sold in the GTA year-to-date as of November, compared with 18,000 last year at the same time. RealNet's price index for a high-rise unit was $435,620, down 0.4% from the same time the previous year. Unsold inventory was 23,699, up 8.2% from November, 2012.

And rising inventories mean developers are pricing units to sell.

"I think 2014 will be a year of opportunity," says Sunny Batra, an agent with Re/Max West Realty Inc. "There are some real good condo projects in the pipeline … and builders understand what is happening in the market so they are coming up with great incentives."

"Vendors who are not going to be competitive, it will be a tough sell for them," he adds.

Some builders offering incentives such as breaks on taxes and fees, as well as longer times to make down payments, as well as such traditional incentives as kitchen and flooring upgrades.

"They are coming up with very good pricing," he says, noting that preconstruction price points for first-round buyers tend to be at the same place as comparable buildings were two years ago.

"It's a no-brainer when they're coming out with prices of two years ago for some of the developments," he says. "People will see that and they are going to take advantage of these opportunities."