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REAL ESTATE MARKET REPORT

CHESTNUT PARK Real Estate Limited, Brokerage

CHRISTIE'S INTERNATIONAL REAL ESTATE

There have been a number of changes in the Toronto and area residential resale market in the last two months, and yet in many ways it continues to resemble the market that had politicians and economists expressing sustainability concerns in February and in March.

How is the market different?

It can be summed up in one word: supply. The number of properties in the market is substantially higher than it was just two months ago and as compared to the same time last year. At the end of May, there were 18,477 listings available to buyers. This compares with only 12,931 listings available in May 2016, a stunning 42.9 percent increase.

The available inventory spiked as a result of all the new listings that came to market. In May 25,837 new listings came to market. In May 2016 only 17,356 new properties became available for sale, an eye-popping increase of almost 49 percent. In considering the number of new listings that came to market, one must exercise caution. Properties that did not sell during the month were often "listed" on multiple occasions in an effort to find a list price that would attract buyers, especially those properties that were expecting multiple offers and failed to receive them. So how real the new listings number is that has been reported is questionable.

It should also be noted that the bulk of the new inventory coming to market in May was in the 905 region of the greater Toronto area. For example: whereas the increase in inventory was up by 48.9 percent in the greater Toronto area, it was only 24.7 percent in the City of Toronto. More surprisingly, whereas active listings increased by 42.9 percent in the greater Toronto area, the increase in active listings in the City of Toronto was an insignificant 1.8 percent.

This disparity is probably due to the Province's announcement that it will implement a foreign buyer's tax of 15 percent of the purchase price of properties. There has been a high concentration of foreign buyers in the 905 region, particularly in Richmond Hill, Markham, and Vaughan. The threat of this tax may have caused sellers waiting for prices to continue rising to put their properties on the market in anticipation of the new foreign buyer's tax.

How is the market still the same? Firstly, and notwithstanding the plethora of new listing that came to market, the months of inventory available to buyers was only 1.1 months. By any measure this is an inadequate supply, still favouring a seller's market. By contrast, at the end of May 2016, which was a record breaking year, there were 1.6 months of inventory in the greater Toronto area and 1.9 months in the City of Toronto.

Secondly, properties continued to sell quickly. In fact, on average all properties sold in 11 days throughout the greater Toronto area, as compared to 15 days last year, a decline of almost 27 percent. In Toronto's eastern trading areas the average days on market was only 10 days and even lower in the trading areas that encompass popular neighbourhoods such as Riverdale, Leslieville, and the Beaches.

Thirdly, properties not only sold quickly, but they continued to sell substantially above the list price. On average all

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properties in the greater Toronto area sold for 104 percent of their asking price. In the City of Toronto the sales-to-list ratio was even higher, with all sales coming in at 106 percent of their asking price. In May 2016 all properties in the City of Toronto sold at 105 percent of the asking price. Not one trading district in the entire City of Toronto saw sales on average less than 105 percent of the list price, with some districts reporting sales-to-list ratios of more than 110 percent.

Fourthly, average sale prices continue to rise. In May the average sale price came in at $863,910, an increase of almost 15 percent compared to May, 2016. In the City of Toronto detached property sales came in at $1,503,868 a 6.6 percent increase compared to last year. Similarly semi-detached properties increased by 27 percent to $1,062,318 and condominium apartments continued their increase in value to $564,808, an increase of almost 28 percent compared to a year ago.

A notable change was the pace of sales. Last May there were 12,790 reported sales for the greater Toronto area, an all-time record month for sales. This year reported sales of properties came in at 10,196, a decline of 20 percent. May marks the second consecutive month in which sales have decreased on a year-over-year basis.

The consensus is that the change in the market place will persist for a few months, perhaps into the fall or later, as buyer and seller expectations adjust. But as the Vancouver market demonstrated in May, governmental measures to cool that market and to bring a measure of affordability have failed. The Vancouver market cooled dramatically after the B.C. government announced legislation to curtail it, namely a foreign buyer tax, like the one announced for Toronto and Southern Ontario. But in May the Vancouver market was once again breaking records with an average sale price of $1,830,956 for detached properties, up 5 percent from the same month last year and just surpassing the previous high of $1,826,541 achieved in January 2016.

Expect the same scenario to play out in the Toronto residential resale market over the remainder of 2017 and into 2018.

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