

Toronto area home sales sink after cooling measures

By Janet McFarland

May 25, 2017 – *The Globe and Mail*

House sales fell 26 per cent in the Toronto region in the month following the Ontario government's introduction of a foreign-buyer's tax as many potential purchasers stepped back and waited to assess the market impact.

In the 30 days after the province announced the immediate introduction of a 15-per-cent foreign-buyer's tax on April 20, the number of houses sold in the Greater Toronto Area fell 26 per cent compared with the same period last year, according to data compiled by Toronto realtor John Pasalis, president of Realosophy Realty Inc.

Communities north of Toronto saw the greatest declines between April 20 and May 20, with sales falling 61 per cent in Richmond Hill, 46 per cent in Markham and 44 per cent in Newmarket. The City of Toronto recorded a 23-per-cent drop in the number of homes sold, while Brampton and Mississauga west of Toronto had sales declines of 16 per cent and 27 per cent, respectively.

The sales review looked only at freehold homes, including detached and semi-detached houses, but did not include condominiums.

The drop in selling activity is part of a broad cooling in the Toronto region market that began in April as buyers moved to the sidelines while home owners rushed to list their houses to try to cash in before the market peaked.

In the first two weeks of May alone, sales of all types of homes in the GTA fell 16 per cent compared with the same period in May last year, while the number of new listings soared 47 per cent, according to data compiled by the Toronto Real Estate Board.

The average GTA home sold for \$890,284 in the first two weeks of May, a 17-per-cent increase from a year earlier, primarily because

of large gains earlier this year. But the price was down 3 per cent compared with April, when the average sale price for all types of GTA homes was \$920,791.

Mr. Pasalis said he does not believe the new foreign-buyer's tax is directly responsible for much of the drop in sales since April 20 because foreign buyers were not a large enough part of the market to cause such a significant decline, and many foreign buyers will qualify for rebates of the tax.

Instead, he believes the drop is a result, in part, to a decline in demand from domestic investors who were purchasing second properties to rent or flip. Most investors have stopped buying as they wait to see the impact of a suite of new measures announced by the province in April, including the foreign-buyer's tax, he said.

"They disappeared – no one is talking about buying money-losing rental properties any more," Mr. Pasalis said. "The whole excitement and euphoria is kind of gone right now."

He also believes many other buyers are sitting on the sidelines, feeling "buyer fatigue" after watching prices in the GTA climb rapidly.

The 33-per-cent price increase in March may have been "the straw that broke the home buyer's back," after the average cost of a home rose to \$917,000 in March from \$688,000 a year earlier, he said.

"The whole mood of the market has changed, and that is the bigger factor. People are spooked – investors are spooked, buyers are spooked – and I think that's the huge issue."

Mr. Pasalis said many of his firm's clients have been stepping back and not making offers, hoping prices will fall from the peak, while many sellers are growing desperate for offers,

especially if they've already bought another house and need to sell quickly.

"Our agents are getting calls from listing agents begging them for offers, just begging them, because the seller is freaking out because they already bought something and they need to sell their house," he said.

One agent in his firm submitted an offer of \$650,000 for a client bidding on a townhouse that was selling for \$750,000 a month ago, and

the bid was accepted. He said the agent hadn't expected to get it, but he assumes the seller had no choice.

"It's going to screw up the market because sellers are going to be looking at February and March prices and buyers are going to be looking at these recent low-ball prices, and we're going to have an interesting problem there."