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THE GLOBE AND MAIL*



The bullies are back in Toronto's housing market

Tempo of transactions still varies by region but pockets popular with families on the upswing

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Realtor Jimmy Molloy notes the market was bracing for an onslaught of listings in September, but the volume isn't there.

CAROLYN IRELAND September 28, 2017

Toronto's real estate market is showing renewed strength, with bidding contests and bully offers making a resurgence after a torpid summer. David Fleming of Bosley Real Estate Ltd. was caught off guard when he took his clients to see a house in the Beaches area and soon learned that a bully offer had landed.

"I didn't think it would happen."

The house with an asking price of \$699,000 likely would have sold for \$900,000 in the spring, Mr. Fleming says. But as the fall market got rolling in September, most buyers still appeared cautious and he advised his clients to consider offering \$825,000 to \$850,000. While they were still contemplating, the homeowner accepted \$806,000 from the fast-acting bully.

"The seller took \$806,000 because maybe they were spooked," says Mr. Fleming. He says the grim news from May through August about dropping sales and sliding prices had ratcheted up the anxiety level. The average price in the Greater Toronto Area at the end of August stood 20.5 per cent below the high water mark in April.

In the first week of September, agents were typically taking offers at any time instead of holding off bids until a scheduled date and time. That began to change as the action heated up, says Mr. Fleming.

"I noticed a really big change in the second week of September."

The tempo of transactions still varies by region and market niche. In the hard-hit 905 region surrounding the central core, deals are still taking longer to put

together compared with the very robust spring sales. The downtown condo market remains healthy, agents say, while popular pockets for young families are on the upswing. Rick DeClute of DeClute Union Realty in the Beaches says a turnaround is under way on the leafy streets stretching up from Lake Ontario. He recently listed a semi-detached house at 167 Willow Ave. for \$998,000, which he estimated to be fair market value.

"The sign went up on Friday and over the weekend there was sufficient interest that we decided an offer date was necessary," he says, describing bully offers and agents fighting to get their clients in without an appointment. On offer night, seven bidders turned up and the house sold for \$1,132,500.

Of the seven buyers' agents, five said they would be competing for other properties this week.

"We had all expected the downturn to last longer," says Mr. DeClute. "It's over and prices are climbing again in prime neighbourhoods." Whether the rebound has staying power remains to be seen.

Robert Hogue, senior economist at Royal Bank of Canada, says he sees signs that market participants are increasingly regaining confidence in the market, which appears to have reached bottom in August in Ontario. A steep slide was triggered in April when the Ontario government introduced new policy measures - including a 15-per-cent tax on purchases by foreign buyers - designed to cool an overheated market.

Mr. Hogue says recent activity has partly been a correction of the overshoot as sales tumbled in recent months. Looking forward, Mr. Hogue believes that the GTA market has largely adjusted to the policy changes. He adds that letting some of pressure escape was a positive move that lowers the market's vulnerability to an unexpected shock. "Our view remains that Canada's market is in the process of transitioning to a more moderate level of activity in an environment marked by tighter policy, rising interest rates and poor affordability in certain regions," he says in a note to clients.

In coveted neighbourhoods, Mr. Fleming says, sellers may get six offers now instead of the nine they would have received in the spring, and the sale price may be 20 per cent above the asking price instead of 30 per cent, but the market does appear to have bounced back from its lowest points in the summer. For buyers, Mr. Fleming says there is no relief in the segment below \$1.2-million. "If there's a house listed for \$899,000 in Leslieville, you'd be naive to think there's no one else interested in it."

He points to three houses which sold on the same night in the east end of Toronto: A property on Colgate Avenue with an asking price of \$899,000 received eight offers and sold for \$1.05-million.

A few blocks away, a house near Greenwood Park sold for \$1,152,135 after five competitors fought for it. That's \$203,135 above the asking price of \$949,000.

In Little India, a house with an asking price of \$829,000 sold for \$1.05-million.

Mr. Fleming says the action so far in September has him convinced that prices will be higher this month than in August. He adds that many of the buyers phoning him are surprised to learn that the market has picked up in the core.

Many are still expecting a chill from recent interest rate hikes from the Bank of Canada. The country's banking regulator, the Office of the Superintendent of Financial Institutions, is also looking at broader rules for real estate transactions. The proposals include more stringent "stress tests" designed to ensure that buyers with uninsured mortgages could afford to repay the loan at higher interest rates in the future.

Mr. Fleming says potential buyers he's heard from aren't so much worried about tighter rules as wondering whether they will knock out some of their competitors. "The buyers that are asking are hoping it will affect the market and prices will fall," he says. "They want it to affect other people."

Jimmy Molloy of Chestnut Park Real Estate Ltd. says the market was bracing for an onslaught of new listings in September, but the volume hasn't been as great as expected. He believes that's why a property he listed last week on Binscarth Road with an asking price of \$7.5-million sold in one day. The two-storey house drew attention because of its position on a Rosedale ravine. "They were smart to move quickly," he says of the buyers.

He also recently negotiated the sale of a condo unit in the King West area with an asking price of \$4.6-million. Mr. Malloy said the foreign buyers' tax has not had a large impact on buyers but it did create a sense of psychological warfare in the market. Most buyers from China who want to invest in Canada are not affected by the tax because they're going to become residents, he says. There is a cadre of buyers, however, who split their time between Asia and Canada and some of those have been discouraged from buying. "In some senses it has been a deterrent."

The luxury market was slow during the summer, he says, with part of the softness due to the provincial government's new policies and part a reaction to the spring's euphoria. "It got a little too exuberant," he says of the run-up in prices. It's also typical to have a pause in July and August, he says. "The high end is always really slow in the summer because people are focused on Muskoka, Europe and golf."