

Buy? Sell? Which Comes First & Why?

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List today! Buy tomorrow! That makes perfect sense in some parts of Canada, but in other cities you should seriously consider buying before you list your property.

Toronto is very much a seller's market with buyers competing for a limited number of listings, while Vancouver continues to have more properties available than interested buyers.

"In Toronto, 80 to 90% of consumers are buying first because they're far more confident about selling their current homes than finding their next residence," says Tim Syrianos, Broker of Record/Owner, RE/MAX Ultimate Realty, Toronto, who was also the 2017/2018 president of the Toronto Real Estate Board. "Right now, Toronto is very much a seller's market with just 2.5 to three months of supply compared to the four to five months of housing stock we'd typically have available."

Conversely, Vancouver's current supply time frame of 18 months is having exactly the opposite effect. Mark Hammer, a Vancouver-based agent with RE/MAX Crest Realty, suggests homeowners list as soon as possible, because prices are down 35 to 45% across the board and show no sign of levelling off, with the higher-end, multimillion-dollar homes hit the hardest.

"List now, because it may take two to three months to sell your property and the longer you wait, the less you'll get for it," says Hammer. "In Vancouver, wait as long as you can to buy because you're sure to pay less."

In every town and city, but particularly costlier locations like Toronto and Vancouver, consumers need to carefully consider everything from what they can afford to where they want to live before launching the buy/sell process. The real estate market in general has changed, while values and even the types of homes available has evolved across Toronto and Vancouver neighbourhoods.

“Most consumers buy and sell every seven to eight years, so educating themselves with the help of real estate professionals is a crucial first step – most Torontonians believe their money will buy them far more home in a much better neighbourhood than it actually will,” says Syrianos, who notes it took his in-laws six months to find their next home and just 10 days to sell the house they’d lived in for 40 years. “In Toronto, start looking for the home you’ll buy well before you sell and while prepping your existing home for sale.”

Bridge Financing – an Effective Interim Solution

Naturally, homebuyers and sellers need to know they’ll have somewhere to live. In unpredictable markets, consumers will do whatever they can to avoid simultaneously owning the house they’re selling and the home they’ve just bought. While most consider that a worst-case scenario, others appreciate the fact a 30- or even 60-day overlap, unplanned or negotiated, gives them time to paint, do minor renovations and ease into their next residence.

“In view of Toronto’s less than 1% vacancy rate, even short-term rental accommodation can be a challenge” says Syrianos.

Bridge loans, which are typically offered for up to 90 days, let homeowners use the equity in their current residence as a down payment provided there is a firm offer on record. Owners still pay both mortgages (principal and interest), while the interest accrued on the bridge loan is paid out when the sale of the existing home closes. Some lenders charge an administration fee, others charge only interest, which is generally higher than on traditional mortgages. Notably, homeowners/buyers still need to qualify and not every financial institution offers bridge financing.

“Bridge financing is a common practice,” says Darlene Hanley, mortgage agent, Mortgage Architects, Toronto.

Rent-Backs & Short-Term Rentals

Of course, Vancouverites and Torontonians want to know where they’ll live once their homes are sold. Ideally, their agents negotiate same-day or same-week closings on the existing and next home, but if not, rent-backs and short-term rentals are an option.

Rather than lose a coveted property after winning it in a multiple bid situation, buyers may agree to a long close that lets homeowners stay put for several months to secure the deal. Sellers that agree to rent the home back to the original owner may accept less than market-value rent or insist on more.

Short-term rentals are viable but seen as less than ideal. They're typically more affordable and convenient than hotels and offer more privacy and comfort than bunking with family and friends, but they will increase the cost and stress. Aside from the price of the accommodation, families may incur additional moving and storage costs and moving is so stressful, no one wants to do it more than once.

"If you see yourself as a homeowner, you don't want to rent even short-term," says Hammer. "Be flexible and creative to get what you really want. I recently had a client that sold but stayed an additional six months rent-free – anything is possible."

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Kara Kurylłowicz is a Toronto-based writer with 30 years of experience writing and editing for a wide range of magazines, websites and corporate clients. She has a long-term interest in real estate, as a journalist, homeowner and landlord with investment properties. She is fascinated by the Greater Toronto Area real estate market and is equally interested in how the Toronto market affects seasonal and second homes.