

# THE DELUCE REPORT

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## The Toronto Real Estate Market - What Happened and What's Next for 2019?

As the holidays come to a close and we get back to work and our regular routines, I wanted to provide some context surrounding the turbulence we have experienced in the Toronto real estate market over the past eighteen months and some thoughts on what to expect in 2019.

Following the financial downturn experienced in 2008, Governments implemented policy designed to encourage consumer spending, banks set interest rates at historically low levels and demand to buy real estate in multiple jurisdictions across the world reached dizzying levels.

As consumers moved to take advantage of low borrowing costs, affordability became an issue (and still is) as the competition to buy available housing supply became increasingly competitive with multiple offers and over-list-sale prices being the norm. Prices rose dramatically and the pressure on Government to do something escalated.

In the spring of 2017, the Government of Ontario introduced housing policy designed to curb demand including a foreign buyer tax. Buyers and sellers went into a "wait and see" mode and the impact on the Toronto real estate market was immediate and the average sale price dropped and fluctuated over the next year. While prices came down, so did supply as sellers waited on the sidelines for the market to stabilize, hoping to see prices return to levels experienced prior to the introduction of the Fair Housing Plan.

While prices have stabilized and in most cases demonstrated monthly increases during the second half of last year, the mortgage stress test introduced in January of 2018 combined with a series of increases to interest rates, has had a calming effect on the real estate market overall.

Moving forward, the theme of moderation might be used to characterize this new real estate landscape. Toronto remains a highly desirable place to live and work and while higher interest rates and the mortgage stress test may temper demand, you can expect supply to continue to be a challenge for buyers. Bottom line? If you are a seller, especially in prime central Toronto neighbourhoods, a lack of supply will be advantageous as there is not a lot for sale. However, a more restrictive financial environment will translate into buyers with less to spend and this will be reflected in the moderate price appreciation we expect to see in 2019.

Below is a link to Chestnut Park's monthly report that provides an overview and commentary on key market indicators recorded by the Toronto Real Estate Board at the end of December 2018.

As always, if I can be of any assistance with the purchase or sale of a property, or if you have any questions about the real estate market, I would be delighted to help.

Sincerely,  
Justine

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