



## COSTAR INTERVIEW

# Condo Broker Sees Values Going Up Despite Negative Cash Flows

Chief Executive of Baker Real Estate Expects Investor Demand To Keep Driving Sales



Baker Real Estate is the broker of record on the M4 project in Mississauga, Ontario. (Baker Real Estate)

By Garry Marr  
CoStar News

July 21, 2021 | 2:12 p.m.

Don't talk to Barbara Lawlor about condominium apartment investments that have negative cash flow or don't pay for themselves with rent. She said that doesn't mean the boom is anywhere near over.

The chief executive of Baker Real Estate, which has sold more than 100,000 condos since 1983 and is perhaps greater Toronto's most prominent broker in the presale business, said demand could keep going, based on a formula that bets on appreciation.

"We are definitely in a market where demand is exceeding supply," Lawlor said in an interview, adding investor appetite is driven by a belief that capital appreciation will grow even as rents slowed during the pandemic. "Prices will continue on the upward trend," she said.

In truth, condo prices in Toronto have been disconnected from income since well before the pandemic, based on a belief there will always be another buyer, which critics claim is pure speculation.

Lawlor pointed to demand drivers such as increased immigration and family money backing purchases by young adults, with developers unable to keep up.





Baker Real Estate CEO Barbara Lawlor. (Baker Real Estate)

Rentals.ca said the monthly rental rate for condo apartments was \$1,983 in January but had climbed to \$2,032 by June. The dollar figure is down 8.3% from a year earlier.

But even with a rebound, Lawlor said future prospects will drive sales going forward.

"You are absolutely buying for the lift. Look back at the last 10 years and see how well the investor has done. It suggests there is no dip in sight," she said. "I'm an absolute convert to new construction real estate."

Of course, as someone in the business, Lawlor benefits from promoting such a bullish view on the market. And with rising construction prices, condo builders have come under fire for canceling projects and giving investors their deposits back, only to then relaunch projects.

Even so, Lawlor said they are the exception.

"I can count on one hand the number of projects Baker has been involved in like that," she said, while acknowledging canceled projects can give people pause. "Sometimes it's not even rising costs. It can be a zoning snag or an approval snag."

## Seen It Before

Lawlor since the 1990s has worked for Baker Real Estate, founded by Pat Baker in 1993. That's a tenure spanning the Great Recession, and she points out she has experienced a significant market correction.

"Everybody took their toys and sat around, and then they came back," said Lawlor, who added that these days record immigration to Canada expected under a federal Liberal government can do nothing but put pressure on the market.

Lawlor said about 70% of a building is typically presold before a developer can even get construction financing in place.



She said the federal government's [1% annual tax on foreign owners](#) of vacant residential real estate is not hurting sales.

"We saw some impact in Vancouver [from municipal and provincial tax measures] but not anymore," said the Dublin-born executive.

"First of all, what are foreign buyers? Mostly we are talking about multicultural buyers. International buyers make up 4% to 6% of our buyers, and that's looking back over many years of data." The Canadian Real Estate Association's most recent statistics show the average house sold for \$688,000 in May, up 38.4% from a year earlier.

The average condo in metropolitan Toronto cost about \$400,000 in 2011. Today, it's over \$1 million, not factoring in inflation, allowing investors to put small amounts down to leverage their deposits heavily, she said.

While her brokerage will have specific finance rules for buyers, Baker works for developers ultimately. The ability to make a deposit and hold a condo has been attractive for investors because they don't start making interest payments on a loan until they take possession.

Condo research firm Urbanation reported new condo apartment sales in greater Toronto reached 5,385 units in the first quarter, just below pre-pandemic sales of 5,593 units a year earlier and above the 10-year average of 4,924.

"In April, we have set new standards," said Lawlor. "From Baker's own perspective, we blew our own [monthly] records we set in 2017."

On the coronavirus front, Lawlor said the pandemic brought about changes for people who immediately wanted a larger property and more space. That's not something you would find in the new condo market.

She said low-rise housing is only increasing in price. Her larger long-range picture is millennials today buying for the future will look at condo units.

"That's what they can afford, and they do it with the bank of mom and dad," she said.  
"Families are helping those millennials in real time and in the now."



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