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TORONTO REGION

REAL ESTATE MARKET REPORT

CHRISTIE'S
INTERNATIONAL REAL ESTATE

March residential resale numbers were staggering, in every category. More than 12,077 homes changed hands in March, up almost 18 percent compared to the 10,260 that were reported sold last year. In comparing 2017 against 2016 it must be remembered that 2016 smashed all records for residential resales.

The most daunting statistic emerging for March's data is the average sale price for all properties sold. The cost of the average home in Toronto in March came in at \$916,567, an eye-popping 33.2 percent higher than what the same home would have cost a buyer in March 2016. In absolute numbers a buyer looking to buy the same home he considered buying last year would now have to pay an almost impossible \$228,000 more for the same property. Not only would that fictitious buyer have to pay substantially more, he would have to act quickly because all of the 12,077 properties that were reported sold in March were on the market for only 10 days (on average). Staggering is the only word for these year-over-year numbers.

Prices were even higher for detached and semi-detached properties. A detached home in the City of Toronto will now cost a buyer \$1,561,780. A semi-detached home is not far behind, coming in at \$1,089,605. In Toronto's central districts the numbers are substantially higher. The average sale price for a detached property was \$2,450,955, while a semi-detached property in Toronto's central districts came in at \$1,410,702. The 105 properties that sold in this category of homes in March sold in only 7 unbelievable days. Even condominium apartments in the central core of Toronto are beginning to reach lofty heights. The average sale price for condominium apartment sales in March was \$615,880. Only a year ago their average sale price was only \$484,000. And like their free-hold counterparts condominium apartments in March sold in only 11 days and at 108 percent of their asking price.

The greater Toronto area's definition of what constitutes a luxury property may, at this pace, have to be augmented. In March, 632 properties were reported sold having a sale price of \$2 Million or more. Once again the comparison to 2016 of properties sold in this category is staggering. Last year there were only 228 properties in this category, and in 2015 a mere 132.

The debate that is now consuming politicians, economists and real estate experts is all about the causes of this supercharged Toronto housing market. The real estate industry is strongly of the view that the problem can be distilled to one word – supply! March's inventory numbers support this position. At the end of March there were 7,865 properties available to consumers to buy. That's more than 35 percent fewer properties than were available to buyers in 2016. Although 17,051 new listings came to market in March, an increase of 15 percent compared to last year, the greater Toronto's inventory levels remain perilously low.

Economists see Toronto's real estate problems as being created and driven by demand. The frenzied demand, as it has been characterized, is being driven by, and in no particular order, foreign investors, primarily Asian, speculators, and local demand by those buyers who believe that if they don't get into the market today they may never be able

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to do so. One shouldn't forget mortgage interest rates. At only 2.65 percent (or lower) for a five year term, rates are at all time historical lows.

It is becoming clear that there will be political intervention, and it will be soon. At the time of preparation of this Report Ontario Premier Kathleen Wynne announced that the province intends to introduce a package of measures to address home affordability in Toronto. The following legislative tools are within the Province's arsenal. It can impose a speculation tax on buyers who buy and flip properties within short periods of time, perhaps 2 to 4 years. This tax could apply to all properties or just non-principal residences. A tax on foreign buyers similar to that introduced in British Columbia in 2016, and/or develop a progressive property tax for foreign buyers requiring owners who own homes in Ontario but do not live or work in Canada to pay annual property tax surcharges. The Province could also prohibit non-residents of Canada from buying resale homes.

It is a certainty that the provincial government will expand rental controls. Currently rental properties built after 1991 are exempt from the rent controls embodied in the Residential Tenancies Act. But will provincial (or federal or municipal) intervention cool the Toronto housing market? Any regulatory intervention will, in the short term, cause the market to slow. Any legislation related to foreign buyers will deter some foreign buyers, perhaps deflecting them to other Canadian jurisdictions. Domestic buyers may also take a "wait and see" approach to the market. Ultimately, any measures taken by the provincial government will be temporary in nature and there is little likelihood that prices for homes in Toronto will decline.

The Toronto market place is being shaped by global factors as much as local factors such as supply and low mortgage interest rates. The world as we know it is shifting from being predominately rural to urban. Cities will continue to grow, and some more than others. The world is riddled with corruption and instability and uncertainty is at its highest level since 2007. In this environment of global uncertainty investors are less likely to invest speculatively. They will look to jurisdictions and locations where their investments will be safe and certain, even if their returns are minimal or even flat. Cross border capital is flowing into established, certain, and safe economies. The greater Toronto area satisfies all of the above-noted investor requirements. Combined with annual immigration of 100,000 people, Toronto and the politicians, economists and realtors who are constantly attempting to understand the current market, should anticipate that the residential resale market will continue to be driven by these geopolitical factors, notwithstanding government intervention.

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