CHESTNUT PARK MARKET REPORT

TORONTO REGION
February 2018

AVERAGE SELLING PRICE
$767,818

FEBRUARY 2017: **$876,363**

SALE PRICE CHANGE Y/Y
-12.4%

10,520
NEW LISTINGS

FEBRUARY 2017: **9,801**

SOLD

25
DAYS ON MARKET

PROPERTIES SOLD
5,175

FEBRUARY 2017: **7,955**

TOTAL SALES & AVERAGE SALE PRICES (416 ONLY)

DETACHED
524 SALES
$1,282,240 (average)

SEMI-DETACHED
146 SALES
$985,902 (average)

CONDO/APT.
1142 SALES
$570,275 (average)

CONCLUSION

Comparing any of the first four months of 2018 with the first four months of 2017 will provide distorted negative variances. First four months of 2017 were driven by a collective market hysteria that was unsustainable: Given three mortgage rate hikes and new stress testing by banks, the residential resale market's performance was much better then expected.

TORONTO REGION

REAL ESTATE MARKET REPORT

CHESTNUT PARK Real Estate Limited, Brokerage

CHRISTIE'S INTERNATIONAL REAL ESTATE

There were no surprises in February's residential resale data. Last year in February the market was verging on delirium. With record low mortgage interest rates, a severe supply problem, and a collective psychological belief that if you didn't buy immediately you would be shut out of the market permanently. Under these conditions it was not surprising that prices were increasing by more than 30 percent on a year-over-year basis.

Its also not surprising that this year we are witnessing negative variances as compared to last year. Since the early months of last year, we have seen government intervention in the form of three mortgage rate hikes, a 15 percent foreign buyers tax, and a rigid new form of stress testing borrowers seeking conventional mortgage loans. Conventional loans are mortgages that do not exceed 20 percent of the value of the property. Yet despite all of this the Toronto and area residential resale market has held up fairly well.

There were 5,175 reported sales in February, a 34 percent decline compared to the 7,955 sales reported last year. But comparing this year's sales against last February is like comparing the Toronto market against a fictional metropolitan area that no longer exists. Last year's results were extraordinarily driven by a never before seen market delirium, a delirium that crashed with the announcement of the provincial government's Fair Housing Plan and the implementation of the foreign buyers tax.

Yet despite all these market shocks, all properties still sold in only 25 days and the average sale price in the greater Toronto area came in at $767,818, a 12 percent decline compared to last February. That decline, however, requires some clarification. The decline in average sale price was primarily driven by the decline in sales and prices in the 905 region and the decline in sales of higher priced properties ($2 Million or higher). The average sale price in the City of Toronto (416 region) came in at $806,494 and that despite the fact that the bulk of all condominium apartment sales----- the least expensive housing type------are located in the city of Toronto. Prices in the 905 region declined to $767,816, a substantial decline from last year when they came In at $876,000.

The biggest drag on average sale prices was the decline in higher priced property sales. This is not surprising and expected. In last year's frenzied market, 389 properties sold having a sale price of $2 Million or more, most of them being detached properties. This February only 126 properties in this price point were reported sold, a 67 percent decline. A decline of this magnitude, representing more than 5 percent of the entire market, will have a powerful, negative impact on the market's average sale price.

Again it is not surprising that this decline has occurred. Detached property values had reached stratospheric, unsustainable levels. Last year the average sale price for a detached property was approaching $1,600,000 for the

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greater Toronto area and more than $2,500,000 in Toronto's central districts. This year average sale prices have been reduced to $1,282,240 and $2,027,761 respectively. These are prices that are beyond the reach of most buyers, particularly with the increase in mortgage interest rates and the new stress testing. Given the impact of these factors we can anticipate further softening of prices for sales of this property type, or at the very least a plateauing.

Semi-detached sales are also in decline compared to last year but to a lesser degree and for different reasons. Across the city of the Toronto the average sale price for semi-detached properties still came in at $985,902, and at more than $1,235,000 in Toronto's central districts. Sales of all semidetached properties took place in only 19 days and at 103 percent of their asking price. These are not statistics emerging from a market that is in trouble but rather the opposite. In Toronto's eastern districts, particularly those closest to central Toronto, all sales took place in only 13 days and for sale prices approaching an astounding 110 percent of the asking price. These numbers point to strong demand and a very limited inventory.

The supply of resale condominium apartments is approaching crisis levels. In February 1, 687 new condominium apartment listings came to market, a 10 percent decline in the number of listings that came to market last year. The Toronto condominium market effectively finds itself in exactly the same position as last year at this time, except that prices are almost 11 percent higher. The condominium apartment that one could buy last year for $515,000 will now cost buyers $570,000. In the central districts where most buyers would prefer to locate, the average sale price is now an amazing $645,000. Last year the average sale price was $ 577,000. All condominium apartments sold on only 22 days and for 100 percent of their asking prices. Ironically in Toronto's central districts, where prices are highest, all condominiums apartments sold in only 21 days and for 101 percent of their asking prices.

The Toronto and area marketplace is where it would have been without the provincial government's intervention, constrained by the weight of, what is now clear, unsustainable prices. Going forward sales will pick up as sellers come to the realization that except for the most desirable properties in the most desirable areas, sale prices achieved last year are no longer realistic, particularly with higher mortgage interest costs. Basic economic factors----employment, strong economy, increasing wages----are very positive and therefore demand will remain powerful. When prices align with buyers' financial capabilities the market will once again begin to grow, but prices will remain in check, especially if we see further increases in mortgage interest rates, as anticipated.

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