

Zeppelin's Real Estate Tech

1Q 2023: A Real Estate Newsletter by Zeppelin Partners Limited

Phone (852) 37576388 Fax (852) 37576399 E-mail stephenchung@zeppelin.com.hk Web: www.Real-Estate-Tech.com

Ukraine x Russia still, geopolitical tension, global debt rising, so is inflation, SVB, Credit Suisse, Signature, slower real estate markets, tight logistics, and Everything Everywhere All At Once.

In this issue:

- **Real estate investment: timing, places, and people**
- **Canada tax time: guesses on income taxes to be paid in different provinces**
- **City of Toronto residential real estate: charts and tables**

"It is difficult at times to tell the difference between belief and cult, economics included".

We also like to hear from readers wishing to share their real estate experience with us.

This quarterly (generally published in spring, summer, fall, and winter) newsletter is circulated freely via email to readers likely comprising real estate developers, investors, fund managers, financiers, owners, users, top executives, senior managers, prominent academics and related professionals. Our content has also been published in newspapers and web portals such as the [South China Morning Post](#), [China Daily](#), [Hong Kong Economic Journal](#), [21st Century Business Herald](#), [Apple Daily](#), [Sing Tao](#), [Quamnet Magazine](#), [The Standard](#), [MITCRE Alumni Newsletter](#), [Surveying Newsletter](#), [Reidin.com](#), [Centanet.com](#), [Netvigator.com](#), [Hongkong.com](#), [E-finet.com](#), [Red-dots.com](#), [PacificProperties.net](#), [Soufun.com](#) and [House18.com](#). We had also been quoted in the [Asian Wall Street Journal](#) and interviewed by [USA Today](#), [i-Money](#), [Ming Pao](#), [Radio Hong Kong](#), [Cable TV \(Money Café\)](#), [DBC Radio](#), and [Commercial Radio](#). We also publish monthly articles and analyses in the months in between. This newsletter is now into its [26th](#) year and [106th](#) issue.

We also operate a website www.real-estate-tech.com through which we intend to share some of our real estate knowledge and ideas with interested parties. There are close to 1,000 content items, in English or Chinese, including analyses, articles, charts, and tables, plus spreadsheets, tutorials, e-books, and the like, the majority of which is free with some requiring a token fee. The website has been visited by tens of thousands from all over the world.

Zeppelin Partners Limited is involved in real estate development, investment, and management and offers services related to [real estate asset management](#) [analysis, investment strategy, and portfolio allocation], [project management](#) [architectural design, cost control, and contract administration], and [facility management](#) [facility utility assessment, property management strategy, and building maintenance]. We are based in Hong Kong with access to regional and global professional networks.

Stephen Chung, who created and writes this newsletter, is now Honorary Advisor to Zeppelin Partners Limited. He will continue to write this newsletter.

Readers are to seek professional consultation where required and Zeppelin including its associates and consultants do not accept any responsibility for losses arising out of the usage of the newsletter. Copyrights rest with Zeppelin and/or the author(s). Opinions expressed by invited guest writer(s) do not necessarily imply consensus or agreement on our part.

Who? Me?

Stephen Chung

Honorary Advisor, Zeppelin Partners Limited
Founder and Writer, Real Estate Tech Quarterly Newsletter
Real Estate Website Developer, www.Real-Estate-Tech.com

Stephen is an independent real estate analyst – number cruncher and chartered surveyor and has been involved in real estate development, investment, and management in Hong Kong / China / Asia and North America.

Stephen provides relevant real estate market insights and macro-micro assessments to real estate developers, investors, owners, financiers, funds, and civic organizations, and possesses many years of experience in building economics, project management, facility strategy, marketing, and research.

Stephen is also a regular real estate writer - columnist and his articles have been published in both English and Chinese media including the following:

- China Daily
- Hong Kong Economic Journal
- South China Morning Post
- Apple Daily, Sing Tao Daily
- Quamnet Magazine
- Real estate and finance websites such as Soufun.com, Finet.com etc
- Journals of professional institutes such as the Hong Kong Institute of Surveyors

Stephen had been an honorary adjunct professor of the University of Hong Kong and has been invited to speak to audiences from:

- Universities: such as the University of Hong Kong, City University of Hong Kong, York University
- Professional Institutes: such as the Hong Kong Institute of Surveyors, Canadian Institute of Quantity Surveyors, Royal Institution of Chartered Surveyors
- Business Associations: such as the Rotary Clubs

Stephen has written 4 real estate books in Chinese to date as follows:

Online book = Easy Real Estate Lectures
Hard copy = Real Estate Investment Know-How above 101
Hard copy = The Real Estate Market Turning Point
E-Report = USA Residential Real Estate Analysis

We welcome enquiries from interested parties and could be reached as follows:

Email: StephenChung@zeppelin.com.hk
Office Phone: 852-37576388
Office Fax: 825-37576399
Office Address: Unit 07, 10/F CCT Telecom Building, 11 Wo Shing Street, Fo Tan, Hong Kong
Websites: www.zeppelin.com.hk and www.Real-Estate-Tech.com

Real estate investment: timing, places, and people

Real Estate Tech, 1Q 2023

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Timing, Places, and People at Different Market Stages		Different Market Stages:				
		Bottoming	Turning Upward	Going Upward	Nearing Peak	Peak
Timing	Deal Competition	*****	****	***	**	*
Places	Excellent Buys	*****	****	***	**	*
People	Ready Investors	*	**	***	****	*****
No. of * =		11	10	9	8	7

The more *, the better as a rule of thumb

There is an old idiom in Chinese: 天時,地利,人和 roughly meaning the optimal situation where not only the timing is right but the opportunity and morale are in synch too. The concept was said to relate to warring strategies and combat tactics in the old days.

Your humble author has adopted this concept into real estate investment: what is the optimal condition for investing into real estate? Using the three elements and roughly translating them to mean timing, places, and people, we have come up with the table above:

- 1) Timing = this refers to the market cycle and stages such as those listed in the table above; bottoming, turning upward, going upward, nearing peak, and at peak etc. Naturally, in many instances these stages could only be known and confirmed after the fact. While some experts may dispute this, your humble author considers bottoming as the optimal in timing, when not only prices are comparatively (way) lower than they used to be, at times even below replacement costs, but there are few competitors around offering these few keen buyers sufficient time to choose and pick the best suited of the crop. Of course the drawback is that usually the economy is down too and financing can be sparse, plus most tend to hold onto their wallets even if they have the cash.
- 2) Places = refers to whether there are good to excellent real estate, from a risk and return consideration, for acquisition. In general, there are always properties for sale no matter which stage of the market is in, unless one is dealing in special and rare real estate such as nuclear plants. Suffice to say price is an important factor and usually the owners' pricing power is most weak at bottoming.
- 3) People = refers to whether investors are plentiful i.e. whether capital and financing are plentiful, and relatively inexpensive too. In general, this is worst at bottoming and best at nearing peak and the peak when almost everyone wants a piece of the action driving up acquisition prices and costs.

Your humble author is certain the readers are more than capable to decipher the above table though a few notes: a) the content contained herein is subjective and should only be used as a rough reference at most; b) the content may not hold true for all markets or all group and individual circumstances; and c) the number of * is a ranking tool only i.e. it doesn't reflect the proportions of advantage or disadvantage between the different market stages. Caveat Emptor!

By the way, there might also be some cause and effect relation between the three elements.

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Canada tax time: guesses on income taxes to be paid in different provinces

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Source: https://turbotax.intuit.ca/tax-resources/ontario-income-tax-calculator.jsp#		No verification of source				
Canada 2022: Estimated Income Taxes by Provinces		For reference only, not for actual tax planning				
Consult relevant tax experts for actual cases		Based on employment incomes only				
No tax credits e.g. RRSP have been included		In CAD \$				
Includes both federal and provincial income taxes		Per taxpayer				
		No other forms of income e.g. capital gains have been included				
		Includes CPP contributions etc				
Provinces and Territories	50,000	100,000	150,000	200,000	250,000	300,000
British Columbia	6,589	20,833	40,641	63,247	88,175	114,925
Alberta	7,306	22,267	40,526	61,395	83,940	107,440
Saskatchewan	7,833	24,036	43,558	65,292	88,240	111,990
Manitoba	8,861	26,355	48,008	71,192	95,590	120,790
Ontario	7,143	22,427	44,085	68,048	93,841	120,606
Quebec	8,812	27,490	50,934	75,905	101,889	128,542
New Brunswick	8,164	25,701	46,962	71,185	97,032	123,682
Nova Scotia	9,080	27,404	49,107	74,076	100,273	127,273
Prince Edward Island	8,798	26,688	48,776	72,446	97,328	123,013
Newfoundland and Labrador	8,438	25,932	46,980	70,442	96,040	122,935
Yukon	6,607	21,087	39,474	60,315	82,449	105,349
Northwest Territories	5,792	20,238	39,323	60,832	83,555	107,080
Nunavut	4,509	17,967	35,420	55,503	76,951	99,201
Percentages % of Annual Incomes:						
British Columbia	13%	21%	27%	32%	35%	38%
Alberta	15%	22%	27%	31%	34%	36%
Saskatchewan	16%	24%	29%	33%	35%	37%
Manitoba	18%	26%	32%	36%	38%	40%
Ontario	14%	22%	29%	34%	38%	40%
Quebec	18%	27%	34%	38%	41%	43%
New Brunswick	16%	26%	31%	36%	39%	41%
Nova Scotia	18%	27%	33%	37%	40%	42%
Prince Edward Island	18%	27%	33%	36%	39%	41%
Newfoundland and Labrador	17%	26%	31%	35%	38%	41%
Yukon	13%	21%	26%	30%	33%	35%
Northwest Territories	12%	20%	26%	30%	33%	36%
Nunavut	9%	18%	24%	28%	31%	33%

More than \$1m per year? Congratulations!

It's tax time here in Canada and most if not all have to file and pay their taxes, if any, on or before 30th April 2023 for incomes procured in 2022. Yes, the tax year of Canada is the calendar year i.e. NOT from 1st April of N year to 31st March of N+1 year.

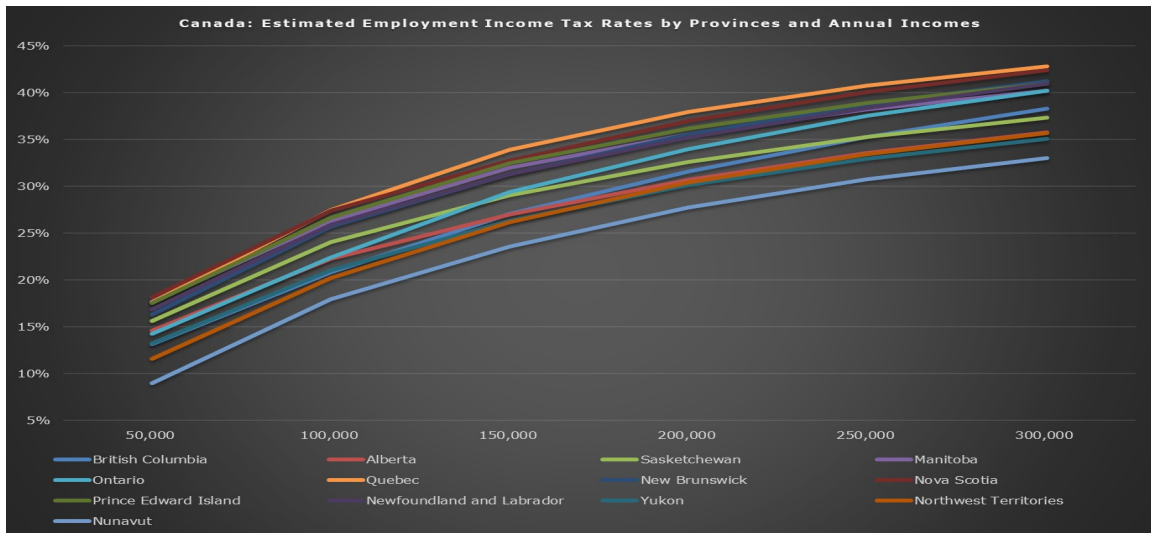
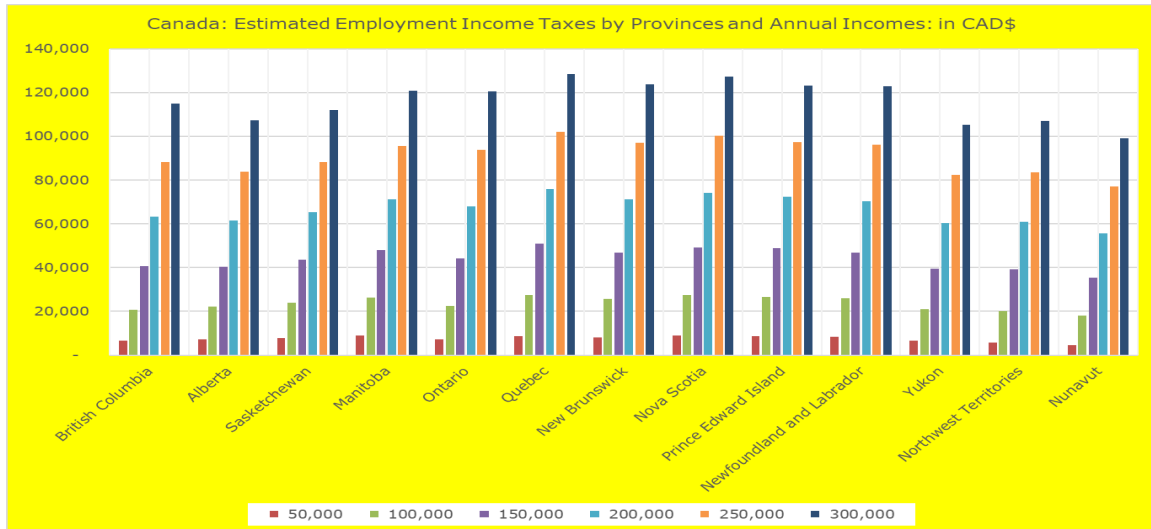
Out of curiosity, your humble author has found a webpage (URL in the chart above and no verification / vetting of its calculating validity either) which estimates the rough taxes probably owed by people based on their employment income brackets (from \$50K to \$300K in \$50K phasing) and provincial residences to Canada Revenue Agency, the tax authority.

Also, read the notes in the chart above especially on which items have been or have not been taken into account, and that it is based on employment income only. Stating the obvious, the content herein is just for rough reference, and do consult an accredited tax expert or qualified accountant where felt needed or required.

A few observations from the indicative tax calculations:

- 1) The tax is progressive in that upon reaching the income limit for any taxable income bracket, any excess income will be taxed at the rate, usually higher, of the next higher income bracket, and so on.
- 2) While the federal tax rates apply to all in Canada, the provincial tax rates apply to residences there and can vary from province to province.
- 3) As a general statement, the three territories of Yukon, NW Territories, and Nunavut offer lower taxes overall while the Atlantic provinces and Quebec have higher taxes.

The charts below can help with visualizing the differences:



Summing it up, one's 2022 income tax rate and total taxes depends on how much (employment income only in this case) income has been made and where one resides generally.

Based on the range of employment income from \$50K to \$300K used herein, the tax rates can go from less than 10% to more than 40%, or from a few thousand dollars to more than tens of thousands.

Naturally, there are ways to reduce one's taxes legitimately e.g. by contributing to RRSP (retirement plans), charitable donations, and / or incorporation etc. Nonetheless, these aren't the focus of this article nor is your humble author facile with them or the tax system in Canada.

What if one had earned \$1m via employment income in 2022? All your humble author can say is: "Congratulations!".

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City of Toronto residential real estate: charts and tables

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(Courtesy of www.publicdomainpictures.net)

We have collected data from the website of the Toronto Regional Real Estate Board (<https://trreb.ca/>) focusing on the **City of Toronto's** residential real estate market (largely the secondary market). These data start from April 2017 and end in February 2023. Rough charts and tables were compiled and some of these are listed below:

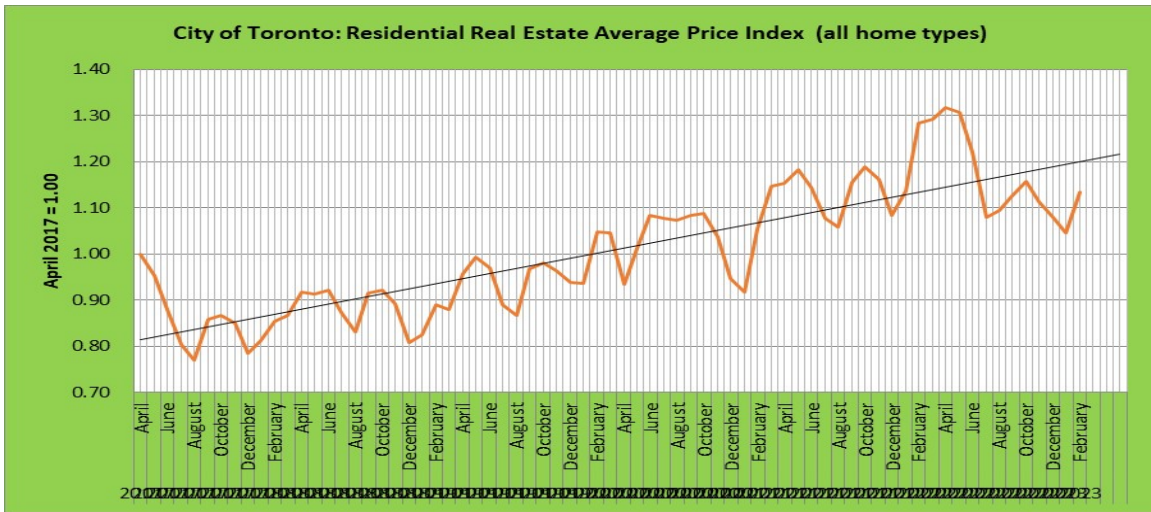
1) From April 2017 (the last price peak) to February 2023 price changes in percentages, major home types

City of Toronto:	Apr17 to Feb23
All Home Types	13.46%
Detached	8.48%
Semi-detached	15.97%
Townhouse	22.46%
Apartment	25.94%

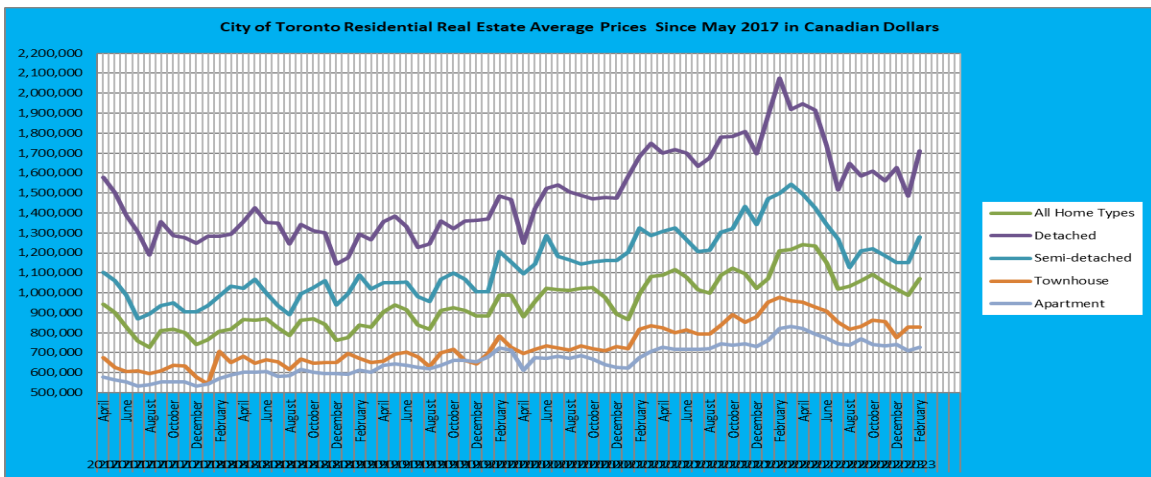
2) July 2022 versus February 2023 average and median home prices, major home types

Metro Region	Sub-district		Jan-23 Average C\$	Feb-23 Average C\$	Difference C\$ Jan-Feb23	Percentage +or- (Feb-Jan)/Jan 2023	Jan-23 Median C\$	Feb-23 Median C\$	Difference C\$ Jan-Feb23	Percentage +or- (Feb-Jan)/Jan 2023
Metro Toronto	All Home Types		987,842	1,071,043	83,201	8.42%	797,500	850,000	52,500	6.58%
	Detached		1,486,124	1,712,364	226,240	15.22%	1,270,000	1,346,500	76,500	6.02%
	Semi-detached		1,150,506	1,280,380	129,874	11.29%	1,080,444	1,133,000	52,556	4.86%
	Townhouse	Condo	827,974	827,395	-579	-0.07%	743,750	777,500	33,750	4.54%
	Apartment	Condo	711,171	728,271	17,100	2.40%	626,250	648,000	21,750	3.47%
Metro West	All Home Types		945,803	990,281	44,478	4.70%	810,000	862,500	52,500	6.48%
	Detached		1,333,427	1,462,662	129,235	9.69%	1,119,000	1,200,000	81,000	7.24%
	Semi-detached		1,042,380	1,079,656	37,276	3.58%	950,000	975,000	25,000	2.63%
	Townhouse	Condo	812,818	761,817	-51,001	-6.27%	739,250	725,000	-14,250	-1.93%
	Apartment	Condo	600,323	645,913	45,590	7.59%	575,500	603,000	27,500	4.78%
Metro Central	All Home Types		1,031,064	1,139,716	108,652	10.54%	748,000	800,000	52,000	6.95%
	Detached		2,035,782	2,417,752	381,970	18.76%	1,827,500	2,035,400	207,900	11.38%
	Semi-detached		1,277,492	1,568,845	291,353	22.81%	1,141,000	1,350,000	209,000	18.32%
	Townhouse	Condo	869,797	988,863	119,066	13.69%	775,640	949,000	173,360	22.35%
	Apartment	Condo	779,441	787,457	8,016	1.03%	668,844	683,500	14,656	2.19%
Metro East	All Home Types		949,528	1,013,127	63,599	6.70%	901,000	950,000	49,000	5.44%
	Detached		1,210,747	1,317,531	106,784	8.82%	1,095,000	1,180,800	85,800	7.84%
	Semi-detached		1,148,059	1,207,262	59,203	5.16%	1,125,000	1,140,500	15,500	1.38%
	Townhouse	Condo	768,143	747,450	-20,693	-2.69%	715,000	750,000	35,000	4.90%
	Apartment	Condo	588,288	569,872	-18,416	-3.13%	567,000	555,000	-12,000	-2.12%

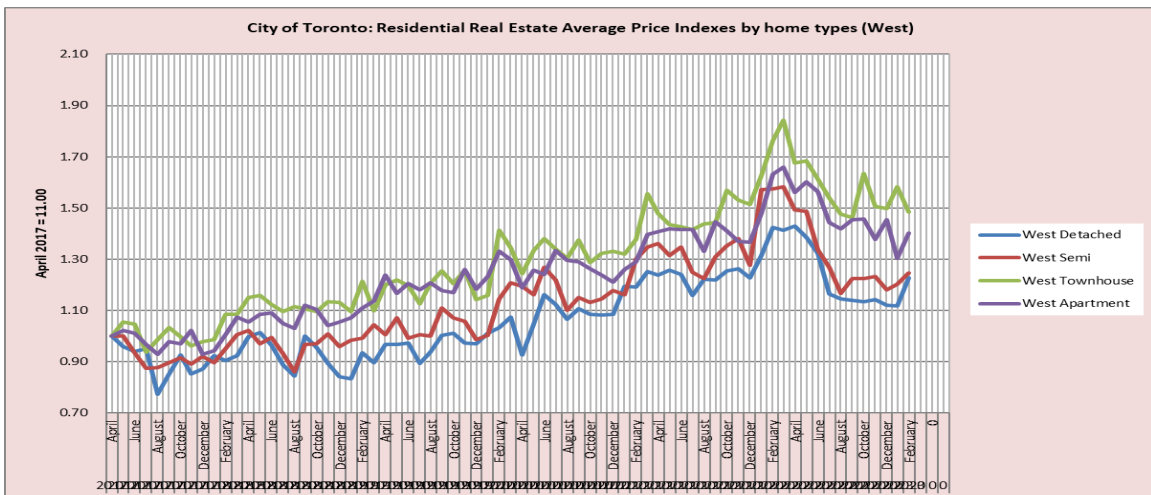
3) From April 2017 to February 2023 home price trend



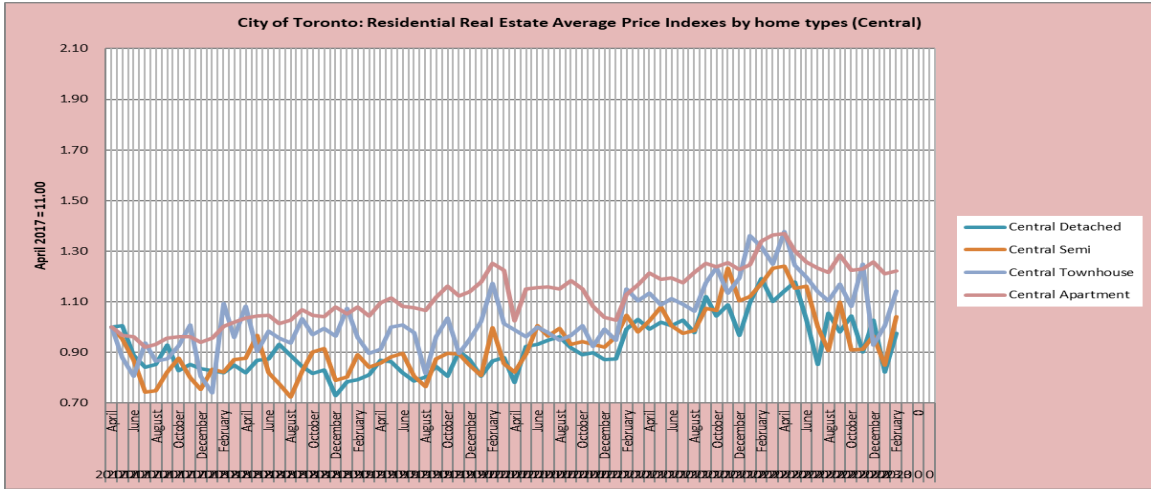
4) From April 2017 to February 2023 average prices of major home types



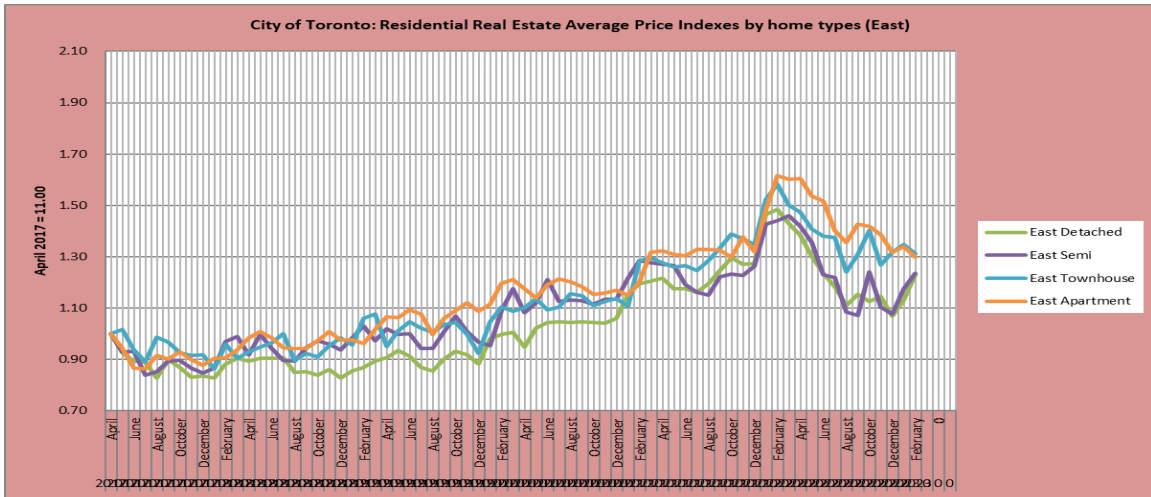
5) From April 2017 to February 2023 average price trends, major home types, West Toronto



6) From April 2017 to February 2023 average price trends, major home types, Central Toronto



7) From April 2017 to February 2023 average price trends, major home types, East Toronto



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Contact us:

Mr. K. K. Wong Director kkwong@zeppelin.com.hk

Mr. Stephen Chung Honorary Advisor stephenchung@zeppelin.com.hk

Address: Unit 1007, CCT Telecom Building, 11 Wo Shing Street, Shatin, Hong Kong

Phone: 852-37576388

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