

AGENT BOSKO'S JOURNAL

Welcome to my June 2011 Newsletter!



Where Is The Real Estate Market Going?

I seem to be getting asked this question more and more lately. The truth is, nobody really knows where we are headed, but I believe the research that I have been doing can hopefully give you some additional insight.

Month	Active Listings	Average Price (by month year over year)	Number of Sales
January	+1 %	+4 %	-13 %
February	-1 %	+5 %	-14 %
March	-11%	+5 %	-11 %
April	-17 %	+9 %	-17 %
May	-27%	+6 %	+16 %

This chart illustrates and very interesting issue - if population is increasing by 100,000 people per year in the GTA, why are sales decreasing? Why is the number of listings coming on the market decreasing? Why is average price increasing?

I firmly believe that we may be at the tipping point for a correction to the GTA Real Estate market.

Sincerely,



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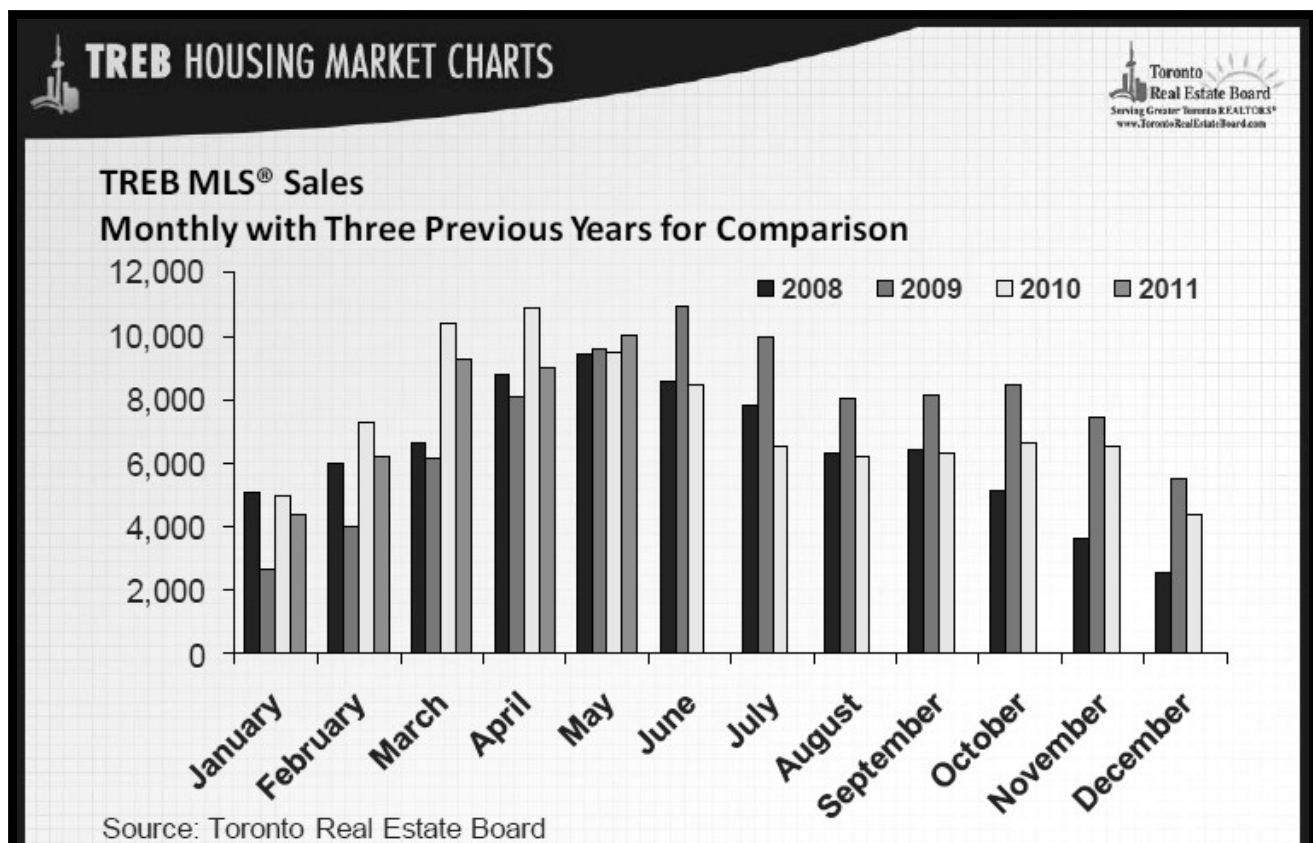
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HOUSING MARKET CHARTS

We are surrounded by 'cycles'; spring, summer, winter and fall. Stock markets go up and down, commodities go up and down and so does the Real Estate market. We have enjoyed 16 years of price appreciation in the GTA, so it is only rational to consider that the market will shift at some point. In all economic cycles price and volume are great indicators as to where the market is going. When a market is coming out of recession, price remains low, but volume begins to rise. The next phase is volume increase, and price stabilizes. The third phase is volumes rises and prices rise. The fourth phase is prices rise, but volume does not. The fifth phase is prices rise, but volume drops **(that is where we are right now)**. The sixth phase is volume drops and price stabilizes, followed by volume dropping and prices falling....the cycle begins again. **In almost all Real Estate markets, focusing on directional changes in sales volume will help you predict where prices are going.**

Please review these three graphs and focus on the differences over the past four years.



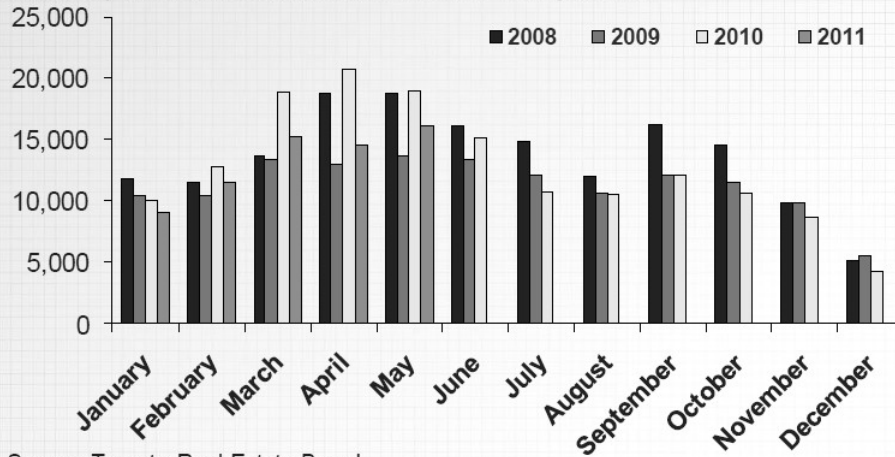
This chart plots monthly MLS® sales for the current year and the previous three years. The recurring seasonal trend can be examined along with comparisons to previous years for each month.



TREB HOUSING MARKET CHARTS



TREB MLS® New Listings Monthly with Three Previous Years for Comparison



Source: Toronto Real Estate Board

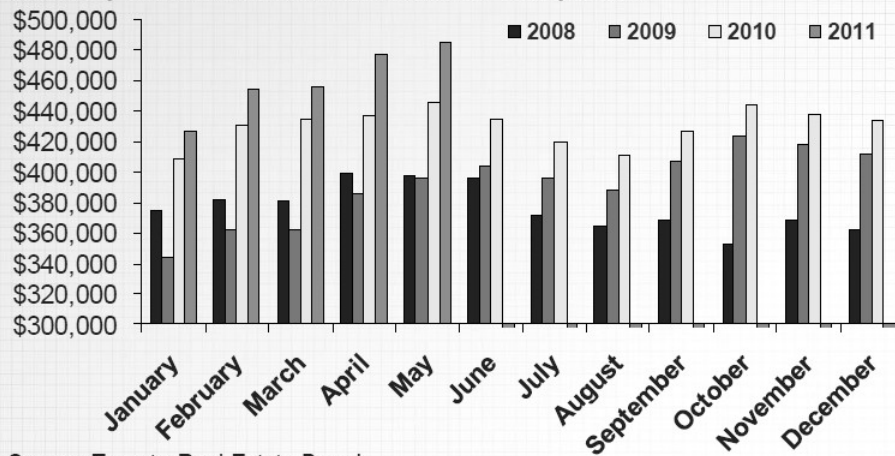
This chart plots monthly MLS® new listings for the current year and the previous three years. The recurring seasonal trend can be examined along with comparisons to previous years for each month.



TREB HOUSING MARKET CHARTS



TREB MLS® Average Resale Home Price Monthly with Three Previous Years for Comparison



Source: Toronto Real Estate Board

This chart plots the monthly MLS® average home price for the current year and the previous three years. The recurring seasonal trend can be examined along with comparisons to previous years for each month.

There seems to be a lot of research indicating that interest rates will be up 2-2.5% by this time next year. I don't know about you and your family, but most families do not have a lot of money left at the end of each month. Taxes from all 3 levels of government have been rising, fuel and food costs are going through the roof and overall inflation has been rising.

Since there is only so much money at the end of every month, if interest rates rise, house prices will have to adjust. There has also been a lot of talk in the media lately with respect to the affordability index. Over the past 2 years home prices across Canada have risen an average of 21% (interestingly, sales volume have dropped across Canada by 12% in the past 12 months). The only way that most consumers have been able to pay these record prices, is due to historically low interest rates. For those of us that have been around a while and remember 21% interest rates, by those standards, today's rates are abnormal. **They are way below the historic norms and must eventually rise.**

So What Should You Do?

1. If you are thinking about downsizing....do it now as house prices and interest rates will be good for the next 6 months.
2. If you are thinking about buying your first or a new home, do it now and lock in your mortgage for a 5 year term.
3. If you are thinking about buying and flipping a home within 12 months....DON'T!!!
4. Consider buying an investment property and lock-in your interest rate for at least a 5-year term. Rents will always continue to rise.
5. If you do not want to do any of the above....switch your mortgage from a variable to a fixed term mortgage, unless you have at least a 60% equity position and can afford to pay higher rates.



ROYAL LEPAGE REAL ESTATE SERVICES LTD.
BROKERAGE

3080 YONGE STREET, SUITE 2060
TORONTO, ON M4N 3N1

416-505-5611

WWW.AGENTBOSKO.COM

