Graphic detail

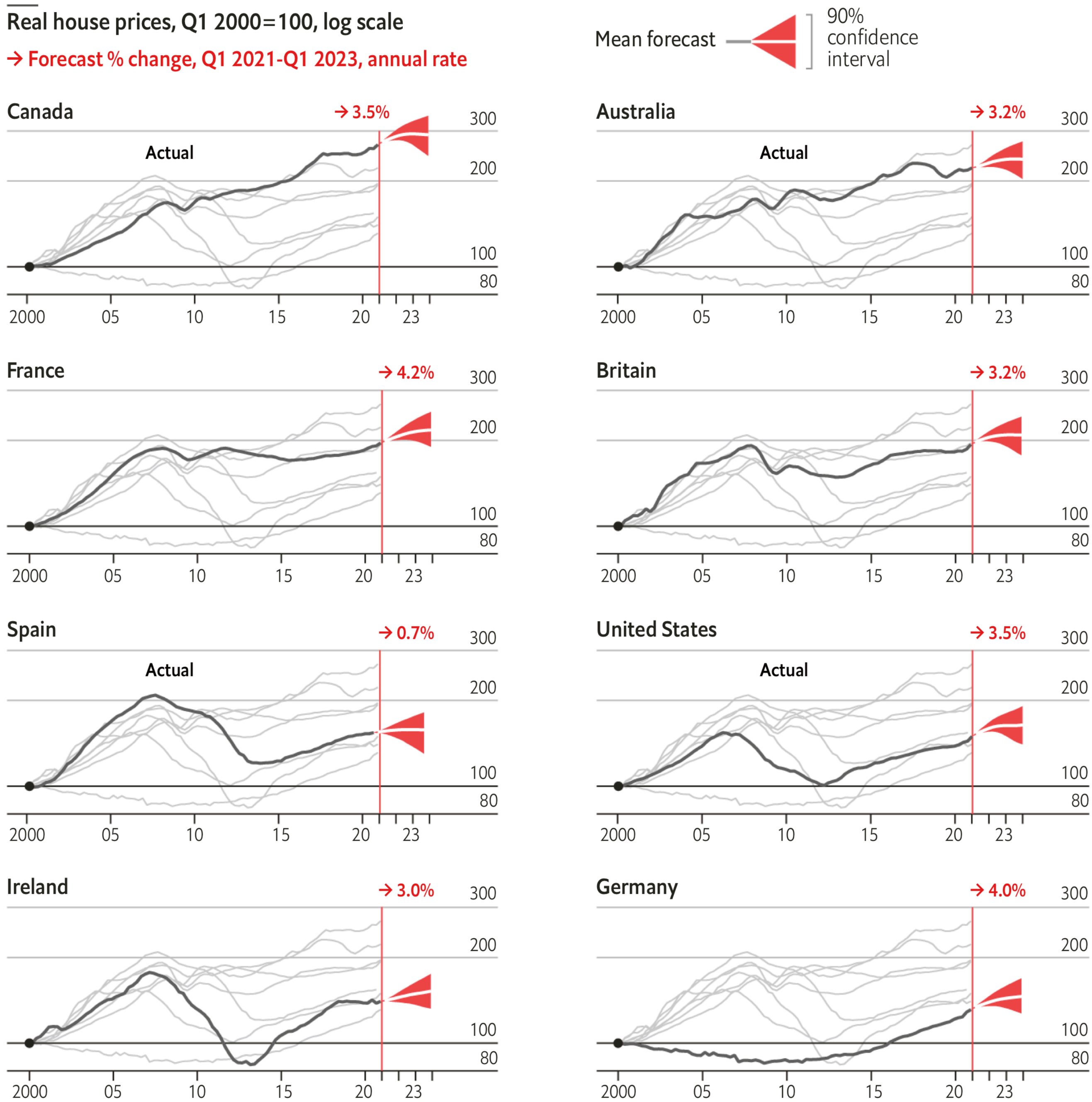
Apr 10th 2021 edition

Approaching the ceiling

Our house-price forecast expects the global rally to lose steam

It predicts France and Germany to be the best-performing markets during the next three years

→ A slowdown looms for booming housing markets, but a global bust is unlikely



THE RECESSION set off by the covid-19 pandemic has strangely coincided with surging asset values, and residential property is no exception. Taking an equal-weighted average of 16 rich-world markets, real prices have risen by 5.4% during the most recent 12 months with available data, compared with 2.2% a year earlier. In America values in the 12 months to January jumped by 11%, the fastest rate since 2006.

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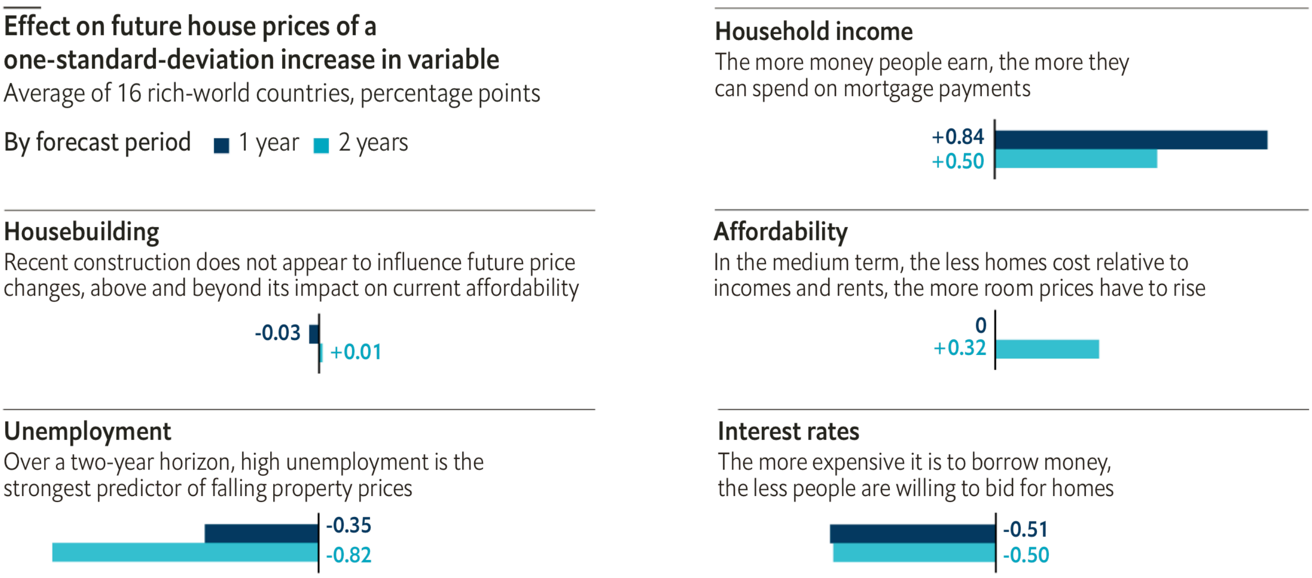
Does the boom have room left to run? Bulls and bears both make strong cases. Buyers note that fiscal stimulus and lower consumer spending have left household balance-sheets unusually healthy; that remote work has encouraged people to prioritise their living environments; and that interest rates are near all-time lows. Sellers counter that those rates have been rising quickly; that mounting debt will force governments to tighten their belts; and that rents in big cities have fallen sharply.

To help sort through this uncertainty, we have fired up *The Economist*'s statistical forecast of house prices. Built in 2019, our model uses a "random forest"—an algorithm so named because it blends the output of thousands of "decision trees", each containing a series of yes/no questions like "is inflation above 2%?" It is trained on a dataset of national price averages going back to 1990, and uses 25 different variables, such as price momentum, household incomes and credit growth. During the covid-19 pandemic, financial gyrations have caused its short-term forecasts to be unusually inaccurate. But



Giving equal weight to each of the 16 countries for which the model has data, its central estimate is that the rally is likely to stall but not reverse. It expects appreciation to slow to 3.4% this year, and to 0.7% by 2023. Much of this deceleration comes from America and Britain. However, because prices are currently soaring in those markets, the model projects them to climb a bit further before reaching a plateau.

Elsewhere, the model does expect price declines. It is most dubious on Spain, which faces a mix of deflation, high unemployment and stagnant incomes. The most likely scenario is that prices there eke out paltry gains in 2021 and then turn south. Sweden and Canada also have unemployment rates above 8%, and the model predicts they will start facing losses in 2023.

Among big markets, the model is most bullish for the next two years on France and Germany, where solid fundamentals back up recent price increases. Yet by mid-2023, it expects annual appreciation of just 1.2% and 1.6% in those countries.

The longest-lived bright spot is Ireland, predicted to lead the table in 2023 with a gain of 2.5%. The model does not explicitly count Brexit-driven relocations to the EU's lone English-speaking country. Instead, it is impressed by Ireland's healthy numbers on jobs and incomes. Moreover, household credit in Ireland is far below the rich-world average, implying that buyers have room to increase borrowing. Irish homeowners may still be scarred by their losses a decade ago, but the data suggest that the Celtic Tiger looks poised to reawaken. ■

Sources: Bank for International Settlements; Bank of England; Bank of Canada; European Central Bank; European Mortgage Federation; Federal Reserve Bank of St Louis; IMF; OECD; ONS; S&P CoreLogic; *The Economist*

This article appeared in the Graphic detail section of the print edition under the headline "Approaching the ceiling"

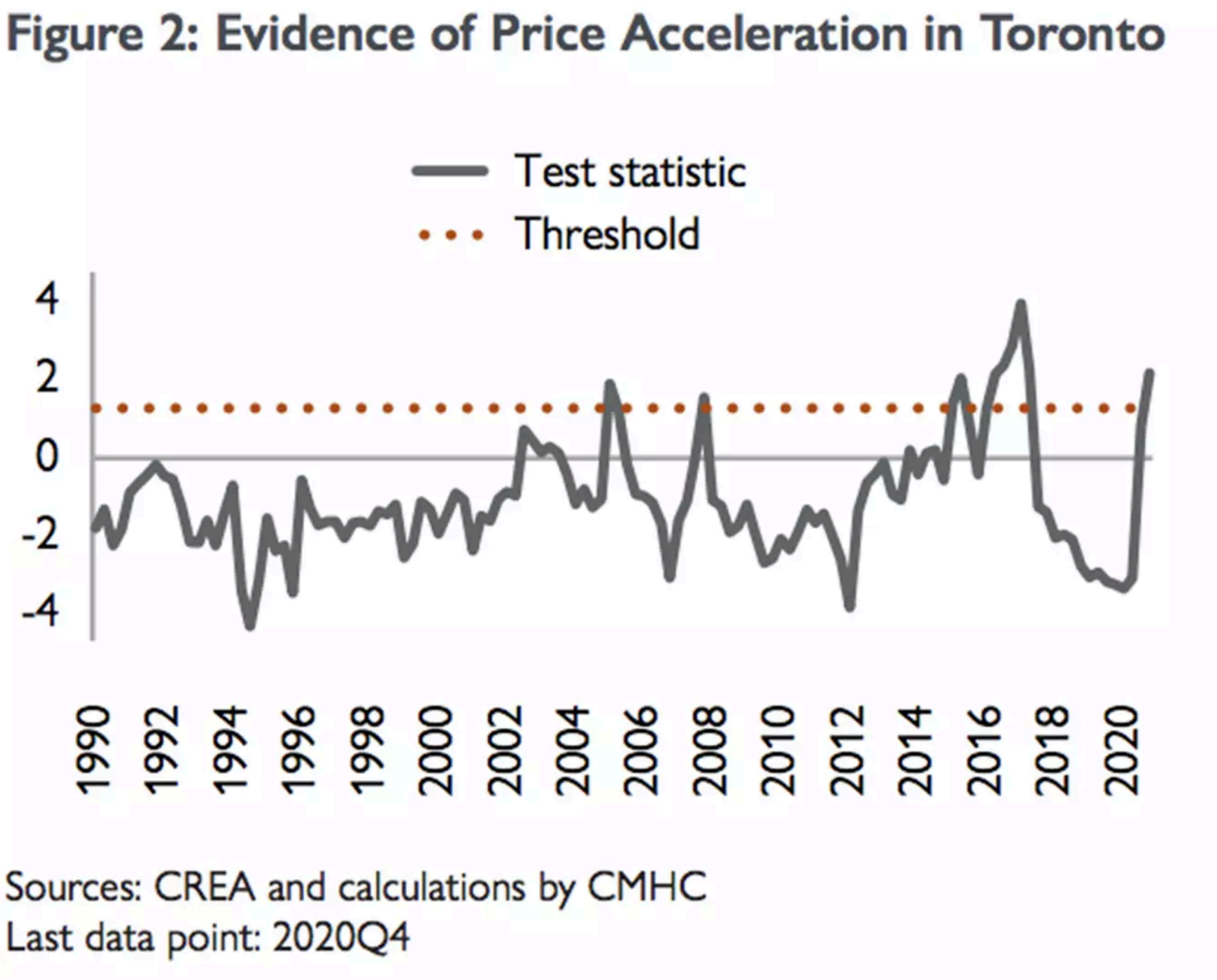
Real Estate

Becky Robertson Posted 2 months ago

Toronto's real estate market is so out of control that it's now considered high risk

and over that mark in the GTA, and the vast majority of properties going for way over asking as of late.

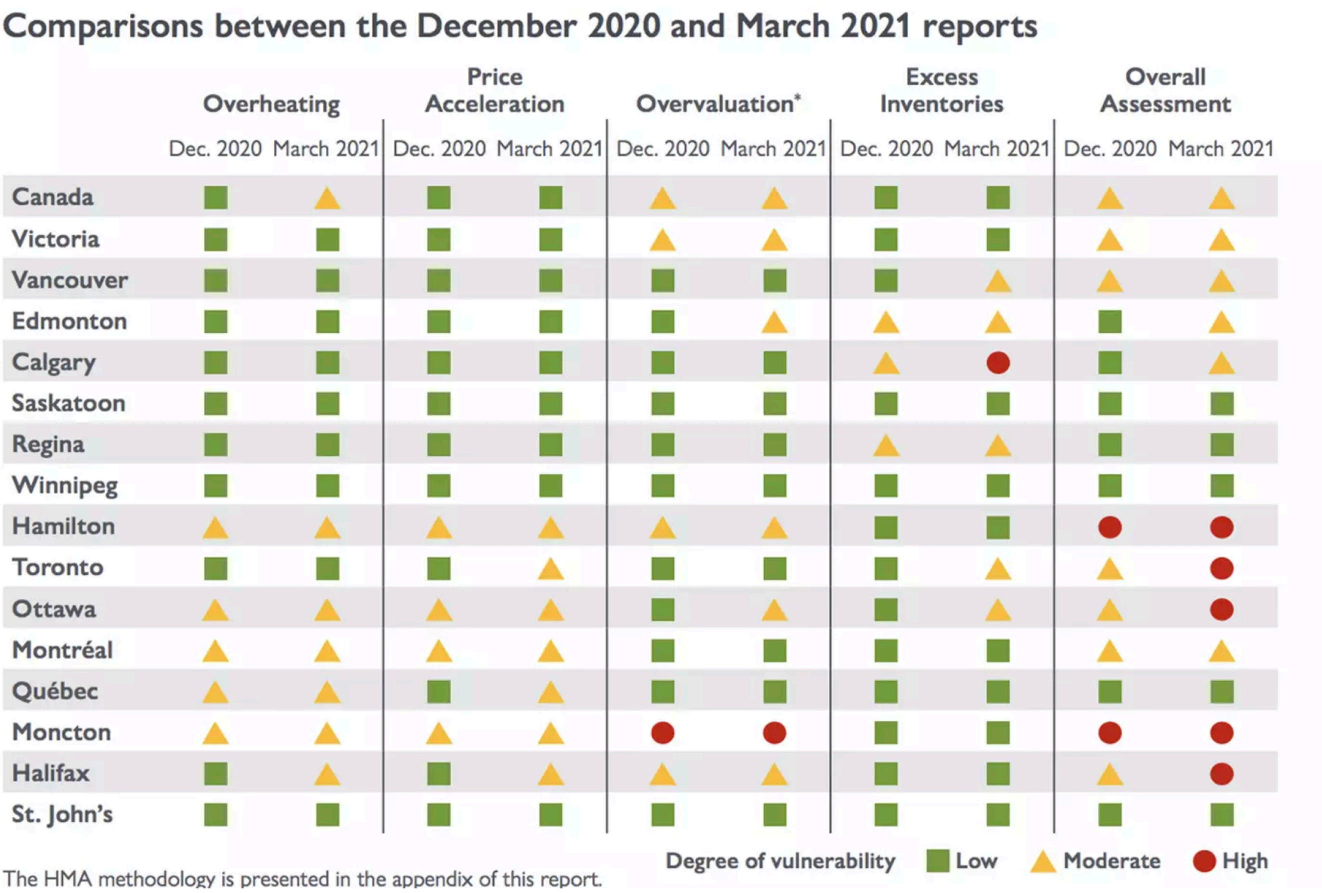
Prices and sales volumes have been hitting record highs and blasting past last year's numbers, leading some experts to believe we've been heading towards a housing bubble that eventually has to burst — the only city in North America deemed to be in such a position.



Toronto home prices are spiking hard along with sales activity.Chart from CMHC's Housing Market Assessment, released Thursday.

as "high risk" and vulnerable to a fall.

Toronto is one of five metropolitan areas nationwide that the authority considers to be overheating, overvalued and/or imbalanced, among other concerns, along with Ottawa, Hamilton, Halifax and Moncton, as listed in its latest Housing Market Assessment — a report that indicates overheated across the country at large.


Comparisons between the December 2020 and March 2021 reports

	Overheating		Price Acceleration		Overvaluation*		Excess Inventories		Overall Assessment	
	Dec. 2020	March 2021	Dec. 2020	March 2021	Dec. 2020	March 2021	Dec. 2020	March 2021	Dec. 2020	March 2021
Canada	Low	Moderate	Low	Low	Moderate	Moderate	Low	Low	Moderate	Moderate
Victoria	Low	Low	Low	Low	Moderate	Moderate	Low	Low	Moderate	Moderate
Vancouver	Low	Low	Low	Low	Low	Low	Low	Moderate	Moderate	Moderate
Edmonton	Low	Low	Low	Low	Low	Moderate	Moderate	Moderate	Low	Moderate
Calgary	Low	Low	Low	Low	Low	Low	Moderate	High	Low	Moderate
Saskatoon	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Regina	Low	Low	Low	Low	Low	Low	Moderate	Moderate	Low	Low
Winnipeg	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low
Hamilton	Moderate	Moderate	Moderate	Moderate	Moderate	Moderate	Low	Low	High	High
Toronto	Low	Low	Low	Moderate	Low	Low	Low	Moderate	Moderate	High
Ottawa	Moderate	Moderate	Moderate	Moderate	Low	Moderate	Low	Moderate	Moderate	High
Montréal	Moderate	Moderate	Moderate	Moderate	Low	Low	Low	Low	Moderate	Moderate
Québec	Moderate	Moderate	Low	Moderate	Low	Low	Low	Low	Low	Low
Moncton	Moderate	Moderate	Moderate	Moderate	High	High	Low	Low	High	High
Halifax	Low	Moderate	Low	Moderate	Moderate	Moderate	Low	Low	Moderate	High
St. John's	Low	Low	Low	Low	Low	Low	Low	Low	Low	Low

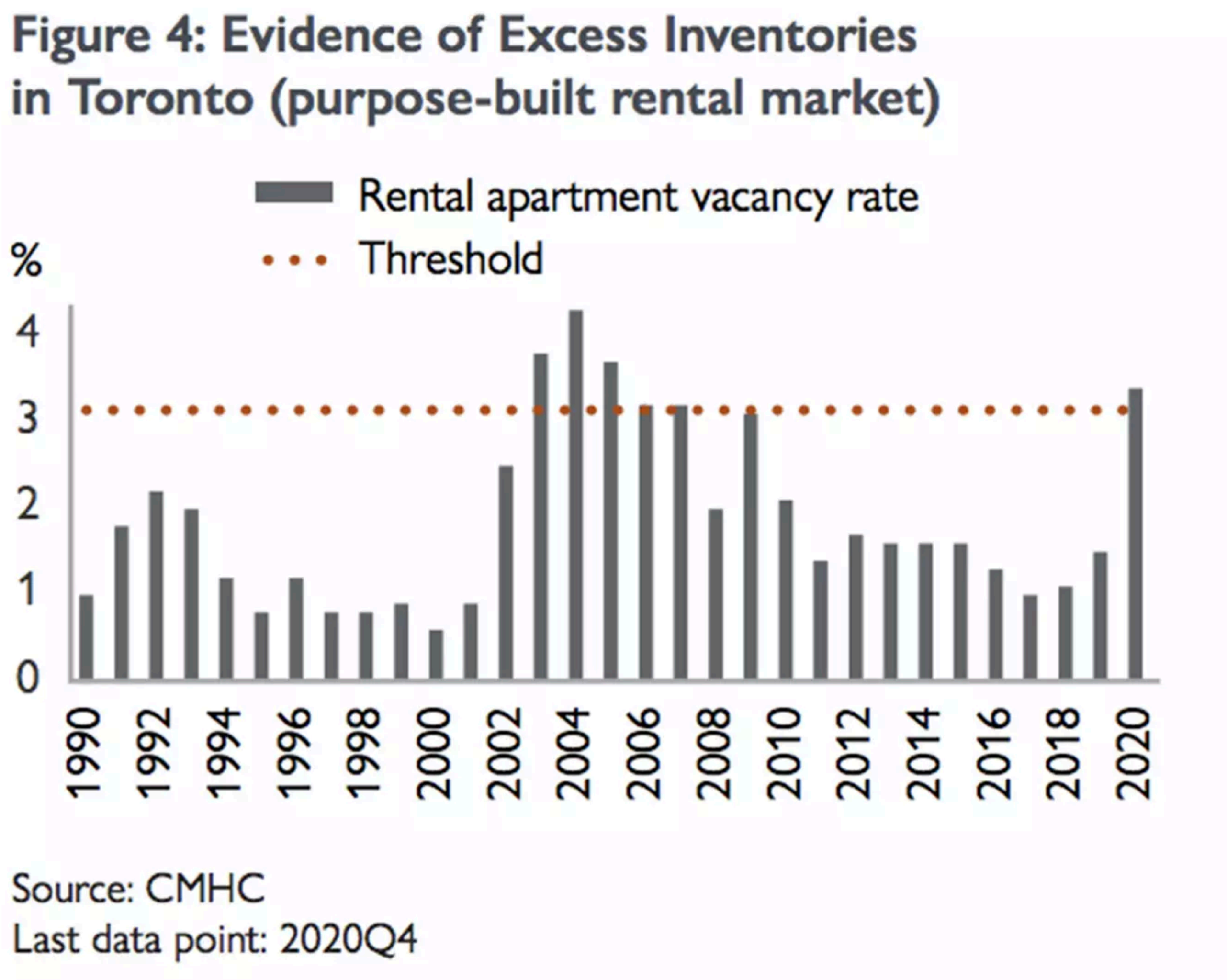
The HMA methodology is presented in the appendix of this report.

Degree of vulnerability: Low, Moderate, High

How Toronto's market compares to other Canadian cities in Dec. 2020 vs. now. Chart from CMHC's new Housing Market Assessment.

The assessment moved Toronto up on the risk scale due to "evidence of price acceleration and excess inventories," the latter being a first continues.

Prices have indeed been steadily rising for single-family homes despite the pandemic, and expected to continue doing so. After a brief lull, the condo sector is also picking back up again, and fast.



As the CMHC states, "excess inventories are a risk even in unaffordable markets." Chart from its latest Housing Market Assessment.

With the city becoming increasingly unaffordable and people moving we are indeed in for a reality check and a major price correction.

Lead photo by Hector Vasquez

Latest in Real Estate

Entire Toronto strip mall home to popular shawarma spot on sale for $4.15 million

This dreamy translucent house in Toronto comes with a pneumatic elevator

David Rosenberg says Canada's housing market in a 'huge bubble'

'This might be one of the biggest bubbles of all time'

Bloomberg News
Derek Decloet

Mar 10, 2021 • March 10, 2021 • 2 minute read • 145 Comments

Home price gains don't make sense when the labour market is so damaged from the COVID-19 pandemic, David Rosenberg says. PHOTO BY GETTY IMAGES/ISTOCKPHOTO

Canada's housing market is in a "huge bubble" after months of runaway price gains, according to economist David Rosenberg, who was bearish on U.S. real estate before it crashed nearly 15 years ago.

Homes sold in the Toronto region topped $1 million (US$792,000) on average for the first time last month, with some suburbs and smaller cities recording price increases of 20 per cent or more from February 2020. On Vancouver's west side, detached homes sold for a median price of $3.3 million in the first two months of the year.

“This might be one of the biggest bubbles of all time,” Rosenberg, founder of Rosenberg Research & Associates in Toronto, said in an interview on BNN Bloomberg Television. “Of course it’s been predicated on where mortgage rates are.”

The price gains don’t make sense when the labour market is so damaged from the COVID-19 pandemic, he said. “We have a situation where home prices are up 18 per cent year-over-year with practically no wage growth,” Rosenberg said.

STORY CONTINUES BELOW

Canada did not experience a widespread housing slump similar to the one the U.S. endured in the 2007-2008 period — a slump Rosenberg predicted when he was at Merrill Lynch. Today, Canadian home prices are about 40 per cent higher than in the U.S., adjusted for currency, according to Bank of Montreal.

MORE ON THIS TOPIC

CMHC sees continued growth for housing — for now

The recent gain caught the attention of policy makers, including the Bank of Canada, which said housing activity "has been much stronger than expected" in a rate policy statement Wednesday. It held its key short-term rate at 0.25 per cent.

With an unemployment rate of 9.4 per cent in January, the central bank is right not to worry about inflation, Rosenberg said. Statistics Canada reports February jobs data on Friday.

"We have an unemployment level in this country that's higher than it was at the peak of the last two recessions," he said. "So we still have a very deep, I would say, deflationary hole in the labor market. You can have all the commodity strength in the world. If you don't have strength in the labor market, you're not going to get any inflationary impulse."

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Canada is sitting on one of the largest housing bubbles 'of all time,' an analyst says. What happens if it bursts?

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Analyst on what could pop Canada's housing bubble

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Patrick Rail
CTVNews.ca Digital Content Editor
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Updated Aug. 30, 2023 8:27 p.m. EDT

Published Aug. 30, 2023 11:16 a.m. EDT

An analyst who describes Canada as sitting on one of "the largest housing bubbles of all time" warns that if it bursts, the country could be thrown into a deeper recession than forecasted.

"I wouldn't necessarily say it's imminent," Phillip Colmar, partner at Global Strategist at MRB Partners, told CTV News Channel. "I would say it's pretty inevitable."

But what's put Canada's housing market at such high risk of unravelling? Colmar explained the brewing crisis "underneath the surface" and offered his key takeaways to Todd van der Heyden in a one-on-one interview on Tuesday.

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HOUSE PRICES TO RELATIVE INCOME

Colmar argues that those looking for a "big headline about a housing bubble" should be keeping an eye on the disparity between house prices and incomes.

He warns that decades of low interest rates in Canada "seduced a lot of home buyers" and has led to "excessive leverage backing up the whole system."

But how leveraged are Canadian homeowners? Colmar says it's significantly "north of where the U.S. was" before the 2008 housing market crash.

"Canada kind of is really off the charts on that front."

'A TASTE OF WHAT'S TO COME'

Unlike the U.S., where buyers can qualify for a 30-year mortgage, Canadian borrowers must renew their mortgages every five years -- at the prevailing interest rates.

Colmar argues that's one of the reasons mortgage burdens can become astronomical.

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"Affordability is bad right now," Colmar says, "but debt servicing of those mortgages is pretty excessive."

Interest rates in Canada are currently at the highest levels since 2001, after a year of hikes aimed at combating inflation, and Colmar warns the pressures faced by homeowners with mortgages is "just a taste of what's to come."

WILL THE BUBBLE BURST?

Although Colmar doesn't think that a housing crash is imminent, he does warn that when "you're dealing with these kind of excesses… hopefully interest rates don't rise."

Colmar says some of the key factors to watch for are further interest rate hikes and employment levels – warning that if rising unemployment levels combine with spiking mortgage rates Canada could face a situation similar to the 2008 crisis in the U.S.

What would that look like here?

"A very deep deleveraging cycle, a quite pronounced recession," Colmar says. "The currency will take it on the chin too."

Click the video at the top of this article for the full interview and more coverage.

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REAL ESTATE NEWS

Toronto's Housing Bubble Risk Subsides, But Market Remains Overvalued

Rising interest rates and soaring inflation have helped to quell Toronto's risk of a housing bubble, but the city's real estate market remains woefully overvalued.

By Zoe Demarco September 22, 2023 01:53 pm

Rising interest rates and soaring inflation have helped to quell Toronto's risk of a housing bubble, but the city's real estate market remains woefully overvalued.

Toronto placed seventh on the newly released UBS Global Real Estate Bubble Index 2023, with a score of 1.21.

The annual index scores the housing markets of 25 select cities across the world on how at-risk they are of a housing bubble. Cities with a score between 0.5 and 1.5 are considered overvalued, while anything over 1.5 represents a bubble risk.

Only two cities were deemed at-risk in the 2023 edition of the Index — Zurich (1.71) and Tokyo (1.65) — a significant downgrade from last year, when nine cities were placed in the bubble risk category. In 2022, Toronto scored a 2.24, making the city's housing market the second-most at-risk of

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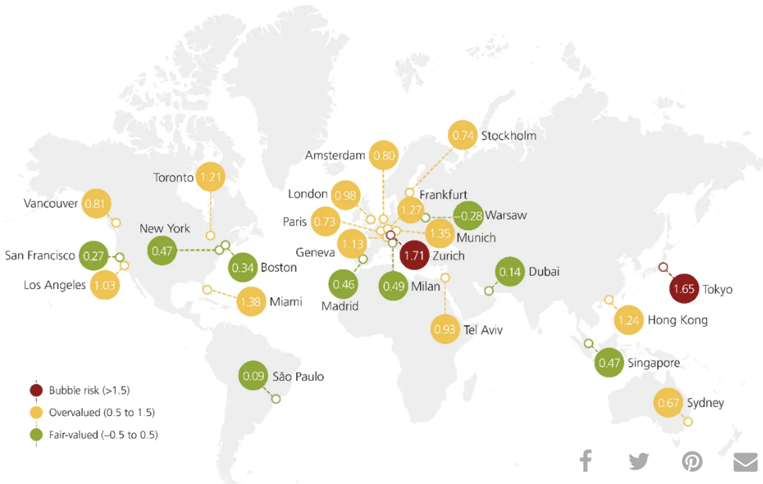
CREA Downgrades Housing Market Forecast Amid "Higher For Longer" Interest Rate Environment

a bubble in the world.



UBS

"Low financing costs have been the lifeblood of global housing markets over the past decade, driving home prices to dizzying heights," the report reads. "However, the abrupt end of the low interest rate environment has shaken the house of cards."

According to data from the Toronto Regional Real Estate Board, between March 2019 and March 2022, the average home price in Toronto increased by over 64%, while interest rates were slashed from 1.75% to 0.25%. But, starting in March 2022, the Bank of Canada (BoC) began successively raising interest rates, which now sit at 5%. By February 2023 — when interest rates were still at 4.5% — prices had fallen nearly 18% while sales slumped by over 40%.

"In such a heated market environment, it doesn't take much for sentiment to change quickly: A mix of increasing financing costs and higher mortgage stress test rates tipped the scales," the report states.

As such, Toronto's risk of a housing bubble has burst, but the market still sits comfortably in overvalued territory. Rather than disappear, pressure has shifted to the rental market, with prices up over the last year.

However, when the BoC temporarily paused rate hikes in the spring, the city's housing market rapidly showed signs of recovery — prices jumped approximately 8% in two months as sales soared by 30%.

With interest rates set to possibly rise further, the report concludes that it is "premature" to consider a turnaround in the market. But, with demand still very much alive, supply consistently low, and construction levels dwindling, "the seeds for the next property price boom have already been planted."

REAL ESTATE NEWS

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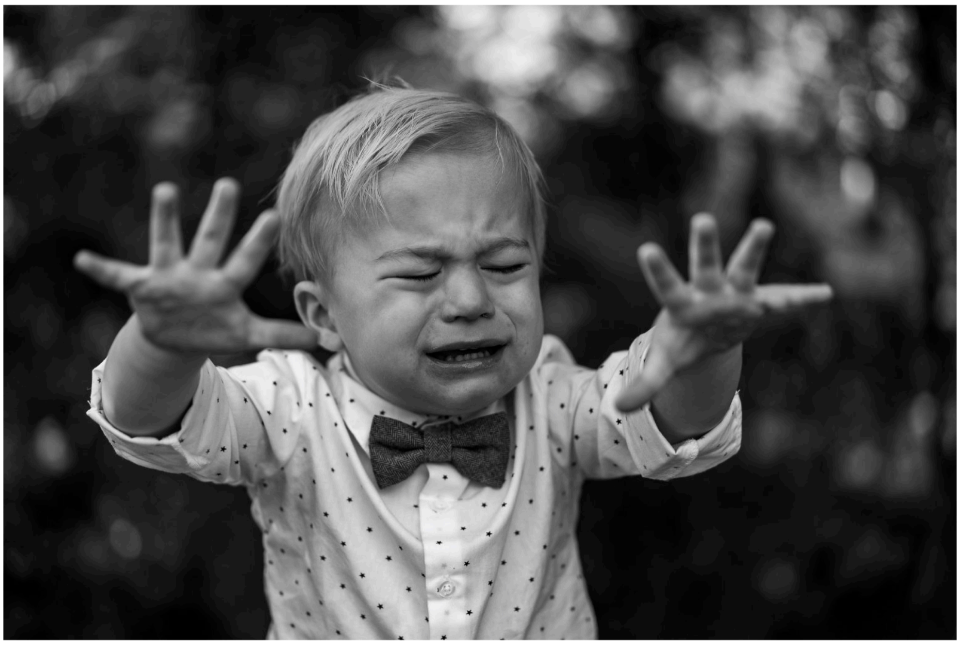
The Market Crash Is Coming...Right?

OPINION | MARCH 29, 2021



I'm pretty sure I've written this post before.

In fact, I'm pretty sure I've written this post before, while using the words, "I'm pretty sure I've written this post before," before.

If *that* doesn't lead you to the conclusion of today's post, without needing to read further, then I don't know what will.

Oh, folks. It pains me to write this. It really does.

I mean, what's the definition of insanity, anyways? I feel like this is the sixth or seventh time I've tackled the "market crash" topic, and the result has *always* been the same.

This time, will it be different?

Is the crash coming?

If the market dropped by 15%, would that be a "crash?" And would it be enough to satisfy those who have been calling for a crash before the market gained, oh, I dunno, say, 170% since they started?

I got into real estate in July of 2004. Since that date, I have heard all kinds of talk about a market crash, and the talk has been very strong at certain points.

2008, for one. The market crashed in the United States, so it seems to reason that we'd talk about it here in Canada.

The early-2010's for sure.

In 2017, the market actually *did* crash, momentarily. But it was like one of those "planned demolitions," where engineers place explosives in all the right places of a dilapidated building to take it down effectively, and people watch from afar and, for some reason, cheer. The federal government said that they were going to "take steps to cool the housing market," and that's really all it took! Not the actual steps, but the words uttered, and the market dropped spectacularly overnight. It recovered in multiple segments here in Toronto by year's end, although some of the *stats* took until 2020 to catch up.

Regardless, I have heard "bubble" talk and crash-speak for seventeen years now, and yet it hasn't happened.

Here's the GTA average home price since the year before I got into real estate:

You could pick *any* point on that line, and I guarantee, you'd have found multiple economists, financial analysts, authors, and "experts" who were predicting the market *crash.*

So what's it going to be, folks?

Does anybody want to predict that the average home price drops to $500,000? Is that 45% drop coming?

Does anybody think the crash will be worse?

Remember in 2013 when Nicole Foss suggested that real estate values in Canada would drop, on average, by 90%?

Alright, fine. You've heard that bit from me before.

But given what's going on in the news right now, I can't quite help it.

Everywhere I look, I'm reading about the crash. The bubble. The chaos that's going to ensue!

How about some headlines from this past month?

3/4/2021, Toronto Star, "'By All Objectives Standards It's A Bubble,' Even Realtors Say Accelerated Prices Are Worrying"

3/10/2021, Financial Post, "David Rosenberg Says Canada's Housing Market 'In A Huge Bubble'"

3/11/2021, BNN Bloomberg, "Bank of Canada On Guard As Bay Street Warns Of Housing Bubble"

3/25/2021, BNN Bloomberg, "Toronto's Hot Housing Market Raised

To 'High Risk' By Regulator"

3/25/2021, Global News, "Canada's Housing Market Is Showing Signs Of Overheating, CMHC Says"

3/26/2021, BlogTO, "Toronto's Real Estate Market Is So Out Of Control That It's Now Considered High Risk"

And that's just the ones I remember reading!

Head to Google and punch in a number of keywords like "bubble" or "crash" and I'm sure you'll find more.

How about a few leftist opinion pieces?

3/13/2021, NOW Magazine, "Real Estate Agent Says That A Scarborough Bungalow Listed For $2.2M Does Not Indicate A Bubble"

3/18/2021, Vice, "Canada's Housing Bubble Is Getting Way Worse, And Younge People Are Screwed"

3/26/2021, Better Dwelling, "Canadian Property Bubble Nears Systemic Failure, And Not Even A Big Crash Can Fix It"

Ah, yes, *fix*.

Fix the problem.

Fix, as in, everybody gets to own a red-brick Georgian centre-hall?

I'll leave that topic for another day. I made the mistake of reading an old buddy's Facebook rant the other day, as well as the accompanying comments from his, um, "like-minded" new group of friends, and I can't stomach the words "should" as it pertains to housing, the economy, and personal finance anymore...

I don't recall a time in my career when I have heard more crash-speak, or seen more headlines, than what I'm seeing now.

But what does that mean? Does it mean anything at all? Do the loudest voices speak the most truths? Can I read anything into this?

I was on BNN last week to talk about the market, and in the pre-interview, they referenced David Rosenberg's comments about the "market bubble." I was hoping they'd ask me about this, but they did not. I wanted to say that, while Mr. Rosenberg is far more intelligent than I am, he, along with many of his colleagues, have been talking about the "froth" atop the market for a decade now. Some for even longer…

March 17th, 2008.

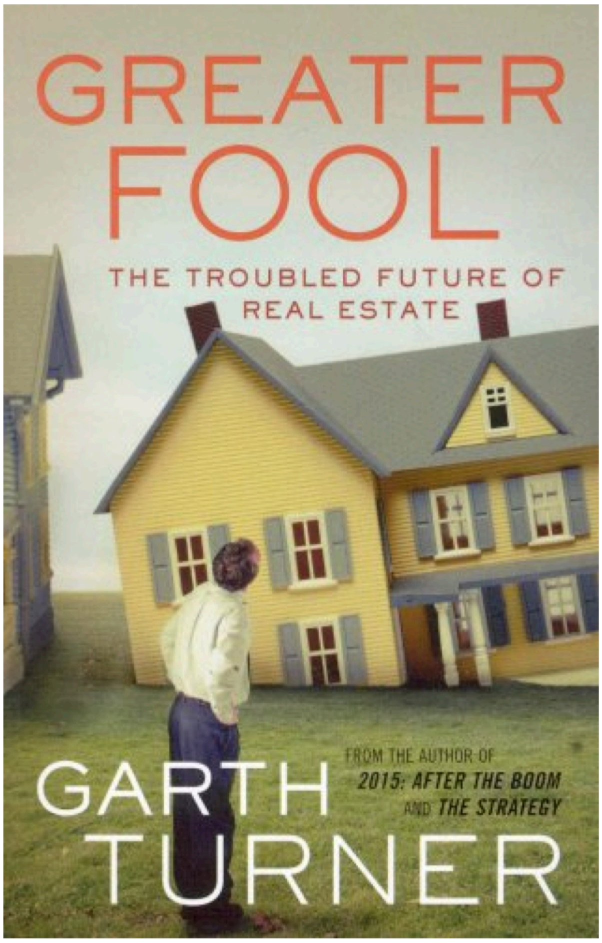
Does that date ring a bell for any of you?

That was *thirteen years* ago.

That's when many people decided that the Canadian real estate bubble was a real thing and that they were going to wait for prices to crash so they could finally get what they wanted

Why did I pick that specific date?

That's when this book was released:



We haven't talked much about Garth Turner in the past few years. I think many of us just gave up on the idea that this guy actually knew, at any point in the last twenty years, *anything* that would or could happen in *any* market.

What I wanted to say during my BNN segment was this: the average home price in Toronto in 2008, when Garth Turner released this book about the coming market crash, was $379,080. The average Toronto home price in 2020 was $929,660.

Not only did the market fail to crash, but it more than *doubled* by 2016.

I spent a lot of time in the early 2010's writing about Garth Turner, but he became so irrelevant that I stopped.

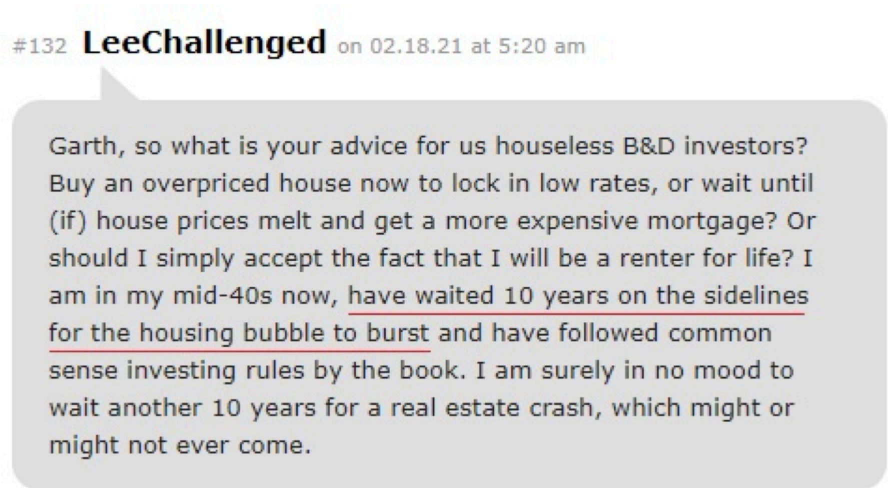
What I did not know, however, was that he's still active!

Did you know that?

Were you aware that Garth Turner is *still* lecturing his legion of greater fools about the impending market collapse?

I just read one of his blogs, where he's patting himself on the back for being "right" about mortgage bond yields increasing, but, as with all his writings, fails to mention that his book and his opinions cost a slew of Canadians a lifetime of tax-free capital gains that they'll never get back.

Here's a comment that made me sick:



#132 **LeeChallenged** on 02.18.21 at 5:20 am

Garth, so what is your advice for us houseless B&D investors? Buy an overpriced house now to lock in low rates, or wait until (if) house prices melt and get a more expensive mortgage? Or should I simply accept the fact that I will be a renter for life? I am in my mid-40s now, have waited 10 years on the sidelines for the housing bubble to burst and have followed common sense investing rules by the book. I am surely in no mood to wait another 10 years for a real estate crash, which might or might not ever come.

I don't actually know anybody that's been waiting a decade for the crash. These people are like urban legends.

We all *assume* that there are would-be buyers out there that have really, truly been sitting on the sidelines, waiting for the housing bubble to burst. But here's an actual person, commenting on Garth Turner's blog post, detailing his patience as it pertains to the "bubble burst."

Can you imagine?

Think about this person, living in Toronto. Think about the average home price ten years ago, at $431,262. This year, we'll probably pass $1,000,000.

Talk, talk, talk.

That's all I've heard in the past seventeen years.

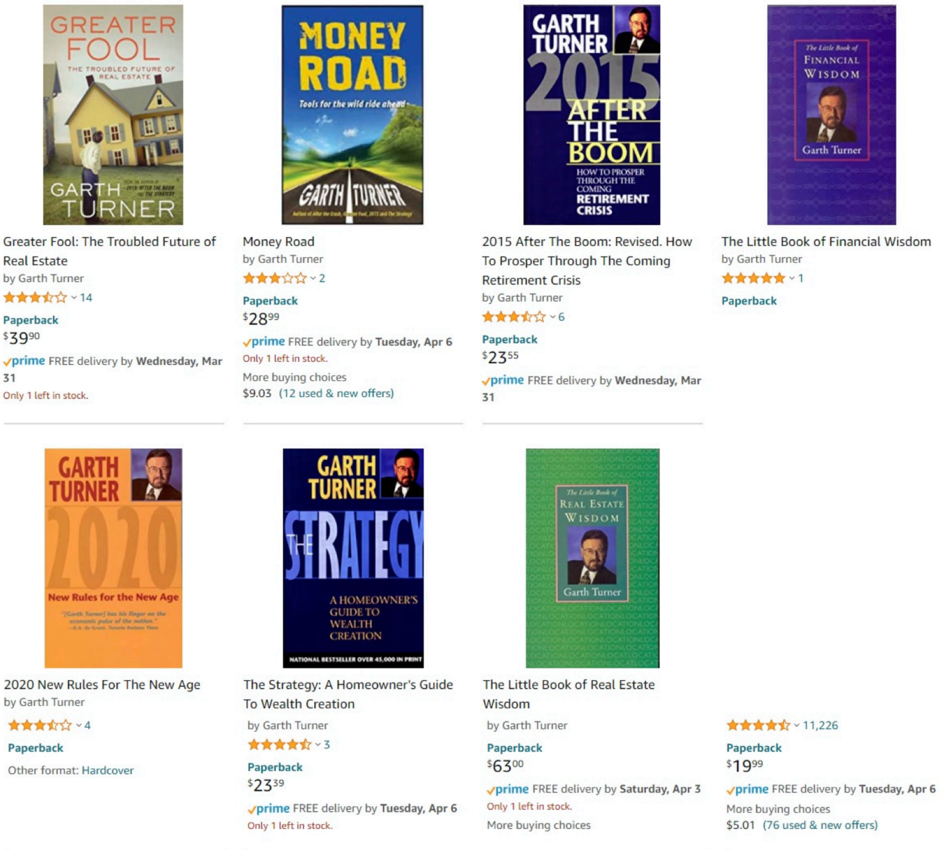
Talk about the crash. Talk about the bubble.

And the market keeps on moving.

Garth Turner was wrong. Surely there's no question about that, and his predictions failed spectacularly.

But do you know what *didn't* fail spectacularly?

His book sales:



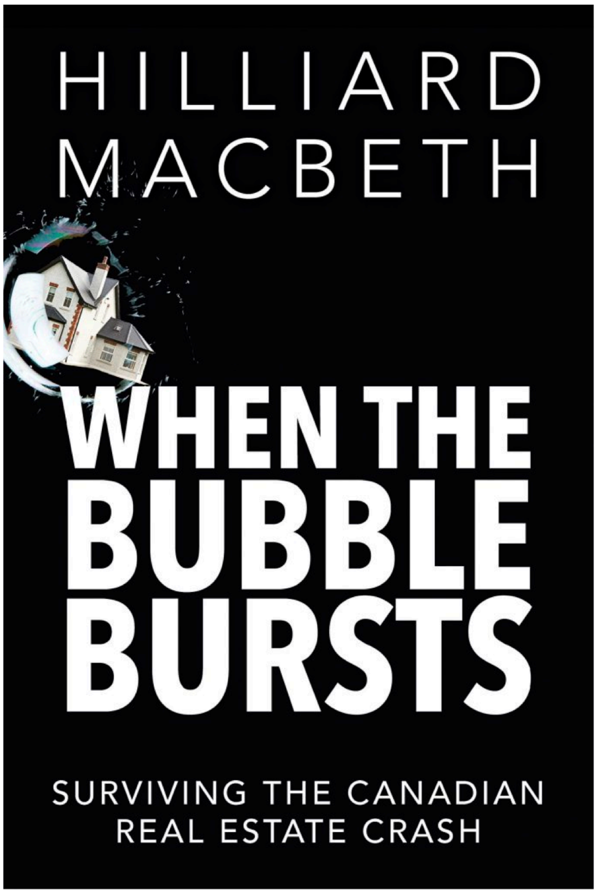
This guy is an author. That's who he is. That's what he is. He's an author.

He's not a clairvoyant.

He's nowhere near being qualified to give out real estate advice, as we can plainly see.

He's a guy trying to find listeners, just like anybody else out there trying to make a living with a pen or a voice.

Not unlike this guy:



This book was released on March 21st, 2015.

"Surviving" for some people meant seeing their property values increase by 50%, but I digress…

Over, and over, and over, for the seventeen years I've been in the business, I've seen media, authors, economists, talking heads, magazines, and newspapers try to call the market crash.

Over, and over, and over, they've been wrong.

Here's another all-time favourite:

"Now What?"

Um, I don't know. Maybe hang on to that house because it's now worth $2,000,000?

Many of you are reading this thinking, "So what? We've heard this from you before. What's *new*?"

The newer readers to TRB are wondering, "How does looking into the past tell me anything about what's going to happen in the future?"

Those would be fair lines of questioning, and I'll be the first to admit that I've beat this horse to death and beyond over the last decade. But in the spirit of fairness, is there *anything* more unfair than "experts" calling for a market crash for a decade, only to continue calling for it in 2021 after prices have more than doubled?

There is no "crash" coming. It won't happen. I've been saying this for *more* than a decade.

Toronto Realty Blog on February 18th, 2008: "Is the Market In

Trouble?"

I wrote that *thirteen* years ago.

Tell me if this sounds familiar:

> *Pick up a newspaper or business magazine these days, and it seems that every single editorial or opinion piece is predicting a meltdown of the real estate market.*
>
> *It's almost as if the media wants this to happen.*
>
> *I don't tell them how to write stories, print newspapers, and report on world happenings, so why are they telling the general public about the future of the real estate market?*

Thirteen years ago.

I would encourage anybody who feels, in 2021, that we're "on the verge of a market collapse," to consider how long thirteen years is, and for how long people have been predicting this crash that never came.

If I were that reader of Garth Turner's blog who commented that he's been "sitting on the sidelines for ten years," I would be laying on the ground in the fetal position right now. Everybody around that guy has gotten shit-rich from simply buying real estate, and many of those people are far from rocket scientists. Consider a couple of dummies who bought a condo in 2016 for $400,000, sold it in 2019 for $650,000, and used that $250,000 tax-free capital gain as a down payment on a $1,100,000 house.

Meanwhile, the "smart" people are on the sidelines. Waiting.

They're looking at stats, charts, graphs; reading *The Economist*, talking to their financial advisor from TD, listening to podcasts from experts, attending seminars, and doing everything in their power to avoid buying.

This is a confirmation bias at play, if I've ever seen one.

You *want* the market to crash, so you look for reasons why it could. Then you convince yourself that these facts are undeniable, and you use the resume of those who share your vision to support their opinions.

How could a lead economist for a Big-5 bank be *wrong*?

What about *UBS*? Those guys are smart, right? They put out a "Global Bubble Index" every year and Toronto is always listed.

I have a laundry list of these. Lemme pull one up.............ah, here, from 2017 – UBS Global Real Estate Bubble Index 2017

.

Alright, so I've established that people have been calling for the Toronto market to crash for almost two decades, and I've established that there has been no shortage of experts that have called this incorrectly for just as long. But what about moving forward?

Here it is, and you all want to hear me say this so you can pick it apart: *the Toronto real estate market is not going to crash.*

Not going to crash. Not going to drop. Not going to "correct." Oh, there's a word I hate, since it infers that current prices are incorrect. Prices have been incorrect for a long, long time...

So *why* do I think this? Or *how* can the market continue to increase?

First and foremost, let me admit that I don't believe this is "healthy." A reader asked this last week, and I was asked this on BNN to which I said, point-blank, "There's nothing healthy about this." But this market not being healthy, and this market crashing, are two different things. Our definition of "healthy" may change. Our style of living may too, with a larger percentage of individuals renting versus owning, or commuting, or working from home. A decade from now, we may look back at "healthy" as a synonym for "ideal," as we accept the Toronto real estate market for what it is, rather than what we wish it were.

I'm not a market cheerleader. I'm not in denial. I'm a realist. And I see what I have always seen in this market: *a massive deficit between supply and demand.*

For years, the government has tried to decrease demand. The CMHC has made a dozen or more major changes to the mortgage industry, since the time when you could purchase a house with 107% financing, to say the least.

What about building infrastructure that could reshape the demand curve? Is the government building any high-speed rails at the moment that would allow people working in Toronto to live in Niagara Falls and get to work in 30-minutes?

Hmmm…

But what about supply? What has the government done to increase supply?

Some people out there think that a tax on capital gains is the "cure" to our market woes, but that would do absolutely nothing to decrease demand, increase supply, or help with affordability.

We're not building on the Greenbelt. We're not incentivizing home builders. We're not constructing low-income or subsidized housing. What is the government doing to help with the supply problem?

Point to low interest rates as a reason why demand is high, and I'll point my finger out right alongside yours. There's no question that low interest rates are helping both demand and affordability, but do any among you think we'll see a 5-year, fixed-rate above 5% in the next five years?

Supply is low and will remain low.

Demand is high and will remain high.

And in those two sentences, I give you my reasoning for why the market is where it is, and why it will stay here. You don't need a top economist to write a book on this. You just need to simplify the analysis and look at the very most basic tenents of what makes a market.

In the end, it's not my job to convince anybody that the market will go up, down, or sideways. I'm a real estate broker. I work with real estate buyers and sellers as an occupation, and I write a blog in part as a hobby and in part as a way to attract clientele. Whether or not a TRB reader agrees with me or not, is none of my concern.

But I will say this, if I may be so bold, you can call me a biased bull or call me a market cheerleader, but there's one thing you can't call me: *wrong.*

Since that 2008 blog post, I've written countless entries lamenting the "bubble" talk, all the while, saying it wouldn't happen. In that time, hundreds of notable economists, financial pundits, columnists, banks, and even members of the CMHC have predicted a crash or "correction," and it's never happened.

In reading the TRB comments, it seems as though there's a 60/40 balance of bulls/bears on here, maybe more. Some of those who are lapping up that "froth at the top" are already in the market, so whether there's a correction or not, it doesn't affect them. But for those of you who are like Garth Turner's reader and are waiting on the sidelines, it's not my place to tell you whether to buy or not. But I will tell you one thing, and it's an unsolicited piece of advice: if you don't have a better reason for believing there's going to be a market correction than "it just has to," then you have a problem on your hands.

At some point in 2021, we'll see one, two, or three down months. The bears will celebrate, and when the TRREB average home price drops 5% in a month, they'll get on their dancing shoes. But where will prices be next year, and the year after?

That's rhetorical.

And if you really need it answered, just read any of the blogs I've written dating back to June of 2007…

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