



the advantages of buying real estate in **today's** market

BY STEPHANIE WEI

Warren Buffet, one of the richest men in the world, has an often-quoted saying; “Be fearful when others are greedy. Be greedy when others are fearful”. This investing philosophy has served him well, and is useful advice for homebuyers to keep in mind in the current real estate market.

As the market begins to transition into a cooler market, potential homebuyers can face conflicting advice from well-meaning friends and family. How does one know when it is a good time to buy?

“The time is right when it’s right for you,” says Julie Kinnear of Royal LePage Real Estate Services Ltd. Kinnear, a realtor who specializes in Toronto’s prime neighbourhoods, believes that the most

important determining factor should be the buyer, not the market. “No one can predict the market. It’s about improving your life. Why stay in that apartment if you don’t have to? Move to the better

school district, or downsize to a condo so you can travel. It’s really about what’s right for you.”

That being said, a softening market is an excellent opportunity for homebuyers. The market has transitioned from a seller’s market to a buyer’s market. For the past few years, the homebuying process has been characterized by properties sold in one day, frenzied multiple offers, and skyrocketing property values. Kinnear says that in the recent months, buyers have been able to submit offers that are more in their own favour: “It’s less stressful. Now you can put in conditions, you can negotiate. Before, it was pretty

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much buyer beware: buyers had to waive inspections and appraisals, in some cases, people were significantly overpaying just to get the property.” In addition to home inspection and financing conditions, buyers may want to make home purchases conditional on the sale of their current residence to reduce their risk of having two properties on their hands.

According to Jas Grewal, Senior Vice President of The Mortgage Centre, the current market provides a wealth of opportunities for homebuyers. “With the perceived slow down in the economy and real estate market, there are a lot of discounted properties available, especially new construction properties,” says Grewal. “The Bank of Canada has lowered the prime lending rate by two per cent in 2008 (currently at four per cent). These relatively low interest rates allow for more borrowers to access the market where there are deals to be had. There’s less competition as people are being more cautious.”

Kinnear agrees: “There are some great opportunities for people,” she says. “It’s great for first time buyers and for people looking to move up.” Kinnear explains that generally, if you are looking for an upgrade in a softening market, the more expensive homes will drop more than a moderately priced home.

According to the Canadian Real Estate Association, national average house prices have started to decline in recent months. For first-time homebuyers, this is excellent news: This marks the first decrease in house prices in years. As new entrants to the market, they benefit from lower prices on the purchase property and do not need to worry about selling an existing property with a fluctuating value.

While not a great time for people looking to flip a property (buying a property for the purpose of renovating and selling quickly), Kinnear sees this as a great time for buyers who plan on keeping their property for the long-term. “It’s not timing the market, it’s time in the market.”

Grewal’s advice for homebuyers is to work with real estate professionals who have consistently ranked in the top five per cent for their region. “Finding the right property and best available financing solution are pivotal to achieving your financial goals” he says. As current credit restrictions may increase the cost of borrowing (some banks may only offer discounted rates to prime clients). Grewal also recommends working with a mortgage professional who has access to a broad range of mortgage products. Most importantly, he recommends always putting a financing condition in the purchase offer to protect against inconsistent lending criteria.

If you are a current homeowner who needs to both buy and sell a home, Kinnear recommends selling your existing property first. “That way, you know how much money you have in your pocket, there’s less stress.” She also recommends sellers need to be realistic in a slowing market. “I’ve represented lots of sellers recently whose properties have sold very quickly. You have to offer the best value, your home has to show the best,” she advises. “You can’t get emotional, you have to project what the buyer’s going to be thinking and where they will meet you on price.”

“Price the property well, be competitive and you’ll make money. Don’t be greedy, you can’t be dreaming in Technicolour,” says Kinnear. RH&C