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BRAD LAMB

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IN LIKE **A LAMB** OUT LIKE A LION

Fear and anxiety, and not a lack of cash or foresight, are the only factors preventing investors from generating the big returns. The straight-talking real estate agent and developer Brad Lamb explains

Q What will 2014 bring to real estate investors, in your opinion?

A: This year will be the fourth or fifth best year on record for selling, whether it's houses or condos. It will be slightly more of a seller's market and I believe prices will rise a little bit more this year. Interest rates will do nothing this year. They are going to stay where they are.

Q: The economic conditions may be favourable. But is consumer appetite as strong?

A: As long as interest rates float in a range of plus or minus of one and a half per cent, we are not going to see much change in consumer's attitude about real estate. A one and a half per cent rise probably factors in the next eight years of potential interest rates increases, so you can be pretty comfortable that interest rates will be low during that time.

Q: Why are so many potential buyers holding off on entering the market?

A: There is a large pool of what I call short sellers, and they are mentally short selling real estate in Canada, and Toronto specifically. These short sellers have been proven wrong. I think a lot of people who listened to them are now regretting that as they cannot borrow as much money while the prices have gone up by 12 per cent in that time. A lot of people, especially first-time buyers and the smart-ass buyers who thought they could beat the system, will be back on the marketplace.

Q: What are your thoughts on those that believe the influx of international investors will destroy Canada's real estate market?

A: There is this illogical fear within Jim Flaherty's ministry, and one that the media is stoking, that there are a large number

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THE LAMB WAY

It is now 30 years since Brad Lamb first dabbled in the real estate game with the purchase of a townhouse in London, Ontario. Spotting the potential to save cash by doing the transactions himself, he obtained his real estate license in 1988.

His first foray with the condominium market was during the late 80s property boom while working for Harry Stinson's real estate company. By 1995, he had set up his own company – Brad J. Lamb Realty – which specialized in the growing condo market in Toronto. By 2007, he sold over 2,000 condos worth an estimated \$700 million.

In 2001, Lamb founded Lamb Development Corporation, and has since built condo buildings in Ottawa, Toronto, Montreal and Philadelphia. The company is currently working on a new complex in Calgary.



LAMB BELIEVES CONDO PRICES WILL RISE TO \$800 PER SQ. FT. BE THE END OF THE DECADE

The hottest market right now in Canada is Calgary, followed by Edmonton. That is where you are going to see some highrise growth. Other cities like Toronto and Vancouver will continue to do quite well

of reckless international investors who are poised to damage Canada's real estate economy. The only people that are going to destroy the Canadian real estate economy are Canadians. There is absolutely zero risk of international investors panic selling. They are here for a long time. Local people get so afraid they will lose money, panic sell and try to save the last of the wealth before it disappears.

Q: How do you see the Toronto condo market performing in the coming years?

A: I believe we are going to chip away at the existing inventory until we can find a shortage, which I believe will happen around 2016. We will see a large jump in condo prices to around \$700 per sq. ft. I believe that by the end of this decade we will see prices rise to \$800 per sq. ft. for a typical new downtown city condo.

Q: Is condo flipping dead as a viable investment strategy?

A: It's dead from the standpoint of profit. If you bought in 2006 or 2009 and 2010, you could have made about \$75,000 profit on a small apartment after all expenses. Today, in a four-year cycle from pre-construction to sales, you would probably see around a \$30,000 to \$40,000 increase in price but after paying a lawyer, closing costs, taxes, it is probably not the best investment to buy and flip anymore. I think people need to treat condo buying like a capital gain and rent it out for five to 10 years and see the return of investment in double digits after that time.

Q: Is condo investment without sufficient cash flow to cover condo fees, etc., ever a good idea?

A: Yes, absolutely. I have a portfolio of hundreds of units I own and they all make positive cash flow. It is still an extremely good business. Think of what tenants want to rent. If you are looking at a 20-storey building, buy on the second to fifth floor and in the range from 400 to 800 sq. ft. These are the apartments that will make money for you.

Q: Where are today's condo hot spots?

A: The hottest market right now in Canada is

Calgary, followed by Edmonton. That is where you are going to see some highrise growth. Other cities like Toronto and Vancouver will continue to do quite well. Cities like Ottawa, which slumped in the last three years, will come out of the slump this year.

Q: Where are you seeing, if anywhere at all, lender appetite for so-called micro condos, those 400 sq. ft. and under?

A: The biggest mistake that the A lenders are making is not funding these. They don't actually know what they are doing. The problem is that the big five – they don't actually know what they are doing when it comes to the condo market. They are greatly mistaken and poorly informed of where they should be putting their money. The funny thing is that they are prepared to lend money on the products that take the longest to sell and hardest to sell yet the properties that rent instantaneously and sell instantaneously are the ones that most people can afford. And

what can most people afford? The smaller apartments.

Q: What's the long-term outlook for that particular segment of the market in terms of supply and demand from buyers and renters?

A: The demand is unlimited. As many units as I can deliver that are between 350 and 400 sq. ft., I can sell and rent. If I put such a property to rent on the market averaging in price \$1,200 and \$1,500 a month, it's rented with a line of people wanting it. Anyone who is making for between \$40,000 and \$50,000 a year and working in the downtown core, these are the type of units that they want.

Q: Do you see any potential in the family condo market?

A: Housing prices are still too affordable for us to have a viable family market in condo housing. When they can no longer afford to live in houses, they will choose to live in

condos.

Q: What advice can you offer investors today?

A: You can make as much money as you want in real estate. The key is not to go too fast or take too many risks. You need to take a long-term view to win. You have to be focused and determined, and not looking for a quick windfall. As long as you are making positive cash flow and have good tenants to pay your mortgages, you can see your property double in value. That is a beautiful thing.

Q: What type of condo portfolio should the average investor aspire to?

A: You run into problems with the Canadian banks when you want to borrow more than 10 mortgages. I would say that having your own personal residence and nine condos is a great thing to do over a 25-year period. You are looking at having then a five or six-million dollar portfolio outright. ■

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