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THE NEXT MOVE

In Toronto real estate, new highs every week

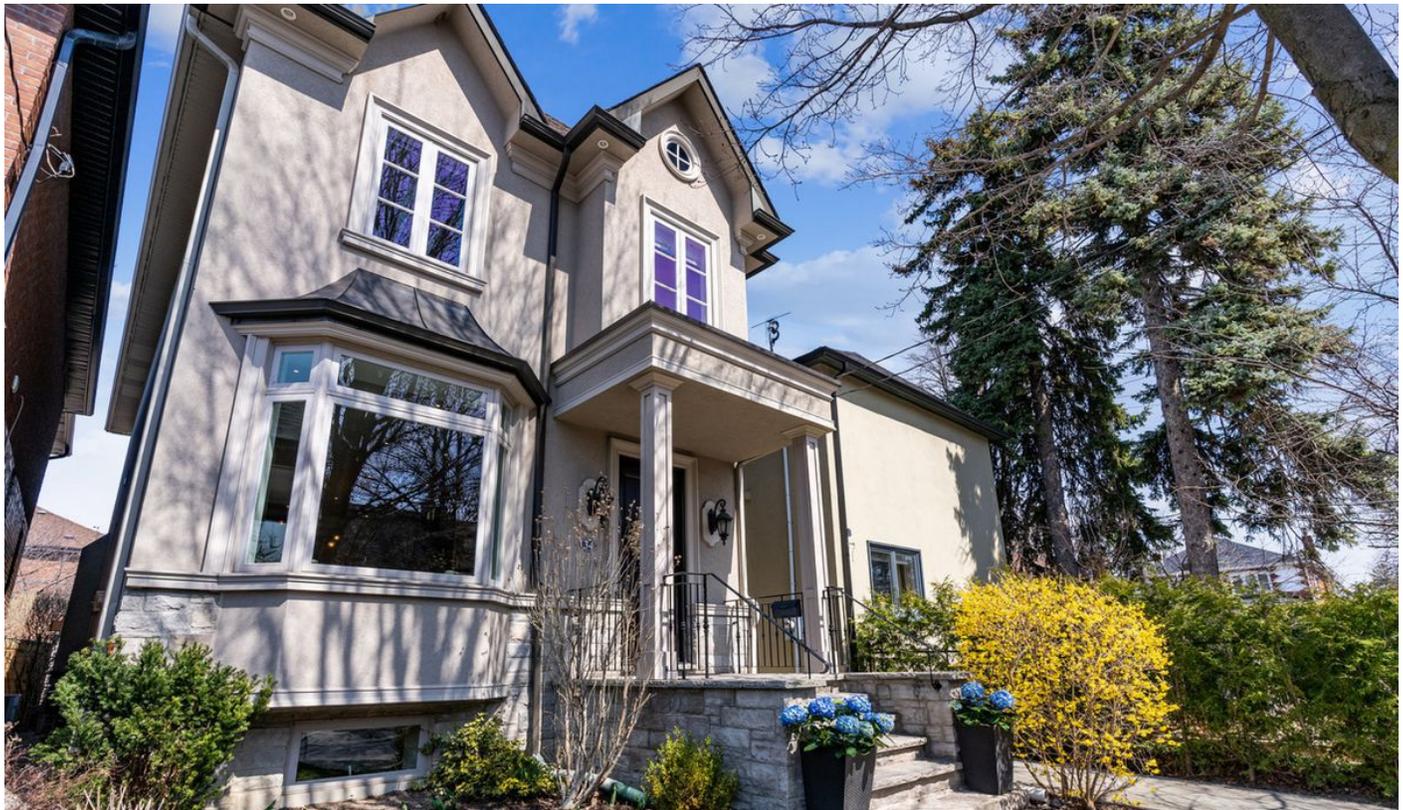


CAROLYN IRELAND >
 TORONTO
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APRIL 13 **UPDATED**



More new listings are arriving on the Toronto-area real estate market now that warm spring weather is here, but so far the new inventory is being quickly absorbed by the strong demand.

“We would have to get a boatload of product in order to feed the demand,” says Patrick Rocca, broker at Bosley Real Estate Ltd.

This week Mr. Rocca drew 18 offers for a detached house with three bedrooms and five bathrooms and an asking price of \$2.099-million. The buyers paid \$500,000 above asking.

About 70 groups toured the house at 34 Tilson Rd., Mr. Rocca says. “Eighteen offered and 69 are still looking.”

In the midtown neighbourhood of Leaside where he concentrates much of his business, he listed a semi-detached house on Mount Pleasant Road with an asking price of \$1.179-million. That property did not sell on offer night.

Mr. Rocca says he’s not surprised with that outcome because of the busy location and the fact that four other semis arrived on the market the same week.

“All of a sudden Mount Pleasant has competition,” he says, noting that the other properties did sell on the night reserved for offers.

Mr. Rocca says more listings are on the way.

“I’m doing a lot of evaluations and people want to sell,” Mr. Rocca says. “They’re worried about the second half of the year.”

Mr. Rocca says there is a sense among homeowners that the market is insanely hot right now but they can’t be certain it will stay that way. Some wonder if the temperature could dip between now and the fall.

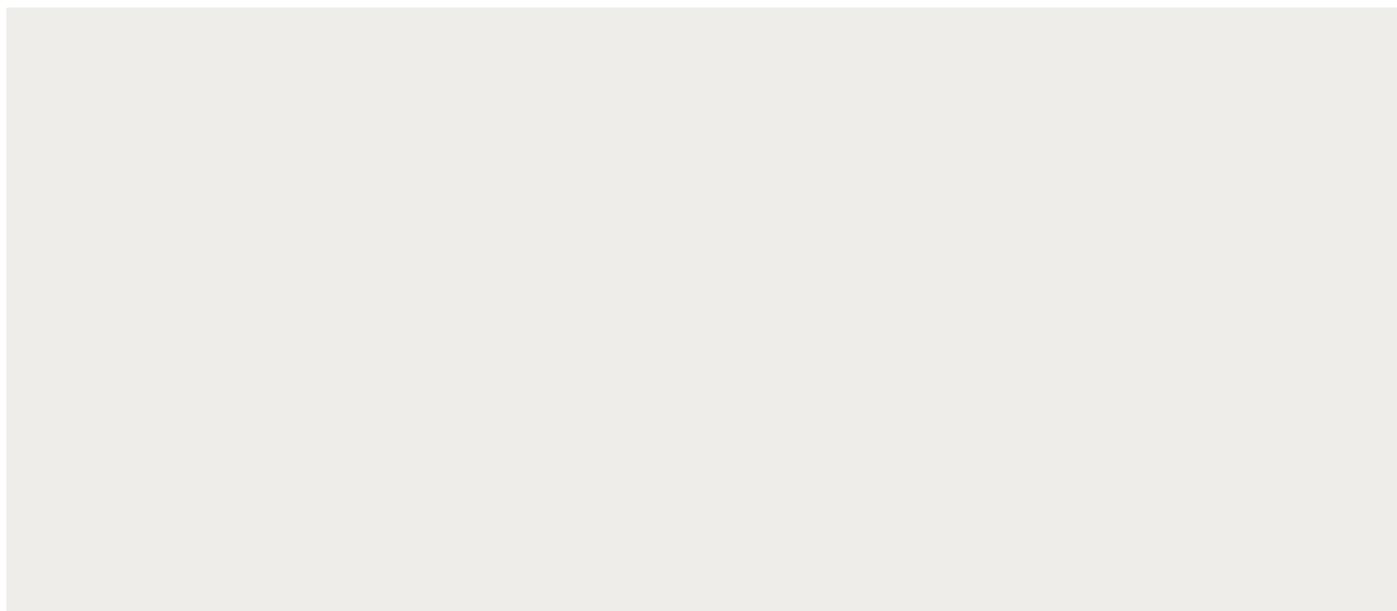
“When prices are going as high as they are as quickly as we are, there’s always that natural fear,” he says.

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One property that was priced aggressively near the \$3-million mark was later sold below the asking price.

BOSLEY REAL ESTATE LTD.

Scenarios that could cool the market would include a big jump in interest rates, a big swell of supply, or a wild-card in the federal budget such as a new tax, Mr. Rocca says.

In his view, it's unlikely those risks will come to pass.

In Leaside and nearby Davisville, most properties are selling in bidding wars.

A bungalow listed with an asking price of \$1.4-million in Leaside recently sold for \$1.8-million. Mr. Rocca predicts it will be torn down.

"It doesn't matter how renovated your bungalow is," he says. "The value is in the land."

One of the rare properties that did not sell on the night reserved for reviewing offers was priced aggressively near the \$3-million mark. That was too high, in Mr. Rocca's opinion, given the location, lot size and condition.

That home later sold below the asking price.

He adds, however, that agents can still be surprised: another house he thought was priced too

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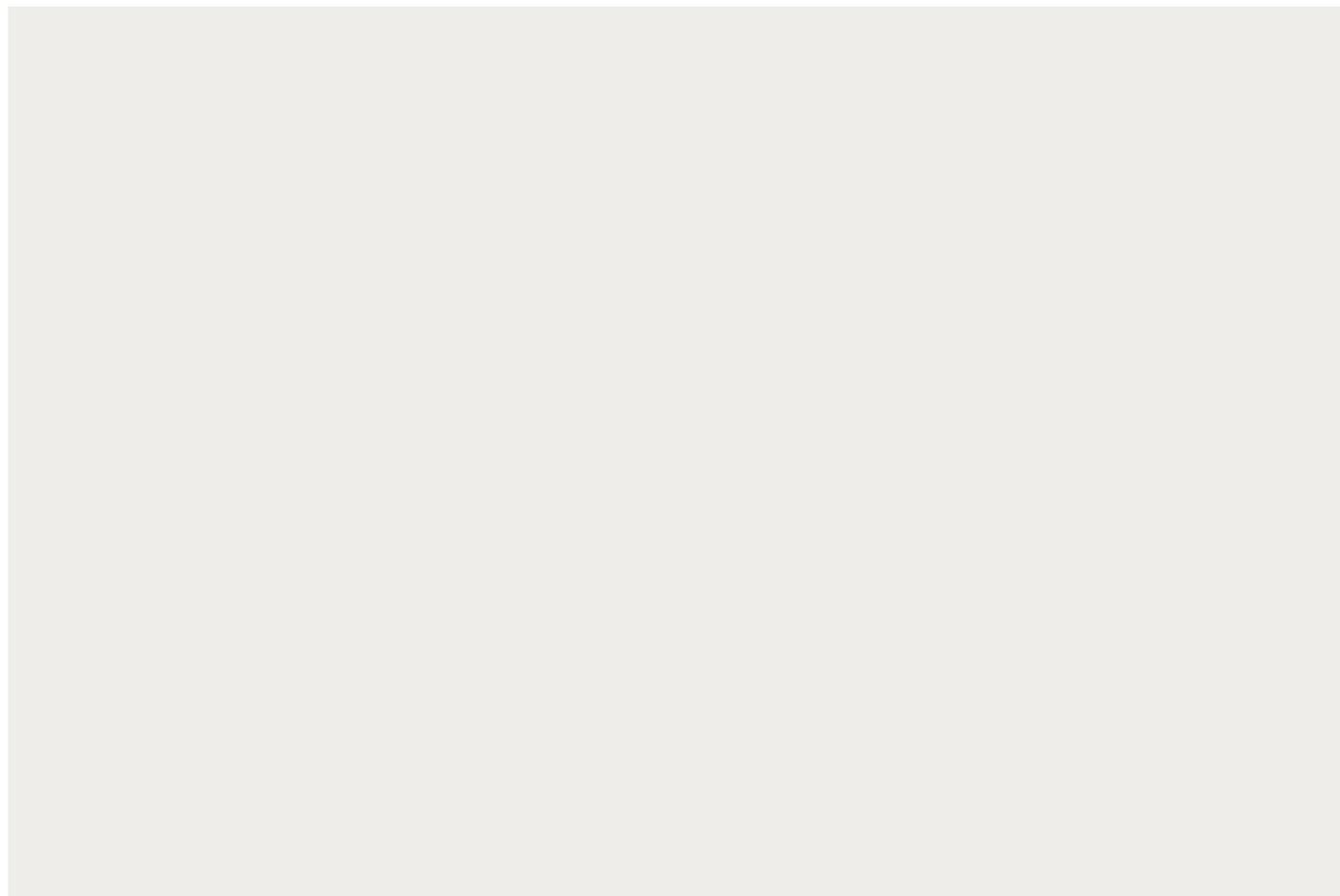
He expects that other sellers with similar homes will now set asking prices of \$3.7-million or \$3.8-million and hope to achieve more in competition.

“We’re setting benchmarks every week,” he says.

Mr. Rocca says some homeowners who are considering selling are facing the perennial problem in a market with low inventory: where will they go?

Some are looking at leaving Toronto for places such as Aurora, Richmond Hill and Niagara, he says, while others are aiming for specific condo buildings in the city.

“We’re running into the same problems out of town – they’re all looking at the same issues – supply,” Mr. Rocca says.



Some buyers may rush to get in ahead of the deadline because the proposed change will lessen their buying power.

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The federal government is set to announce a new budget on April 19. Rumours have circulated that the feds could reduce or eliminate the capital gains tax exemption on principal residences.

Last week the Office of the Superintendent of Financial Institutions proposed a strengthening of the “stress test” for borrowers with uninsured mortgages. In effect, borrowers in this group would have to prove they could afford a mortgage interest rate of 5.25 per cent instead of the current stress test level of 4.79 per cent.

Stephen Brown, senior Canada economist at Capital Economics, says the regulator aims to reduce the risk that periods of low policy rates destabilize the housing market or the banking system.

Mr. Brown believes the proposal is unlikely to weigh on house prices.

But, by reducing the share of highly-leveraged borrowers, it should soothe the Bank of Canada’s growing concerns about the negative consequences of low interest rates, he adds.

Anita Springate-Renaud, a broker with Engel & Volkers in Toronto, says the plan for a more stringent stress test may actually cause a spurt of buying between now and June 1 when the proposed change would come into effect.

“Sometimes it has the opposite effect,” she says, meaning that measures intended to calm the market actually create more heat in the short term.

She says some buyers may rush to get in ahead of the deadline because the proposed change will lessen their buying power.

If some sales are pulled forward, the market could cool slightly after that, she says.

Still, she believes that governments and regulators have a tough job trying to balance the needs of all of the participants in today’s market.

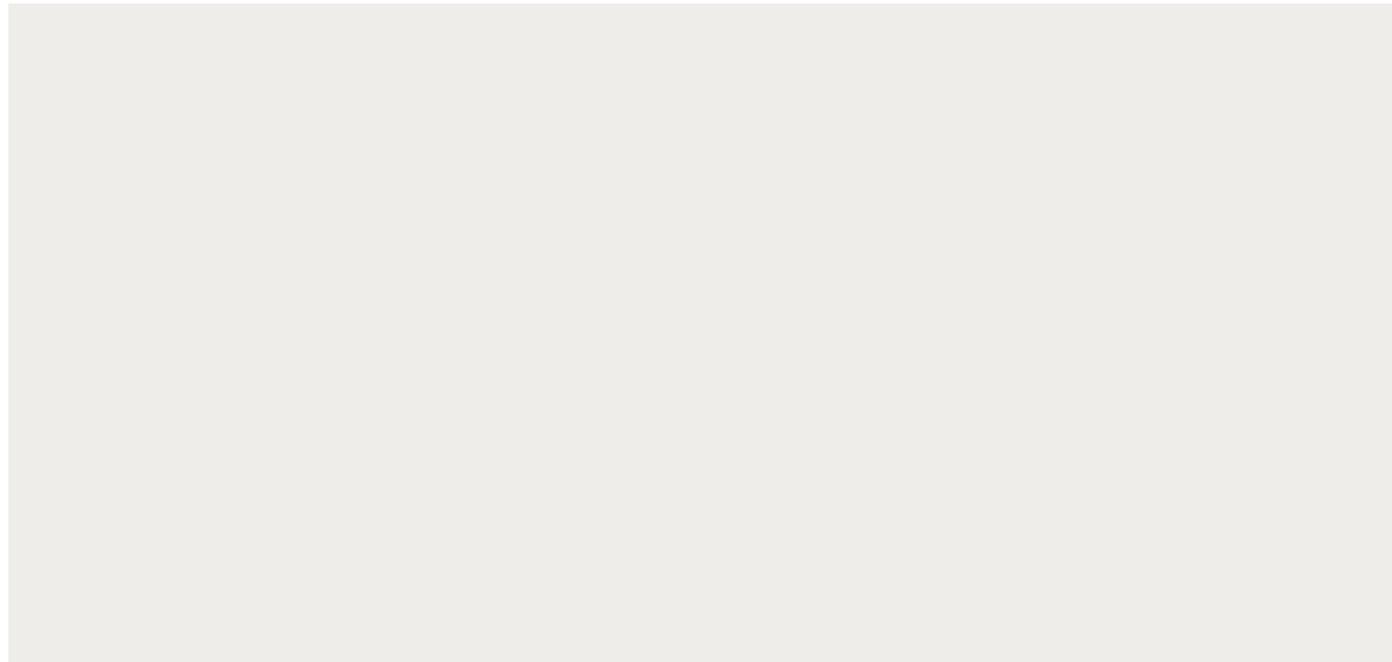
“We’re all in uncharted territory,” Ms. Springate-Renaud says.

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Mr. Rocca expects the summer months to be slightly less frantic.

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Like most agents and buyers, Ms. Springate-Renaud is hoping to see a greater number of listings coming out. She believes sellers in some areas may be holding back as coronavirus variants fuel a third wave of the pandemic.

“It could be the variants are a little scary for people because case numbers are going up.”

Meanwhile, some potential buyers who have lost out in competition are rebelling – especially in cities outside of Toronto. The strategy of setting an attention-grabbing asking price and then holding offers on a scheduled date can backfire for the listing agent because some house hunters are refusing to come to the table.

“People are not interested in getting into that bidding war,” she says, pointing to a recent example of a house for sale in Barrie, Ont. “They held off on offers and nobody came.”

Often if a property doesn’t sell on the scheduled night, house hunters will approach the listing agent a day or two later, and sellers may still end up with multiple offers.

Looking ahead, Mr. Rocca does expect the summer months to be slightly less frantic. He

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he figures.

“I don’t think we’re going to lose value – we’re going to lose the craziness.”

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