

November 2017

TORONTO REGION

REAL ESTATE MARKET REPORT



CHRISTIE'S
INTERNATIONAL REAL ESTATE

November finished strong but in a fractured fashion. To use a cliché, not all markets were equal in November.

The City of Toronto (area code 416) continues to strengthen, following the market declines after the province's announcement of the Ontario Fair Market Plan and in particular a 15 percent tax imposed on foreign buyers in late April. In the City of Toronto, where generally there was much less foreign buyer activity than in the 905 region, the shock of the foreign buyers tax has been absorbed. The impact of the tax in the 905 region continues to negatively impact that residential resale market. The only drag on the City of Toronto's residential resale market is the sale of detached properties.

Detached property sales in the City of Toronto were off by 19 percent compared to November 2016. Sale prices fared more favorably. Compared to the same period last year they declined by only 5 percent, a clear indication that the market is further stabilizing.

Semi-detached and condominium apartments in the City of Toronto produced very strong results. Semi-detached property sales were only off by 4 percent compared to last year, and impressively prices were flat compared to November 2016. Condominium apartments provided even more remarkable results. Sales were up by almost 18 percent compared to last year, and sale prices declined by only 6 percent. This data makes it clear that the residential resale market has almost returned to where it was a year ago, which was the beginning of the irrational market runup that began in January of this year and was crushed by the provincial Fair Market Plan.

Although the market will continue to recover into 2018, it is not anticipated that it will parallel the Vancouver phenomenon after the British Columbia government promulgated a foreign buyers tax in that province in 2016. Since then we have seen two quarter point interest rate hikes by the Bank of Canada and the announcement by the Office of the Superintendent of Financial Institutions that commencing in January 2018, uninsured borrowers (borrowers who put down more than 20 percent of the purchase price of a property) will have to demonstrate that they can afford their mortgage payments at either the five-year average rate noted by the Bank of Canada or two percentage points higher than whatever rate they were able to negotiate with their bank. Simply stated, borrowers will have to show more income to qualify for a mortgage than they did in 2017.

Overall sales of residential resale properties have shown an impressive improvement compared to the months following the Fair Housing Plan announcement. There were 7,374 properties reported sold in the Greater Toronto area. This compares to 8,503 properties reported sold in November last year, a decline of only 13 percent. Notwithstanding this negative variance, it compares very

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favorably to the massive negative variances in June, July, August and September. Another positive sign of market recovery. Although sales were not occurring as quickly as they were last year at this time, at only 24 days on market, sales were brisk by historical standards.

The large negative variances in sales in the months mentioned above, (June, July, August and September) and an increased number of properties coming to market have increased the supply of properties available to buyers, with the exception of condominium apartments. Due to their price point, condominium apartment demand has remained strong, resulting in tight inventory. At the end of November, there were 18,197 properties of all types available to buyers in the Greater Toronto Area. This compares with only 8,639 last year, an increase of 110 percent. It should be remembered that the 8,639 properties available last year was a critically and dangerously low supply. That was made evident by the explosion of the irrational resale market that we experienced between January and April 20th of this year. In November, 14,349 new listings came to market, a 37 percent increase compared to the 10,456 new listings that came to market in 2016. There is no question that buyers have considerable choice compared to last year. This is another factor that mitigates against a repetition of what occurred in Vancouver, here in Toronto.

For the first time in years on a month-over-month, year-over-year comparison, the average sale price declined. Last year the average sale price came in at \$777,091. This November it came in at \$761,091, a decline of 2 percent. The decline was primarily due to the decline in the average sale price of detached properties in the 905 region. There were 2,319 detached properties sold in the 905 region in November. Their average sale price came in at only \$898,605. By comparison, the average sale price of detached properties in Toronto (416 region) was a staggering \$1,276,184. Unfortunately, there were only 812 properties in this category, not enough to have a significant impact on the overall average sale price.

Going forward, what we do not need is any further government intervention in the market place, unless it is designed to stimulate the supply of housing, particularly purpose built rental units. The provincial government's politically motivated decision to move to universal rent controls in Ontario may win the liberals the next election, but it will have a devastating impact on the rental housing market and will only hurt those it was "designed" to help – tenants. The market has moved into balance, with more choice for buyers, and price increases now consistent with inflation and wage growth. A balance that will be further stabilized by the new mortgage stress testing. Government should let market forces control the residential resale market, just help with supply.

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