

New homes sales are down, but prices are not. Why?



BEN MYERS
HOME BASE

In late April, BILD, the voice of the land development, home building and professional renovation industry in the Greater Toronto Area (GTA) released March new homes sales data via industry partner The Altus Group. They noted that there were 1,960 total new home sales in March, a decline of 67% from March of last year, and 21% lower from the 10-year average.

In the first quarter of 2017, the new market was as hot as it has ever been, sales were booming and prices got a little frothy to say the least. However, GTA new single-family home prices are still up 7.4% year-over-year in March to \$1.21 million, while new condominium apartment prices have risen to over \$742,000 on average, an increase of 39% annually. Prices were down slightly for single-family homes from February (\$1.22 million), but up for condos (from \$730,000).

If sales are down so dramatically, why haven't prices corrected as well? The main reason is costs. With every property that gets developed, the supply of land for new homes declines, driving up land costs.

No more downtown parking lots and vacant single-storey retail to demolish for condos, the next thing to go is small office buildings, and they're more expensive to buy than an empty lot.

Whether you're building a suburban subdivision on a former farm or a downtown high-rise, developers have to pay for the infrastructure to support the project: sewer and water connections, new schools, new parks,

improved transit.

These costs come via development charges and they've gone way up in recent years. When most of these developers bought their land, they got a mortgage, and with interest rates increasing, they'll pay more to carry the land, and when they start building, they'll pay more for a construction loan.

With the boom last year, sales set records and now developers are ready to build those homes and there is huge demand for the construction trades, driving up the costs to build.

For many developers, price increases have still outpaced the increase in costs, but not for all of them. Some developers cannot afford to lower their prices and still deliver the profit they need to pay their employees and partners.

With these factors in mind, you're not going to see a quick and sharp correction in new homes prices. New developments may come on board at prices below existing projects, as builders adjust home sizes, unit interior finishes, and product types to fit the new market dynamics.

If you're waiting for the price of a new single-detached home in Markham to drop to \$500,000, I think you're going to be waiting a very long time.

The new home market in the GTA has returned to a more sustainable pace of sales, but don't expect to find many (if any) blow-out sales prices.

— Ben Myers is
President of Bullpen
Research & Consulting,
a boutique real estate
advisory firm.
Follow Bullpen
on Twitter at BullpenConsult
or find Ben at
www.BullpenConsulting.ca.



21-year-old Thomas McHardy (right) is one of the youngest employees to come out of the construction management program at George Brown College. Seen here with Frank McPhee, Tribute, v-p of contracts.

Attitude propels Oshawa man, 21, down career path in construction



RICHARD LYALL
RESCON

You don't often meet people like Thomas McHardy.

Not many of us know the career path we're destined for as a teenager but he is an exception. The 21-year-old Oshawa man was recently promoted to assistant site supervisor at Oshawa's Dantonbury UC Towns site, which is being built by Tribute Communities.

McHardy is one of the younger construction management employees to come out of RESCON's construction management program at George Brown College, and is a proud example of the youth who want to build the future condos, townhomes, semi-detached homes and even single-detached product across the GTA.

So why did you choose construction, Thomas?

"I've always had a love for construction," McHardy said. "I've always loved building things and enjoy seeing things being built well. Whether we're strapping a wall or looking for drywall overlap, I just enjoy better building practices."

His path to Tribute was a textbook case of a focused career-minded construction employee: practical experience during the teen years (building cabinets, landscaping, performing renovations and general construction labour in Thomas's situation) before — at 17 years old — entering George Brown's construction engineering program.

To top it off, he specialized in our program — getting 28 weeks of intense classroom and invaluable worksite experience through Tribute's internship.

"Since I started with the (RESCON) program, I knew the path I wanted to go down. It made me realize I would be in a construction management position."

As part of the program's 2017 class, McHardy was recognized early on as an ambitious and intelligent student with a lot of potential.

"I liked him from the first day he approached me at last year's George Brown luncheon — he was very easy to talk to, and he's eager to learn on the job," said Frank MacPhee, Tribute VP of contracts. "He's a really good kid with a tremendous upside. Thomas has been doing great work for us."

Frank Salemi, Tribute's senior site supervisor at the Oshawa site, says he has been impressed with McHar-

dy's knowledge and enthusiasm and recognized early on that he was overqualified for his initial work as a clerk.

"He's willing to learn all aspects of construction, solve problems, find resolutions with trades on site — that all came fairly quickly for Thomas," Salemi said. "We're working on a community of four-storey mid-rise condos — I didn't have to explain the process and techniques of Part 3 construction to him repeatedly."

"But the most important skill is attitude, and he's got that. If you don't have the right attitude, it's difficult to deal with your colleagues on and off site. There's some connection between the George Brown class and what happens on site. The program is doing the right thing."

It's all about attitude, folks. Just remember — you can get further in life with a smile and a clipboard than just a clipboard. Our industry need more good workers like Thomas McHardy.

For more on our program at George Brown, please email media@rescon.com.

— Richard Lyall, president of RESCON, has represented the building industry in Ontario since 1991. Contact him @RESCONprez or at media@rescon.com.