

## Toronto: Total Market Recovery



**By Brian Madigan LL.B.**

The Toronto Real Estate Board has just released its May statistics. Both sales and prices are up.

There were 9,589 sales in the GTA in May 2009. That's about 2% higher than May 2008.

The height of the market in terms of price was actually April 2008, when the average price of a single family home in the GTA reached \$398,687. In May, the average price climbed back to \$395,609; that's just 0.77% less than the all time high. In fact, it may not be statistically significant.

This certainly dispels the notion that it's a buyers market and prices are going to drop by 50%. That was just pure speculation by some optimistic, would-be buyers who failed to follow the monthly trends. It was also a popular topic in the media.

This is a **full and complete recovery**. There has been a transition from a buyers' market, earlier in the year, to a **balanced market**, which is where we find ourselves now.

There are several factors that contribute to the recovery:

- Interest rates are at 50 year lows
- The Bank of Canada prime rate sits at 0.25%
- There is a reasonable supply of product
- Buyers have returned to the marketplace
- There is a good deal of consumer optimism
- The stock markets have rebounded about 50% from their lows

If this trend continues, you will also find that market prices will increase. This will be due to:

- better product availability, and
- the true cost of ownership.

In a buyers' market, sellers with good product just don't enter the marketplace unless they have to. If they can wait, they will wait. So, rarely is there a good property that buyers' will stretch for. However, in a balanced market or a sellers' market, buyers will stretch their finances to acquire premium products.

Also, the true cost of ownership has dropped. While the prices are now the same as last year, mortgage rates have declined by 40% to 50%. Effectively, if you were to fully mortgage a property, the long term cost has declined measurably. So, a \$500,000 property today costs a lot less than a \$500,000 property one year ago.

If you have a job, and you can borrow money, **this is the time to buy!**

*Brian Madigan LL.B., Realtor is an author and commentator on real estate matters, Royal LePage Innovators Realty*

*905-796-8888*

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