

Real Estate Trends, Volumes and Prices (May 2008)



By Brian Madigan LL.B.

So, what's happening in the market these days? From everything that you would read in the newspapers, you would think that real estate values, volumes and activity is falling drastically.

Only one little problem, the actual statistics don't point in that direction. Prices are up, volumes are steady and there's lots of interest in the market.

That means you don't have to worry about the doom and gloom predictions of Garth Turner in his new book "*Greater Fool: The Troubled Future of Real Estate*". But, of course, one day he will claim to be right. Any measurable slowdown will suffice.

Did you know that there is just one real long term trend for real estate? And, it's up. Consistently, at an average of 5% per year. Just recently, you might ask! No, for the last 1,000 years. Actually, I'm fudging that number. Records only go back to 1066.

You might wonder where the prices are now? Record highs! The price of the single family home reached its highest level in April 2008. That's usually not the sign of a troubled market. That number reached \$398,687, the previous high was \$394,646 which was achieved in October 2007.

The editorial press is currently having a field day with the war in Iraq, oil prices, plant closings, US subprime mortgages and the potential difficulty in the US economy.

Don't worry! We have more oil than Iraq. In Brampton, Chrysler laid off 900 workers, and in Oshawa, GM laid off 1,200 workers. There are more than enough new construction jobs for the displaced workers according to Statistics Canada. However, you will appreciate that many autoworkers will simply take their pensions and retire. One more thing, production is up at Toyota in Cambridge and Honda in Alliston.

Our banking and mortgage system did not really permit inappropriate unsecured loans to consumers who could not afford houses. Since they didn't qualify for loans in the first place, they are not losing their home in a crisis. The US economy is not quite as good as it was. Therefore, in economics, you will be able to measure a downturn. However, the good news is that there is a US Presidential election this year. That will be great for the economy. It almost always is.

By the way, did you notice that the Toronto Stock Exchange hit record highs? The highest value ever achieved by the TSX was on Thursday May 8, 2008 when very briefly for a few minutes, it surpassed its all time high. The previous high was 14,625.76 in July 2007. The market declined significantly, reached a low on January 21, 2008 and has rebounded ever since. The record high is not really a record since it needs to end the day at that level. However, the market is up 20%. This is very significant and we are likely days away from record high stock market levels. Something you need to know about stock markets. They always predict the future. They represent the combined wisdom of thousands of investors and offer an opinion about the state of economic affairs about 18 months out.

Still not quite sure about the stability of Toronto's housing market? Have a look at the immigration numbers! Everyone wants to come to Canada, and when they get here, they want to settle down and buy a home. There's no shortage of interested buyers.

So, where are they right now? They'll have to start reading the good news. The difficulty is that the papers haven't started printing them yet.

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