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THE NEXT MOVE

Bully buyers run rampant in Toronto's housing market as prices escalate

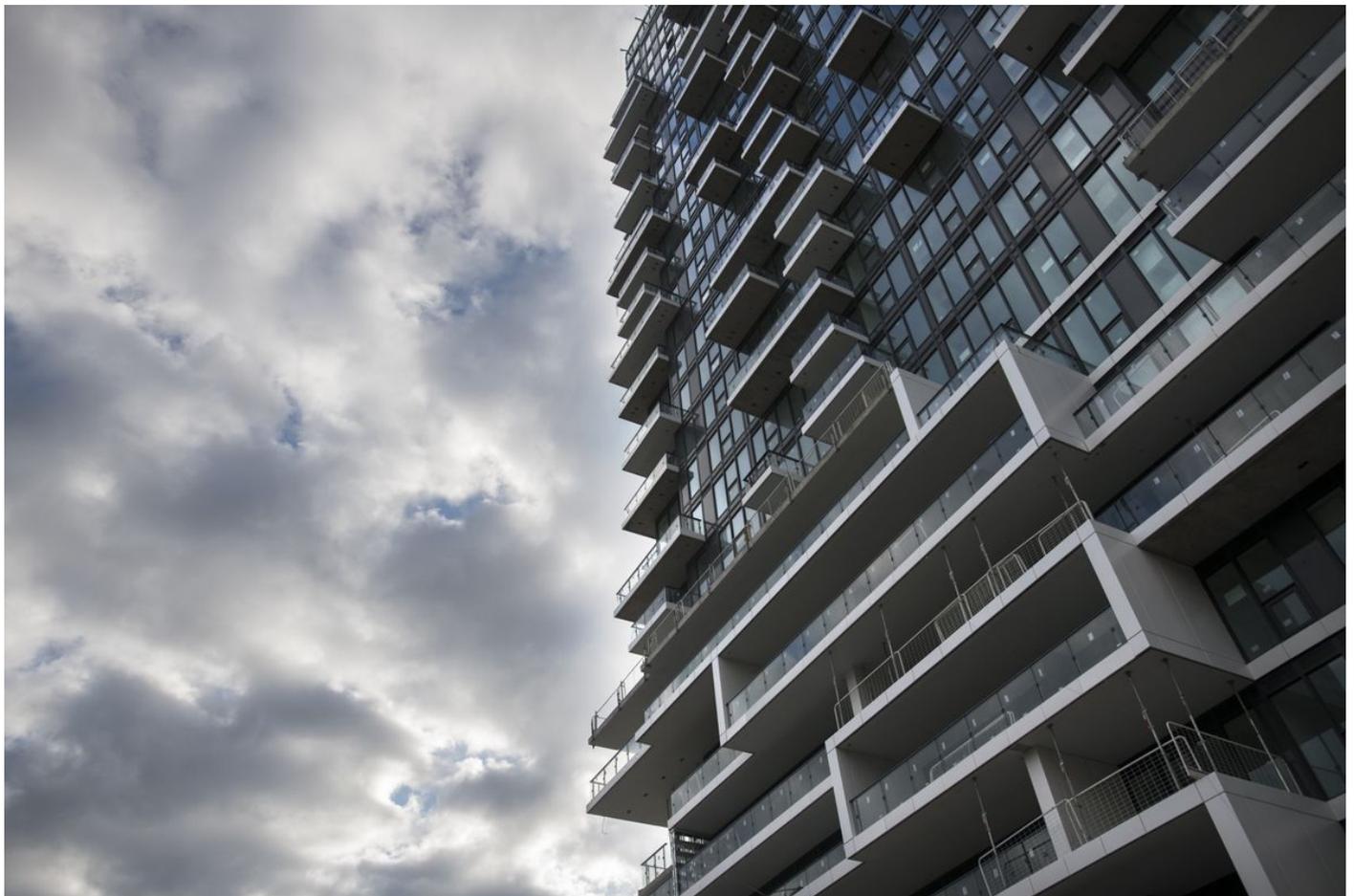


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A condo development looms over Queen Street East on Jan. 2, 2020, in Toronto.

Real estate agents in Toronto and the surrounding suburbs say rapidly escalating house prices are pushing some buyers onto the sidelines and forcing others to change strategies. They're also watching to see if the spread of the coronavirus will change the market dynamics.

For now, bullies – who submit a pre-emptive offer before the scheduled deadline – are rampant.

Patrick Rocca, a real estate agent with Bosley Real Estate in Toronto, says listings are starting to trickle back into the market, but they quickly disappear.

“I wish I had 50 condos – that stuff is flying off the shelves,” says Mr. Rocca, who specializes in the mid-town markets of Leaside and Davisville.

Mr. Rocca says the first-time buyer market is scorching, the price segment above \$1-million is hot, and the segment above \$2-million has not fully re-ignited.

“It's spotty,” he says of the higher end.

He points to one mid-town house with an asking price of \$1.89-million which sold for \$2.2-million, while others in that price range languish.

Investors who built high-end homes are continuing to struggle, he says, because many of them are holding out with very high asking prices in order to recoup their investments.

As for buyers looking in the \$1-million range, competition is fierce, Mr. Rocca says.

He has one set of clients with a maximum budget of \$1.05-million who have been looking for a house in mid-town. Properties comparable to the ones they were looking at in the fall now fetch \$1.2-million, he says.

“I think they may be priced out of the market now,” says Mr. Rocca, who has advised them to move their search to East York and other more affordable neighbourhoods.

“I get it,” he says of buyers who feel discouraged. “They're probably disappointed, frustrated.”

Thien Nguyen, a real estate agent with TrilliumWest Real Estate Brokerage in Kitchener, Ont., recently drew 27 offers for a 1,625-square-foot townhouse in the bedroom community of Maple, Ont. The end-unit freehold townhouse sold for \$945,000, or \$225,100 above the asking price of \$719,900.





House at 32 Crestbank Court, Vaughan, Ont. Thien Nguyen, a real estate agent with TrilliumWest Real Estate Brokerage in Kitchener, Ont., recently drew 27 offers for This 1,625-square-foot townhouse in Maple, Ont., sold for \$945,000, \$225,100 above its asking price.

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Mr. Nguyen says the list price was set to draw attention, but he estimated the townhouse would sell for between \$825,000 and \$830,000, based on recent comparable sales.

“This number truly surprised me,” says Mr. Nguyen, who had more than 300 people tour the property during two open houses.

Mr. Nguyen set a date for offers and the sellers refused to consider pre-emptive bids before that deadline because they had been beaten many times by bullies when they were acting as buyers.

“We decided to give everyone a fair shot on offer day and let the market decide the best value for this home.”

Many of the house hunters were first-time buyers who were already pushing their budget to the limit, he says.

Mr. Nguyen says he is truly happy for the sellers, but he also finds the run-up in prices alarming. A house across the street sold three months ago for \$785,000.

“The scary thing is, the precedent is now set in the small town of Maple.”

Several of the house hunters that visited this Maple townhouse were first-time buyers.

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Mr. Nguyen says that leaves his buyer clients with budgets in the \$700,000 to \$800,000 range out of the market.

He is planning to take his clients to look at townhouses in more distant Newmarket and Innisfil, where, he says, deals can still be found on townhouses around the \$700,000 mark.

“I’m having to move my clients further and further outside of the city.”

Mr. Rocca is gearing up for a busy couple of weeks before students and their families head into the March break for public and private schools.

He expects a lull in the market for single-family dwellings during the school holidays, then another burst of action.

Mr. Rocca says one factor that could slow down the pace is the spread of the novel coronavirus, which causes the illness COVID-19. People have begun raising the question of whether the virus will affect sales, but it’s too soon to say, he says.

He points out that an economic slowdown caused by the virus would be a risk to real estate.

“I don’t know if it will have an impact on this market,” Mr. Rocca says. “If we’re talking about a recession, there’s a real threat of that.”

He adds that financial market volatility caused by nervous investors reacting to news of the virus could in turn unnerve real estate purchasers.

“What’s the trickle-down effect and what’s the timeline? I think in the second quarter it could have an effect.”

Real estate agents Paul Maranger and Christian Vermast of Sotheby’s International Realty Canada say uncertainty may lead buyers to temporarily shelve their plans to move up to a more expensive property, for example.

Mr. Maranger and Mr. Vermast say foreign buyers may also have to delay plans to purchase in Canada.

The two had a potential buyer for one of their own listings who was waiting for approval from parents in Singapore. The purchase was put on hold when the family members couldn’t get out of Singapore, they say.

With stock markets correcting, peoples’ perception of their personal wealth diminishes, they add.

On the flip side, the risk of the illness may only reinforce a sense of comfort and security at home for some residents.

Also, when stock markets correct, some investors favour assets that they perceive as safe havens, such as gold, government bonds and real estate.

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