



Market healthy, not hyper

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MICHAEL MOLDENHAUER

After the hyperactivity of 2007, when there was a new condo project launched every three days and entire projects selling out in record time, condo industry guru Barry Lyon put the current condo market into perspective for a throng of industry insiders meeting under the auspices of BILD last week.

The title of Lyon's presentation – "Return to Normalcy" – pretty much summed up the market message. However, he and his fellow panellists had lots more to say.

Jason Mercer, senior market analyst for Canada Mortgage and Housing Corp., reviewed the economic overlay noting that, notwithstanding the manufacturing sector, job growth will remain positive in the GTA, unemployment will remain very low and the tightness of the labour market will translate into income growth, all of which supports a healthy housing market.

Mercer added mortgage rates remain quite low and while he didn't come right out and say that he expected them to fall further, he did say that core inflation is in the lower range of the Bank of Canada's target, that the spread between bond rates and mortgage rates is larger than normal and that discounts have shrunk of late. All of which adds up to my conclusion that posted and negotiated mortgage rates certainly aren't about to rise and may even come down – not that they are high to start with.

Getting back to Lyon. He forecast 16,000 new condominium sales for the GTA for 2008, which compares well with 2005 (17,693) and 2006 (17,617) but not as well with 2007 when 23,373 condos were sold. Hence the title, "Return to Normalcy."

Lyon says the provincial government's intensification policies are working and that there is a "back to the city" movement occurring and a "big rationalization on living and working."

As far as the supply/demand balance in the marketplace, Lyon says more than 100 of the over 300 condo sites on the market are more than 85 per cent sold. That, combined with fewer new project launches, translates into a more "sustainable footing" for the condo market.

Lyon likes the "integral" role of investors in the condo market, describing them as sophisticated players who love our market. He noted that investors are having no problems renting based on continued low vacancy rates in the GTA and the great locations, amenities and designs compared with the 25- to 30-year-old "beat-up rental buildings."

Niall Finnigan of the Altus Group looked at January to July sales over the last four years and it's very interesting to see this year (10,723 sales) compares almost exactly with 2005 (10,879) and 2006 (10,880), whereas there were 13,482 sales in the anomaly year of 2007.

Finnigan noted that land costs have spiked significantly in the last three years and cautioned condo builders that soft costs, particularly government fees, are escalating. He expressed concern with the threat of huge increases in development charges in the City of Toronto, on top of previous

increases in parkland dedication, on top of the municipal land transfer tax imposed last year.

Notwithstanding the regulatory concerns which, rest assured, BILD is working to mitigate, the main message delivered to the industry insiders is that the market is healthy as opposed to hyper – and that's a good thing.

*Michael Moldenhauer is president of the Building Industry and Land Development Association. His column appears Saturdays in New in Homes. The views expressed are those of the president.
Email: president@bildgta.ca.*