



SUSTAINABILITY NEIGHBOURHOOD ARCHITECTURE COMMUNITY

Ryan Roberts

real estate newsletter



Over the past few months, I've talked to many clients about the constantly evolving nature of real estate. Several clients wisely suggested that I write a newsletter to "calm fears" about the recent changes in the market conditions, but after some reflection at the time, I decided against it for the following reason.

At that point Realtors, like me, simply lacked the information needed to provide accurate statistics about the changes in the current market - we could see that it was transitioning but to what extent time would only tell. Of course, I can speculate based on bits of evidence and various other signs, but I didn't want to risk giving my clients the false impression that my speculations are grounded in "facts".

That said, I truly believe if you surround yourself with people you trust for guidance, you will be armed with the most reliable information you can get. Therefore, when buying or selling a home, choose a realtor you can trust. That way you can get the answers you need and trust to make the right decisions for you and your family.

I believe the current market holds great opportunities for people looking to buy or sell a home. Please know that I will always make myself available to discuss any questions you may have about Toronto real estate.

2008 IN REVIEW

You may be aware that, in 2007, Toronto set a record for the highest number of real estate transactions. This was a result of a combination of factors, including, among others, affordable financing, job security, and the rush to buy homes before the City of Toronto implemented the new Land Transfer Tax, effective February 1st, 2008.

Beginning in the late spring of 2008 sales of luxury residential properties (\$1 million-plus) began to decline. Over the summer sales of properties in the range of 600K-1 million began to fall, as well. But these declining sales were small compared to the sharp drop in sales that eventually resulted from the global stock market crash that occurred in the middle of September. Almost immediately after the stock market crashed, Toronto's real estate market entered a transitional stage. With many people growing wary of the economy at home and abroad, the resulting sharp decline in sales of properties was only inevitable. At the beginning of November statistics from the previous months were published. Real estate transactions were down approximately 35% and the values of residential properties were down 15% in the 416 area, when compared to the same period in 2007.

SO WHAT CAN WE LEARN FROM 2008?

No matter how hard you try, you cannot predict the future. Only the present is truly knowable. Just as most people employed in the equity market had no idea the value of stocks would plummet, so realtors could not have predicted the decrease in the values of properties across Toronto.

People frequently ask me “Ryan, When’s the best time to buy?” My answer is always the same—when you have the necessary financing, and it just feels right (the two are usually related!). I also tell people that real estate, typically, shifts through new cycles every 5 years or so, and each cycle is characterized by its own patterns and levels of buying and selling. As well, within each year of every cycle, there are usually mini-cycles, the most common of which occur in the spring and fall, when more homes are bought and sold.

Real estate is a market that fluctuates, but it is not liquid investment. The overall values of properties continue to increase over time, despite regular ebbs and flows. Not surprisingly, people frequently hear about others who have sold their homes for far more than the amount they purchased them for many years ago. Indeed, owning a home for one or two years can be considered speculative, but owning a home for three, four, five years, or beyond, is the best way to ride out the market adjustments.

WHAT OPPORTUNITIES CAN BE HAD IN A SHIFTED REAL ESTATE MARKET?

Buyer’s Opportunity:

- Buyer’s can take advantage of the 15% depreciation in the average value of a residential property.
- Financing is at a historic low, which is a feature of the current market. This means that buyers can buy a house not only for less than a year ago, but also, pay less for the monthly cost to finance it. Historically, when home values go down, lending rates (interest rates) go up. Yet, at this time, a unique combination of opportunities exist: buyers can purchase homes at discounted costs and borrow at discounted rates.
- There are fewer multiple offer situations, and so buyers can be optimistic that they will get the home with which they fall in love.

Seller’s opportunity:

- People looking to sell a home and move up to a more expensive home can save a great deal on the cost of such a home. Ex: Imagine your current home was worth 400K. If the value dropped 10%, it would be worth 360K (a decrease of 40K). The house you want to move up to was 600K (typically the average owner will spend 50% more for the “move up” home), but after the same 10% depreciation, it would be worth 540K (a decrease of 60K). The savings on the move up home would be 20K.
- People who have owned for many years can unlock the capital appreciation as values are very much in line with 2006, which was a very successful year for Toronto real estate.



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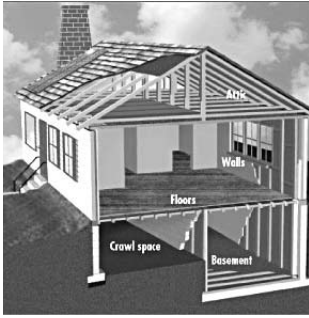




FURTHER PERSPECTIVE:

Here is a very quick synopsis of the last 30 years in Toronto. The biggest change, apart from the seven fold increase in property values, is the number of new Condominiums in the market. Since the late 1970's and early 80's, Condominiums represented only 2-5% of real estate sales. Today, Condominiums represent almost 50% of the sales activity for 2007.

GREEN TIP



Caulk, Seal or Weatherstrip Drafty Areas and Windows.

In the winter, you can seal your windows (older windows are often poorly sealed) using weather stripping caulk sealant. It will seal the cracks between the window and window frame. This type of caulking can be peeled off when you don't need it anymore. It comes in regular caulk tubes. It's nearly invisible when in place and it comes off easily without damaging paint or clear finishes. Another option is storm windows. They act as a wind buffer, and the air trapped between the storms and the prime windows acts as insulation. You should do this at work and home. Making these changes will not only improve your eco-footprint, and comfort while indoors but also save you money in the long term.

If I can be of any assistance to you, a friend, family member or work colleague please let me know. I respect referrals as a key to my current and future success in the real estate business. Feel free to contact me with any real estate related questions you have. Whether you need a contact to repair a household item or another service provider I will do my best to suggest quality contacts. I can be reached by clicking the email address or the telephone number provided below.

BOSLEY

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