Safe as Houses?

Perspectives: September 14th, 2022

I have at various points in my life been one or more of a rent-paying tenant, a bond-paying homeowner, and a rent-receiving landlord. One thing I experienced first-hand is how quickly I was on a first-name basis with the staff of our local hardware and home products stores from the moment I became a homeowner. My bank statements provide unmistakable evidence that my spending on home maintenance and improvement was *miles* higher as a homeowner in comparison to my being a tenant or even as a landlord.

My first point is that homeowners drive a massive part of the spending power of an economy. My second point is that because the North American economy is a leading indicator for much of the rest of the world, it is important and relevant to pay attention to it.

One of the benefits of my being based in North America and traveling regionally for business and networking is that I can personally observe the property markets and components of the economy from up close. Here is what I have seen unfold here over the past two years.

- **In 2020 and 2021**, I saw no for sale signs on residential homes anywhere. Realtors informed me that homes were in some cases transacting at 15% to 20% *above* asking prices, and that most transactions were completed without advertising or showing homes. Multi-million-dollar homes were being bought by buyers' sight unseen. It was a massive bidding war. Home builders told me their order books were full for the next two years or more. Every time I listened to the local radio channels or TV, I was bombarded with offers for loans with the only requirement of 'being a homeowner'.

- **In the course of 2022**, it increasingly feels like I am becoming surrounded by for sale signs on residential homes. In the past 3 months, I have for the first time started seeing for sale signs with the words "New Price" in highlights at the top - this is local realtor speak for the offer price being reduced. Realtors now tell me this is 'a temporary correction and that the market was just a bit overheated'. Sellers tell me they are 'holding out for wealthy oil industry executives to buy their homes'. Photographers who work for realtors tell me they are fully booked as even more housing stock is coming on to the market. The data is that there is a huge increase in how long it takes for homes to sell, if they sell at all, and a huge decline in housing transactions. I can see this clearly from my own driving around the city and neighbourhoods going about my daily activities. Home builders tell me they are still completing their existing builds, but their future order books have fallen off a cliff.

There is an old saying in the boating industry that *'there are two happy days in the life of a boat owner - the day they buy, and the day they sell'*.

To be clear - I strongly support responsible residential home ownership. That said, the millions of people who speculated in the North American residential property market in 2020 and 2021 are likely to have an impact on the world around them. I propose these potential impacts are well worth thinking about. A lucky few might still be able to sell, but most are now locked in.

Our work continues…

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