



Real Estate broker Caroline Baile helps stage the home of Les Nip and Deb Wilson for a showing at 336 Stone Road in Aurora, Ont. on Thursday March 3, 2016. (J.P. Moczulski For the Globe and Mail)

Toronto's hot housing market drives big bidding wars in suburbs

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Kristen and John Large were expecting multiple offers on their semi-detached home, but they were shocked at the intense competition that followed. After a six-person bidding war, the couple sold to a buyer who had lost out on two other homes and was willing to pay \$53,000 above their \$518,000 asking price. That offer that came with no conditions, not even a home inspection.

The couple, who were looking for a bigger home, were thrilled at the deal – and nervous of what was to come. “All I kept thinking about was: ‘I’m going to be on the other side of this table in a little while,’” Mr. Large says.

Sure enough, two months later, the couple found themselves in competition with six other buyers for a four-bedroom detached house that had been priced well below market value, a popular tactic among agents looking to spark a bidding war.

They won on the second round of bidding. Now it was their turn to waive all conditions.

“You take a bit of a gamble,” Mr. Large says. “But that’s probably what it takes to win out in this market.”

Such scenes have become commonplace in Toronto’s overheated housing market. Except that the Larges’ home buying and selling frenzy was playing out in Aurora, Ont., a suburb roughly an hour’s drive from the city.

Toronto’s sizzling market may get all the attention, with the average price of a detached house topping \$1.2-million last month. But it’s in the suburbs where the most intense housing battles are being waged.

Last month, the volume of home resales soared an annualized 23 per cent in the Toronto suburbs (known by their area codes as the “905”). That volume was nearly double the 12-per-cent increase in the city itself. And the benchmark price of a detached house in the suburbs jumped nearly 15 per cent from a year earlier, the Toronto Real Estate Board reported.

In Milton, northwest of the city, the benchmark detached-home price surged an annualized 42 per cent. By comparison, the benchmark price for a detached house in Toronto rose 10.5 per cent from a year earlier.

Greater competition for suburban homes has meant the previously staid 905 housing market is starting to see the aggressive tactics more common in Toronto.

Richmond Hill real estate agent Shawn Zigelstein began noticing a change in the market last fall, when it seemed that every home that came up for sale in the community was involved in a bidding war. It caught many local agents off guard, he says.

“It used to be rare that in the 905 we would see multiple offers and product going for over asking price, firm deals with no conditions,” he says. Now, “offers with eight, 10, 12 other agents are almost normal.”

Some of the factors driving the suburban housing market are similar to those driving home prices in the city: low interest rates, strong employment and immigration. The economic factors are even more important in the suburbs, which are home to nearly half of all job growth and 75 per cent of immigration to the Greater Toronto Area.

Foreign investors are also becoming an increasingly potent force in the suburbs, in some cases paying well over asking price to purchase the home with its existing furniture.

Clients now sometimes ask if their listings can be advertised in Chinese-language newspapers in hopes of attracting top dollar for their properties, says Caroline Baile, the Large’s real estate agent.

“They see our market as a safe market to put funds in and they’re coming in and they’re putting their money into homes,” Mr. Zigelstein says. “At the end of the day, they’re not looking at the prices as much as maybe they should if they were doing their research properly.”

The suburbs have also been changing, with newly constructed or renovated homes aimed at a wealthier buyer than in the past, which is also helping to drive up average prices. “Most families or couples in the old days weren’t really buying \$1-million properties,” Ms. Baile says. “But it’s almost like that is the price point for a lot of people now.”

But the biggest driver of the hot suburban market has been provincial policy, says Frank Clayton, senior research fellow at Ryerson University’s Centre for Urban Research and Land Development.

Ontario's decade-old legislation aimed at curbing sprawl has predominately affected the 905, which is home to 90 per cent of the developable land in the GTA. The sweeping overhaul to the land-use planning rules has restricted the amount of land available for building single-family homes in the GTA in favour of condos. That has helped to dramatically slow development.

Despite steadily rising demand for suburban homes, the number of housing starts for what Mr. Clayton calls ground-related homes – detached and semi-detached houses, along with townhouses – has actually declined in the 905 over the past decade. “It’s very odd because demand is extremely strong but supply is going down,” he says.

The end result of booming suburban prices is that many local first-time buyers have been pushed out of the suburban market into farther-flung reaches of the region. Ms. Baile has clients who have been priced out of Aurora and Newmarket and bought homes in communities like Keswick and Bradford instead.

Few expect the conditions that are driving the hot suburban market to change any time soon. “If people want lower-density housing and we’re not producing enough of it, prices are going to be high,” Mr. Clayton says. “They’re going to stay high and probably go even higher.”