

Summer Market ~ 2006

By Brian Madigan

So, what's happening in the market? That's the most common question I hear these days.

When I read the paper and watch TV, I have the impression that things are going crazy. But, is that reality?



Here are some recent headlines:

- Red Hot Real Estate Market Sizzling
- Condo Prices Going Over the Top
- Calgary Properties Up 47%
- Bidding Wars are the Norm
- Buy While You Can Still Afford It!

Now, that's pretty powerful stuff! You would think that you should buy something, just about anything, before the end of the week.

Well, that's really not what the statistics say. The average sale price in the GTA for a single family home is declining. The highest price was April at \$ 366,683, then it dropped in May to \$ 365,537 and in June it had dropped a total of 2.4 % to \$ 358,035. So, what does that mean? It certainly is not an indication of rapidly rising prices. The reasonable conclusions are:

- the market is going sideways
- the market is declining
- the market is cooling off
- the market is pausing before another rise
- the market is holding its own

Now, depending on the time frame, actually each of the above statements are true, and we'll just have to see over time which one appears to be the more accurate.

In the meantime, don't be concerned about the "hype". Ignore short term forecasts. Real estate is a long term investment. It should be measured over 5 to 7 years minimum, not month over month.

If you are considering entering the market, do your homework. Research prices, trends, interest rates, rates of return and other relevant issues before making your decision. And, remember, headlines sell newspapers, they are not to be taken as investment advice.

You have to be aware that there is a slight aberration in the manner in which real estate statistics and prices are reported. Generally, they are offered in a subjective favourable context. Rather than simply say the June price has declined over the last two months, the June 2006 price is compared to the June 2005 price of \$ 345,065, so that the increase of 3.8 % (year over year) can be reported. But, would the public tolerate that same information about the stock market? Investors want to know whether the price is up or down compared to yesterday, not last year.

So, you'll have to look at the facts and forget all the "spin".

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