

Real Estate: The Calendar Cycle



By **Brian Madigan LL.B.**

Year after year, we are faced with the same cycle, repeated time and time again.

Let's have a look at the last few years and see if we can determine **any patterns?**

We'll look at the ORES Real Estate Index for single family homes in the GTA. The Index started in January 2004 and tracks the monthly change in the average price. As of 1 January 2004, the Index was 100, it is now at 132.24 as of the end of April 2008. Basically, that means a 32.24 percent increase in four years and four months. That works out to a 7.59% annual increase over that period of time. We could also say that works out to 0.62% monthly increase over that same 52 month period. But, not every month is the same. There are some good months and there are some bad months.

Each year, there is a highpoint in the Spring, and another highpoint in the Fall. It is far from a steady progression. We will chart the two highpoints each year.

So, let's have a look at **2004:**

May..... 109.73
October..... 109.56

In 2004, the market increased from January to May when it reached its height, then declined from June to August, increased slightly in September, and reached its height once again in October. Thereafter, the market declined for the balance of the year.

What about **2005:**

May..... 116.38
October..... 115.48

In 2005, the market increased from January to May when it reached its height, then declined from June to August, increased slightly in September, and reached its height once again in October. Thereafter, the market declined for the balance of the year.

And, let's examine **2006:**

April..... 112.69
October..... 120.05

In 2006, the market increased from January to April when it reached its height, (held flat for one month) then declined from June to August, increased slightly in September, and reached its height once again in October. Thereafter, the market declined for the balance of the year.

What about **2007**:

May..... 127.64
October..... 130.98

In 2007, the market increased from January to May when it reached its height, then declined from June to August, increased slightly in September, and reached its height once again in October. Thereafter, the market declined for the balance of the year.

COMMENT

Are you beginning to see a pattern here? The only year out of step with the pattern was 2006. And, in that year, the actual high point was April at 122.69, but that number held fairly steady. The Index for May was 122.38 which in the grand scheme of things ends up being statistically insignificant. The real decline did start to take place in June when the Index read 120.32. The balance of that year was the same as every other year.

All of this leads me to the conclusion that the following statement concerning the predictability of market prices throughout the year is accurate:

In any year, the market will increase from January to May when it will reach its height, then it will decline from June to August, increase slightly in September, and reach its height once again in October. Thereafter, the market will decline for the balance of the year.

So, what's in store for **2008**?

Here are the actual numbers, so far:

January..... 125.83
February.... 127.84
March..... 127.42
April..... 132.24

We can only start with the first part of the statement: In 2004, the market increased from January to April. If this year is the same as previous years, we might reasonably expect that May would be the high water mark for prices, and that there will be an anticipated and predictable decline in June.

If that occurs, it would (likely) be a seasonal decline and not evidence of a major crash as predicted by the doomsayers. Then, the market will start to drift off over the summer, awaiting a slight resurgence in September, followed by a new record high in October (for a strong market), or simply a Fall high (for a weaker market). In November, the market will start to decline slightly for the balance of the year.

So, if you have been keeping track, here is the **predictable pattern**:

Rising Prices..... January to April
Spring High..... May
Declining Prices..... June to August
Rising Prices..... September
Fall High..... October
Declining Prices..... November to December

Interesting, eh!

Now, you know how to time your next move.

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