THE NEXT MOVE

Toronto realtors see a slackening of demand

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House hunters from the centre of Toronto all the way up to cottage country are running out of steam.

Patrick Rocca, broker with Bosley Real Estate Ltd., noticed an abrupt change around the Victoria Day Weekend in May.

The market has become spotty, he says, with some properties only drawing one or two offers on offer night and some none at all.

“It’s definitely a sellers’ market but not like it was in February and March,” he says. “The frenzy is not there.”

Supply has increased, he says, and the number of buyers competing has diminished.

For buyers who are exhausted by competition, the respite could present the opportunity to buy with less pressure, he says.

Mr. Rocca points to a house he recently sold in the Wychwood Park area for a $401,000 premium.

The property, listed with an asking price of $2.249-million, sold for $2.650-million with three offers.

“I was expecting more,” he says of the number of bids.

Another house in Leaside did not receive any bids on the night scheduled for reviewing offers. The following day, a buyer stepped up and the sellers accepted an offer below the asking price.

“They were very reasonable,” he says of the owners. “It’s very different when you get a seller who is reasonable and understands the market has spoken.”

Unreasonable sellers, he says, hold out for a higher price – even when they failed to get the bidding war they were hoping for.

In Davisville, for example, a house was listed with an asking price of $1.99-million and an offer date set. One week later, the seller was asking $300,000 more.

In his opinion, the original asking price was not far below market value.

“I say to buyers, ‘that seller is unreasonable – stay away from the property.’”

Mr. Rocca says agents who use that tactic sometimes want to send a signal to an interested buyer that the seller is determined to hold out for a certain price. But the practice also confuses and alienates many buyers, he adds.

“I don’t believe in that strategy. I’ve seen it work – but I’ve also seen it fail more.”

In the condo segment, a revival at the beginning of the year has given way to a less hectic market now, he adds. Listings have increased – especially in the midtown Yonge and Eglinton area.

Mr. Rocca says his team has been working with one buyer who submitted a strong offer for a condo unit that was not yet listed on the Multiple Listing Service of the Canadian Real Estate Association.

The buyer rejected the offer and went on to list on the MLS with an asking price of $1.5-million.

“The agent was adamant the seller wanted that price – two weeks later it’s still sitting there,” he says. “You do get some sellers who are digging in.”

Looking ahead, Mr. Rocca expects sales to be calm this summer as many people look forward to travel and recreation opening up again after Ontario’s lengthy lockdown.

Real estate prices will flatline, he predicts.

Nevertheless, some homeowners also see fewer pandemic restrictions as a green light for listing their properties. Mr. Rocca is getting calls from potential sellers who ask him to

Still, even in a calmer market, the buyers won’t vanish.

"I've worked many summers and there are always sales," he says.

Real estate agent Alexis Victor of Royal LePage Signature Realty noticed the same slowdown happening outside the city at exactly the same time.

Ms. Victor is seeing less demand for cottages and year-round homes in areas near Orillia, Ont., Lake Simcoe and Lake Couchiching.

"Prices are steady," she says. "We just don't have those bloodthirsty buyers."

Prices and bidding frenzies were out of control in February and March, she says, adding that many property hunters just got tired of the pressure. Some were looking for cottages and others were aiming to make a more permanent move.

Many agents – including Ms. Victor, who moved to Washago, Ont., from Toronto in 2020 – began setting offer dates for cottages and rural properties.

"It drove prices up and now people are sick of it."

Ms. Victor bought her own cottage on Henshaw Lake in Muskoka in February.

At that time, buyers were sending in firm offers without being able to see the land.

"You had no choice because if you wanted a cottage, you had to go in firm," she says. "We didn't know what we bought until the snow was gone."

Fortunately, she says, the property turned out to be beautiful and the roof – which was also buried under snow – is solid.

But while she took that risk for her own property, she's more nervous about advising clients under those circumstances.

"It was a scary time for realtors because you want to do the best for your client."

Ms. Victor says developers who want to appeal to aspiring buyers priced out of the cottage

be able to work from home in the future.

"I honestly believe that this is a permanent change," she says of the many people who decided to spend more time out of the city and suburbs during the pandemic. "This has jolted people."

Meanwhile, she sees inventory rising for houses and cottages in many areas. Some sellers are unrealistic, she adds, because they don't understand that some of the heat has come out of the market.

She believes that buyers are still out there – they just needed a break.

"As soon as they see things have calmed down a bit, people will be more motivated to continue their search because they know it won't go $200,000 over asking."

Toronto-Dominion Bank chief economist Beata Caranci and senior economist James Orlando note that the amount that Canadians spend on their homes now makes up 32 per cent of total consumption, on average, over the past year. That marks the highest proportion of spending on housing in nearly 50 years.

With Canadians spending freely on homes, vehicles, food and electronic gadgets, investors are jittery over an uptick in inflation.

Against that backdrop, Ms. Caranci and Mr. Orlando expect the Bank of Canada will further reduce its Quantitative Easing program in the coming months and signal the start of the interest rate hiking cycle in 2022.

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