

GTA First Half of October 2008 ~ Mixed News



By Brian Madigan LL.B.

Well as you probably imagined sales are down and prices are off. But how much?

It all depends who you ask and what time period is selected.

Given that we have a world financial and economic crisis at the moment, this is not particularly a good time to ask.

The height of the market for single family homes in the Greater Toronto Area (GTA) was April this year. The average price was \$398,687. The market has been declining. It regressed in May, June, July and August, but moved up smartly in September. The market has slipped again in the first two weeks of October.

So, here are the numbers:

\$398,687.....April 2008
\$364,886.....August 2008
\$368,549.....September 2008
\$353,772.....October 15, 2008

So, obviously there has been a decline:

4.0%..... compared to September
3.1%compared to August
11.27%..compared to April

The world stock markets are down over 40% from their heights (some more). The TSX was over 15,000 and now trades just below 9,000.

There should be no real doom and gloom. The stock market drop is largely an October matter, so for a good many real estate transactions, it was not taken into account. Further, many deals that were done were undertaken on the basis of previously authorized mortgage commitments. The loss of financial liquidity in the marketplace will eliminate almost all future transactions.

So, is this a good time to figure out values and comment on the movement in prices and volumes? Absolutely, not!

But, have a look at the real estate market this year. It peaked one month earlier than expected (April rather than May) and it spiked later in the year predictably in September, as it always does.

October will be a difficult month. Mortgage financing is restricted somewhat. That means fewer deals. However, any economic recovery requires increasing prices, so when will that happen?

The present half month statistics are not that meaningful, and the same may be true for the end of October statistics.

How much is your neighbour's house worth? Well, if I were also to tell you that his kitchen was on fire, and the fireman haven't left yet, you might have a little trouble.

Let's ask that question again, once the markets are not in turmoil. Real estate prices at the moment appear to be a fairly safe range. They are already 11.27% off the peak in the GTA, and 10% was all that was predicted by economists in the first place.

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