

CUTTING THROUGH THE HEADLINES

By Boaz Feiner, Geranium



There is a saying that perception is reality and, unfortunately, it appears that this is alive and well in today's 24/7 news cycle.

I say unfortunately because in our fast-paced world, many of us have little time to delve beyond the headlines and buzz words to find the information that explains the bigger concepts.

Take the housing industry for example. In the past few months, the provincial government has introduced Ontario's Fair Housing Plan, the federal government has implemented a small increase in lending rates and there's been a media frenzy of mixed headlines related to real estate. All of the above have contributed to uncertainty and caused many seeking to buy a home in the GTA to have second thoughts.

The latter example needs further emphasis. Conflicting messages on the complex topic that is the housing market, especially concerning supply issues, are being published leading to confusion. One day sales are reported as being low and prices are reported as dropping, while the next day sales are reported as strong. However, these messages relate to different aspects of the market of which it's hard to distinguish without the benefit

and understanding of a more fulsome market overview.

Unlike in 2008, when the biggest global financial crisis since the Great Depression hit, we are not experiencing the same conditions impacting the real estate market. Canada's economic fundamentals remain strong. Interest rates are still at historically low levels even with a 25 basis point increase, unemployment is the lowest it's been since 2001, job creation is robust with nearly 100,000 new full-time positions created within the past year, manufacturing is showing an increase over past four months and, most importantly, no resolution has been provided to solving the lack of supply of new homes to satisfy market demand.

In response to constricting land supply and the lack of detached home options, until May of this year, previous months showed signs of an over-heated market whereby availability was scarce and prices increased significantly. Sellers became accustomed to, and expected, multiple-offer scenarios (driven primarily by undervalued pricing), receiving above-asking prices and only having their homes listed on the market for just a few days. However, it's important to remember that this is not the norm.

The real estate market is cyclical in nature. What we are experiencing now is an adjustment in the amount of appreciation from 25 to 30 per cent year-over-year in some red-hot markets, to more sustainable levels of between 5 and 10 per cent. For example, according to the Toronto Real Estate Board (TREB), in July the average selling price for all home types combined was up by 5 per cent year-over-year.

People setting out to buy a new house have a lot to consider, but media headlines and the bandying about of various statistics have clouded the main reason for owning – having a home for your life, rather than a short-term investment. Keep your focus on that, and you can eliminate most of the guesswork in trying to time the market to your advantage.



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