

New investment opportunity on the horizon in Toronto

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by Neil Sharma 13 Jun 2018



Laneway housing is finally coming to Toronto.

Last week, the municipal government gave the green light, and while laneways will do little to solve the dearth of supply, they present landlords a cost effective opportunity.

Denis Klapiric, a Property.ca Realty Inc. sales representative, says that condo fees—which average \$0.50 a square foot in the city—eat into investors’ gains, but no such nuisance will exist with laneway properties.

“Maintenance in freehold properties would be looked after by the tenant themselves, and it’s a much more affordable way to get into the market from an investment perspective,” he said. “If you’re looking to expand your portfolio, it’s a great opportunity.”

Moreover, with Toronto’s low vacancy rate, rental demand for such housing would be through the proverbial roof.

“There is a demand and it’s guaranteed you’ll lease out whatever you put out into the market, especially in the core,” said Klapiric. “With such limited supply of rental properties in the city, it’s a great approach for investors, and the city, to take.”

Klapiric warned that, unlike condos, maintenance work will be the landlord’s responsibility, “but the advantage is they would have more flexibility with the things they could do because, with condos, they have to abide by the condo board’s rules and regulations with renovations.”

Housing advocates in Toronto have long lobbied for the city government to sanction laneway housing, but it took until June 6 for their wish to come to fruition. **Richard Lyall, president of the Residential Construction Council of Ontario**, says that’s because red tape is rampant in the city’s municipal politics.

“We layer this stuff onto homebuilding,” said Lyall. “We have antiquated zoning and site plan approval processes, which defy logic. There’s no reason a site plan shouldn’t take more than a month at the most, but instead it goes on for a year or two. When you have a problem in any industry with the supply of something, what industries typically do is look at their supply chains and ask, ‘what’s going on here?’”

Nevertheless, Lyall hailed the municipal government’s decision to allow laneway housing—if only because it’s finally being proactive about something.

Moreover, he believes it will provide smaller players an opportunity.

“You buy a property and build something on the back of it and it creates opportunity for smaller investors, which is beautiful too because bigger investors won’t want to mess around with those,” he said. “It also creates opportunity for smaller architectural firms, too.”