

Rising property values new Olympic sport

Homeowners could benefit if Toronto gets the Games

BY TONY WONG
BUSINESS REPORTER

JOHN McGRATH has some advice for those hoping to cash in on the 2008 Olympics: Think real estate. McGrath, one of the top real estate brokers in Sydney, Australia, says residential prices rose anywhere from 10 to 20 per cent soon after his city was announced as the winner of the 2000 Summer Games — and he thinks the same thing will

happen in Toronto if it's awarded the 2008 Olympics.

"There was a tremendous jump in values in some areas. Many property owners started to put their prices up after the announcement," says McGrath in an interview from his Sydney office.

Property in some areas such as the Olympic corridor, a series of waterfront residential sites, soared in value because of the massive redevelopment in the city, McGrath says.

There is one catch for Toronto, though, and it's a big one.

Although Toronto may be one of three finalists for the 2008 Games, the city is not considered the first choice of the International Olympic

Committee. It likely would take a breakdown by the overwhelming favourite, Beijing, or the sentimental choice, Paris, for Toronto to win.

The IOC announces its decision July 13 in Moscow.

But the parallels between Toronto and Sydney are intriguing: The Toronto waterfront is also being proposed for significant redevelopment, with the Olympics being a big part in jump-starting the process.

In Sydney, homes on formerly industrial waterfront land have made the harbour area a trendy place to live. A two-bedroom condominium goes for the equivalent of \$400,000 and a three-bedroom for \$750,000.

"If you told someone that this would be a place to live six years

ago, they'd have laughed at you," says McGrath. "But the people who were early to jump into the process did very well."

(Although real estate values went up, Sydney taxpayers were told this month they are still on the hook for \$78 million after the Games. This is despite a promise that the city would post a \$22 million surplus.)

It wouldn't be popular with developers, but there is a way to invest in Toronto real estate virtually risk-free.

Given that you have a 10-day cooling-off period when buying a new condominium, you could put a deposit down on a unit somewhere near the waterfront, and wait for the IOC decision. To qualify, you could

start placing a deposit July 3 or any time after.

"If you choose the right property, you could be in for a nice gain," says McGrath. "There doesn't seem to be much of a downside."

And if the IOC went for Beijing on July 13, you could then pull out of the contract, without penalty.

Australians didn't have the benefit of a 10-day cooling-off period, yet many opted to buy before the Olympics were a sure thing, McGrath says.

"It's certainly not a cockeyed scheme, but I wouldn't do it with my last nickel," cautions housing analyst Will Dunning of Will Dunning

Residents expect to cash in

Continued from B1

Inc. "For one thing, you should be prepared to close the deal. You won't see any appreciation immediately because it's not like a stock that you can sell right away."

If the Olympics are awarded to Toronto, Dunning says, housing prices will invariably go up.

"Housing prices rise because of the strength of the economy. The Olympics will certainly cause a lot of business investment in housing and retail and construction," he says.

According to a Royal LePage poll released this month, a 2008 Olympics held in Toronto could be a gold mine for homeowners. One in four Torontonians said they would likely rent their property if Toronto gets the Olympics.

Most Torontonians surveyed by Core Strategies Inc. figured a two-bedroom apartment downtown would garner, on average, \$1,185.11 per week. But that was well below the actual weekly rental amount that an average apartment in Sydney fetched during the 2000 Olympic Games.

A Sydney homeowner who rented out his or her property for the Games pocketed, on average, \$2,800 per week, more than double what Torontonians expect to get for their residences.

Thirty-four per cent of Toronto homeowners believe that the value of their property would increase if the Games were held here, according to the survey.

"An event like the Olympics is usually preceded by a building boom that increases real estate values in the host city," says Royal LePage vice-president Gino Romanese. "We saw this happen in Montreal for the 1976 Games and leading up to Expo, and we also saw it in Vancouver prior to Expo '86."

Much of that money will be spent building an Olympic village, broadcast centre and Olympic stadium in the east end of Toronto and in the port lands.

"If I was a speculator, I'd be buying up everything in the east end, all the old factories, the old industrial areas. I'd be buying the contaminated soil, whatever I could get my hands on," says realtor Brad Lamb.

Lamb estimates that if the price for a new condominium averages \$250 per square foot today, the Olympic cachet would be worth another \$50 per square foot, or a 20 per cent premium. Put another way, a 1,000-square-foot condo selling for \$250,000 would end up costing \$300,000.

However, unlike Australian realtor McGrath, Lamb doesn't see any immediate effect on prices if Toronto were to win.

"I think it will take a while. We're still eight years away from the event," he says.

One of the people who stands to gain the most from an Olympic announcement is condominium developer Harry Stinson, who is building an upscale condominium hotel pro-

ject — 5 King West — in the heart of the Toronto business district.

But Stinson doesn't think anyone will get rich quick on real estate.

"It's a good cliché. But people who think the real estate market is going to react like the stock market are in for a rude surprise," Stinson says.

For one thing, condominium prices have been kept relatively low in the city because of the number of projects. Dunning says 12,000 condominiums alone will be completed over the next year.

"It's like gas price wars. If one person goes cheaper, everyone else has to. That's what keeps prices down," Stinson says. "Besides, there's going to be lots of ups and downs in the market before the Olympics come on-stream."

If anything, Stinson says, there may be a

"letdown" in the market when the hysteria of winning the Olympics wears off.

Sydney experienced something similar after the competition ended, says McGrath.

"We had this huge buildup, and then prices dropped 4 per cent right after the Games were over." But since then, he adds, prices have gone back to Olympic levels.

Despite all the international attention, Sydney wasn't "inundated with offshore buyers," McGrath says.

"So many people got this incredibly good look at Sydney and fell in love with it, but really the only disappointment was that didn't necessarily translate into a flood of offshore money coming and buying into the city."

In the end, it's still all about location. Bid planners are considering the 34-hectare West Don Lands site — polluted industrial land adjacent to the Gooderham & Worts dis-

tillery — as an Olympic media centre and, later, as a facility for the new neighbourhood.

The condo complexes likely to see a jump in prices would be the loft projects in the Gooderham & Worts distillery.

Another area likely to benefit is the CityPlace condo complex on the former railway lands near the SkyDome. The Dome would hold the baseball competition, while the adjacent Metro Convention Centre would be used for fencing and martial arts. A total of 18 towers are planned for the area in a 10-year development phase.

"I think certain areas will definitely benefit from the Olympics," says Stinson. "But the reality is, apart from the few smart business folk who may have timed the market properly, there are far more fools who have lost their shirt drooling over vast profits that didn't materialize."



DICK LOEK/TORONTO STAR

BRAD LAMB: The Toronto realtor, pictured here near River St., says if he were to speculate on the Olympics coming to Toronto, "I'd be buying up everything in the east end, all the old factories, the old industrial areas. I'd be buying the contaminated soil, whatever I could get my hands on."