



THE CONDOMINIUM MILLIONAIRE

A guide to long term wealth creation through condominium investment.



FREE

This booklet is my “Cole’s Notes” version of what I believe is important to know if you want to generate wealth in real estate.

THIS INFORMATION WILL PUT YOU ON THE PATH TO BECOMING A

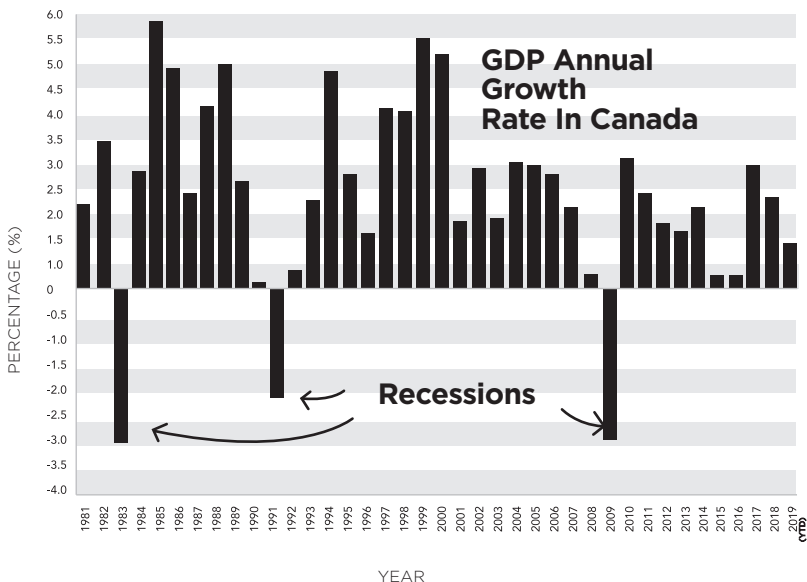
CONDOMINIUM MILLIONAIRE

RULE #1

BUY FOR THE LONG TERM

THIS SOUNDS RISKY. CAN I LOSE MONEY?

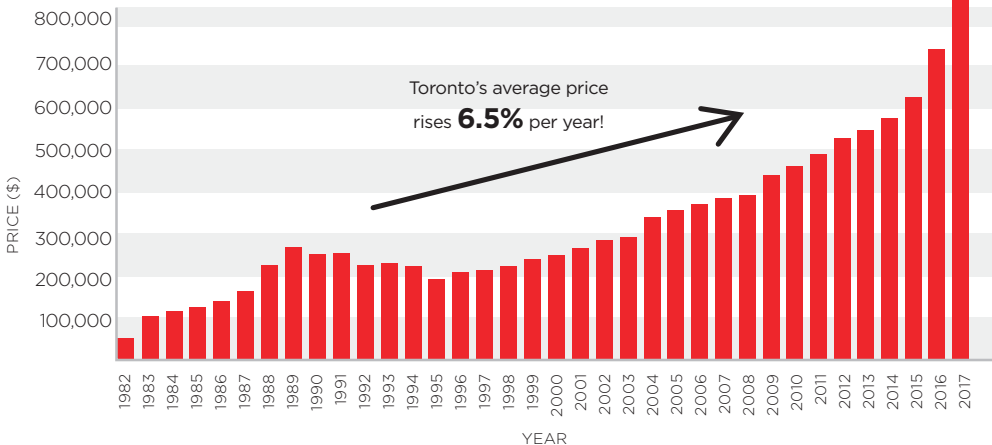
Economic downturns and recessions come and go. Typically, real estate prices fall during recessions. The key to flourishing through a recession is **not to sell** and **not to panic**. The smartest and wealthiest real estate investors buy when prices fall, and they never **sell**. You cannot lose any money if you don't sell. The best way to maximize your wealth and minimize your risk is to hold your real estate for the long term - at least 25 years or more. Negative growth or recessions never last very long, typically 12-18 months followed by several years of positive growth as seen by the chart below. The recession of 1991 was preceded by 8 years of positive growth. The past recession was preceded by 17 years of growth. We are in year 9 of the current recovery from the 2009 recession.



TORONTO'S HOME PRICES HAVE INCREASED AN AVERAGE OF 6.5% OVER THE LAST 35 YEARS.

The key to beating recessions is to understand them as a necessary evil. Recessions reset the economy from a peaking of excesses. An analysis of average real estate prices over the last 35 years has shown that over the medium and long term, real estate prices have **ALWAYS** gone up. Below is Toronto's average home price chart.

Average Home Sale Prices Toronto

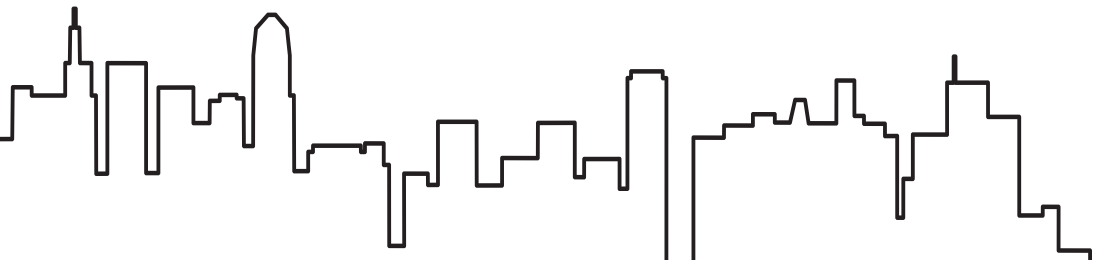


This phenomenal growth of prices is despite the existence of three known recessions of significance in 1983, 1991, and 2009. The recession of 2009 has been characterized as the "great recession." Toronto's market was resilient enough to get through the greatest of all recessions without a scratch. The long term average real estate price chart for most large Canadian cities doesn't show positive price increases **every year**, rather an enormous positive price increase over the **long term**. Toronto's prices have risen over 761% in a little more than 35 years.

The City of Toronto has been, and likely will continue to be, one of the safest and most lucrative cities for real estate in **all of Canada**. Why? Toronto has the largest, richest and most stable employers in Canada to guarantee long term economic stability; banks, insurance companies, construction firms, and tech firms, amongst many others. So, while occasionally, during and after recessions, these companies make moves to reduce costs and then ultimately employment through layoffs, it is **short term** in nature. The recession of 2009 did little to derail Toronto's real estate economy. In 2012 and 2013, there were many false prophecies of bubbles bursting and the like. The typical consumer reaction during this period was to not spend, not buy, or not invest. This of course, is the **wrong** thing to do. Eventually, within 2-4 years of a recession, government and business largesse returns after the belt tightening has been completed. Investors should see the opportunity after a recession as an opportunity when additional value can be gained. We have seen this in 2015 and through 2018 where the real estate market has been very strong.

“NOW IS A GOOD TIME TO BUY TORONTO REAL ESTATE.”

In a city such as Toronto, with a diversified employment base, businesses clear house to lower costs and reduce debt. Once this is done, economic growth expands and spending is felt throughout the city. Usually, this is seen through a real estate upcycle of several years in length.



RULE #2



GET WEALTHY THROUGH LEVERAGE A.K.A OTHER PEOPLE'S MONEY.

After recessions, the Federal Government gets back to spending money, businesses will be hiring and spending and economic growth will expand. Real estate prices will follow suit as they have for the last 35 years. Real estate prices do not fall in expanding economies.

Toronto has seen 6.5% compounded annual average price increases over the last 35 years since 1982. This is despite 3 recessions and one high-tech meltdown. Over 35 years, homes have appreciated an average of **1700%**. If an investor had bought a property for **\$100,000** in 1981 and put **\$20,000** down (20%), today that investor would have a property worth **\$1,700,000** a **8,500%** return on down payment, excluding rental profits. This is a real life scenario. It follows then if in 1982, an investor bought 6 properties and invested \$120,000 and retained these properties until 2017, they would have a nest egg of **\$10,200,000**. Consider this for a moment. What if this investor continued buying property beyond these 6 initial homes? For instance, what if they bought 1 additional home every 2 years for the 35 years (an additional 17 homes)? **Their wealth would be staggering.**

“If an investor bought a house in 1982 for \$100,000 with just 20%, by 2017 their rate of return would have been 8,500%. This represents an annual rate of return of 32% every year for 35 years. These are investment returns that would put a smile on Warren Buffett’s face.”

RULE #3

HAVE YOUR TENANT PAY YOUR MORTGAGE

By renting your properties for the long term this allows your tenant to **pay off your mortgage.**

Mortgages are typically paid off over a 25 year period, or amortization period. By holding property for 25 years or more, and by leasing the property to tenants, an investor ends up with a fully owned property courtesy of their tenants. Rental payments are retiring the mortgage.

THE WORST CASE SCENARIO IS A FULLY OWNED PROPERTY AFTER 25 YEARS.

Additional positives for investors are excess cash flow from rent when rent exceeds the cost of ownership. Capital gains also greatly contribute to investment returns.

**“THE BEAUTY OF RENTAL
PROPERTIES IS THAT YOUR TENANTS
PAY OFF YOUR MORTGAGE AND ADD
TO YOUR CASH FLOW, HELPING
YOU GET WEALTHIER.”**





CONDOMINIUMS ARE THE BEST INVESTMENT

Condominiums are the perfect investment vehicle for small investors. Essentially, buying one condo in a building makes you a “part owner” of an apartment building. Residential apartment ownership is how many billionaires first got wealthy. This form of individual condominium unit ownership has huge advantages over owning an entire building. Condo buildings are **professionally managed** by large scale property management companies. Owners do not have to worry about any building maintenance issues such as roof repairs, foundation work, cleaning windows, or repairing elevators. An owner just needs to keep the interior of their suite in good repair. This is a huge savings of time and mitigation of risk. The building also benefits from large buying advantages through economies of scale for labour, equipment, and service costs as these items are spread over a large building. The relationship that a property management company has with suppliers reduces costs due to their buying power with the additional buildings that they manage. Condo buildings rent for 50-

80% more than apartment buildings because they are maintained to a much higher standard and they are brand new. Live-in owners will not put up with anything that reduces their property value. Condo buildings even smell and look better than purpose-built apartment buildings.

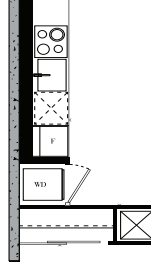
An investor can manage 5-20 condo units much more easily than a 5-plex or a 20-plex apartment building. There is far less work to do. Condos rent to a wealthier caliber of tenant that is more likely to pay their rent as they have less financial stresses in their lifestyle due to their higher salary.

The big advantage of a condo over a multiplex, office building or rental plaza is the fluidity of selling. First its liquid because both investor and end user (home owner) are your customers. Condos don't sell by cap rate or rent, they sell to a home owner that can only carry about the cost per month to own.

“The advantage of condo investing is that it is almost totally ‘hands off,’ as a professional property manager takes care of 100% of the common building issues.”

RULE #5

ONLY BUY CONDOS FROM FLOOR PLANS PRIOR TO THE START OF CONSTRUCTION - HERE'S WHY!



1

A buyer will never pay full price for a property they can't see. Model suites and showrooms tell just a small part of the story. Opening day, or predevelopment pricing, is **always 5-10%** lower than resale or finished pricing -**buy at an obvious discount** and make a profit immediately.

2

A buyer only needs a 15% deposit, and can have up to 365 days to make the multiple installment deposits. This is **leverage of 7**. Leverage of 7 is fantastic in real estate. Using other people's money is always the best way to go. In this case, you are using the developer's funds to maximize your leverage.

3

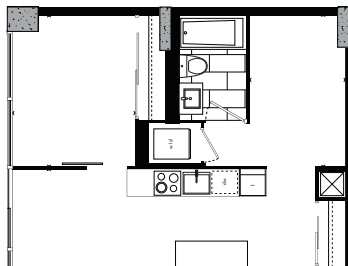
From purchase, new buildings take 4-5 years to be completed. What happens to real estate over 5 years? **It usually rises, significantly**. So not only can you buy at a discount, your deposit allows you the benefit of 4 to 5 years of a potentially rising market. Your deposit is safe in a trust account earning interest. It is not uncommon for a condo to be worth \$100-200,000 more over the 4 to 5 year period.

4

Condos are fantastic income properties after closing. With 25% down, they can show a 5% return on invested capital (down payment) and can gain another 8-10% return through paid off principle every year. A combined 13-15% annual return before capital gains is often possible.

5

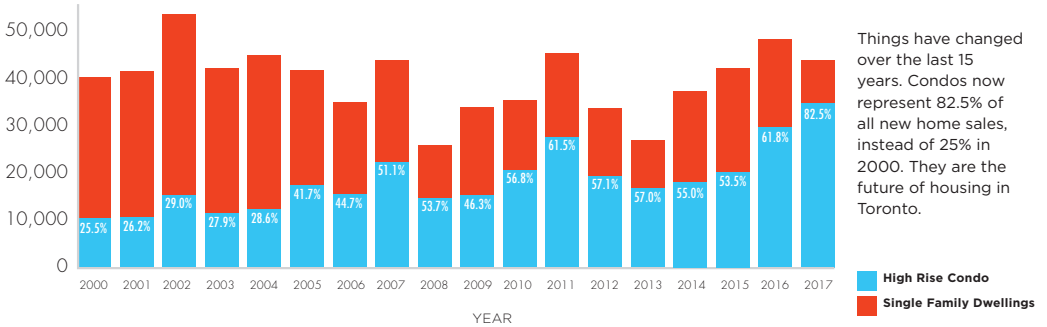
Buying five to six years before completion means you are getting a hefty future rental price on a five to six year old purchase price. This virtually guarantees positive cash flow.



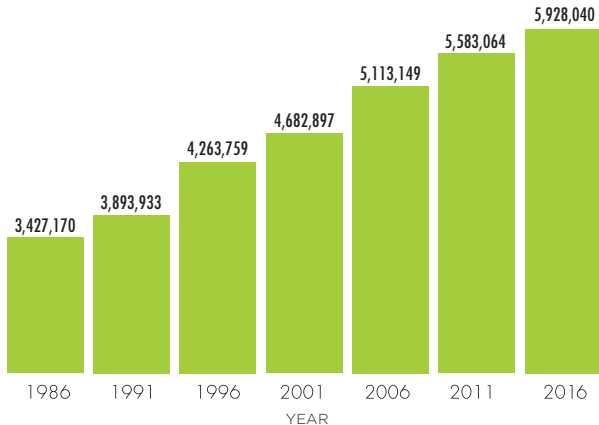
ONLY BUY CONDOS IN BIG CITIES - HERE'S WHY!

- 1** For the safety of your investment - this is everyone's #1 concern. No one likes to **lose** money. Big cities don't collapse when one large employer leaves. Toronto is especially fortunate because the city just gets larger over time. There is an abundance of job opportunities to keep tenants working. Additionally, big cities offer better chances for high-paying employment and typically lower unemployment rates.
- 2** Population growth trends and demographic trends favour the continued growth of large cities over the expansion of suburbs. While suburbs may not shrink, they won't grow and expand like cities.
- 3** Green/environmentally-based concerns will continue to force the re-population of cities in favour of the suburbs and country areas as the costs of infrastructure spiral out of control. It has become financially difficult to service outlying areas with transit, site services, and government services.
- 4** Landlords need wealthy young tenants earning \$70,000/year, or more. These young people are in abundance in cities and fear being homeless.
- 5** Higher city rents and wealthier tenants means less defaults for unpaid rent. Bigger jobs mean more to lose if rent doesn't get paid. This results in a higher chance of bills being paid, especially rent.
- 6** Toronto's need for more housing density guarantees a bright future for condos. Housing is scarce.
- 7** Due to rent controls, no one is building any meaningful quantity of purpose-built apartments. The stock of old apartment buildings does not hold up to modern buildings and amenities like condominiums.

Toronto New Homes Sales Percentage of High-Rise Condo vs. Single Family Dwellings



Toronto Population



Population growth guarantees a demand for new housing. Most of these homes will be condos.



RULE #7

ONLY BUY JR. 1 BEDROOM 1 BEDROOM, 1 BED + DEN, SMALL 2 BEDROOM SUITES

The investor's goal is to find wealthy tenants who are most likely to stay a tenant for several years. Inevitably, this means young professionals, 22-35 years old. Buy properties that these tenants are most likely going to rent. Typically, look for properties that rent for \$2000 - \$4500 per month.

RULE #8

GET RICH ONE PROPERTY AT A TIME

Add to your real estate holdings slowly over time. Leverage the equity in your properties to continue to add to your portfolio and increase increase your net worth.

**If you want to get started
on your path to becoming a**

CONDOMINIUM MILLIONAIRE

**Contact Frank Lardi
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416-500-4793**

PRICES HAVE GONE TOO HIGH. I'VE MISSED THE BOAT! NOT TRUE!

Everyone thinks the previous generation had it easy and that housing prices are now out of reach. As Toronto develops it will continue to get more expensive for both buyers and tenants. Small one bedroom suites will eventually rent for \$3,000/month. It has happened elsewhere, it will happen here too!

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