

Canada's Average House Prices Drop Leading to Property Market Chaos



The past few months have taken a sharp reversal in Toronto's home prices and has led the property market into total chaos. Many buyers now desperately want to get out of deals that looked good just a few months ago. This desperation not only comes from those who bid at the peak and now want out but also due to lenders tightening their credit and property appraisers lowering their value. With lenders sending out appraisers who are judging the property is worth less than what the buyer offered a few months ago, a lower valuation means a smaller loan from the lender.

Lawyers, real estate agents, lenders, mortgage brokers and buyers are now struggling to cope with the new reality. John Pasalis from Realosophy Real Estate Brokerage Toronto gives an example of a recent case that sums up the scenario quite well. A buyer who recently expected a \$1 million loan from a lender had a setback when he received only \$850,000 just a few days before the deal was scheduled to be closed. Such cases lead to last minute stress and frenzy of coming up with the remaining amount.

Toronto home prices are now down around 19% from the April peak and resales were around 40% lower in July compared to last year. Overall, lenders have reduced their average valuation by around 12-15% since March this year. This has led to buyers either wanting their deposit back, thinking of walking away or refusing from closing, even at the risk of being sued.

It is the lenders that are becoming more conservative and tightening their criteria. A solution to this can be lenders looking into comparable sales to determine home values limited to a shorter time period and represent smaller geographic areas so the appraisals truly reflect the market.

Buyers are short on money and sellers are looking to close the deal before prices drop further so lawyers are being involved. Sellers want to sue buyers while buyers are looking for a way out of the contract without losing money. Because of this re-listings have surged recently due to aborted deals.

As financial obligations to mortgage debts increase this can leave Canadians struggling to manage existing debts and expenses. If you have questions regarding the management of your personal finances and would like a free, no obligation credit counselling assessment you can speak with a trained credit counsellor at Consolidated Credit by calling **1-844-329-3834** in English, French or Farsi on a confidential basis. The [Jamati Budget Lounge](#) resource also offers extensive information to help members learn about credit and finances in Canada.

Although all communications will be confidential, any connections via the [Jamati Budget Lounge](#) or via the toll-free number to Consolidated Credit will be tracked for statistical purposes.