



TCS

Q1 2021

CLIENT REPORT

Welcome

The start of a new year often brings with it retrospection and forecasting. But predictability has gone out the window over the course of the pandemic, adding haze to the outlook for the Canadian housing market.

After a bumpy, roller coaster ride in 2020 — which, despite all the challenges, was a record year for Canadian home sales — it's no wonder that pundits are all over the map when it comes to market predictions for 2021.

Before we look forward, we want to take a moment to reflect on 2020, a year unlike any other. Amid all the chaos in the economy and the world-at-large, 2020 was perhaps the most momentous year in TCS history.

We brought in a world-class celebrity guest, Russell Peters, to appear virtually for a development launch, we pulled an Oprah and gave away up to 100 cars, and most importantly, we guided our clients to some truly special projects throughout the GTA. Hopefully, this is just the start of an incredible decade that will bring greater prosperity, well-being, and inclusion.

We hope that every client, even if they did not participate in the TCS 15th Anniversary Jaguar Giveaway Program, realizes that TCS has its client's best interest in mind, always. You will not find a program like that in the real estate sector, as we are different, we want to change the game constantly, and we want you to be in awe of our service and offers. Being able to offer a free Jaguar to clients was a special Anniversary program but it is really about our love affair with our clients and how we value each and every relationship that we are lucky enough to have.

Another achievement we are proud to share is the scholarship and awards program that we launched late last year. TCS is committed to supporting the higher learning institutions that nurture our leaders of tomorrow and we have partnered with three of the top secondary business schools in Ontario, providing financial support to deserving students. We will be sharing more about these programs later in this report and look forward to showcasing our scholarship recipients in future editions.

The whirlwind year that was 2020 ended with rental apartment vacancy rates in Toronto hitting a record high of 5.7 percent in the fourth quarter, up from 1.1 percent from the same period in 2019. While rents have some ground to make up before returning to normal growth levels, a slight improvement can be expected in 2021 as the vaccine rollout spurs higher immigration rates, a return to downtown office towers, and a resumption of in-person learning across post-secondary campuses.

At TCS, we are cognizant of the ongoing rental situation and the impact it is having on our investor clients. We are always happy to answer any questions and provide insight on what we believe the future may bring. Every investor takes a different approach, however, and the majority of TCS's clients understand that some short-term pain during an unprecedented global pandemic is to be expected. Thankfully, long-term pricing forecasts and modeling are anticipating growth, which will create the substantial capital gains that the market has borne for our clients in the past.

As you will read in this report's pages, there is quite a bit of discussion globally about the state of the city amid the pandemic. We looked at some research and will discuss how history has shown us that cities rise and fall, but always rise again. The pandemic, far from undermining the city, has shown the potential for rebirth and innovation.

Looking forward to the remainder of year, supply levels throughout Toronto are continuing to stay low, and are not expected to improve significantly in 2021, which will push home prices even higher. Economics is built on supply and demand, and if Toronto's housing shortage continues, prices will remain high and investors will see gains.

Toronto condo activity ticked up in Q1 2021 and prices remain stable. We can also look to other markets for signs of what's to come in the months ahead: The vaunted Manhattan rental market saw young people flocking to it amid a small price reduction during the pandemic. These are all promising signs that the long-term outlook is stable and prosperous.

As investors, what matters most is that the long-term outlook for Canada's housing market is bright. And while we may have endured a tumultuous 2020, there is plenty of hope on the horizon in 2021.

Yours very truly,



Simon S. Mass
Chief Executive Officer

Featured Clients Q1 2021

Henry Fong & Enoch Cheung



Henry Fong and Enoch Cheung operate Digital Embrace, a client-driven brand that thrives on providing digital solutions, honesty and hard work. The firm specializes in two things: Building customer-centric solutions on Microsoft Dynamics CRM 365, and providing specialized IT staff augmentation services. Henry and Enoch stand behind putting their customers first in every aspect. Their vision is to make a positive impact on everyone they meet, with a mission to be the best IT partner for government.

Their aim is simple — make technology work for you.

TCS: Good afternoon Henry and Enoch. First off, can you talk about the beginning of your relationship with Simon and The Condo Store, and how or when you started reviewing offers and speaking to Simon about investment strategy?

Henry & Enoch: We met Simon in January 2007 as a referral through a friend. It was during a winter storm. I (HF) was supposed to go down with two other friends, but because of the storm, they both opted out and I ended up missing a great opportunity. I went to see Simon with my wife instead, the roads were empty and snow (was) coming down heavily. We had purchased another investment property on our own about three years prior, but returns were not great. Simon showed us 55 East Liberty (Miss Condo), and we decided to purchase one unit at 30% down. But Simon was able to provide us two units at 10% down instead, so our initial down payment was the same, and we walked out with two units. When it was time to close in 2011, we assigned one and took the proceeds to pay for the down payment of the second unit.

After that experience, I introduced Simon to Enoch in 2009, and we bought four units together. Since we are equal business partners, we started buying “twin” units, two models of each. This way, Enoch gets a unit, and I get one, and there is no negotiating who gets the better/bigger unit. It has been very easy to continue purchasing “twins,” since Simon has a good variety of inventory at each project. Simon also helps us decide by recommending his top three selections given our variables, and then we narrow it down from there. This way, we are not reviewing 30 different models each time.

TCS: As you mentioned, we are featuring both of you together as you do your investments with TCS as a team. Could you elaborate on that set-up some more?

Henry & Enoch: Fifteen years ago, we knew we had to include real estate in our business and personal investment portfolios. Because we run our own business, we just are not able to keep up with all the details and where the market is heading. However, TCS has been great at explaining real estate investments to us in common language and we have been patiently coaching us throughout the years. About two or three times a year, they reach out to us with an opportunity, and we get to have a nice informative discussion. Then, with no pressure, and assuming the timing is right for us, we either move forward with it, or we wait for the next one. We do a bit of our own research, but primarily through TCS’s professional guidance, and we have been doing quite well over the years.

TCS: 2020 was a trying year for everyone. How have you and your families been managing through all the quarantines and social distancing?

Henry & Enoch: In March 2020, our physical office closed, and we moved online. We both decided that we would continue to serve our clients without missing a beat, and come back stronger and better as a business. Our team at work has been incredible. We have not missed a single morning scrum since the beginning of the pandemic, and we talk even more now (online) than before. It’s still not the same of course, so we all look forward to the day where we can scrum together in real life.

Henry: Family life took some adjusting; no more hockey, no more family vacations and no more weekend dinners. But we have found some new hobbies like ‘Sorters of Catan night,’ lots of ice cream making, and yes, lots of family walks around the neighbourhood. I think our dog loves it the most...always someone at home to play with!

Enoch: It is a part of normal life now and we’re just happy extended family and friends are all safe and healthy. What we’ve missed most is the simple things like watching a movie, going out for dinner, having birthday parties and shaking hands.

TCS: You both are managing partners at Digital Embrace, an IT solutions partner firm, primarily serving the government sector. Can you tell us how the company came about and what makes you different?

Henry & Enoch: We are both techno-geeks from the University of Waterloo. We love building things and helping others use technology. “Playing business” was just something that naturally occurred, and we realized we could make more of an impact, more of a difference, if we worked together. So, in May 1999, Digital Embrace was born. Our vision back then, which is true today, is that in all we do, we want to make a positive difference to everyone we meet.

Henry: With our previous experiences in government, we decided that we wanted to serve this industry. If we can help those that serve our fellow citizens do their job better, then our impacts are multiplied and ultimately this will help our fellow neighbours. As simple as this may sound, we remind our team every Monday of our mission to be the best IT partner for the government sector.

TCS: What about away from the office, what do you like to do when you’re not working?

Enoch: I love what I do, but apart from working, I love taking my family to new places around the world. When this pandemic is over, we are hoping to restart travelling again. When the warmer weather is here, you will find me at the golf course trying to master this crazy game.

Henry: I love doing what I do, so even my personal time is blended with some technology or business activity. But apart from Digital Embrace-related things, I love working out, reading and family time. I wish golf were high on my list, but life seldom permits disappearing for five hours, so golf is usually reserved for holidays and trips.

TCS: Can you tell us about some of your investment results that have come about from working with The Condo Store?

Henry & Enoch: Our first units in Liberty Village in 2007 went up by about 3% between purchase and closing (three years), but by now, it’s tripled in price (approximately 13 years). However, if you consider the actual investment was \$64K, that initial amount has now gone up to \$60K in those 13 years. It is also important to note that this investment was made prior to the crash in 2008, so it has persevered through the recession.

I also have a unit in CityPlace, purchased for \$300 per square foot in 2010, which closed at the end of 2012. Today, it is worth about \$1.1M per square foot. Two additional Liberty Village units were purchased after the 2008 crash, in 2009 at \$45 per square foot. We closed in December 2011, and still hold these units today — the values have increased nicely.

Our most recent occupancies are at Garrison Point. The occupancy was delayed, and it took six years from purchase to occupancy (2014 to 2020). However, this delay worked in our favour since the (value of the) units [has] gone up by 80%. Again, considering the low down payments, the returns have been incredible.

Our goal is to try and space out our investments so that we close on units every two to three years. This gives us a chance to save up for down payments, closing costs, and arrange for proper financing. Spacing out our purchases is not only “forced savings,” it is a form of dollar-cost averaging, but just on a larger scale.

TCS: You have been a long-time client of The Condo Store, what can you tell us about working with Simon and the team over the years?

Henry: I would use the term “Trusted Advisor” to describe TCS. The word “trusted” is the key word here, because there are many people that have advised us on investing — some good and some bad. But to find someone that is patient, knowledgeable and clear-focused, someone you can really trust, that is what’s unique about Simon. Of course, I try to do my part and research as much as I can when an opportunity is presented, as not to create his time unnecessarily. Sometimes we just don’t have the money to invest, or the property is just not right, and Simon is fine with that. He respects our decision not to invest, we discuss the reasons why, and we wait for the next one. This mutual respect has governed our last 13 years...45 years of very successful investing.

A City View

Investment News and Notes for Q1

The Future of the City

Boarded-up windows and shuttered stores. At the height of the Covid-19 pandemic, spring 2020, many of the big cities across the globe were quiet. With workers confined to their homes, and those who could heading far afield, some predicted that this could be the end of the city.

There was even an essay in the US penned called "NYC is dead forever – here's why". However, despite the impact of the pandemic on many of those living and investing in the urban hubs, like Toronto, we do not agree that cities are headed for a decline. "Many cities have long histories, much longer histories than national states, something we often forget," says Saskia Sassen, author of The Global City. "These long histories show us, with great clarity, that cities go through transformations – there are declines and then there are recoveries, there are epochs when cities lose ground and epochs when they gain ground."

Sassen points out that US cities in the 1960s and 1970s were much poorer than they are today. "The queen of all cities in the US, New York, was officially bankrupt. Much was said about this being the end of cities... but that was wrong, and we saw a subsequent boom and the rise of global cities."

In fact, by 2020, more than half – a UN estimate of 56% in 2019 – of the world's population lived in urban centres and more than 80% of global GDP is generated from cities. There is approximately 35 global "megacities" currently and it is predicted that there will be ten new ones by 2030. A "megacity" is defined as having more than 10 million inhabitants.



The rise of urban globalisation necessitated new sets of skills and knowledge as to how to conduct business in many countries across the world, and then came a sudden pause: the Covid-19 pandemic. With large amounts of the workforce, enabled by technology, forced to be, and operating seemingly well remotely, the thinking now is what is the next thing that will revive the city, and will it adapt?

Cities were already working hard, far before Covid-19, at implementing innovations. TCS has talked about this with the media and with the students that we mentor and lecture. Innovation and innovative projects will come from the city and the density and collaboration that it affords. Cities have a big opportunity, because they have humans and human talent: wide-ranging, broad levels of talent, skills, knowledge and education to foster innovation. As our CEO, Simon S. Mass, explained to the media, "When we invest in Toronto and our city through pre-construction real estate... we will not only be making exceptional double-digit returns, but we will also be part of the reason for the city's future and its comeback from the global pandemic". The life with a city is a real thing and will thrive, with ups and downs, far into the future, as it has in the past.

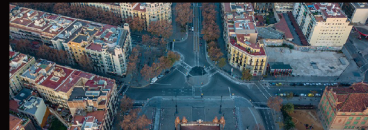
What about travelling internationally?



As expected, the data and survey information that is available acknowledges that international travel will remain weak in 2021, with 84% of people expecting to continue to travel less this year. Where this trend could become more noticeable for Toronto and downtown investment, is a potential drop in demand for international education, meaning students coming to Canada. However, with a significant amount of international real estate purchases expected to be driven by educational motives, there could be a rise, in 2021, of permanent family relocations to education hubs, with Toronto included.

The 15-minute City

A concept currently attracting metropolitan authorities and urban planners alike, the 15-minute city, as authorities aim to jump start the next phase of urban life safety and sustainably, now in the wake of Covid-19. While not a new concept, it is another example of an idea that has been given a bump by the pandemic and the ongoing focus on wellbeing that has swept the corporate and community landscape.



The theory, by Carlos Moreno, a professor at Sorbonne University in Paris, is based on four pillars: proximity, diversity, density, and ubiquity. It is based on city residents being able to find everything they require (work, shopping, entertainment) within a 15-minute walk or cycle ride of their residence. What this has led to is that the belief that the rhythm of the city should follow human movement and simple actions, not cars or commuting, and every area should be able to supply residents with multiple needs and purposes.

The benefits are social as well as environmental. Less car use leading to reduced emissions is the simple benefit but another bi-product is improved air quality and, ultimately, a healthier population. Cities across the globe are starting to experiment and/or implement some of the principles. Most notable is Barcelona, which led the way with the introduction of its "superblocks", islands of car-free space made by re-routing traffic, starting to build these out years ago.

Quick Fact Real Estate Growth

Reviewing the key residential markets across the globe confirms that average price growth accelerated over the past 12 months, as it has locally. Interestingly, Toronto's growth of 10-15% was impressive, but it was Auckland that led the pack with an 18% uptick, reflecting New Zealand's solid handling of Covid-19. Low mortgage rates, the search for more space, privacy, and changing commuting patterns are helping push prices higher.

TCS Highlights

Forbes

We hope you caught Simon's recent article on Forbes.com about building a successful referral-based business (if you didn't, you can check it out here). In it, he underscores the importance of knowing your value proposition and getting comfortable with asking current clients for referrals. TCS has been powered by client referrals for almost 30 years, and we have sustained these relationships by delivering on our promises.

Right now, we are in a period of modest growth and have some promising new developments in negotiation. If you know someone who is seeking to expand their investment portfolio and learn more about our program, please contact Simon directly and we can schedule an introductory call. We are looking to add only a select number of new clients to our roster and would be pleased to connect with individuals from your professional or personal networks who have shown an interest in what we offer.



Livabl_
BY BUZZBUZZHOME

Our CMO, Rich Kuyper, was recently featured in real estate publication Livabl.com. Rich discussed his background in sports and entertainment, specifically the golf industry. Rich also detailed some of his conventions for marketing products and services and delved into the human-centric approach he is employing here at TCS.

We are excited to have Rich on board, and if there are any clients who want to hit the links this summer, get in touch and we'll schedule a date and be sure to bring your "A game".

Read the full article here...

Scholarship Program.

TCS is extremely proud and grateful to give back to the education sector through student scholarships and awards, especially during a time when traditional learning has been upended. Since launching the program in late 2020, we have partnered with three of the top business schools in Ontario to provide scholarships to students studying real estate and investing.

TCS and its founders, Simon S. Mass and John Mehlenbacher, believe in supporting the next generation of thinkers, innovators and leaders in the real estate investment industry. We look forward to telling you more about our exceptional scholarship recipients in the coming months. It has undoubtedly been a tough year for these university students who have had to grapple with distance-learning and campus closures on top of everything else.

We are thrilled to be partnering with these schools and programs, and we hope to make a positive impact on the lives of students through our scholarship program. Below are a few statements from faculty members of these institutions.



The Condo Store Community Builder Award, Ted Rogers School of Management, Ryerson University

"We are grateful to TCS for its generosity and we'll remember this award not only for its contributions to our wonderful students but also for boosting our spirits in a year that will be remembered for all its challenges forever. I am sure that this award will add further energy to the competitive and community-minded spirit of our Real Estate Management students."

- Degan Tittinghul, Program Chair, Real Estate Management

The Condo Store Real Estate Appraisal Group Scholarship, Lang School of Business, University of Guelph

"Industry support is vital for an applied program such as the Real Estate major at Lang. The generous support of The Condo Store furthers a strong connection to the industry for our students and the program."

- Roger Holtermann, Assistant Professor of Real Estate Finance

The Condo Store Leadership Award, Schulich School of Business, York University

This award is intended to benefit incoming Master of Real Estate and Infrastructure (MREI) students or MBA students specializing in real estate and infrastructure at the Schulich School of Business. The award will recognize students who exhibit exceptional leadership through the submission of a one-page essay that showcases and speaks to their leadership principles in the real estate and infrastructure sector, and show demonstrated financial need.

Two great examples of this TCS community initiative in action are: Simon appearing as a guest lecturer in a second-year Real Estate course at the University of Guelph's Lang School of Business in March 2021 and helping an entrepreneurial competition at the University of Bath. With the Lang School, Simon discussed his path to the real estate investment sector and had a great discussion with current students and faculty about the fundamentals of leverage, time, quality, and other principles that TCS uses widely when evaluating investment opportunities for its clients.

Secondly, Simon volunteered his time with his undergraduate alma mater, the University of Bath, in February 2021, to assist in its Bath Entrepreneur program. This included a keynote address to the students and other participants, as well as multiple rounds evaluating and judging innovative entrepreneurial proposals brought forth by various teams of future entrepreneurs. This all culminated with awards in several categories and the participants' concepts being taken to faculty and other alumni for market feasibility.



BlackNorth Pledge.

In early February, our CEO Simon S. Mass signed the CEO Pledge with The BlackNorth Initiative. The pledge is a commitment and confirmation that TCS will always strive for an inclusive environment that is free of racism and discrimination. This is an important step for us and all those we do business with, but there is much more that needs to be done in order for progress to occur. At TCS, we understand that our industry's workforce isn't as diverse as it should be. Through our hiring practices and internship program, we will continue to expand opportunities for women and BIPOC communities. Diversity and equity are top priorities for us, and we encourage others to make this pledge and join the initiative.

Speaking about the initiative and TCS's commitment, Simon had this to say, "It was great to speak with We Hall (Executive Chairman & Founder of BlackNorth) about how TCS can be a part of spreading the word and initiating real change for the betterment of visible minorities."

Simon has also been in discussions to aid and support the efforts of the BlackNorth real estate sub-committee, including meetings with Ene Underwood (CEO, Habitat for Humanity GTA). "If we can use our company, its people and its market position to help bring more and better housing to underserved communities within our community, we are going to help wherever and whenever we can".



15th Anniversary Program.

Are those the sounds of spring or the purring engine of a 2021 Jaguar F-Pace? In March, our participating clients began coordinating the arrivals of their gifts, which are expected to reach North America in the coming months. These luxury vehicles are being actualized in real-time, rather than at the date of closing.

Overall, we are elated to announce that through this program we sold just shy of 200 units at 10th East and Reserve Collection, and 100 clients qualified for the Anniversary gift - which shows how amazing our clients are and how incredible and powerful this 15th Anniversary program is! There may not be another real estate program or company that will spend literally millions of dollars on an incentive program for their clients. (Each qualifying client had the option of receiving the car or the equivalent in cash back at closing).

It may be many moons before we see a program of this size and scale again, and we are confident that you will never see this from any other real estate company. But as we look forward to 2021 and beyond, maybe there is something else cooking as we look to continue to differentiate our company from those that only can claim to be like us. You will have to watch us closely!

We are thankful for all our clients and value those relationships above all else. Guiding you to and through these real estate investment opportunities is our pleasure and we could not have been doing this for over 15 years without your continued support.

What we liked this quarter



"At the time of launch, Bridgewater broke the ceiling for condo prices in Burlington"



"It is incredibly important to treat every client as your top client"



"If you treat somebody with courtesy and respect — not overdoing it but with common decency — you'll create a connection."



"The absorption of knowledge is much faster when it's given in the context of real stories"



"Trust, tact and tenacious service — have led to our success"



"A smart investment strategy that is driven with factual analysis rather than a glossy broker marketing brochure."



"...not a single client took the option."



"Pure exhilaration constantly tempered with somber anxiety."



"You have to be careful when you are scaling a business"