

OPINION

Shut out: A well-qualified millennial home seeker throws up his hands after losing multiple bidding wars

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A for sale sign outside a home indicates that it has sold for over the asking price, in Ottawa on March 1, 2021.

JUSTIN TANG/THE CANADIAN PRESS

In a hot housing market, it means nothing that you have a household income of more than \$200,000 and a down payment of \$450,000.

A 33-year-old buyer named Greg learned this lesson in early 2021. He and his partner have been house shopping north of Toronto, specifically around the communities of Markham, Stouffville and Uxbridge, where detached houses are going for \$1-million-plus these days. Three times they have found a place and put in a bid at more than the asking price. Three times, they were outbid by other buyers.

“We knew the market was heated, but we had no idea what we were in for,” Greg said in an interview where he asked to keep his last name private. “It’s infuriating, to be honest.”

Greg got in touch recently to vent his frustration about the state of the housing market one year after the pandemic hit Canada. Historically low mortgage rates and surging demand for detached homes have created a frenzied market that could not be less friendly to buyers.

At the start of their search in early 2021, Greg and his partner wanted a suburban home on a big property. So did, like, five million other people in the pandemic. Net result: Greg and partner lowered their expectations and decided to go after a traditional suburban three-bedroom home on a normal-size lot. “The white-picket-fence type of house,” Greg said.

Add Greg and his partner to the list of young adults doing all the right things and finding home ownership is out of reach. The two could hardly be in a better position to buy, and not just because of their strong household income. Greg sold a condo he’d owned for five years in mid-2019 and made a decent profit that will help fund a down payment on the new home.

He and his partner are renting a condo in midtown Toronto right now and they’re on a month-to-month lease that gives them a lot of flexibility for closing a home purchase. An ironic aside to what’s happening in the housing market: Greg’s landlord cut his monthly rent to reflect the slump in Toronto’s rental market during the pandemic.

Like any diligent home buyer, Greg is set up to receive e-mail alerts from his agent about homes coming up for sale in his preferred area and price range. There’s no time to waste if something suitable comes up.

“You have to get there as soon as possible to see it, and you have to determine within 30 minutes if you want to buy it or not,” Greg said.

In hot real estate markets such as those in and around Toronto, agents typically list a home and then set out a few days for viewings before accepting bids at a particular time. Prices are often set low to encourage aggressive bidding. One time when Greg and his partner went through this process, they decided to put in a bid on a home listed at \$999,999 that was 21 per cent more than the asking price. The house went for 35 per cent over asking.

Another aspect of a hot market is the pre-emptive bid, also known as a bully bid, where a buyer makes the seller an offer before the official presentation date. Greg would have bid on a fourth house, but a bully bid took it off the market before he could act.

A sensible buyer makes an offer conditional on mortgage financing and a home inspection, but not in a hot housing market like the one Greg is battling. “You talk to any agents and they’ll tell you zero conditions,” he said. “Your offer won’t even be looked at if you have conditions because sellers have 10, 15 offers.”

This level of competition for homes is why average prices for detached homes in the 905 area code surrounding Toronto jumped 28 per cent in February on a year-over-year basis to \$1.3-million. Greg’s worried about the affordability of a detached house slipping away if prices keep rising like this.

Still, he and his partner are pausing their search for now. They’re unwilling to keep bidding ever-increasing amounts over the prices sellers are asking for their homes. “Our agent will say, do you really want this place? Just go up 50 grand, just go up 70 grand. We’re not prepared to be indiscriminate with our money.”

I don’t understand why more buyers aren’t joining them.

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