

What is happening in the Real Estate Market?

**Buyers, Sellers,
Landlords,
Investors all
want to know,
and we have you
covered.**

At their October 25 meeting, the central bank held rates at 5%. Stability is the first step towards restoring confidence and the longer we move away from rate increases the better for the real estate market.

Inflation is stubbornly hanging around 4%. Unemployment is still low at 5.7% but that may increase with a substantial recession. The market will be tough for the next six months, or at least until rates begin to decrease, but the most basic economic principle of supply and demand will rule in the end.

With more than one million people entering Canada per year and very little new housing supply being added, we expect real estate prices to increase over time.



In this newsletter you will find:

Information for buyers, sellers and landlords, an update on the economics and more.



CONDO INVENTORY FOR SALE (CENTRAL TORONTO DISTRICTS)

May 23, 2023	1,842 <i>(before the latest rate hikes)</i>
Oct 23, 2023	2,977

FOR SELLERS:

INVENTORY IS INCREASING, AND THE VOLUME OF SALES IS IN STEEP DECLINE.

If you must sell in this market, there are a few things which are important to point out. Prices are falling. Sellers who price their properties into this falling market will have a much better chance at a successful outcome than those who do not. Although comparable sales are still relevant, it is important to keep in mind that they are history, and may not apply under today's market conditions. Prices are expected to drop a further 6% by the end of the year according to TD Bank, so it is better to be out in front of the curve than behind it.

Appearance is also very important both online and in person. Being able to see your property through the lens of a buyer to identify and ultimately eliminate or at least minimize the effects of those things which would be perceived as negative, is essential. You only get one chance in this market and if you get this part wrong, the result will be price reduction, after price reduction after price reduction, when price was not the problem in the first place. Creating an environment which will illicit the emotional response within the buyer necessary to move to the offer stage is essential.

If you are thinking of selling, please feel free to reach out for a free consultation.



FOR BUYERS:

THERE IS A SHORT-TERM OPPORTUNITY FOR YOU.

If you can afford it, the next 3 to 6 months will be a good time to buy. Finally, the available condo inventory is on the rise, and demand is down in both, the condo, and single-family sectors. Those who have been waiting to purchase will find substantial discounts off peak prices.

There will be motivated sellers. Timing markets is very difficult but buying in a down market is the best strategy. Those who wait until interest rates begin to drop will once again find themselves in a multiple offer environment and will regret it.

FOR LANDLORDS:

RENTAL INVENTORY IS ON THE RISE. PRICE YOUR PROPERTY ACCORDINGLY.

Rental rates increasing is yesterday's news. Right now, rents are falling as inventory rises. Landlords who price their rental units to reflect current market conditions will be the ones receiving offers and their choice of the best tenants. For the first time since the COVID 19 lockdowns it feels like people are leaving the downtown core.

CONDO INVENTORY FOR RENT (CENTRAL TORONTO DISTRICTS)

May 23, 2023	1,936
Oct 23, 2023	2,865

THE SHORT-TERM OUTLOOK:

RECESSION IS LOOMING.

It feels like the Canadian economy is really beginning to slow down, as the effects of rate hike after rate hike take effect on businesses and consumers alike. Buyers and Tenants will benefit in the coming months at the cost of Sellers and Landlords.



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Expect the economy to contract, jobs to be lost and businesses to fail as we move forward into 2024.

The good news, change brings opportunity. For all of those who have been sitting on the sidelines waiting for the best time to buy, the next six months will be a great opportunity to take advantage of motivated and fatigued sellers. Historically, real estate prices bottom out during a recession, and this time around is not expected to be the exception.

THE LONG-TERM OUTLOOK:

It looks like rates will begin to come down by mid 2024. In fact, there is a growing mindset which believes that the Bank of Canada has underestimated the effects of high interest rates and in fact, rates may begin to drop late this year or early 2024. When this happens, it will signal the end of this period of uncertainty amongst buyers, and it is expected that confidence in the real estate market will quickly be restored.

With historically high immigration over the past few years and very little new supply entering the pipeline during the same period, we are expecting demand to outpace supply, leading us back into multiple offers and increased prices.

If you, a friend, family member or colleague are thinking of buying, selling, leasing or investing in real estate in 2023, I am here to help and I am never too busy for your referrals.

KS KEVIN SOMMERVILLE
SALES REPRESENTATIVE

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