

## The Reality of REAL ESTATE CYCLES



**DIANNA MORRISON**  
OMDREB President

Oakville, Ontario — March 2009 — Housing prices were soaring two years ago and going for asking price or over. Today a gloomy global economy and a housing bust south of the border has sent housing prices tumbling and left the real estate markets in the doldrums. However, despite the doom and gloom there is a positive outlook to what is happening. The first important factor to remember is that real estate cycles are predictable and recoverable, and the long-term

value of your investment will remain intact. Secondly, there is always a supply-demand factor and no matter what the market - sellers will find a buyer for that well-kept home offered at the right price and terms.

"Many things are cyclical. That is to say, they occur again and again like clockwork. If you look at the history of the last four real estate downturns over 25 years, the market has always come back. Some of the best opportunities can become lost opportunities if we let the fog of doom and gloom cloud rational decision-making," notes OMDREB President Dianna Morrison. "If you want to buy a home because it's the right time in your life and you want to invest in a solid asset, then waiting for the market to bottom-out may mean missing the perfect opportunity today."

Home ownership offers a number of benefits including building equity, saving for the future, and creating a home for your family. When you own your own home, your hard-earned dollars contribute to your mortgage. The equity you earn is yours. Over time, your home will increase in value - history has definitely shown us that.

If you are searching for your perfect new home, you should understand that the further away the market is from its last peak the less homes there are available in the market. So buy or better - if you wait too long for the market to hit rock bottom you may not be able to find that home for that great price.

It should also be clarified that real estate cycles vary across the different geographies. For example, the provincial or national real estate cycle when describing the average behaviour of the market can be different from the local real estate cycle. The local cycle may differ from the national real estate cycle in terms of timing, duration and the demand-supply conditions that prevail in the local market and most importantly, how tied in the local economy is to the national economy. Therefore, in some areas, the local real estate market may enter the cycle later and last a shorter period because of local economics and dynamics along with demand-supply conditions.

The downturn also has a hidden silver lining. During the housing market downturn you will end up finding

the best customer service and the most attentive sales people, developers, mortgage brokers and all of the other professionals connected with the housing business when times are tough. It's the old adage that tough times never last but good people do. Dedicated, hard-working and informed REALTORS® provide the best service.

In short, don't believe everything you read or hear and local REALTOR® to learn about what is happening in your local market and they will assist you in making an intelligent decision that is right for you and your family - and hold on for the next up-turn in the real estate market.

Sources: The Oakville, Milton and District Real Estate Board (OMDREB)

### Oakville - February Sales Results

In the month of February, the number of residential sales in Oakville showed a 43.2% decrease compared to February 2008. The median sale and average sale prices of homes also dropped but that is influenced by the fact that in February 2008, twenty-four homes over the one-million-dollars mark sold on the market compared to 5 in 2009 - those numbers would definitely skew the average and median prices for Oakville.

On a more positive note, the number of residential sales in Oakville during February 2009 showed a 93% increase from January 2009.

"It has been noted that first-time home buyers, the largest single buying sector, have been sitting on the sidelines in increasing numbers since it became obvious last fall that Canada was not going to avoid the global recession", states Diana Morrison, OMDREB President. "As we wait for the economy to stabilize and our sense of security to return; and when common sense once again prevails, we will see a return of the first-timer back to the market in significant numbers. Considerably lower interest rates and the lower cost of ownership will get them motivated, which will get the real estate industry moving again."

Oakville	2008	2009	% change
No. of Residential Sales	278	159	- 43.2%
Average <sup>1</sup> Sale Price	\$528,588	\$442,792	-15.2%
Median <sup>2</sup> Sale Price	\$425,000	\$380,000	- 9.3%

1. The average home price is found by adding the value of all sales and dividing by the number of homes.

2. The median sale price is the midpoint of all sales.

Source: The Oakville, Milton and District Real Estate Board (OMDREB)

The Oakville, Milton and District Real Estate Board serves Oakville, Milton and surrounding communities with more than 1,400 REALTORS®. Your local REALTOR® can provide you with the data and services you need to make informed real estate decisions. To find out more about the REALTORS® in your area, and how you can benefit from the array of services a REALTOR® can provide, visit [www.ombreb.on.ca](http://www.ombreb.on.ca) or call OMDREB at 905.844.6491