



Toronto Real Estate Market Report

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Another record breaking year for the Toronto and area residential resale market. In 2016 113,133 properties were reported sold. This number shattered the previous record of 101,213 properties sold in 2015. That makes two consecutive years in which Toronto and area sales have exceeded 100,000. Prior to 2015 reported sales had not even come close to that number. The previous record was 93,193 properties sold. That was in 2007.

Although the most recent sales results seem remarkable, given Toronto's population growth throughout the early years of this millennium, they should have been anticipated. The Toronto and area population has been growing by about 100,000 new immigrants annually. Households have been increasing by approximately 30,000 annually. Since 2007, when the then record of 93,193 sales was achieved, at least 300,000 new households have been created in the greater Toronto area. These households need shelter, a place to live, either as homeowners or as tenants. The supply of new housing in the greater Toronto area has not come close to meeting household needs. Consequently almost everything that has become available for sale has sold, and as the supply dwindles, for higher and higher prices.

Even in December, which until the last few years has historically been a slow sales month, the resale data related to the market is startling. For example: in December 526 detached properties were reported sold in Toronto, a decline of 7.6 percent compared to December 2015. The decline in semi-detached property sales is even more shocking. A decline of 11.5 percent, with only 138 properties reported sold. However where the surprise and related concern arise, is in the inventory levels available to buyers in these two categories of housing types moving to January 2017. In the case of detached properties only 488 active listings are available to buyers. In the case of semi-detached properties only 77. In both instances the number of properties available to buyers is less than the number of sales that occurred in December. Translated into months of inventory that would equate to 0.9 and 0.6 of inventory respectively.

The only housing type that showed a positive variance at year end was condominium apartments. Condominium apartment sales were up by 19.5 percent in December on a year-over-year basis. But even in this category, there are troubling signs of inventory shortages ahead. In December, in Toronto, 1,238 condominium apartments were reported sold. However, moving into January there are only 1,277 active listings for condominium apartments, or roughly one month of inventory.

Under these circumstances it is not surprising that average sale prices sky-rocketed in 2016. December's average sale price came in at \$730,472 or 20 percent higher than the year-over-year average sale price of 608,714. Can you imagine the shock that one would experience if they had lived abroad since 2014 and had returned to Toronto and were looking for a house or condominium apartment to buy. That same fictitious house they could have bought in 2014 for \$566,000 now costs \$730,000, an increase of 29 percent, and these numbers include condominium apartments.

In December the average price of a detached house was \$1,286,605. The average price for a semi-detached house, if a buyer could find one for sale, was \$808,920. In Toronto's central districts the numbers are even more dramatic. The average price for a detached house came in at \$2,058,876, while the average price for a semi-detached house broke the \$1 million mark at \$1,058,544, and this was in December.

Overall 5,338 properties were reported sold in December. This number would have been much higher had inventory levels been higher, a 8.6 percent increase compared to the 4,917 properties sold in December 2015. Across the greater Toronto area there are only 1.1 months of inventory, and in some of Toronto's trading districts there are less than 1 month of inventory. For example two of Toronto's eastern districts comprising Riverdale, Leslieville and the Beaches have only 0.7 months of inventory heading in 2017. Overall, across the greater Toronto area, we enter 2017 with 48.1 percent fewer active listings than we had last year. The actual numbers are eye-popping. We enter 2017 with a paltry 4,746 active listings of all property types. To put this number in context it must be remembered that there were 5,338 sales in December, 12 percent more sales than the total available inventory.

Based on the resale data available at the end of 2016, the beginning, and perhaps all of 2017, might be a different market than we witnessed in 2015 and 2016. We may witness negative variance sales numbers as compared to past years. This would be the first time this has occurred since 2008, when the equity markets imploded. The reason for this negative variance can be summed up in one word: supply.

With the supply side of housing being so low, it is inconceivable that sales can outpace 2016, notwithstanding the demand. Unless a plethora of new listings come to market in the early part of this year, and there is no current reason to believe that this will happen, year-over-year sales will decline, even though prices will continue to increase. This may result, in time, in the market stabilizing to some extent. Prices may reach levels that make affordability a problem which in turn may cause properties to remain on the market longer, thereby increasing the supply. Over the longer term that might result in price stabilization.

But where are those 100,000 new immigrants locating to the greater Toronto area annually going to live?

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