

The Auto Sector and Real Estate Values



By **Brian Madigan LL.B.**

Well, it just doesn't matter anymore!

No one seems to care. The possible bankruptcies of GM and Chrysler are now taken for granted.

Here are some recent statements by the parties:

- **No government financing** without further wage concessions (Ontario Government)
- **No further concessions** (CAW)
- **Bankruptcy** is now probable (GM and Chrysler)

Just a few months ago, this would have been the worst result that anyone could imagine. Now, it's worked itself through the system. It has been factored both into the stock market crash and the stock market recovery. Only 22% of Canadians are in support of a government bailout plan for the auto industry. And, while many don't care one way or the other, there is a clear message that very few Canadians support this bailout at this time. Let them fail, seems to be the common view.

Other than auto workers themselves, and perhaps their suppliers, this topic has lost interest for most. The CAW is viewed as being greedy and uncooperative. Management is viewed as incompetent. Governments are viewed as foolhardy. All in all, this is not a happy picture.

So, let GM and Chrysler go bankrupt. Let's get on with it. While all this is happening stock markets have been rising this past month. What this means is that the demise of these two former giants in the industry have already been factored into the numbers.

Both Oshawa and Brampton are part of the GTA, so there will be others who can purchase the homes of the distressed workers. The impact on the real estate market will be minimal.

The market in Windsor has been in decline for a decade. Perhaps a consolidated automotive industry will actually spark the real estate market.

At this time, most observers recognize that the North American auto industry is shrinking and there is excess capacity. Something has to give! And, right now, that might mean bankruptcy. What is clear is that there will emerge a new, more efficient and competitive auto industry. The damage to the economy has already largely taken place. The fear was worse than the cure.

In the GTA, the real estate value impact will likely be imperceptible.

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