DREAM OF DIAMONDS

As global miners shed assets, drilling in Canada's north is paying off, if you have patience, **B4**

BREXIT BRUSH-OFF

Bank of England governor Mark Carney is more worried about climate change, **B3**

BUSINESS & CAREERS

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> REAL ESTATE

MELISSA RENWICK/TORONTO STAR

Karan Kundra, a 19-year-old business student, bought one of the new Cosmos condos at the Vaughan Metropolitan Centre, right next to the Spadina subway extension set to open late next year.

Transit is the key factor for condos

Subway routes are blurring the line between urban and suburban living for planners and developers

TESS KALINOWSKI
REAL ESTATE REPORTER

Business student Karan Kundra doesn't own a car, and doesn't expect to buy one anytime soon. He has, however, purchased a condo at Vaughan Metropolitan Centre, the terminus for the Spadina subway extension scheduled to open late next year.

Kundra won't take possession of his one-bedroom-plus-den in the Cosmos tower until 2019. But whether he goes on to grad school at York University, where he is studying at the Schulich School of Business, or he gets a job downtown, his subway ride is only metres from his front door.

The Cosmos development is part of a residential building boom tied to Toronto's new transit lines. These are the kinds of homes that planners and developers say will blur the line between urban and suburban living.

Public transit access boosts property values, and is increasingly a must-have for GTA homebuyers.

Kundra's condo will be located deep in the suburbs, near Jane St. and Highway 7. But it will live like a city apartment, he said.

"I'll have everything at arms' length, so I wouldn't need to be purchasing a car. Cars are the biggest money pit," the Brampton student said.

The location is also close to theatres, shopping and even golf courses, said Kundra, 19, who says the golf simulator in Cosmos is one of its best amenities.

Could he afford a bigger place further from the subway line? Maybe. But when it comes to space, Kundra says less is more.

"A lot of people my age think they should be living within their means. Having a huge house is not something that most people are interested in, just because there's no time to maintain it. Cutting the lawn and those kinds of things add on to the amount of tasks you have to be able to do within a day. Being able to live in a condo where everything is accessible is something a lot of people are attracted to," he said.

> "People want to be where transit is. They want to hop on a line and get anywhere."
>
> **JORDAN TEPERMAN**
> HAVEN DEVELOPMENTS

TRANSIT continued on **B6**

Is Italy next in line for collapse?

David **Olive**

Europe's fourth-largest economy being described as a basket case by some bearish investors

Still in shock over the Brexit outcome June 23, markets have begun to panic about an apparent looming crisis in Italy.

Bearish investors have taken to describing Italy's banks, and even its entire economy, as a basket case. "Italy is the next domino to fall in Europe," Boris Schlossberg, managing director of foreign-exchange strategy at BK Asset Management, said on CNBC. "It has really been teetering at the edge of collapse for a very long time."

Even the less excitable Independent, based in London, headlined an assessment this week of Italian conditions with "Why Italy's Economy is About to Collapse." A churlish Wall Street Journal editorial page piled on. "For decades, Italy's banking system has been notorious for clubby relationships with regulators and politicians." And that, said the paper, accounts for the parlous state of an Italian banking system burdened by about $520 billion in bad loans, roughly equal to one-fifth of Italian GDP.

Of course, you could replace the word "Italy" with "United States" in the WSJ critique above and the sentence would be just as true. The lingering Great Recession in Europe has its origins in the Wall Street meltdown of 2008, whose architects were abetted by key U.S. lawmakers and regulators.

But what of this newest thing to worry about, the imminent peril for the fourth-largest economy in Europe, and third-largest in the Eurozone currency union?

Italy's debt-to-GDP ratio has crept up to 133 per cent. That provides too little government firepower to stave off sovereign-debt defaults if conditions were to worsen.

Then again, Japan's debt-to-GDP ratio has long been far in excess of 200 per cent. And the residents of the world's third-largest economy continue to enjoy an enviably high standard of living.

At 11 per cent, Italy's jobless rate compares unfavourably with America's 4.9 per cent and Canada's 6.8 per cent. Mind you, Spain is saddled with 20-per-cent joblessness. The numbers are still worse for Portugal and Greece.

Like Canada, Italy is a productivity laggard. Indeed, there has effectively been no Italian productivity growth since 2000. That and anemic GDP growth over the period has experts talking this week of Italy's "two lost decades."

It's worth noting, though, that the productivity growth rate of Germany and Spain have tracked each other since 2000, both countries posting 15 per cent gains.

OLIVE continued on **B6**

Lee Valley Tools founder built a company and a legacy

Leonard Lee, who has died at 77, was renowned for his integrity, respect for customers and staff

VANESSA LU
BUSINESS REPORTER

Leonard Lee was the ultimate craftsman.

He turned a passion for woodworking into Lee Valley Tools, a successful mail-order catalogue business that now includes 17 stores across Canada, catering to those who build furniture, love gardening or are just looking for quirky gifts.

Lee, 77, died last week of vascular dementia. The company he started part-time from his kitchen table always stayed with him.

When he headed to the hospital in his final days, he took three items — a tape measure, gloves and a Lee Valley Tools ball cap.

He leaves his wife Lorraine, sons Robin, 53, and James, 51, and their families.

Born in Wadena, Sask., during the depression, Lee was raised in a log cabin with no running water or electricity, never forgetting his humble roots.

It permeated his decision-making in business, always focused on integrity.

When it came to hiring staff, he looked for honesty, a good work ethic and the ability to learn, not necessarily fancy degrees and big resumes.

"If you are a good person, can learn and have good judgment, you can do anything," said son Robin in an interview from the Almonte, Ont., farm where his parents lived in retirement, looking at a barn that his father built from scratch.

"He was the typical Saskatchewan farm boy who bootstrapped himself through college and applied himself," he said.

Lee studied engineering at Royal Military College in Kingston, Ont., and Royal Roads Military College in Victoria, B.C., and later earned an economics degree from Queen's University.

He joined the public service, working in the trade and commerce division, for 14 years, but eventually left the federal government to create his own business.

New reports suggested Lee was frustrated by the bureaucratic nature of government — pointing to battle over reimbursement for a $600 bill to buy clothes for member of a Japanese trade delegation whose luggage had been lost.

LEE continued on **B5**

Transit proximity is key to development

TRANSIT from B1

Cosmos "is probably the fastest-selling, highest-volume project we've done," Liberty Development's Marco Filice said.

His company bought the site about five years ago in anticipation of the subway. It's an exciting time in the GTA, with increased possibilities of people living near their workplaces, he said.

"These opportunities didn't exist 10 years ago," Filice said. "People are more aware of the benefits of having the choice between transit and relying on the automobile. Our product provides behaviour modification for automobile dependants."

"The younger generation is not so enthused with the automobile," said Jordan Teperman of Haven Developments, which is building a boutique condo called SIX25BV near Bayview Village, with easy access to the Sheppard subway.

"People want to be where transit is. They want to hop on a line and get anywhere. Every site we're developing, you could get on a train at Union Station and get there", Teperman said. He believes residents will accept less space in return for that convenience.

An enthusiastic booster of provincial transportation agency Metrolinx, he says Toronto's been crying out for more transit for a generation.

"When we strategize where we want to buy products, this is a key consideration," he said.

Transit proximity "is the single most important characteristic of development today," said Peter Freed of Freed Development, which is building the 150 and 155 Redpath condos with Capital Developments at Yonge St. and Eglinton Ave., where the Crosstown LRT will intersect with the subway.

In addition to the Redpath buildings, Freed and Capital are behind the Art Shoppe Lofts and Condos and the Sherwood townhomes near Yonge and Eglinton. The area is evolving dramatically thanks in large part to the new transit, Freed said.

He figures the pedestrian flow will double in the next decade, as transit attracts stores and restaurants bolstered by new residential and commercial development.

The Crosstown will also turn the area east of the Don Valley Parkway (DVP) on Eglinton Ave. into a "major midtown hub," said Michoel Klugmann, vice-president of Lindvest. It bought the site for its Sonic tower at Eglinton Ave. and Don Mills Rd. from another developer in 2014.

"People talk about transit. They talk, talk, talk, but you can feel it. The stations are coming, people are watching the progress and they see it moving east on Eglinton," he said. Condo buyers "expect real estate prices to rise and they want to be the first in."

Sonic, which will be near the Science Centre, Wynford and Aga Khan Crosstown stations, includes a public walkway that will allow neighbours as well as residents to access the transit. The landscaping also features a walkway with outdoor exercise equipment and a children's play area.

"People say they want to live downtown, but they want something a little quieter," he said.

Nida Shahid, 31, and her husband rent an apartment near the Sonic, driving down the nearby DVP to their downtown jobs. But she is anxious to give up the traffic and take the Crosstown to work.

"I hate to be in traffic on the DVP. At the moment, I can't help it because the bus route is really crazy. Coming in late to work is not something I like, but sometimes I can't help it," she said.

Plus, they know the area. They have friends there. "We were just waiting for this," Shahid said of the 785-square-foot, two-bedroom unit they bought.

Her rental has a pool and a gym, but Shahid is already planning how she will use the amenities in the new building. "I'm very social. They're going to have a rooftop terrace with a barbecue. I'm so excited about that," Shahid said.

The couple have no children, but that could change. "That's why we bought a two-bedroom," she said.

It used to be that condos were for people who couldn't afford to buy a house. That's no longer the case, said Terry Lustig, development manager at Malibu Investments, which is building the Southside Residences at Gramercy Park near the Wilson subway station.

"More and more people are choosing the condo lifestyle even for families," she said. "The more we improve the transit system, the more we will see people figuring out that getting to a transit-oriented location is the way to go."

Home buyers are going to opt for convenience over space as the city and traffic grow. "It's really hard to find a house that has a subway in its back yard," she said.

For Teperman, it's only a matter of time before every transit station in the city becomes a hub of activity. He recently went to a trendy restaurant with his wife, who pointed out a TTC station nearby and wondered aloud why the corner hadn't been developed.

"Two-and-a-half weeks later, we put an offer on the site. I don't want to tell you where, but it's a great area and it's just going to get better."

MALIBU INVESTMENTS

The Southside Residences near the Wilson station are tentatively scheduled for occupancy in summer 2019.

THE NEW CONDOS SPROUTING UP AROUND TRANSIT

150 and 155 Redpath by Freed and Capital Developments includes 543 units in 38 storeys and 438 units in 34 storeys respectively. Slated for tentative occupancy in fall 2017 and 2018, units cost between $215,900 to more than $1 million. Apartments in the two towers range in size from studios to three bedrooms and a den, from 330 to 1,403 square feet. Tentative occupancy of 155 is fall 2017, with the second phase to open the following year. The buildings are located on Redpath Ave. east of Yonge St., west of Mount Pleasant Rd. and about five blocks from where the Yonge subway will intersect with the Eglinton Crosstown LRT when it opens in about six years.

SIX25BV by Haven Developments is built on the Sheppard subway between Bayview and Bessarion subway stations. The eight-storey, 146-unit building is scheduled for occupancy in fall 2019. Condos range from one bedroom to two bedrooms plus den, between 450 and 1,350 square feet, selling for the mid-$200,000s. The building is about a three-minute walk to the Bayview Village Shopping Centre and a three- to five-minute walk to the subway.

Cosmos Condos by Liberty Development Corp. include 396 units on 35 storeys. Priced from the mid $200,000s to the $600,000s, the condos range from one to three bedrooms with a den, from 500 to 1,298 square feet.

Located on Highway 7 West, the building is about 350 metres from the Vaughan Metropolitan Centre station, the terminus for the TTC's Spadina subway extension. The first phase, one of two planned towers, is slated for tentative occupancy in 2019 and the subway is expected to open earlier, in late 2017.

Southside Residences at Gramercy Park is the second phase of Gramercy Park. The new buildings are tentatively scheduled for occupancy in summer 2019 at Wilson Ave. and Tippet Rd. Developed by Malibu Investments, the space will include 500 units in two buildings 15 and 17 storeys. Units range from 388 to 1,048 square feet in studio to three-bedroom layouts. The condos cost $190,000 and up and are a two-minute walk from the Wilson subway station, which offers access to downtown Toronto without a transfer and will run north to York University and Vaughan Metropolitan Centre.

Sonic condos by Lindvest at Eglinton Ave. East and Don Mills Rd. will be within easy access of three stations on the Eglinton Crosstown LRT when the line opens in 2022. The 320 condos in a 28-storey building are supposed to be complete in January 2019. Apartments range from 339 sq. ft to 941 sq. ft ranging from studios to three bedrooms.

They are priced from the $200,000s. The development is being billed as "an emerging neighbourhood." Lindvest's Michoel Klugmann says the intersection is destined to become a major east-end hub.

Tess Kalinowski

Province eager to create new 'density nodes'

Appropriate zoning needed to take advantage of transit

TESS KALINOWSKI
STAFF REPORTER

Builders aren't the only ones anxious to put people on Toronto's new transit lines. The province is also eager to encourage "density nodes" — places where residents' homes, jobs and leisure activities intersect, leaving a smaller footprint.

"Development interest at existing and future transit stations has grown significantly. While there was limited interest in transit-oriented development in previous years, today developers cite access to transit as a key component to successful projects," said Anne Marie Aikins of provincial transportation agency Metrolinx.

Getting the development incorporated into the planning and design earlier rather than later is critical to maximizing those opportunities, she said.

To do that, Toronto needs to make sure it has the appropriate zoning to take advantage of the big transit build-out, said Cherise Burda, of the Ryerson City Building Institute.

The GTA has a reputation for building expensive transit lines to places that don't attract the kind of development that warrants the billions in investment poured in by the province and other levels of government.

> "Development interest at existing and future transit stations has grown significantly."
> **ANNE MARIE AIKINS**
> METROLINX

Think of the Spadina subway extension and the proposed additional stop on the Bloor-Danforth line at the Scarborough Town Centre.

It will take some "creative placemaking" to attract more resident and businesses to the six new stops on the Yonge-University-Spadina line to Vaughan, she said. That needs to be done quickly.

Burda cites the Bloor-Danforth subway that, 60 years on, is still hemmed in by single-family homes. The Sheppard subway has spawned residential buildings but has sparse commercial development, she said.

Contrast that to the Toronto waterfront, where new mixed-use neighbourhoods are mushrooming without the "desperately needed" LRT developers there were promised.

"In places like the waterfront, you need to build the LRT. In places where transit is going and there's low density, you need to rezone to make sure that local opposition isn't stopping the right development from occurring," she said.

There will always be people who covet the traditional, car-centred suburban lifestyle and that's fine, said Burda.

"But an increasing number of young families and seniors are looking for proximity and they're looking for neighbourhoods they can walk around in and there are amenities they can walk to," she said.

That includes GO stations as well as subway stops.

Italy's GDP is stronger than had been previously thought

OLIVE from B1

Yet while the German economy is relatively robust, the Spanish economy is only gradually recovering from the Great Recession.

A closer look at Italy's GDP growth of late actually reveals an impressive performance, not what you would associate with "collapse." Italy emerged from about a year-and-a-half of recession in May 2015, and hasn't looked back.

The European Commission, the administrative arm of the EU, predicts Italian GDP growth of 1.1 per cent this year, and 1.3 per cent in 2017. And the International Monetary Fund, in its latest country report on Italy released this week, seconds that view. The IMF is forecasting Italian GDP growth of about 1 per cent for each of 2016 and 2017.

Elsewhere, France has been flirting with recession. The economists' consensus is that a post-Brexit U.K. is headed for recession. Russia and Brazil already are in deep recession, while in some basic ways, Venezuela's economy has simply ceased to function.

Which makes Italy something of a good-news story on the GDP front. It's not enjoying great progress, but it's seeing encouraging improvement for a country not long ago lumped in with the acutely distressed "PIIGS" (Portugal, Italy, Ireland, Greece and Spain). Circa 2011, each of those countries was seen as a candidate for reneging on its debt.

Fact is, practically the entire Western economy has underperformed for most of the past decade. In the U.S., GDP is up a modest 10 per cent since the onset of the Great Recession in 2008, or scarcely more than 1 per cent per year. GDP growth across the Eurozone was just below 1 per cent in that period, or about 0.13 per cent a year.

If Matteo Renzi, the Italian PM, were to regard the latest IMF report on Italy as a report card, he'd be pleased to see that he scored a B or B+. The IMF, generally stinting with praise, credits Renzi for "a range of very important reforms, including institutional, public administration, fiscal, labour market and banking sector reforms."

Renzi has not been given passing grades by many of his fellow Italians, however.

Renzi has called a referendum for October on reforming the Italian Senate, ending the perpetual logjam between Italy's upper and lower houses of parliament. (American readers take note.)

But the significant number of Italians who are out of sorts with everything from job scarcity to the EU (populist anti-EU sentiment is strong throughout the EU) will seize the chance to be rid of Renzi, who has vowed to quit as PM if the referendum outcome goes against him.

And here's where the EU proves again why it is so unpopular.

Some three years ago, seeking to eradicate the need for future bank bailouts, the EU mandated that only after everyday shareholders and bondholders have taken a haircut on their investment in a shaky bank can public funds be used in bank rescues.

The dubious assumption here is that investors who stand to lose their life savings will henceforth apply more scrutiny to potentially errant banks.

If opacity didn't continue to characterize Big Business in 2016, if grassroots shareholders were genuinely empowered to replace bad management and if the rules of gravity were repealed, that might actually work.

ALESSIA PIERDOMENICO/BLOOMBERG FILE PHOTO

Italy's Prime Minister Matteo Renzi prefers that Rome provide the same bailout funding to his country's banks that Germany and others doled out to their troubled banks. But the EU disagrees.

As it happens, about $289 billion (Canadian) in Italian bank securities are held by Italian households and individuals. To avoid those everyday people losing a huge chunk of their personal savings, Renzi understandably prefers that Rome provide the same bailout funding that Germany and others doled out to troubled banks before devising the EU's Rube Goldberg set of rules by which banks can be spared insolvency.

But Angela Merkel, the hard-line German chancellor, is intransigent in denying Renzi a waiver from the new bank-bailout rules. This is the same Merkel who continues to insist on austerity programs that have failed everywhere in the EU they've been tried.

It was those in Britain most punished by David Cameron's austerity regime that voted in the greatest number against the EU in the Brexit referendum. And a defeat for Renzi would be a victory for Italy's anti-EU 5-Star Movement, recent victors in mayoralty races in Rome and Turin.

It's not clear that Italy is in crisis. The EU most certainly is. And the diktats of its de facto boss, Chancellor Merkel, are the first place to look in seeking solutions to what ails the European Project.

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