

THE MARKET

Good news hidden in dismal numbers

Sales of new condos dropped off a cliff in the first quarter. But some in the industry see positive momentum in recent trends



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March new condo sales figures are in. Is the slump over? To paraphrase Winston Churchill, it is not the beginning of the end but may indeed be the end of the beginning.

According to RealNet Canada, there were 414 new condo sales among the 332 active projects in the Greater Toronto Area in March, bringing the first quarter total to 909 suites. While that pales compared with the 3,577 sold in the same three months last year, it is about a 50-per-cent jump in activity from February.

Resale home sales rose

significantly as well. The Toronto Real Estate Board says 6,171 properties of all kinds changed hands last month, versus 6,631 last year.

Bottom line, what the folk who analyze these statistics say is that the Toronto housing market bottomed out in December and has been on a slow comeback ever since.

“For new condo sales, builder incentives are kicking in and driving deals,” says George Carras, president of RealNet. “They are offering everything from cash back on closing, through free parking to just 5-per-cent deposits and for some projects it has made a big difference.”

The Downtown West submarket is a case in point, he says. On March 28, ConcordAdex Developments Inc. had a 20th anniversary sale and offered 20 per cent of the purchase price as a cash-back incentive on

closing to the first 20 buyers and 15-per-cent cash back to anyone else buying a suite that day. Great Gulf Homes also offered 20-per-cent cash back to buyers at its Charlie condo at King and Spadina.

The result was that 101 suites were sold in Downtown West last month. Great Gulf accounted for 16 of them and Concord Adex’s Concord CityPlace the bulk of the rest.

At the central waterfront CityzenGroup Developments used free parking to sell 16 suites at its Pier 27 project. The normal cost of parking is \$36,000. The 5-per-cent deposit is of vital importance to an emerging force within the market — young singles and couples, the so-called Echo Generation, says Barry Lyon of N. Barry Lyon Consulting Ltd.

“We can see a powerful young market emerging. They are extremely value-

conscious and often don’t have the cash resources their parents — the Baby Boomers — have. That 5-per-cent deposit means they can more easily afford to buy.”

To cut to the chase, the ideas arising from winter months spent figuring out ways to drive traffic through presentation centres seem to be working for some developers.

“What we are seeing is the market once again beginning to build,” says Jane Renwick, executive vice-president at Urbanation Inc., which also tracks the GTA housing market. “We may be well down from last year but we are seeing incentives begin to drive sales.”

Subtract the number of units sold at new project launches in the first quarter of last year, and the statistics look even more encouraging, say Mr. Carras. Project launches are almost always

the heaviest sales period for new condos; that is when prices are best and when the buzz generated by advertising and newspaper coverage drives traffic to presentation centres.

He points out that in the first three months of last year there were 10 new projects launched accounting for 1,186 sales. This year there were no launches and in fact some projects were even withdrawn from the market.

As for prices, here Urbanation and RealNet differ. Ms. Renwick says the average per square foot price was down to \$307 a square foot in the first quarter, down from \$314 in the final quarter of 2008. Mr. Carras says they rose marginally in March (0.5 per cent) from February but are down 2 per cent from last year.

The differences are slight and reflect the number of projects and the geographic

areas each company covers.

The overall resale market is showing similar signs of recovery, says Brad Lamb of Brad J. Lamb Realty Inc. He says resale prices in March climbed to within 5 per cent of their level in 2008 and the average time it takes to sell an MLS property is now down to 39 days.

“That is again approaching a seller’s market,” he says.

Builders, buyers and sellers alike should take pause before uncorking the champagne and celebrating, however. The second quarter of any year is always where the rubber hits the road, says Ms. Renwick.

“The first quarter of any year is always the lowest for sales; the second quarter tells the story for the year,” she says. “Historically the April through June period accounts for up to 50 per cent of a builder’s annual sales. That is the quarter to watch.”