

# Zeppelin's Real Estate Tech

3Q 2019: A Real Estate Newsletter by Zeppelin Real Estate Analysis Limited

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The trade war between the US and China is escalating while the UK's newest prime minister faces opposition from almost every corner. Commotions continue in Hong Kong. Meanwhile, Hong Kong residential prices are down a bit and the Hang Seng Index dropped from 27k to around 26k (as of September).

In this issue:

- MMT
- Toronto residential: buy when hot or cold, sell when warm or cool
- Toronto residential: interesting price gyration...
- Toronto: is it suitable for you?

**"IQ is measurable i.e. finite, beyond which stupidity may reign..."**

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 over thousands of readers comprising real estate developers, investors, fund managers, financiers, owners, users, top executives, senior managers, prominent academics and related professionals from Hong Kong and abroad. Our content is / has also been published in newspapers and web portals such as the [South China Morning Post](#), [China Daily](#), [Hong Kong Economic Journal](#), [21<sup>st</sup> 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 [23<sup>rd</sup>](#) year and [92<sup>nd</sup>](#) issue.

We also operate a website [www.real-estate-tech.com](http://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 is regularly visited by thousands from all over the world and focuses on China / Hong Kong real estate markets.

**Zeppelin Real Estate Analysis Limited** is involved in real estate development, investment, and management with a focus on [independent real estate analysis](#). Together with **Zeppelin Partners Limited**, we offer 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, facility strategy, and building maintenance]. We are based in Hong Kong with associated operations in Mainland China and we also have access to regional and global professional networks.

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# Who? Me?

## **Stephen Chung**

Managing Director, Zeppelin Real Estate Analysis Limited  
Founder and Writer, Real Estate Tech Quarterly Newsletter  
Real Estate Website Developer, [www.Real-Estate-Tech.com](http://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 is 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 Institute 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

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**Our services can be obtained and delivered via** a) tailor-made professional consultation; b) online report purchases; c) emailed discussions and advice; and / or d) phone discussions.

## MMT

### Real Estate Tech, 3Q 2019

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Who looked smarter? (Courtesy of Wikipedia.org)

MMT stands for Modern Monetary Theory. Despite the word 'modern', it is already decades old. Here is a link to MMT: [https://en.wikipedia.org/wiki/Modern\\_Monetary\\_Theory](https://en.wikipedia.org/wiki/Modern_Monetary_Theory)

The US is approaching federal election time and the parties are positioning themselves for the eventual battle. On the left / Democrat side, someone has proposed the adoption of MMT if, that is, he or she (or they) get elected.

Pardon your humble author for not being facile in economics theories and the clunky mathematical models behind them, yet from a more layman angle, if QE (Quantitative Easing) had meant easy money (via e.g. various forms of debt increase), MMT might imply such borrowings becoming perpetual i.e. no need to have the principal repaid or anytime soon. In short, more money will be created thus further undermining its value.

Assuming your humble author's above comprehension of the concept isn't far off, and notwithstanding other global phenomena such as trade wars might have an opposite effect, MMT + QE will continue to exert a pressure on asset prices, real estate ones included, to go up, or at least be maintained for a while. This in turn means the narrative of "no governments and central bankers the world over would dare not to continue with such easy money policies" will continue to have audiences...until the can can't be kicked down the road anymore.

As a side note, all these easy money policies have to some degree a link to phenomena and events such as Brexit, the emergence of the far right, and so forth.

Humble author, you sound like you don't buy the MMT, and QE, concepts? No, I don't. The simple elaboration is they sound too good to be true. Every time the economy sinks or the financial world explodes, just create more fiat money and the world would be fine...hmmm...without any unintended consequences?!

Given that Canada is right next door to the US, and the latter being its biggest trading partner and so on, what happens in the US will in varying extent affect and be felt in Canada. And this ultimately will have an effect on Canadian real estate, Toronto's included.

Investors interested in Canadian properties should bear the above in mind.

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## Toronto residential: buy when hot or cold, sell when warm or cool

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Snowing...time to buy (courtesy of your humble author)

The descriptive temperatures used in the title do not refer to market conditions but seasons: spring is warm, summer is hot, fall is cool, and winter is cold. That is, assuming all other factors being equal (they aren't usually but let us ignore that herein), buy in summers and winters – when prices are lower - and sell in springs and falls – when prices are higher.

Traditional explanations have you believe that spring is the time when parents do house hunting (to move to a better school district) and fall being cool is a good time to drive around neighborhoods. Summer is vacation time (even for buyers, sellers, and brokers) and winter is just darn too cold to walk around. Thus, the seasonal price fluctuation is derived.

The numbers seem to support the explanations, be they based on just the City of Toronto or the Greater Toronto Area (GTA). Here are a few charts and tables using data obtained from [www.trehome.com](http://www.trehome.com):

#### A) City of Toronto



Do note prices do not just react to seasonal habits and rising / falling prices could be caused by a host of other factors such as liquidity, income, employment, demographic shifts, and the like. Nonetheless, it does seem to follow certain seasonal gyrations, be it in an upturn or downturn year. Similar patterns were observed when we looked at the GTA numbers in the table below:

<b>Greater Toronto Residential Real Estate</b>		
<b>Year 2018</b>	<b>No. of Transactions</b>	<b>Average PricesC\$</b>
<b>January</b>	<b>3,987</b>	<b>735,874</b>
<b>February</b>	<b>5,148</b>	<b>767,801</b>
<b>March</b>	<b>7,188</b>	<b>784,514</b>
<b>April</b>	<b>7,742</b>	<b>804,894</b>
<b>May</b>	<b>8,402</b>	<b>809,305</b>
<b>June</b>	<b>8,024</b>	<b>808,066</b>
<b>July</b>	<b>6,916</b>	<b>781,918</b>
<b>August</b>	<b>6,797</b>	<b>765,252</b>
<b>September</b>	<b>6,414</b>	<b>796,782</b>
<b>October</b>	<b>7,448</b>	<b>807,538</b>
<b>November</b>	<b>6,208</b>	<b>787,758</b>
<b>December</b>	<b>3,749</b>	<b>749,580</b>
<b>Correlation R:</b>	<b>0.90</b>	

B) GTA (transferring the numbers in the above table to the chart below)



Both transactions and prices were higher in the spring and fall of 2018 and lower in the summer and winter, and especially the latter.

As such, given a typical year, it makes sense to sell in the spring and fall, and to buy in the summer and winter. Yes, listings are likely to be less in the off seasons, i.e. fewer choices. However, there are also fewer buyers to compete with you.

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## Toronto residential: interesting price gyration...

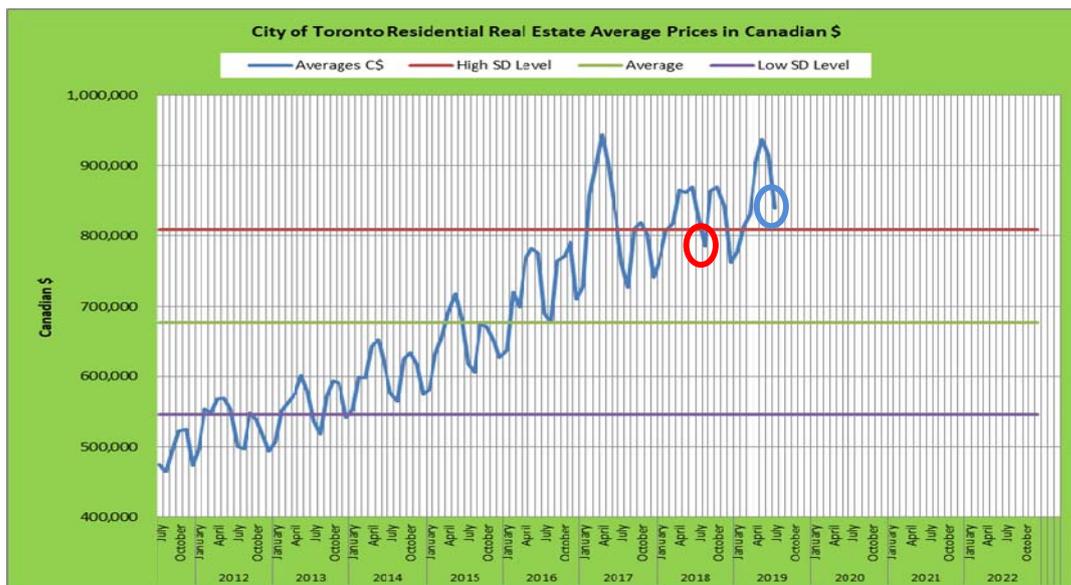
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Up or down? (Courtesy of your humble author)

This is a technical observation: the City of Toronto average price in July [blue circle], despite dropping for the month, did not drop below that of July last year (2018) [red circle]. Not only this, it also didn't plunge below the higher standard deviation level [red line across the chart].



If August shows a similar price behavior, it may mean there is potential energy to move the prices up, perhaps reaching or nearing the last peak in April 2017.

We'll see.

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## **Toronto: is it suitable for you?**

### **Real Estate Tech, 3Q 2019**

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Nice but freezing cold (courtesy of your humble author)

According to media reports, quite a few people from Hong Kong are contemplating a move to Canada among other places. And Toronto seems a favored spot as far as Canada is concerned. But are you suited to live there, be this to study, work, do business, or retire?

Your humble author had resided there for quite a few years many years ago. Here are a few points for contemplation (purely subjective, refer to them at your own risk):

#### **A) Can you stand the cold?**

While most of the year ranges from hot to cool, winter can be very cold to freezing bone chilling cold. While this may sound dismal, your exposure to such chills is, typically, quite limited i.e. usually it would be just that few minutes going from your car into a building or vice versa.

For the braver souls, a freezing cold day can be fun and exhilarating. A few years ago, your humble author had had the pleasure of walking in downtown Toronto during a snowy day for half an hour, and when he popped into a café and sipped on a hot cup of coffee, that was heaven.

#### **B) Toronto is not as convenient as Hong Kong**

A high density city like Hong Kong would be and feel more efficient, plus everything seems within easy reach and compact. Greater Toronto Area, which is about 7 x Hong Kong in land area with around 6m people, will feel spread out and less intense and compact, save for perhaps the downtown-midtown-uptown urban core.

Nonetheless, recent advancements in AI, robotics, and technology can help with reducing the 'inconvenience' gap between Hong Kong and Toronto. Also, the less dense environment means greater spatial comfort for Toronto residents. In short, there is give and take.

#### **C) Toronto is good for the outdoor types**

Sports, and sports watching, be this basketball, football, baseball, soccer, ice hockey etc, are big time activities. There are also camping (in the wild), skiing, hunting, fishing, canoeing, and boating (in Lake Ontario for example). Outdoor types would be thrilled.

There is one drawback though; there aren't a lot of mountains and hills to climb. Climbers might have to do that in the hillier provinces.

#### **D) Higher and more complex taxation, yet low transaction friction**

Most families and people require some form of tax reporting assistance and yes, the tax rate is generally higher and more complicated than Hong Kong's. Despite the foregoing, the overall tax rate for most is not as high as imagined depending on income level.

As for doing business, your humble author recalled the following endeavor when he resided in Toronto many years ago (i.e. this might or might not hold true today). In the early 1990s, the Toronto real estate market was in bad shape and banks had foreclosed properties in hand. One bank openly invited licensed real estate brokers to submit proposals (via fax, which was the state of the art communication technology in those days) to help the bank rid of its foreclosed properties. Your humble author was a licensed broker and so submitted his proposal, got accepted, given foreclosed properties to list, sold some, and earned brokerage fees. In the whole process, there were neither meetings nor interviews with the bank, nor were there even business luncheons. The bank focused on the broker's performance (successful dispositions of foreclosed properties) and their professionalism etc. And all these were done via fax!

#### **E) Generally a harmonious city**

Toronto has a multi-faceted society and the serious crime rate is low compared to many North American cities. Nevertheless, there is a trend toward greater political correctness in recent times.

#### **F) Canadian Constitution and values**

Some migrants from Hong Kong tend to think they are being discriminated upon and to feel they are second class citizens. While not disputing there could be instances of racial discrimination, widespread and organized discriminatory acts don't seem to be in the cards. Furthermore, the Constitution and the law offer protection from such acts.

Perhaps the most vital element rests with the individual i.e. drop any and all notions of a second class citizen. You are a Canadian, just like everyone else, with rights derived from the Constitution and responsibilities to uphold it too.

Overall, Canada is a good country with by and large a fair system and human decency. Imperfect though she may be, at least she had helped defend Hong Kong\* against the Japanese invasion in December 1941 during WWII.

\*Note: the Battle of Hong Kong <https://www.veterans.gc.ca/eng/remembrance/history/second-world-war/canadians-hong-kong>

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