



Your Greater Toronto Real Estate Newsletter

## Market tightens as listings drop Sales, prices flat compared to last year

**R**eal estate sales in March for the GTA were almost identical to those of last year, but a lack of listings lead to a slight rise in prices. New listings were down 5.1 per cent year-over-year, while active listings dropped by 2.5 per cent. "Market conditions have remained tight enough to support a moderate pace of price growth," says Toronto Real Estate Board (TREB) chief market analyst Jason Mercer.

Detached home sales were down by 4 per cent in the City of Toronto, but up by 6.8 per cent in the 905 regions. The average price for a detached home in the city was \$1,267,598 in March, down 2.1 per cent from a year ago. In the 905 regions, detached homes sold for an average of \$910,624, down 1.2 per cent. At an average price of \$680,501, semi-detached homes in the 905 regions were in demand. Prices were up by 4.5 per cent in that category. But in the city, semi-detached homes were much more expensive at an average of \$1,020,561, which was down 1.3 per cent from March 2018.

"The OSFI stress test continues to impact home buyers' ability to qualify for a mortgage," explains TREB president Garry Bhaura. "TREB is still arguing that the stress test provisions and mortgage lending guidelines generally, including allowable amortization levels for insured mortgages, should be reviewed."

The recent federal budget introduced a new First-Time Home Buyer Incentive program that would offer buyers an interest free loan equal to 5 per cent of the cost of an existing home, or 10 per cent for a new home. But the program,

which is expected to be available in September, only applies to insured mortgages and first-time buyers, and will only be available for homes priced at a maximum of about \$500,000. Only one in four homes sold in the GTA was less than \$500,000 in 2018.

"People qualifying for it [the program] would have been able to pass the stress tests even without it, so this is unlikely to stimulate very much incremental activity," says housing analyst Will Dunning. He suggests an alternative way to lower mortgage costs would be to allow 30-year amortization for insured mortgages.

For a resale buyer, the new program will reduce the monthly payment by about 6 per cent where as the 30-year amortization would reduce it by 10 to 11 per cent, Dunning says. *REU*

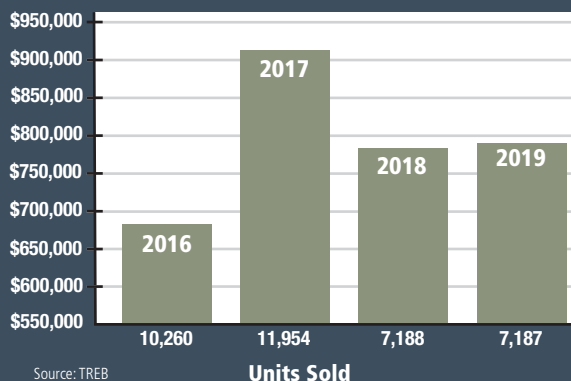
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## Monthly sales

and average price  
by area

### March 2019

Central.....	1,158	\$927,028
East.....	1,507	670,957
North.....	1,437	859,717
West.....	3,085	760,363

### February 2019

Central.....	913	947,319
East.....	1,033	647,196
North.....	964	861,467
West.....	2,115	736,447

### January 2019

Central.....	656	881,076
East.....	863	628,380
North.....	730	819,769
West.....	1,760	728,032

### December 2018

Central.....	640	874,462
East.....	834	626,477
North.....	692	852,143
West.....	1,615	721,122

### November 2018

Central.....	1,237	959,243
East.....	1,354	653,807
North.....	1,168	845,916
West.....	2,492	749,628

### October 2018

Central.....	1,432	980,698
East.....	1,535	661,862
North.....	1,413	863,011
West.....	3,112	774,049

### September 2018

Central.....	1,185	963,448
East.....	1,374	653,258
North.....	1,210	849,918
West.....	2,686	772,736

### August 2018

Central.....	1,156	888,683
East.....	1,472	632,978
North.....	1,337	866,721
West.....	2,874	736,191

### July 2018

Central.....	1,240	931,472
East.....	1,436	647,600
North.....	1,333	861,727
West.....	2,952	752,457

### June 2018

Central.....	1,498	966,088
East.....	1,697	684,681
North.....	1,492	879,517
West.....	3,395	768,151

### May 2018

Central.....	1,555	960,558
East.....	1,565	662,375
North.....	1,378	872,843
West.....	3,336	772,126

### April 2018

Central.....	1,479	949,084
East.....	1,631	670,353
North.....	1,395	885,069
West.....	3,287	772,013

Source: TREB

## Mortgage and Technology

### Can chatbots deliver human touch? Lenders say no

Sometime in the near future, the majority of mortgage applications in Canada will be completed online or with a chatbot [conversational artificial intelligence]. "Most people will not need a human touch to get a mortgage. They won't even want it," predicts Rob McLister, mortgage expert from RateSpy. It is not a secret that most homebuyers, especially millennials are looking for easier and more streamlined ways of applying for mortgages online.



But according to Pat Giles, TD Bank's vice-president of real estate secured lending, "that doesn't necessarily mean they want to give up working with someone in-person or over the phone." Royal Bank says it's not in any rush to do away with mortgage advisers either, but notes there are improvements to be made in making the process of obtaining a mortgage more seamless. For example, it has a website that allows RBC clients with mortgages at other institutions to get pre-approved and find out if they would benefit from a switch.

Buying a house is one of the biggest and costliest decisions one makes, and most homebuyers agree that completing a mortgage application is a complicated process, even if it is online. "Time and time again, [people say] I need to talk to somebody. I need to know this is going to go through and I want to talk about affordability," said Nicole Wells, vice-president of home equity financing at RBC.

Despite the hype, industry analysts say that even the smartest chatbot cannot replace a human mortgage specialist. The chatbot can start the application online, but it will not provide the advice and expertise you need to make the right decision. *REU*

## Condo update

### Condo prices increase Rental transactions rise

Condo apartment rents are soaring above the rate of inflation but sales are down as buyers continue to struggle with the demands of the mortgage stress test.

The average price for a condo apartment in the City of Toronto in March was \$603,969, an increase of 2.3 per cent compared to March 2018. In the 905 regions, the average unit sold for \$463,774, up 3.3 per cent year-over-year. Sales were down by 14.1 per cent in the city and by 1.7 per cent in the 905 regions.

However, GTA rental transactions in the first quarter of 2019 were up by 7.7 per cent compared to last year. In the first quarter, it cost \$2,143 to rent the average one-bedroom condo in the GTA, which is an increase of 7.4 per cent

compared to the first quarter of 2018. Vacancy rates for condo apartments continue to hover around one per cent.

"It makes sense that we continued to see an increase in condominium apartment rentals during the last quarter," explains Garry Bhaura, president of the Toronto Real Estate Board. "The GTA's population continues to grow as people are attracted to the region by its strong economy and diversity."

The average rent for a condo bachelor apartment was \$1,816, up 9.6 per cent. Two bedroom units rented for an average of \$2,811, up 6 per cent; while three bedroom condos averaged \$3,665, up 9.6 per cent. Townhouse rents were also up. Two-bedroom units were \$2,315, up 11.4 per cent and one-bedroom units averaged \$1,920, up 9.1 per cent. *REU*

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*These sites are believed to be reliable but their accuracy cannot be guaranteed.*

# Money matters

## Buying through Bank of Mom and Dad Pitfalls to avoid

In 2016, CIBC reported, "Baby boomers stand to inherit \$750 billion in the next 10 years" making them the lucky beneficiaries of the "largest intergenerational wealth transfer in Canadian history." This also means that boomers will want to transfer much of that money to their adult children - millennials and Gen Z - who may be new to the workforce, newly married, or settling down.

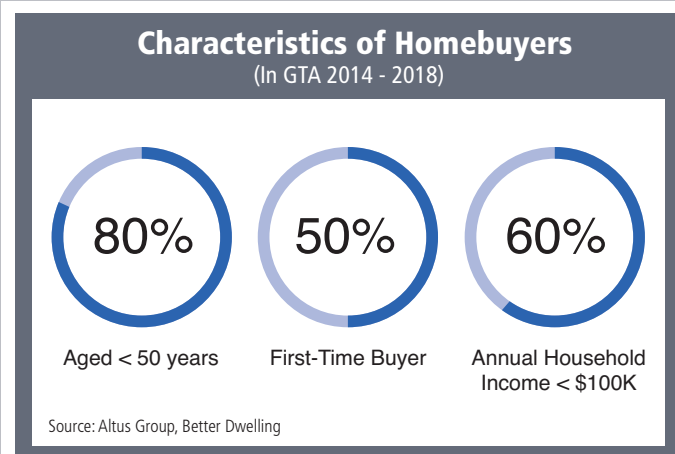
Overheated housing markets, fluctuating interest rates, and the stringent mortgage stress test have made it difficult for many young Canadians to afford the down payment on their first home. So, it's not surprising that many are relying on their boomer moms and dads to help them fund their home purchase. But help from the Bank of Mom and Dad does not come without pitfalls.

These tips can help boomers safely give their children the gift of a home:

- *Invest in a starter home.* Advise your child to buy a starter home so that they can afford the property taxes, maintenance, mortgage payments and other costs - otherwise you could be writing more checks later on. There's no point in helping your child buy a home that their income cannot support. Selling the property a few years after purchase will not usually yield a substantial financial return, however, holding on to a home longer will ensure that they have built enough equity to make an upward move.
- *Keep it strictly business.* Parents may worry that

helping their child purchase a home will make them more dependent. One way to counter these fears is to treat the financial gift of a down payment as a loan. This helps keep money matters official, which is important especially when the transaction is between family members. You can also include your name on the official mortgage document and co-own the property as a rental property that your child can live in and maybe even rent out a portion of it.

- *Finance the mortgage.* Parents can become the



mortgage lender offering easy terms with little or no down payment and at a lower than market mortgage rate. This way your child owns the property but you have a lien on it to secure your investment.

It is always advisable to consult your accountant and lawyer before engaging into any such transaction to avoid tax or legal issues. *REU*



## Mortgages

At April 8, 2019

*Mortgage rates are negotiable with individual lenders. Rates are subject to change without notice. OAC E&OE*

Prime	3.95%
Variable	3.04%
1-year	3.19%
2-year	3.24%
3-year	3.24%
4-year	3.29%
5-year	3.09%



## Pre-inspected listings **Benefit sellers**

**H**ome inspections have traditionally been for the benefit of the purchaser. Pre-inspected listings benefit all parties – buyers, sellers and real estate agents.

**Deals won't fall through:** Home inspections performed as a condition of the offer, can kill deals. Sometimes this is because the buyer gets cold feet due to a big problem no one knew about. Sometimes it is because the house has been misrepresented; sometimes it is because the buyer's home inspector scared the buyers by not explaining that minor and typical problems are just that – minor and typical. If the home inspection is performed prior to the house being listed, all parties will be aware of the physical condition of the house before an offer is drawn. There will be no surprises after the fact. Deals will not fall through.

**Pre-inspected listings avoid renegotiation:** In a buyers market, most houses have to be sold twice. It takes a lot of work to get a signed Agreement of Purchase and Sale. Then the buyer's inspection is done and the buyer wants to renegotiate. If all parties know the condition of the house prior to the offer, there is no need for renegotiation.

Renegotiation can be difficult. Sellers have already mentally sold the house; buyers are plagued with doubts and suspicion. Egos, pride and frustration can muddy the already emotional waters. With the inspection in hand, you can demonstrate that the home is in great shape and worth the price you have set. It also speeds up the selling process.

**Help price the home correctly:** Pricing your home is one of the most important parts of the sales process. Priced too high keeps buyers away. Priced too low and you make less money. But how do you price something when you do not know what state it is in? With a pre-inspection, you will have a much better understanding of any negative aspects of the house, and can price accordingly. You may also be able to price the home higher if you discover that it is in top condition.

**Repairs prior to sale:** Sometimes, the home inspection will reveal items which should be repaired immediately. A pre-inspected listing allows the seller to repair the problem prior to putting the house on the market. If the inspection occurs after the Agreement of Purchase and Sale, the buyer could walk, renegotiate or, depending on the inspection clause, the seller may have the option to repair. A repair

done in a rush may not meet the buyer's expectations. This has caused more than one deal not to close.

**For the buyer:** There is no doubt that part of the value of a home inspection is a guided tour of the house for the prospective buyer. The inspection company can return to do a walk-through with the buyer, if requested.

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*– Vito*

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## GTA '19 totals

Sales activity of single-family homes

Most recent month, year to date

**Active listings**  
March .....15,576  
YTD .....N/A

**New listings**  
March .....13,996  
YTD .....33,282

**Sales**  
March .....7,187  
YTD .....16,178

**Average price**  
March .....\$788,335  
YTD .....\$776,054

**Median price**  
March .....\$690,000  
YTD .....\$675,000

**Average days on market**  
March .....21  
YTD .....25

**Average percentage of list price**  
March .....99  
YTD .....99

Source: TREB

## Housing market indicators

Single-family dwellings

Source: TREB	Sales	New Listings
March '18	7,188	14,753
March '19	7,187	13,996
% Change	-0.0%	-5.1%