



INVESTING

26 IS THIS THE BEST TIME TO BUY EVER?

That's what the guys at EdgePoint Wealth Management think. At a time when the going strategy on the Street is to duck for cover, three former Trimark managers are wading into the worst market in decades, happily
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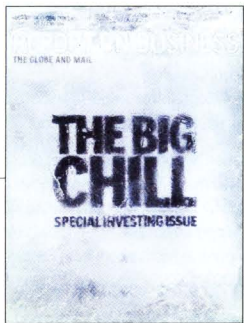
In the past decade, cities like Toronto and Vancouver have seen a record number of condos erected. With the market softer than scrambled eggs, super-salesman Brad Lamb needs to convince customers they'd be crazy not to buy now
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6 PLACES TO BUY REAL ESTATE NOW



WEST VANCOUVER

By October, this pricey Pacific enclave had seen year-over-year price declines of 22%, and an 88% increase in listings, making it among the hardest-hit neighbourhoods in Canada. Benjamin Tal, economist at CIBC World Markets, expects prices to continue to decline across the country until late in 2009.

22%

VICTORIA

Home sales in Greater Victoria have sunk to 1999 levels. In November, 268 homes sold in B.C.'s capital district, down from 623 a year earlier. And things are expected to get worse. Re/Max Canada predicted in December that Victoria homeowners can expect average prices and numbers of home sales to decline more in 2009 than in any other large Canadian market. Prices of single-family dwellings have already dropped \$40,000 on average, to \$524,128.

12%

SOUTHERN CALIFORNIA

Bargain seekers are finding homes in locales like San Bernardino, Sacramento and San Diego for almost half their 2006 value. Many homes sell at auctions that often require buyers to close within days, but bidders still get a chance to inspect the properties. In 2008, more than 50% of Golden State homes sold were foreclosed properties. The median house price in San Bernardino in the fall was \$227,200 (U.S.), compared to \$375,100 (U.S.) a year earlier.

40%

ARIZONA

In Scottsdale, "stucco mansionettes" that sold for \$765,000 (U.S.) in 2007 were listed at \$370,000 (U.S.) in December, 2008—with bigger discounts almost certain. Investors looking for profits in Arizona can also bid online to pay homeowners' unpaid property taxes and receive either payback (with interest) from those in default or take over ownership.

28%

LAS VEGAS

What do you call a town where half the properties are worth less than their mortgages? Vegas. In a city with a foreclosure rate seven times the national average, sellers can't get anyone to look at homes, let alone buy. In one instance, a home had been on the market for six months without attracting a single viewer. Median home prices fell from \$295,500 (U.S.) to \$211,600 (U.S.) between the third quarter of 2007 and the third quarter of 2008.

28%

SOUTH FLORIDA

In Miami, nearly one in five residential mortgages is overdue or already in foreclosure. With properties recently listed for \$700,000 (U.S.) now selling for less than \$300,000 (U.S.)—and some attracting as little as 10% of pre-collapse prices—vulture investors have made South Florida prime hunting ground.

24%

Average one-year price decline

there were about 38,000 apartment units (almost all of them condos) under construction in Toronto last October. But sales of new condos are forecast to be just 10,000 in 2009, less than half the peak of 26,000 in 2007. Vancouver was second-busiest nationally last fall, with 19,000 units under construction. The disconnect there is similar to Toronto's: condo sales down by about half and roughly a 10% decline in prices last fall. Calgary, with 7,500 units under way, seems to have declined faster. A half-dozen high-profile projects were suspended last year—including the huge Gateway Midtown complex, even though more than 500 of its 650 units had been sold.

Lamb argues that the inventory of unsold condos will be limited. Thank the banks. After getting burned in the 1980s real estate boom, Canadian banks and other lenders have required developers to presell at least 60% of the units in a building, as well as 60% of a project's value, before letting them break

ground. Lately, some lenders have cranked up that minimum to 70%.

But construction won't grind to a halt. Lamb says banks are under pressure from governments, "and they're going to have to start lending money to someone." Who better than developers already in the game—like him, for instance?

Certainly, some developers will have to scale back. Lamb argues that some of Toronto's ultraluxurious new buildings were getting ridiculously expensive at the peak of the boom. The Rolls notwithstanding, he says he's a "mid-market" developer, and figures that \$450 to \$500 per square foot is a reasonable price for a small downtown Toronto condo (as opposed to maybe \$400 in the suburbs). Meanwhile, the average asking price at 1 Bloor during the 2007 frenzy was \$850, while Donald Trump was asking for an average of \$1,000 at his Bay Street tower (a steal compared to the \$5,000 he'd charge in New York, Trump said), and the proposed new Four Seasons Private Residences in tony Yorkville were even dearer at \$1,500.

By the way, knowing that developers have to presell to get financing, do you want a tip (albeit a self-serving one, coming from Lamb)? Buy preconstruction. True, the days of packed "insider VIP" launch parties at sales offices ended last year, but you can still buy before construction at, say,

a 20% discount. “To sell apartments from floor plans, you have to offer ridiculous incentives,” says Lamb.

As for the mantra of “location, location, location,” Lamb argues that “no neighbourhood is immune from the marketplace.” But architectural style and the savvy and expertise of an agent can help buck a trend. That, of course, is what a tastemaker like Lamb would say.

Lamb apprenticed during the booming late 1980s and lean early 1990s with Harry Stinson, one of Toronto’s first specialists in condos, then considered by many agents to be too down-market.

In 1995, Lamb set up his own firm and caught the trend toward New York-style loft condos by finishing off sales at buildings such as the Candy Factory, a pioneering renovation of a 100-year-old structure. He also hooked up with Context Developments, selling a series of striking buildings such as District Lofts, MoZo and Spire. “I think he has learned a lot along the way about design and architecture,” says Context’s Howard Cohen.

No longer content to just sell others’ projects, Lamb got into the development side himself several years ago. As 2008 closed, construction crews were putting the finishing touches on Gläs, a sleek, black, 16-storey building on a side street near Toronto’s nightclub district. Lamb has close to a dozen other developments in various phases, most in Toronto, but also one in Ottawa and three in the Caribbean. Gläs is in the clear—Lamb started selling units in 2005, and says he’s sold 150 out of 163, far more than enough to cover the project’s \$36-million cost.

For the moment, though, unfinished projects give Lamb and other developers a cushion. As an agent, Lamb’s commissions dry up as soon as the market hits the skids, but as a developer, “I live on past business,” he says. “Stuff I sold in 2006 and 2007 will close in 2009 and 2010.”

By then, markets may rebound, and there will be a new pitch for why it’s still a great time to invest in condos.