

THE NEXT MOVE

Being realistic is key for first-time homebuyers in Toronto

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It's a common phenomenon in the Greater Toronto Area: people renting a condo unit or apartment receive notice that they have to move out. Those renters often abruptly become prospective buyers as they decide to jump into real estate ownership.

Davelle Morrison of Bosley Real Estate Ltd. is working with one such couple after their rental triplex was sold and the new owner decided to move into their unit.

The couple realized they were going to have to spend \$2,500 a month for the amenities they want in a rental property so they've decided to look for a property to buy instead, Ms. Morrison says.

With their departure date looming, they need to find something quickly.

“Now they have a bit of a gun to their head. They're being realistic about that,” she says.

Listings are tight this summer as sales recover from very low levels last year at this time. Sales in the Greater Toronto Area jumped 24 per cent in July this year compared with July of 2018, the Toronto Real Estate Board reports.

New listings rose 3.7 per cent in July compared with the same month last year, while active listings dropped 9.1 per cent in the same period.

The average price rose 3.2 per cent in July compared with July, 2018.

TREB points out that price growth came mainly in the condo, townhouse and semi-detached segments. In the central 416 area code, the average price of a detached house fell 9.1 per cent year-over-year. In the 905, the average price of a detached rose 2.5 per cent in the same period.

According to TREB, the single-detached segment has arguably been hit hardest by the mortgage “stress test” imposed by regulators.

In the 416, the average price of a condo increased 7.7 per cent in July compared with the same month last year. In the 905, the average condo price edged rose 3.2 per cent in the same period.

Ms. Morrison believes that the summer market provides a good environment for cautious buyers because they may be able to strike a deal on a house that's been sitting on the market for 20 or 25 days or so.

“It's a great opportunity for buyers who are scared to go through the multiple offer process.”

The houses that sit tend to have a flaw that puts buyers off, she says, but it doesn't have to be a deal breaker.

One house she is taking the couple to visit has only one bedroom and the asking price of \$729,000 reflects that small size.

“I know that that house is challenged,” she says, “but let’s go see for ourselves.”

For comparison, Ms. Morrison points to a recent sale near the popular midtown location of Yonge and Eglinton Avenue East. A renovated semi-detached house with an asking price of \$1.249-million recently drew multiple offers and sold for \$1.5-million.

Ms. Morrison says some buyers are hesitant about overpaying but the best properties are still generating healthy premiums.

“When it comes to a great house in a great neighbourhood, they just want that house.”

As for her first-time buyers, Ms. Morrison says she doesn’t consider the couple’s budget of about \$800,000 small, but in the highly valued Toronto market, it doesn’t buy a lot of house these days.

The couple began searching in west-end neighbourhoods near St. Clair West and Weston Road, toward the Humber River. They are also lining up properties to visit in the east end near the intersections of Woodbine Avenue and Danforth Avenue, down toward Gerrard Street East.

Ms. Morrison says some young couples come up with a long wish list, then become disappointed when they see the houses they can afford. Her advice is to turn that around and start with a realistic assessment of finances.

“Like what your budget can buy,” is her advice.

Ms. Morrison says she is hearing from potential sellers who are thinking about listing properties in September.

“I think the challenge is, will they be realistic in their pricing?”

One out-of-town couple who bought a Toronto condo as an investment approached her last year about selling the unit. They decided to rent it out for another year because she told them they wouldn’t get the price they were looking for.

Ms. Morrison says condo units are still the hottest segment of the market in Toronto but buyers are savvy about value.

“They still have to be priced right,” she says.

Ms. Morrison passed on an upcoming listing after a husband in Richmond Hill called Ms. Morrison to evaluate his house because his marriage was breaking up. When Ms. Morrison showed up for the appointment, the angry wife told her that she had just found out about the husband’s plans for divorce the night before.

Ms. Morrison figured the wife would be more accepting of the results of a sale if she brought in the agent of her choice.

Ms. Morrison’s research showed that houses in that pocket sell for more than \$3-million, but there are currently 40 listings and only five in the area have sold so far in 2019. She figured the couple could end up getting less than they’re hoping for.

“I bowed out of that.”

Cailey Heaps Estrin, a real estate agent with Royal LePage Real Estate Services, says the entire market has been a bit slow in the summer compared with the spring, but she has 10 or 12 listings lined up for the fall.

Some homeowners made the decision to sell a little bit too late for the spring market, she says, so she recommended that they wait until September.

She finds the pace of the market varies dramatically from one neighbourhood to another and one price range to another.

Ms. Heaps Estrin says the ultrahigh end of the market has seen several sales recently.

Her team is working with several buyers looking in the \$7-million to \$15-million range in neighbourhoods such as Rosedale and Moore Park.

“It’s almost impossible to find them anything to show.”

Listings are scarce, she says, and buyers in that price range are less willing to compromise if they don’t see exactly what they’re looking for.

Ms. Heaps Estrin says luxury properties often change hands quietly without appearing on the Multiple Listing Service of the Toronto Real Estate Board but that has always been the case.

“It’s a big part of our business,” she says.

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