



Taking the market's temperature

Despite warnings about overvaluation, an analyst says runaway prices of single-family homes haven't extended to condos



CONDO TRENDS

Duncan McAllister

Condo owners and purchasers may be pondering what lies ahead for Toronto's real estate market as we head into the fall season. In July, the Bank of Canada lowered its overnight lending rate from 0.75 per cent to 0.50 per cent. The major banks soon followed suit, resulting in increased sales activity in the GTA.

The Canada Mortgage and Housing Corporation recently released a quarterly supple-

ment entitled Housing Now Canada. Despite Toronto's red-hot real estate market, the report has an ominous message about overvaluation.

It warns that the rise in prices has not been matched by growth in personal income: "The overall assessment of risk detected by our framework has moved from moderate in the previous assessment to high in the current assessment for Toronto."

Toronto real estate analyst Brian Persaud, author of the book *Investing in Condominiums*, helps to put it in perspective.

Persaud says that although



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Real estate analyst
Brian Persaud



the market has been hot, we haven't really seen runaway condo prices, not like the case with single-family homes.

"The average price of a condo downtown was \$460,000 last month. And it was \$440,000 this time last year. I mean,

that's not nuts."

Condo prices rise for various reasons. Easy access to mortgages is certainly fuelling the market, especially since the interest rate drop.

"It's no secret that the amount of money being lent

out is higher than it's ever been," says Persaud, who is also a real estate agent.

As far as ambitious investors collecting a windfall by speculating on pre-construction condos, Persaud says it's not happening.

"The builders are aggressive on price and the CRA is very punitive on flipping. You have to pay the HST and the income tax rate is high because it's not considered as capital gains. I feel that only desperate people flip."

There's always a concern with overbuilding: a glut in the market with hundreds of empty units of unsold inventory. Per-

saud says that outside of a few pockets of condo forests, that's not the case in Toronto.

"Developers just keep building and so supply is equalling demand," he says.

Persaud points to examples of the explosive growth in single-family housing prices in the GTA, like High Park properties doubling in price to \$2 million. And we're starting to see it in the 905.

"I've been seeing price increases from the fall in Durham. Houses were going between \$370,000 to \$380,000 and now they're in the fives (hundred thousands). In Whitby. Can you believe that?"