

December 2017

TORONTO REGION

REAL ESTATE MARKET REPORT



CHRISTIE'S
INTERNATIONAL REAL ESTATE

We move into 2018 saddled by a number of market factors that make predictions more difficult than they already are for any year in real estate. 2017 was, without doubt, one of the most remarkable years in the history of the Toronto residential real estate market. The year began in the most frenzied fashion possible. During the months of January, February, March and April, sale prices were increasing in an unsustainable fashion, topping out at 33 percent on a year over year basis in March. By April the average sale price for all properties sold in the greater Toronto area had reached an alarming \$920,000. That number included all condominium apartment sales, the least expensive housing form available to buyers.

On April 20th, everything changed. On that day the provincial government announced the Ontario Fair Housing Plan. Amongst other measures, it imposed a 15 percent tax on residential real estate purchases by foreign buyers. Technically this measure should have had an insignificant effect on the market – after all only 4 percent of all homes were purchased by foreigners, as defined by the legislation. But the implementation of the tax acted as a psychological wake up call, causing buyers to stop, look at the astronomical amounts they were paying for properties, and wait to see what the impact of the tax would be on sales and sale prices.

By May sales of residential properties had declined by more than 20 percent (with more to come in the ensuing months) and average sale prices began a steady decline. By June the average sale price for all properties sold had declined from \$920,000 in March to \$794,000.

During the first four months of 2017 Canadians had become the most indebted households in the world, carrying 170 percent debt compared to household income.

In the months that followed, and on the strength of the Canadian economy, the Bank of Canada increased rates twice by a quarter point on each occasion. Suddenly buying a residential property in the greater Toronto area became more expensive to service the associated debt. But government intervention was not yet at an end. The Office of the Superintendent of Financial Institutions announced that effective January 1st, 2018 new stress tests would be applied to buyers borrowing from federally regulated lenders. These stress tests would also be applied to conventional borrowers, that is, borrowers with a down payment of 20 percent or more (high ration borrows have always been stress tested). Effective 2018, conventional borrowers will be qualified using the Bank of Canada's

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5-year benchmark rate (which is approximately 5 percent) or at the current contracted rate plus 2 percent if that rate exceeds the benchmark rate. A buyer currently approved at 3.5 percent will now have to qualify at 5.5 percent.

This brings us to December. Notwithstanding the market upheavals of 2017, December closed the year in a very positive fashion. There were a respectable 4,930 reported sales, only 7 percent less than the 5,305 sales reported in December 2016. The average sale price came in at \$735,000, almost 1 percent higher than the average sale price during the same month last year.

A deeper analysis of the resale market indicates that the 416 region has fared much better than the 905 region. The average sale price in the city of Toronto remains strong, with detached properties selling for \$1,250,000, semi-detached for \$903,000 and condominium apartments for \$532,000. By comparison detached properties in the 905 region sold for \$910,000, semi-detached for \$636,000 and condominium apartments for \$430,000.

The most dramatic change between December this year and 2016 was the change in the number of active properties available for sale. Last year there were only 4,930 available properties. This December that number has increased to 12,926, a startling increase of 172 percent. Once again, a deeper analysis indicates that the bulk of the properties available for sale are located in the 905 region, where sales have been slower and prices have declined. Last December there were 2,736 properties available for sale in the 905 region. This year that number has swollen to 9,190 an eye-popping increase of 235 percent. By comparison last year in the 416 region there were 2012 properties available for sale, this year that number rose to 3,736, or 85 percent, considerably lower than the increase of inventory in the 905 region.

Considering everything that occurred in 2017, we should take comfort in December's numbers. Going forward buyers will have more choice, and given the new stress tests, they will need that choice to find the property that best suits their now more restricted debt servicing budget. Sellers can take heart in that value, for properties reported sold, particularly in the 416 region, have remained strong, with only a slight, and sustainable increase, compared to 2016. All this points to a balanced, sustainable, yet strong residential resale market for 2018. Desirable properties in desirable neighbourhoods will continue to attract buyer attention, generating multiple offers, and over-asking sale prices. What we don't need is any more government intervention. The market will do nicely without it in 2018.

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AVERAGE SELLING PRICE

\$735,021

DECEMBER 2016: \$730,124

SALE PRICE
CHANGE Y/Y

+0.7%



SOLD

27

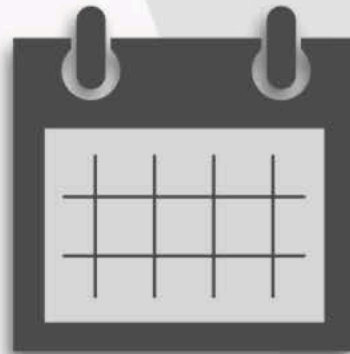
DAYS ON
MARKET



6,330

NEW LISTINGS

DECEMBER 2016: 4,166



PROPERTIES SOLD

4,930

DECEMBER 2016: 5,305



DETACHED

454 SALES
\$1,250,235 (average)



SEMI-DETACHED

172 SALES
\$903,658 (average)



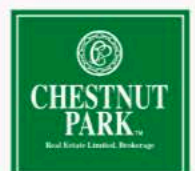
CONDO/APT.

1,125 SALES
\$532,700 (average)



CONCLUSION

December's numbers were strong, perhaps motivated by the new mortgage stress testing taking effect on January 1st. The market appears to be moving into a balanced position, providing buyers with more choice, while properties maintain their value for sellers.



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