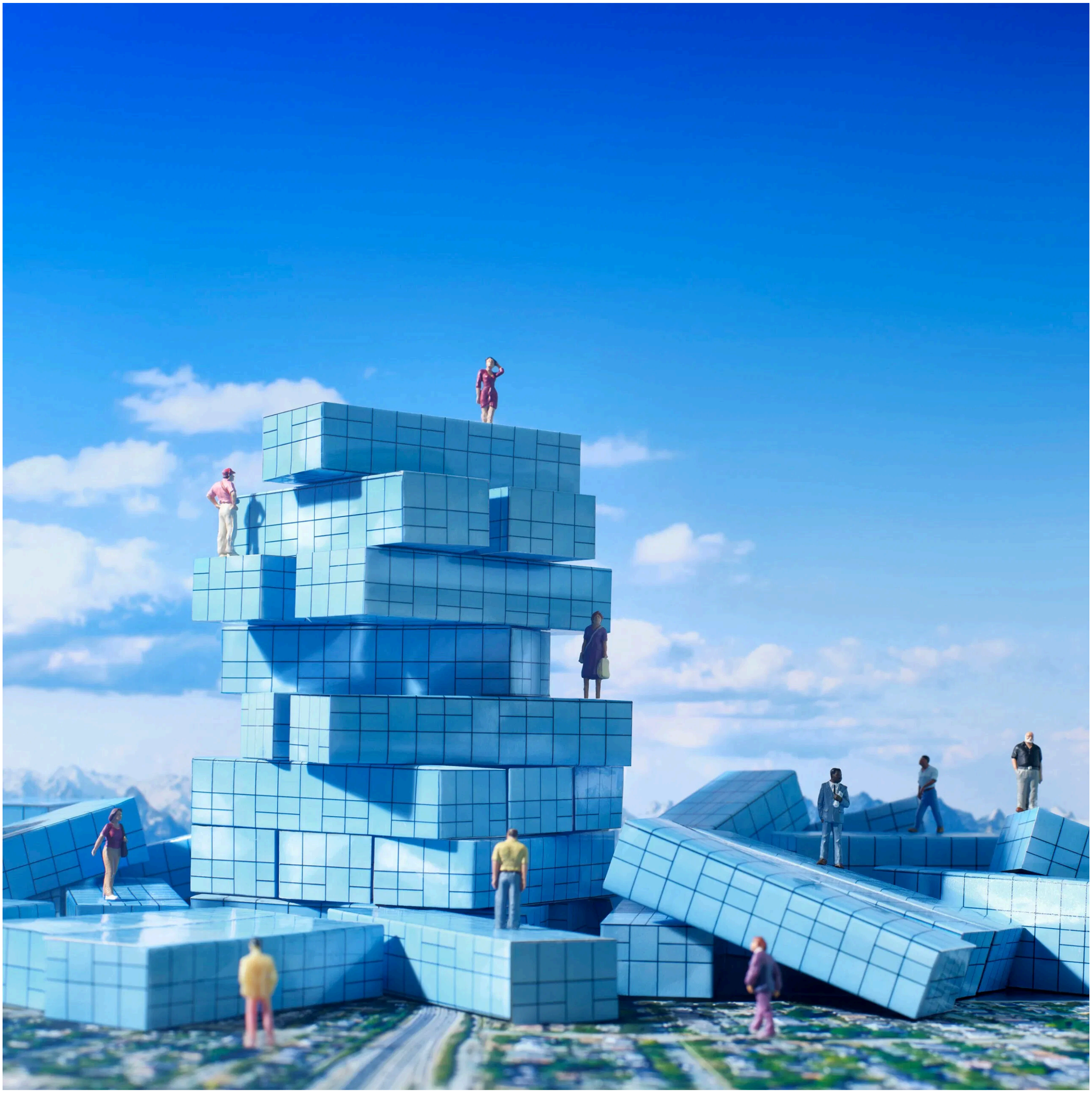

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The Condo Crash

For years, low interest rates fuelled a big-city condo-flipping frenzy. Profits got bigger and condos got smaller. Now the bubble has popped, leaving behind thousands of unsellable, unlivable units.

BY ALI AMAD

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In the spring of 2022, Nizar Tajdin, a 41-year-old Montrealer, signed a deal he thought would set him up financially for years to come. On the advice of a realtor he'd met through a friend, Tajdin made a 10 per cent deposit on an $855,000 pre-construction condo. It was a 468-square-foot, one-bedroom unit in Toronto's Forest Hill neighbourhood, a wealthy enclave not far from downtown. The project was scheduled for completion in 2024. But Tajdin didn't intend to move into the condo, or even to close on the deal.

Instead, he planned to flip it before it was completed. Tajdin's realtor—an agent named Rahim Hirji, who advertised himself as a specialist in "platinum pre-construction condos"—had devised the plan. It was called an assignment sale: the legal transfer of a purchase agreement to another buyer before closing, at a higher price than the seller originally paid. In essence, it means flipping a condo that doesn't yet exist. Assignment sales had become a common hustle in the booming Toronto condo market. Tajdin says Hirji told him that he could make back double his deposit; he even offered to find a buyer in exchange for a fee.

Still, Tajdin was nervous. If he couldn't sell in time, he'd have to close on the property himself, and he knew he'd never be approved for such a steep mortgage. If he couldn't close, he'd forfeit his entire deposit. But the friend who'd introduced him to Hirji had inked several similar deals, making money each time. In the exuberant Toronto condo market, it seemed impossible not to. And Tajdin still had two years before the unit was finished. So he took the plunge, using his entire life savings of about $60,000 and borrowing the rest from his family. Then he waited for Hirji to find a new buyer.

The same month Tajdin signed his deal, Toronto condos reached an average price of $808,000, after years of surging demand that had helped turn the city into one of the least affordable real estate markets on Earth. Unfortunately for Tajdin, it was also the moment the bubble began to deflate. That month, the Bank of Canada raised interest rates in an effort to slow down borrowing and cool overheated inflation. Investors immediately retreated and, over the next year, condo sales plunged in Toronto by 43 per cent.

Soon after Tajdin made his deposit, Hirji stopped responding to his calls. Tajdin tried enlisting other realtors to find a new buyer, but they had no luck. Even if they had, the prospect of making a profit had vanished. By the first quarter of 2024, average condo values in the city had dropped by nearly $100,000 to $696,000. As his closing date neared, Tajdin panicked; his only hope was that the market would unexpectedly rebound. But in February of 2024, the worst-case scenario became a reality. Tajdin's closing date arrived, and he couldn't seal the deal. He didn't even bother trying to secure a mortgage; after multiple discussions with banks, it had become obvious that it was futile.

The developer, CentreCourt, kept his deposit. Then it went a step further, suing Tajdin for $860,000 in damages, interest and legal fees for breach of contract. It sold the unit to another buyer for $420,000, less than half of Tajdin's agreed-upon purchase price only two years earlier. Tajdin, in turn, filed his own lawsuit against Hirji, seeking indemnity from liability with CentreCourt and damages equal to his deposit. (I reached out repeatedly to Hirji for comment, but he did not respond.)

Tajdin has already spent a small fortune on legal fees and could be looking at years of legal battles ahead. If a judgement is rendered against him, he fears being forced to file for bankruptcy. "A bankruptcy effectively costs you the next seven years of your life." he says. "One would not be able to get financing for a car or a house, or make online purchases or reservations. You lose your freedom, you lose your convenience. Your reputation and credibility suffers."

Tajdin is one of thousands of Canadians who have been caught in the fallout of the country's collapsing condo market. Many are middle-class buyers who fell victim to the relentless real estate hype machine. They were told that big-city condos were a surefire place to park their money—and they were the biggest losers when the floor dropped out of the market. Since peaking in 2022, condo values in Toronto have plunged by 16.5 per cent and in Vancouver by nine per cent. Those averages mask the much larger losses experienced by would-be investors like Tajdin. Now, many buyers are on the hook for mortgages they can't secure. Others own condos they can no longer sell, sinking deeper into the red every month as their carrying costs exceed what they can charge in rent. And a growing number are finding themselves on the wrong end of legal action as developers seek to recoup losses by taking legal action against buyers who back out of presale agreements.

Those developers, meanwhile, are unable to sell enough pre-construction units to finance new buildings. Many are entering receivership, postponing new construction and exacerbating an already painful housing shortage. Some are sitting on thousands of completed but seemingly unsellable units, built first and foremost as financial assets rather than functional housing.

The implosion has been most acute in Toronto and Vancouver where, over the past two decades, the condo boom reshaped skylines and transformed the very idea of housing. It was in these cities that condos evolved into something both more and less than homes: the ultimate financial asset, favoured first by rich investors and later by middle-class Canadians who plowed increasingly enormous amounts of personal wealth into them.

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Real estate, especially in Canada's most expensive cities, has for decades been considered a sure bet. For a long time, it was: since the 1990s, Canadian housing prices have gone steadily up, with only the briefest interruptions, even as naysayers and market pessimists came and went. Buyers became more deeply leveraged, and debt loads grew, but so did windfall profits and eye-popping flips.

And so for years, more and more investors piled in, building their nest eggs in the sky. When the market nosedived, it was those same investors who shouldered the worst of the collapse, exposing the fundamental flaws in our housing system: rampant speculation, the pursuit of short-term profit over long-term sustainability, and a laissez-faire attitude from policymakers who allowed everything to spiral out of control.

As of 2019, 38 per cent of Toronto condos were either vacant, rented or used as a second property. PHOTO BY ISTOCK

Condos have transformed Canadian cities—and yet, just a couple of generations ago, they didn't exist. The first Canadian condo building was a townhouse complex built in 1967 in Edmonton. That same year, Ontario passed the Condominium Act, allowing developers to sell units as separate properties, instead of operating entire buildings as rentals.

The concept caught on slowly, stymied by a nation of homeowners more comfortable with detached houses. Banks looked at condos as a risky experiment in property ownership, and consumers were wary about only owning the space within their walls. But in 1975, Ontario introduced rent controls. That kickstarted a long period of decline for purpose-built rentals—and laid the groundwork for the big condo boom. Selling units up front allowed developers to quickly recover costs and free up capital for new projects. And, as rising prices pushed detached houses out of reach for many buyers, condos caught on with downsizing seniors and young people eager to grab on to the first rungs of the property ladder.

But the same attributes that made condos so appealing to a certain segment of the market—that they were small, cheap and easy to rent—also made them enticing to investors. As the new millennium approached, what started as a practical means of building new urban housing evolved into a vehicle of passive wealth creation.

By the early 2000s, the opening of a new condo sales centre in Toronto or Vancouver often looked more like a film premiere than a real estate event, particularly in swanky neighbourhoods like Toronto's Yorkville or Vancouver's Yaletown: red carpets unfurling onto sidewalks, searchlights sweeping the night sky, crowds of buyers clamouring for entry. In 2006, the Bohemian Embassy condo in Toronto's rapidly gentrifying Queen Street West neighbourhood transformed its showroom into a nightclub. Spokesmodels traipsed the concrete floors alongside servers pouring Grand Marnier cocktails, each with a blinking-red-light stir stick. The PR firm running the event offered a two per cent discount on units to its clients. It all felt very rich, very cosmopolitan—and Canadians embraced the spectacle.

Luxury condos were marketed as lifestyle trophies. Foreign buyers snapped up thousands of units. International investors accounted for nearly twothirds of pre-construction buyers in downtown Toronto's Trump Tower (now called the St. Regis) as of 2007. Vancouver had a similar surge, with hundreds of millions in foreign capital flowing in. The most expensive units became speculative assets in a global game of wealth transfer.

The investor-driven market fundamentally transformed what kinds of condos were built. Units constructed in Toronto before 1990 had a median size of 1,000 square feet, rivalling small houses. Square footages have consistently shrunk ever since. Compact sizes meant more units could be squeezed into every building, and it became standard practice for developers to sell units before construction began. Once a threshold of 50 to 80 per cent of units were pre-sold, lenders would release funds to begin construction. By the early 2000s, the entire development model revolved around pre-construction units, designed and priced with investors in mind. To stoke demand, developers staggered sales. First, VIP units were offered at discounted prices for realtors, and family and friends of builders. With each new release, prices rose, sometimes climbing two or three times before reaching the general public. In 2007, hundreds of people lined up for weeks to score a presale unit at One Bloor, then the tallest planned building in the city, at 80 storeys.

Yet as the market ballooned, quality control suffered, says Andrew Harrild, a Toronto-based broker. "A lot of developers were guilty of stripping back quality after pre-construction sales were completed." The most common downgrades included cheaper laminate flooring and countertops, lower-grade cabinetry and hardware and budget appliances swapped in at the last minute. Other problems went deeper than aesthetics. For a while in Toronto in the early 2010s, new and under-construction buildings suffered a spate of window collapses, with glass panels crashing hundreds of feet onto streets and sidewalks.

As square footages shrank, developers scrambled to shoehorn more units into buildings, creating nonsensical layouts. Even three-bedroom units, ostensibly suitable for families, were often crammed into 800 square feet or less. The result: cramped living areas where the only room for a couch might be right up against the kitchen stove; bedrooms that could barely fit a bed; and bathroom doors that couldn't fully swing open without banging into the toilet.

Municipal zoning bears some blame here. Canadian cities tend to allow dense new housing along only a handful of major corridors and designated areas, creating skylines gleaming with new towers that are surrounded by low-density homes. That made it even more enticing for developers to squeeze as many tiny units as possible into buildings, maximizing returns on the small amount of urban land where they were permitted to build. But the resulting glut of impractically tiny units was, in many cases, suitable for only the smallest households. Building amenities, one of the selling points of many condo buildings, were increasingly unimpressive: bare-bones party rooms, tiny gyms, frequently out-of-commission pools.

This reality was at odds with the industry's marketing, which retained the opulent trappings of the boom's earliest days, when "luxury" and "condo" almost inevitably appeared side-by-side. Developers and realtors produced flashy, cinematic ads to promote new projects, full of sweeping drone shots of city skylines, slick slow-motion footage of rooftop terraces and pools, and aspirational scenes of residents living their best lives. Celebrity endorsements gave some projects a patina of exclusivity. In 2019, musician Pharrell Williams was hired by developers to "curate" the Untitled Residences project in midtown Toronto, lending a hand to the design of exteriors, furniture and other components. In a promotional video, Pharrell declared: “It’s Untitled because we wanted to leave space for you.”

But increasingly, the marketing didn’t matter. By 2019, 38 per cent of Toronto condos were investments: either vacant, rented or used as a second property. In Vancouver, the share of investor-owned condos was even higher, at 46 per cent. Those buyers relied on a steady pipeline of transient residents: students, temporary immigrants, young renters and newcomers to Canada, content to put up with cheap finishes and cramped quarters because they planned to move on soon enough to bigger, better things of their own.

At the same time, the profile of the typical condo investor shifted. Amid all the hype and marketing, people of modest means piled into the market in greater numbers. More than ever, buyers viewed second-property ownership as a foolproof means of wealth creation. Prospective investors were subject to relentless sales pressure from the growing ranks of realtors focused solely on pre-construction sales. Behind them lay a satellite industry of flippers and self-styled real estate experts. They marketed themselves as investment experts on social media, hawking tickets for dubious seminars, urging people to “take action now” as prices climbed. It seemed they would never come back down.

In 2005, the benchmark price for a condo in the Greater Toronto Area was about $200,000. A decade later, it was more than $300,000. By 2020, it was nearly $600,000—tripling in value in 15 years. By comparison, the total value of the Toronto stock exchange merely doubled over the same period. And unlike the stock market, condos seemed impervious to financial shocks. The TSX lost nearly half its value in the aftermath of the 2008 financial crisis, taking years to recover. Condo prices took a small hit, then kept right on surging.

In 2018, in an article published in *Toronto Life* magazine, RBC economist Dawn Desjardins said that strong market fundamentals would keep the industry humming: a surging metropolitan economy, high immigration levels and Toronto's reputation as a magnet for Canadians from other provinces. Prices had risen for so long, so reliably, that investors put anxieties about property bubbles mostly out of their minds. After all, someone who bought pre-construction in 2010 and flipped by 2016 might have cleared $100,000 without ever closing on the unit. Repeat that a few times, and it feels like a bulletproof formula.

Meanwhile, new condos had shrunk further, to nearly Lilliputian proportions. According to Statistics Canada, those built in Toronto from 2016 to 2020 had a median size of only 650 square feet, compared to 1,000 square feet a generation earlier. Vancouverites had more elbow room, with a median size of 816 square feet—but condos in that city marketed specifically as investment properties came in at only 615 square feet. Video walkthroughs of these condos went viral for all the wrong reasons: shoebox layouts, windowless dens passed off as bedrooms, "open-concept" living spaces that looked like hallways. None of this mattered to investors. Toronto realtor Sean Miller recalls how buyers at this point were ready to buy any newly available unit, the moment it became available. "If you didn't get to them by noon, they were sold out," he says. "Whatever you could get, you would grab."

For a moment in 2020, it looked as if the party were about to end. As economies cratered, immigration stalled and global markets roiled with uncertainty during the COVID pandemic, the Canadian Mortgage and Housing Corporation predicted average housing prices would decline by up to 18 per cent and then take years to recover. Instead, the exact opposite happened. To stave off economic collapse, the Bank of Canada held interest rates at a rock-bottom 0.25 per cent throughout 2021 to encourage borrowing and spending. Rather than dropping, housing prices shot up faster than ever. In the first quarter of 2019, the average Toronto condo cost $560,000. By the first quarter of 2022, it was $808,000.

Realtors, mortgage brokers and developers worked in lockstep to keep the momentum going. Celebrities continued to bang the drum of pre-construction investment: in 2022, Canadian actor Simu Liu, of Marvel Cinematic Universe fame, lent his name to a 69-storey downtown Toronto project. Comedian Russell Peters teamed up with the Condo Store, a Toronto real estate firm specializing in pre-construction units, to promote them as investment opportunities. "It's not just for the rich—it's for the average person, too," he proclaimed in a press release. Again and again, the message was clear: unlike the unpredictable stock market or the Wild West world of cryptocurrency, property was safe and sensible.

This was why Sara, a thirtysomething single mother living in Toronto, invested in her condo (I've used a pseudonym to protect her privacy). Like many in her generation, she'd grown up believing that real estate was the fastest path to financial security. She'd watched prices rise steadily for her entire adult life, and she'd seen relatives prosper in the real estate market. She wanted to do the responsible thing. So, in 2020, she used an inheritance from a relative to put down a $116,000 deposit on a $580,000, 323-square-foot pre-construction unit.

Sara didn't have a realtor to represent her interests; instead, she dealt with the agent hired by the building's developer, CentreCourt—the same builder that sued Nizar Tajdin. That's common. Many buyers are funnelled to these realtors through websites advertising new buildings. Chatbots field their initial questions, then hand them off to in-house sales teams, who are under intense pressure to close deals quickly and secure project financing. One of the most effective sales pitches at the height of the condo-market froth was that, if a buyer didn't get in fast, they might lose their chance forever. That's what persuaded Sara. She was seduced by email blasts from agents warning her that units were selling fast. She came to think that if she didn't buy soon, she might miss her chance at property ownership for good. Her plan was to rent out her condo for a few years, watch its value climb then sell for a profit.

Sara suffered the same bad timing that Nizar Tajdin did. In March of 2022, the Bank of Canada hiked interest rates, signalling the end of the cheap-money era. Over the next 18 months, rates rose nine more times. Sales of new condos in the GTA fell over the next 12 months to a 15-year low as mortgage costs skyrocketed.

Sara was worried about how high her payments would be when it came time to secure a mortgage and close on the unit. She asked a realtor about the possibility of an assignment sale, but she was told it wasn't a good time to do it. Still, she stayed hopeful. "This is Toronto," she thought. "It'll get better."

When it came time for Sara to look for a mortgage, the condo's appraised value had fallen to roughly $360,000, which was $220,000 below the price she'd agreed to pay for it. Some lenders were only willing to approve a mortgage for the new, lower value, leaving her responsible to cover the rest. Others refused to offer a mortgage outright due to the unit's size. Many banks are unwilling to approve mortgages for units under 400 square feet, especially in a down market, due to concerns they won't be as easy to resell or rent.

When Sara couldn't close, CentreCourt, the same developer suing Tajdin, sued to keep her deposit and have told her they will seek additional damages, which could run another $100,000 or more. Lawsuits like the ones CentreCourt has brought against Nizar Tajdin and Sara have become increasingly common in the past three years, as developers deal with more and more buyers failing to close. Shahzad Siddiqui, a lawyer with Landy Marr Kats LLP in Toronto, is representing Tajdin in his suit. "I'm personally handling almost 20 cases like this right now," he says. "There are hundreds, if not thousands, of similar cases in the Greater Toronto Area." A *Toronto Star* investigation this spring found nearly 130 suits brought against buyers by two developers alone, CentreCourt and Mod Developments.

"Online, people are calling us greedy investors and saying we deserve to suffer like this," says Sara. "But the ones losing right now are middle-class and working-class people like me, who were just securing something for our family's future. The people who are actually rich aren't losing here. They're just waiting for the market to recover."

That isn't likely to happen quickly, given the scale of the bloodletting. One of the most ominous indicators of the collapse was the One, an 85-storey project in downtown Toronto, long touted as Canada's tallest residential tower. (It is directly across the street from One Bloor, which previously held the title and which attracted long lineups of buyers in 2007.) Marketed with the glossy confidence of a luxury brand, the project promised to redefine the city's skyline. Then, in October of 2023, developer Mizrahi Inc. announced the building had gone into receivership after it defaulted on more than $1.6 billion in debt, much of which was due to pandemic-related cost overruns. Buyers who had made deposits were left in limbo.

Over the past two years, development delays have piled up. Since the beginning of last year, at least 28 projects in Toronto, with more than 5,700 units, have been cancelled, postponed or put into receivership. In a few instances, builders have even halted construction on partially finished buildings. In 2023, unpaid construction workers walked away from a four-tower development in Kitchener, Ontario, with the project 80 per cent completed. When that project went into receivership, the owners owed $100 million, but only had $300 in the bank.

Rising interest rates triggered the slowdown, but a slew of other factors have made it worse. First, construction costs soared thanks to pandemic-choked supply chains. Then, beginning last year, the federal government rolled back immigration, especially for temporary workers and international students. Canada's population growth has since flatlined. In Ontario and B.C., provincial populations actually declined as of the second quarter of this year. Those provinces' biggest cities no longer draw the masses of young Canadians that helped bolster their rental markets before the pandemic. Last year, Toronto experienced a net loss of nearly 10,000 people in their twenties and thirties to other parts of Canada; Vancouver lost 5,700. Most recently, Trump's tariffs caused steel and aluminum costs to skyrocket.

Now, the market is entering a painful reset. As of this spring, the inventory of unsold units in Toronto totalled more than 23,000, which would take nearly five years to sell at the current rate. Of those, nearly 2,000 are built and sitting empty, more than 11,000 are under construction and roughly 11,000 more are in pre-construction projects. In Greater Vancouver, more than 2,000 units are currently built and sitting empty, a figure expected to swell to 3,500 by year's end.

In early 2024, data from real estate consultancy Urbanation showed that 81 per cent of investors with mortgages on newly completed condos in the Greater Toronto Area and nearby Hamilton were losing money each month—$605 on average. Some were in significantly worse shape, clinging to properties that no longer made financial sense.

John Pasalis is a Toronto-based real estate broker. He blames policymakers and housing economists for the mess. "They saw what was happening and looked the other way," he says. According to Pasalis, governments have focused too much on simply adding new housing supply and too little on how construction is financed. "It doesn't make sense to offload risk onto mom-and-pop investors when big banks and builders are far better at managing and mitigating it," he says. And since few meaningful barriers exist in Canada to discourage speculative buying, the bubble kept inflating.

In Greater Vancouver, more than 2,000 units are currently built and sitting empty, a figure expected to swell to 3,500 by year's end. PHOTO BY ISTOCK

The collapse of the condo market, and the failure of policymakers to rein it in, will have consequences that reach far beyond investors in free fall. Between 2011 and 2021, condos comprised 89 per cent of total apartment completions and 54 per cent of total new rental supply in the Greater Toronto Area. In some big cities, or at least in their urban cores, new housing became almost synonymous with condos, even as the units were used as investment vehicles—small, one- or no-bedroom units unsuitable to the needs of the country's population.

As a result, the long-term consequences go beyond affordability; they shape who gets to build a life in the country's biggest cities. Research from the Missing Middle Initiative, a group of housing policy researchers at the University of Ottawa, shows a strong correlation between the growth of ownership-based homes with three or more bedrooms and the population growth of young children. And by sidelining families, policymakers have also jeopardized a key pillar of Canadian financial security: the ability to build equity and retirement savings through homeownership.

Buyers aren't only holding back due to mediocre or undersized units. Even the reduced prices developers are now advertising remain out of reach for many. So sales continue to fall: this past June, the Canada Mortgage and Housing Corporation indicated that condo sales in Toronto and Vancouver were down 75 per cent and 37 per cent, respectively, between 2022 and the first quarter of 2025.

The decline affects both completed units and pre-sales—and the latter is especially ominous, since developers need them to finance new projects. From January to June of 2025, housing starts were down 44 per cent in the Toronto metro area, and 11 per cent in Vancouver's, compared to the same period in 2024.

Faced with a lack of buyers, and as many as 30 per cent of their units unsold, some developers are now converting entire projects into rental buildings. Taking advantage of their urgency to offload inventory, opportunistic investors are also stepping in to buy large blocks of units at discounted prices. Elsewhere, hope springs eternal: some developers have taken out short-term “inventory loans” to paper over their finances. This is an approach that gained popularity during past market crunches, in which lenders will provide a loan for roughly half the current value of unsold condos in a building, secured with a mortgage charge on each unit. The terms are short, typically only a year. And interest rates can run as high as 8.5 per cent. These loans are a risky proposition resting on a fragile assumption: that the market will recover very soon, allowing a developer to pay off the inventory loan with better selling prices in the near future.

The prospect of an uptick in the market in coming years offers little solace to investors left reeling in the wake of the condo collapse. The stress of uncertainty weighs heavily on Nizar Tajdin, from the moment he wakes up to the moment he goes to sleep. “It feels like I’m going to be trapped in this forever,” he says. Attempts to serve his realtor, Rahim Hirji, with court papers have failed. According to Tajdin’s lawyer, Shahzad Siddiqui, Hirji has vanished—though his business profile on Facebook remains active. In his last post, in 2023, Hirji promoted another pre-construction development in Toronto’s west end.

But some of those who built fortunes in the big-city condo business are sticking with it—they’re just adjusting their pitches. On July 1, a Facebook post by a GTA realtor whose handle is soldbytish read, “Inventory is up. Sales are slower. The headlines make it sound like the sky is falling. But smart investors? They’re still buying.” It ended with a call to action: “Want to make the most of this shifting market? Let’s talk.”