



THE NEXT MOVE

# Toronto real estate watchers on the lookout for 'the January effect'



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Homes along Brunswick Avenue in Toronto.

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2018.

By the third week of January, agents say, the early spring sales will begin.

“The spring market starts much sooner than anyone expects,” says Jimmy Molloy, an agent with Chestnut Park Real Estate Ltd.

Mr. Molloy says listings are scarce in Toronto these days and supply is especially thin at the beginning of the year. Many homeowners don't like to list in the winter because they believe their homes and gardens are at their best in the spring.

They may be right, he says, but sellers also face more competition when buds appear on the trees. He encourages sellers to list in late winter when buyers don't have many properties to choose from.

“I won't wait until May.”

Mr. Molloy says he becomes an amateur weather man in January and February, because he doesn't want to bring a house onto the market in the middle of a blizzard. When he sees a clear stretch of weather, he encourages sellers to hang out a “for sale” sign.

“The market is always front-end loaded at the beginning of the year,” he says. “There's a little bit of snow and you only have pictures of last summer – but you're the only house.”

Mr. Molloy, who does most of his business in luxury neighbourhoods such as Yorkville, Forest Hill and Rosedale, says sellers seem to be optimistic – but they often are because homeowners tend to see the best in their own property.

“They feel very optimistic about the performance of their own home, as they should be.”

Looking ahead, Mr. Molloy believes 2019 will be a solid year for Toronto real estate, but growth will be moderate compared with the high-octane run-ups of 2017 and other recent years.

“Price appreciation will be closer to inflation,” Mr. Molloy says.

After a long stretch with interest rates barely above zero, higher borrowing costs are a drag on

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In December, sales in the Greater Toronto Area tumbled 22.5 per cent from the same month last year, according to the latest data from the Toronto Real Estate Board.

That number can be somewhat deceptive, as the market dynamics in December, 2017, were very different. Many buyers rushed to secure a deal in the last month of 2017 before new, tougher mortgage regulations came into effect in January of 2018.

Patrick Rocca, an agent with Bosley Real Estate Ltd., says house hunters hoping to snag a bargain were roaming around in December.

He was shocked to receive an offer \$700,000 below asking for a property listed with an asking price of \$2.9-million.

“It was ridiculous. It’s a buyer who’s thinking they’re going to get a steal,” he says.

Mr. Rocca says he normally signs back a counteroffer but in this case, it wasn’t worth doing even that.

New listings last month fell 31.5 per cent from December, 2017, when listings surged as some sellers tried to cash in.

The average price in the GTA crept up 2.1 per cent to \$750,180 in December from \$734,847 in the same month in 2017.

Mr. Rocca says his phone began buzzing with calls and e-mails on Jan. 2 as homeowners contacted him to say they were ready to list toward the end of January.

“I’m hoping it will be a good start to the year.”

He adds, however, that the sellers are moving now because of a change in lifestyle – not because they are trying to reap profits.

“I don’t see us going through any kind of craziness like 2017.”

He says some homeowners are reluctant to list because they are hoping for another surge in

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As for the psychology of buyers, some fear interest rates will continue to rise in early 2019. Others are holding out to see if prices will falter this year after last year's slowdown in Toronto, Vancouver and other previously hot markets.

Mr. Rocca says some buyers are so anxious they are passing up properties that he considers good deals.

"It's trying to convince buyers to buy. There are good opportunities right now and they aren't seeing that."

Looking further into the year, Mr. Rocca expects the biggest factor in the market will be the coming federal election. Since the election will likely take place in the fall, he expects the spring market to be much stronger.

"People tend to pause during an election year. The earlier part of the year will be better."

So far Toronto-area real estate has remained relatively stable, without following the dramatic fall in the Vancouver area, where real estate sales plummeted 47 per cent in December from the same month in 2017.

Vancouver sales have been hammered partly because of a speculation and vacancy tax imposed by the provincial government. In 2018, the B.C. government raised the foreign-buyers tax to 20 per cent from 15 per cent and broadened the areas where it applies.

While Ontario doesn't have a tax on vacant properties, other factors – including rising interest rates, tougher mortgage regulations and weaker demand from foreign buyers – weigh on both markets.

The Bank of Canada lifted rates three times in 2018, Bank of Montreal chief economist Douglas Porter points out, who is forecasting two more hikes of 25 basis points each in 2019.

Mr. Porter says the central bank's previous rate increases are already having an outsized impact.

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