MARIANNE MILES

BROKER

MARCH 2019 | TORONTO REGION

REAL ESTATE MARKET REPORT

CHESTNUT PARK MARKET REPORT

MARCH 2019: **TORONTO — GTA**

AVERAGE SELLING PRICE

$788,335

MARCH 2018: **$784,514** | *UP 0.5%*

13,996

NEW LISTINGS

MARCH 2018: **14,753**

21

DAYS ON MARKET

7,187

PROPERTIES SOLD

MARCH 2018: **7,188**

SOLD

CONCLUSION

As forecasted, March's results confirm that Toronto's market is stable. In the fall of mortgage pressures, government intervention and lack of supply, Toronto's market continues to remain strong. Long term affordability will be of greater concern.

CHESTNUT PARK. REAL ESTATE LIMITED, BROKERAGE

CHRISTIE'S INTERNATIONAL REAL ESTATE

TOTAL SALES & AVERAGE PRICES (TORONTO ONLY)

DETACHED

671 SALES | -4%
$1,267,598 | +4.3%

As compared to March 2018

SEMI-DETACHED

215 SALES | -8.5%
$1,020,561 | +1.9%

As compared to March 2018

CONDO/APT.

1,349 SALES | -14.1%
$603,969 | -9.7%

As compared to March 2018

source: TREB Market Reports

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REAL ESTATE MARKET REPORT

TREB's March results reaffirm a predicted shift in the discussion around Toronto's real estate market. We are no longer talking about a dramatic year over year growth, but rather about the lack of supply and affordability issues from first-time Buyers. The intervention of government on both a federal and soon-to-be municipal level may incite more Buyers and Sellers to enter into the upcoming spring market. This, in turn, may encourage more listings and more sales. This intervention, however, may not impact affordability as such intervention will increase Buyer competition, while not dramatically increasing Toronto's housing supply. The lack of inventory and the affordability issue will not be resolved until Toronto finds creative ways to cut through the bureaucratic red-tape and time delays to add more new homes.

March 2019's marginally lower sales growth, as compared to the last three years, was due to a lack of supply in all markets. This slower growth, however, shouldn't be overstated as the sales difference between 2018 and 2019 were negligible – March 2018 saw 7,188 sales while 2019 saw 7,187 sales. We also saw sales increase in March from February's disappointing 5025 sales. Since we saw sales grow in January and then slow down in February (likely due to weather conditions and not a weakening market), it's difficult to predict if sales will outpace 2018. Nonetheless, even if sales do slow, it does not necessarily indicate a weakening Toronto real estate market.

Demand for Toronto housing remains high for solid reasons. Our relatively open immigration policy, coupled with our international status as one of the best places to headquarter a technology company, continues to stimulate long-term interest in Toronto's real estate market. This is evidenced by the fact that both the Housing Price Index (HPI) and the Average Sale Price still remains higher than last year. Toronto properties, including condominiums, sold for an average of $830,043 in comparison to $817,642 in March of last year. It's important to note that, while March's Average Sale Price wasn't higher than February's Average Sale Price of $840,000, this price decline is likely a short term rather than a long-term trend. This conclusion is drawn because the HPI – a more reliable metric that smooths out the swings associated with averages - rose by 5.55% year over year for all housing types in Toronto. Accordingly, today's prices are a lasting change in Buyers' willingness to pay to work, live and play in Toronto.

The continued price growth in Toronto was not mirrored in the rest of the regions under TREB. For example, while the HPI for the York Region declined by -1.95%, the Peel Region HPI grew by 5.01%. Nonetheless, the overall HPI for "non-Toronto-core" markets declined by -1.46%. Comparing this spotty growth with Toronto's HPI loosely suggests that Toronto may not be completely inflated by cheap money and foreign buyers, but rather Toronto is a destination for both highly skilled workers and companies to plant their flags.

Two other metrics used to measure market conditions are Days on Market (DOM) and Months of Inventory (MOI). While the former metric is not perfect because it can be skewed by re-listing a property, it is still useful in understanding how quickly real estate is moving. And it is. In Toronto, all property types sold at a relatively quick pace of 19 days. While this number is not as shocking as the 15 days it took in March 2018 to sell a property, it is still impressive when compared to other desirable markets. New York City regularly sees properties sit for almost 100 days and San Francisco sees homes sit close to 40. What is more, the MOI for all properties in Toronto remains very low at 2.0, confirming that Toronto is still in a Seller's market.

As addressed in our February 2019 Market Report, the last truly affordable housing type, condominium apartments, continued on the path of unaffordability. Condominiums in Central Toronto, the place where demand remains highest, sold for an average of $673,330. This is still much lower, however than the $2,009,104 average commanded by

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detached homes in the same area. Given this staggering number, the activity in the mid-priced condominium market may be fueled by necessity rather than by choice of lifestyle.

Even though the high-end property market has fewer Buyers, sales continued to grow. In March 2019, 139 properties with a sale price of $2 Million or more across all TREB regions were sold. This is an improvement over the 118 sales from last month. An interesting trend in 2019 is that almost 10% of homes sold in the luxury market are condos, as opposed to detached or attached homes. The reason for condo purchases in the luxury market, however, is markedly different than the reason for condo purchases in the mid-market. High-end Buyers, unlike mid-market Buyers, are choosing condos because of lifestyle and not because of necessity.

As we move into the spring market, we anticipate more properties coming to Toronto's market. These properties, however, may still be out of reach for mid-market Buyers looking to live in the Toronto core. While continued low interest rates coupled with the federal government's housing assistance plan may encourage Buyers to become active in the market, this support will not be enough to improve Toronto's affordability, thereby forcing most Buyers to look to the more "depressed" 905 regions and causing a slow-down in Toronto's year over year price growth.

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