

Financial Post – March 25, 2024

## Home sellers forced to confront new market realities this spring

*Sellers must navigate price cuts, lukewarm buyers and mortgage-approval challenges*

Shantaé Campbell || March 25, 2024



A 'for sale' sign is displayed in front of a house in the Riverdale area of Toronto. PHOTO BY EVAN BUHLER/THE CANADIAN PRESS FILES

Home sellers are awakening to a new, sobering reality as the spring real estate market blossoms into action: the era of frenzied bidding wars and soaring profits in urban centres appears to be receding, replaced by a landscape where they must navigate price cuts, lukewarm buyers and mortgage-approval challenges.

Sellers have for years held the reins, dictating the terms and watching their property values soar. But the tide is turning, and many are finding themselves grappling with a market that demands their expectations be recalibrated.

As a result, Darren Cabral, a realtor in York Region just north of Toronto, said the need for sellers to lower their property prices below initial expectations is on the rise.

“Someone will come to me saying, ‘Oh, my realtor didn’t do enough. Our property didn’t sell. We didn’t get offers,’” he said. “Typically, what we find, and what I end up explaining to the seller is that the price was wrong. They priced way, way, way, way too high. It’s not getting enough action because it’s way higher than the market.”

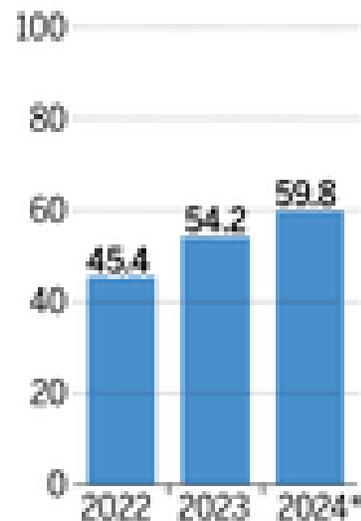
Almost 60 per cent of all homes sold in the Greater Toronto Area (GTA) have sold below asking so far this year, according to real estate listing website HouseSigma Inc., as of March 21.

About 54 per cent of homes in the GTA sold below asking in 2023, compared to 45.4 per cent in 2022. In Vancouver, 71.8 per cent of homes have sold below asking so far this year.

## IT'S A BUYER'S MARKET

Per cent of homes sold under asking

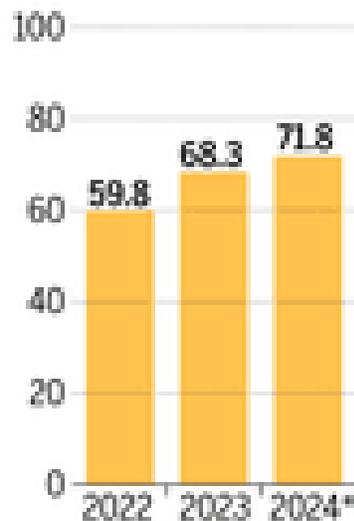
Greater Toronto Area



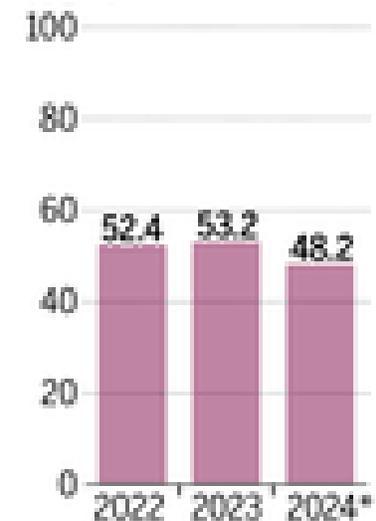
\*as of March 21, 2024

SOURCE: HOUSESIGMA INC.

Greater Vancouver



Calgary



SOURCE: HOUSESIGMA INC.

National benchmark home prices, however, held steady at \$719,400 in February compared to the previous month, according to Canadian Real Estate Association (CREA) data. Prices had been on a downward trend for five consecutive months since the fall.

But prices are showing a greater tendency to trend downward rather than upward in several of the country's key markets. That's not the only challenge for sellers, either, since experts say potential buyers are feeling lukewarm about signing a deal.

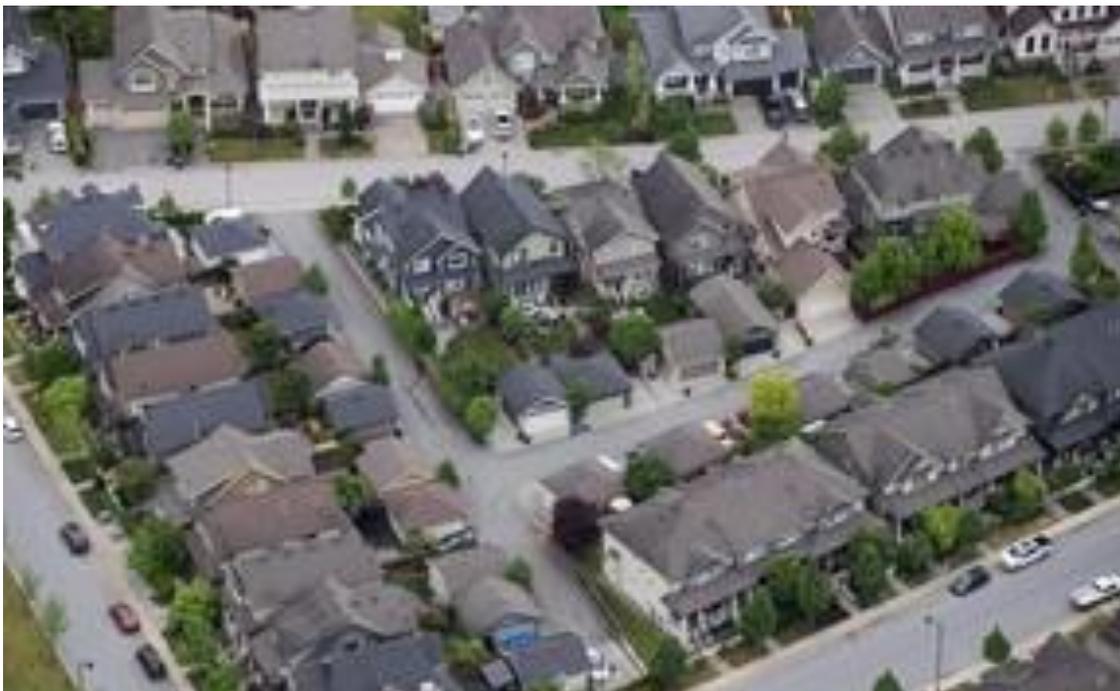
Where buyers were once eager to secure their dream home, many are now adopting a more cautious approach, taking their time to weigh their options amidst economic uncertainty and higher interest rates.

Vancouver realtor Cheryl Davie said fewer people these days are willing to compete in a bidding war.

"In years past, it was the norm that buyers had to compete on every offer," she said. "Today, there isn't this expectation that they're going to have to compete, and so buyers will hear that there's another offer on the table and sometimes they'll just back away entirely."

Davie said buyers aren't walking away to pursue substantial savings somewhere else. Instead, their offers frequently align with their maximum budget. Given the current elevated interest rate environment, buyers often anticipate the selling price will go higher in a bidding war and simply cannot afford to pay more, so they back away.

Moreover, challenges related to getting a mortgage approved add another layer of complexity. Stricter lending criteria and elevated interest rates are making it increasingly difficult for buyers to secure financing, resulting in longer closing times and heightened uncertainty for sellers.



Houses in Langley, B.C. PHOTO BY DARRYL DYCK/THE CANADIAN PRESS FILES

“It’s hard now for buyers to get approvals. They’re coming in with a lot more conditions, whereas I remember two years ago, offers would come in and there were never conditions,” Cabral said. “Now, they have the financing clause in there, they have an inspection clause and then they have other things to buy time because a lot of people are struggling to get financing.”

He said all these conditions are slowing down the pace of the market.

The average number of days a property spends on the market in the GTA has risen by 13.6 per cent since February 2023, according to the Toronto Regional Real Estate Association.

Financing clauses, which allow buyers to back out of a deal if they fail to secure a mortgage, are becoming more prevalent, so sellers are finding themselves in a precarious position since even a seemingly strong offer can fall through at the last minute.

Home-inspection clauses are also becoming more common, giving buyers the right to walk away from a deal if significant issues are uncovered. These clauses offer buyers peace of mind, but can pose challenges for sellers who may be required to address issues or offer concessions to keep the deal alive.

Despite these challenges, realtors advise sellers to remain pragmatic and flexible during this spring sales season.

### **NATIONAL HOME PRICES HAVE BEEN TRENDING DOWN**

Adjusted benchmark price, thousands of dollars



SOURCE: CANADIAN REAL ESTATE ASSOCIATION

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“The market is evolving and sellers need to adapt,” Cabral said. “Sellers’ properties are not going to get the hype that they were used to two years ago. People just have to settle for that.”

Calgary, however, is defying that trend. The region’s benchmark price and sales were on an upward trajectory for most of 2023 and that has continued into 2024, according to the Calgary Real Estate Board, which represents more than 7,600 licensed realtors. A higher number of homes in the region are also still selling above asking compared to the GTA and Vancouver.

Calgary realtor Karen Fawcett believes these trends will continue.

“It just seems like perhaps the interest rate being held at five per cent, and the sense that it’s going to go lower, means buyers have adjusted to the new normal, so they’re not feeling so concerned about the interest rate now,” she said. “They’re thinking now’s the time to get in.”

Anthony De Toma , a realtor in the GTA, said the local market has the potential to start gaining momentum as spring draws to a close, but agrees that buyers are adjusting to current interest rates. That means it’s even more important for sellers to price their properties correctly.

“If you price your property at what you want and it makes sense in the marketplace, you’re selling within seven days,” he said. “And the main reason for that is there’s such a low inventory out there that buyers don’t want to waste their time with sellers who are playing games. Buyers appreciate sellers who are pricing homes at what makes sense on paper, and are going through with the sale if everything checks out.”