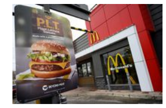

THE NEXT MOVE

Tight supply will boost Toronto home prices, industry experts say

CAROLYN IRELAND
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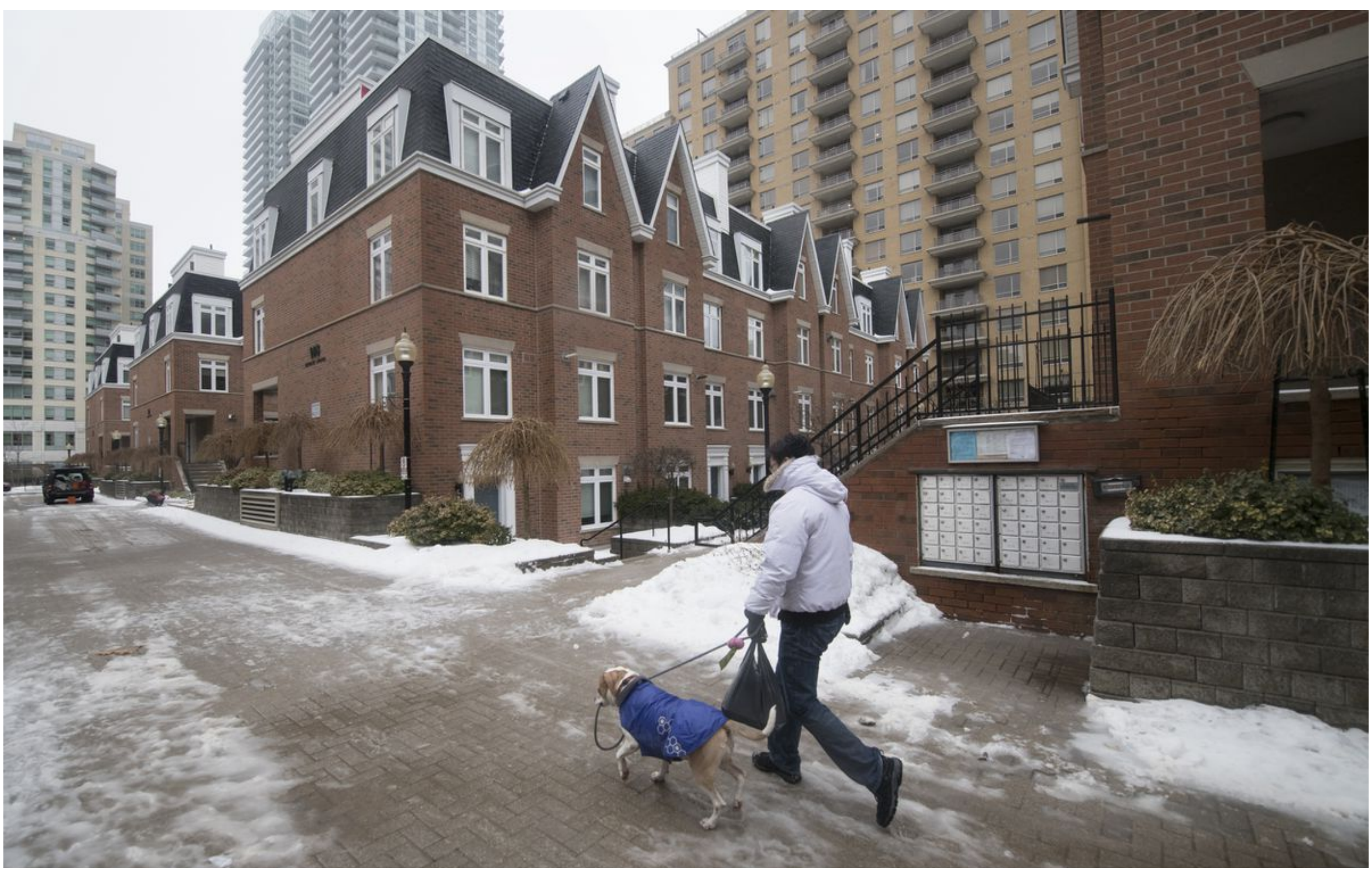

A pedestrian passes townhouses on Redpath Avenue in Toronto.

FRED LUM

Buyers hoping that a new year will bring a torrent of new listings onto the Toronto-area real estate market won't find encouraging words in the predictions of many industry players. The market ended last year with a dire plunge in inventory that propelled prices in the opposite direction.

Patrick Rocca, a real estate agent with Bosley Real Estate Ltd., sees no signs the trend will reverse soon.

"I still think there's going to be a lack of inventory," Mr. Rocca says. "That's a theme."

Mr. Rocca is already working with a few homeowners who are preparing their houses for sale in the coming weeks. People need to move for the usual reasons – including job transfers and relationship breakdowns, he says. He expects to see a healthy spring market, but doesn't sense any floodgates opening.

In December, new listings plunged 18.1 per cent compared with December, 2018, according to the latest figures from the Toronto Real Estate Board.

The average price in the GTA was $837,788 at the end of December, which is an 11.9-per-cent climb from the same month last year. Sales rose 17.4 per cent last month compared with December, 2018.

Jason Mercer, TREB's chief market analyst, says tighter market conditions translated into accelerating price growth all through 2019.

"Expect further acceleration in 2020 if there is no relief on the supply front," Mr. Mercer says.

Mr. Rocca says one factor that is deterring homeowners from listing properties for sale is the high cost of moving, including the burden of land transfer taxes. Another factor is that the market is so tight, sellers worry they won't be able to find a new home if they sell their current one.

Mr. Rocca also has concerns about the high burden of household debt and the impact on the economy if consumers run out of steam.

“The debt is outrageous,” he says. “People are under extreme pressure with debt.”

Another wrinkle, Mr. Rocca says, is that some homeowners refuse to sell as long as prices remain below the 2017 peak. Others decide to list, but still insist on an asking price at the level of 2017.

“Some people are still unrealistic about their prices.”

One condo owner recently approached Mr. Rocca about listing his two-bedroom, midtown unit, which he has tried to sell with another agent without success.

Mr. Rocca told the seller the asking price of $1.3-million is far too high. Mr. Rocca sold a unit with the identical layout, two floors higher in the same building, for $910,000 last spring.

He estimates the current seller won’t fetch more than $950,000 or $970,000.

In another case, the owner of a semi-detached house paid $1.5-million during the boom in 2017. Mr. Rocca advised him that even with the recent strengthening in prices, the property is worth $1.4-million today.

The owner listed for $1.7-million with an agent from out of the area and the house is sitting.

“I walk away from those people,” he says, explaining that it’s not worth the time and marketing expenses to carry a listing for months.

As for buyers, Al Daimee, a real estate agent with Royal LePage Signature Realty, wonders whether the combination of thin inventory, low interest rates and fear of rising prices will spark a bout of nervous buying in early 2020.

He notes that similar factors were in place in early 2017.

“We all know what happened in the first quarter of 2017. The market went a little crazy.”

Mr. Daimee isn’t predicting the same level of frenzy – with prices vaulting ahead more than 30 per cent year-over-year during the first three months of the year – but he expects the low inventory will continue to put upward pressure on prices.

When prices are on an upswing, new milestones are set with every bidding war.

“Precedents are being set on a weekly or biweekly basis,” he says.

Mr. Daimee says his buying clients who are looking for entry-level houses are feeling anxious as a result.

Two of his clients, for example, have tried to stretch their budget each time they bid, but they keep getting outbid by $20,000 to $50,000, Mr. Daimee says.

“They’ve been creeping up, but not keeping up,” he says.“It’s a tough market for buyers."

One detached house in the Corso Italia area recently came out with an asking price of $799,000. Mr. Daimee’s client’s were keen to see it the day after it arrived on the market, but they were too late: a buyer had stepped forward with an offer of $812,000 with no conditions.

There was no home-inspection report and the buyer didn’t take the time to arrange one for the unrenovated house, he says.

“Whoever that buyer was really had to take a risk.”

Mr. Daimee recommends that buyers in that price range get into a property the same day it arrives on the market – then make a “bully” bid if they want the house and the seller is trying to hold off offers until a set time.

“The advice I have is to get out there on day zero. A bully offer is really a valid strategy. I would pick that as my first option.”

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Phillip Crawley, Publisher