

THE NEXT MOVE

# Bully offers and bidding wars are back in the Toronto real estate market

---

CAROLYN IRELAND &gt;

TORONTO

PUBLISHED 1 HOUR AGO

FOR SUBSCRIBERS

Toronto-area real estate buyers have been enticed into the market by lower prices for properties that range from downtown condo units to large suburban houses.

Bidding contests, offer dates and properties selling for more than the asking price have made a comeback, according to real estate agents.

“There has been a swing,” says Patrick Rocca, broker with Bosley Real Estate Ltd. “In October, the buyers said ‘we’re staying home. We’re going to revisit this in 2023.’”

In the new year, house hunters came out of the gate with a determination to buy when they saw that prices have dropped between 15 and 20 per cent from a year earlier in solid Toronto neighbourhoods.

Mr. Rocca says some of the current buyers are in the market for the first time, while others are moving up to a larger house or more highly-rated school district.

Inventory remains very slim, which means resolute buyers must compete for the most coveted properties.

“There’s still not a lot of product – that’s what’s driving everything.”

Sales in February rose 8.5 per cent from January on a seasonally adjusted bases, according to Daren King, economist at National Bank of Canada.

New listings, meanwhile, dropped 24.5 per cent in February from January on a seasonally adjusted basis, according to Mr. King.

The combination of higher sales and a decrease in new listings led to a 14.6-per-cent retreat in seasonally adjusted active listings, says Mr. King, which marks the first decline in that measure in four months.

Sales in February tumbled 47.3 per cent from February, 2022. That's the weakest showing for that period of the year since the financial crisis of 2008-2009, the economist points out.

The average price in February came in at \$1,095,617 in the GTA. That's a 17.9-per-cent drop from the average price of \$1,334,062 in the same month last year.

The sharpest decline in February came in the segment for semi-detached houses in the 905 area code, with the average price falling 25.9 per cent.

Detached houses fell 19.9 per cent and condos 11.8 per cent in the GTA.

Even without further interest rate hikes from the Bank of Canada, the outlook for a recovery in the housing market remains limited, says Mr. King. He expects sales to remain below their historical average in the coming months.

The market's recent spate of activity has not yet enticed a lot of homeowners to list properties for sale. In early March, there were only seven listings in the Leaside neighbourhood where Mr. Rocca does much of his business, and 14 listings in nearby Davisville.

Mr. Rocca recently listed a detached, three-bedroom house at 67 Glenvale Blvd. in Leaside with an asking price of \$1.869-million. After 24 hours on the market, the property had drawn three offers and the house sold for \$1,920,100.

The most astonishing outcomes, in Mr. Rocca's opinion, occur when buyers pay prices in line with those of this time last year.

A semi-detached house in the popular Davisville neighbourhood would likely fetch about \$1.9-million in the first quarter of last year. In November, comparable properties were trading hands at about \$1.5-million.

Last week a semi-detached house in the area was listed with an asking price of \$1.649-million and sold above \$1.9-million, he says.

“That’s a 2022 price.”

Still, Mr. Rocca cautions that only the most coveted properties are inspiring buyers to pay large sums above asking.

“It’s not right across the board,” Mr. Rocca says. “Stuff is selling – not everything is going over asking for sure.”

Andre Kutyan, broker with Harvey Kalles Real Estate Ltd., says many buyers have budgeted for the current level of interest rates and have started chasing the limited number of listings.

At 60 Fenn Ave., Mr. Kutyan listed a 1950s-era detached house with an asking price of \$1.849-million.

The price was set deliberately low to attract attention, he adds, and an offer deadline was set.

“I knew it was well over \$2-million – it was just a question of how much,” Mr. Kutyan says.

By day two, 51 parties had toured the four-bedroom house, including Mr. Kutyan’s own clients, who decided to make a so-called bully offer well before the deadline.

Mr. Kutyan’s clients submitted their \$2.55-million bid at 5 p.m. and the agent notified interested agents that an offer was registered.

By 8 p.m., six others had come to the table.

“The shocking thing was to get seven bully offers up front.”

Three of the offers came in above \$2.5-million, he says.

Mr. Kutyan believes the sellers would have fetched more in the first quarter of last year. The average price in the area near Bayview and York Mills Avenue had dropped 12.2 per cent in January from the same month last year.

But the competition currently stirring is keeping prices level, Mr. Kutyan adds.

Mr. Kutyan points to a three-bedroom townhouse in midtown Toronto which was listed in October for \$2.195-million. The asking price was gradually chiseled down to \$1.945-million by late February.

At that point, Mr. Kutyan took his clients to see the three-storey townhouse at 288 St. Clair Ave. W. While they were considering making an offer below asking, another buyer stepped up.

Mr. Kutyan’s clients submitted their own bid and purchased the unit for the full asking price.

“They paid a lot more than they initially anticipated,” he says. “They weren’t willing to pay for it when they were the only ones at the table.”

Mr. Kutyan says not all properties are drawing interest: some overpriced listings have become stale while sitting on the market.

“The difference is, the buyers who have been sitting on the sidelines are now at the table.”

Looking ahead, Mr. Rocca has been contacting homeowners who contemplated selling while the market was in the doldrums but decided to hold off.

Sellers were reluctant to list when a house that would have sold for \$3.8-million or so last year would only fetch \$3.5-million in the fall.

“All of a sudden there have been a couple of sales that validate high threes,” he says.

But when Mr. Rocca tells homeowners that sales are brisk and prices are firming, some continue to hesitate.

Mr. Rocca advises sellers against trying to time the next peak.

“Ideally, if you can get out now rather than later, it’s in your best interests,” he says. Don’t wait until May or June.”

A swell in listings could extinguish competition, he points out.

“Things can change rather quickly.”

With the current demand, Mr. Rocca is favouring the strategy of listing a house with an attention-getting asking price and a “soft” offer date that doesn’t rule out bully bids from buyers who do not want to wait for a deadline.

“Things have changed. You have to adjust in this market – or any market.”

Claire Fan, economist at Royal Bank of Canada, cautions that weaker overall demand in the Canadian economy is yet to come.

The household debt service ratio has been rising and will continue to increase into the end of 2024, she says.

That, combined with moderating wage gains and rising borrowing costs will continue to drive consumer spending lower, Ms. Fan predicts. That trend will keep downward pressure on inflation as the economy heads into a mild recession later in 2023.

## Newsletters

Newsletters to help you achieve your career and financial goals for 2023

**Careers**

Advance your career with insights on career management, leadership, business education and more

SIGN UP

### **Globe Investor**

Money-making ideas, insight, and market analysis from The Globe's investment experts

SIGN UP

### **Money Smart Bootcamp**

A new 5-part newsletter course to improve your personal finance skills

SIGN UP

We have more than 20 newsletters. [Explore](#)