REAL ESTATE MARKET REPORT
AUGUST 2019: **TORONTO REGION**

Happily, the Toronto and area residential resale market place delivered August results as anticipated and in a way that ensures that the resale market will remain stable, sustainable and accessible. The only concern is inventory, particularly in the City of Toronto.

Sales volumes were up by over 13 percent compared to August 2018, while the average sale price increased by 3.6 percent, right in line with the increase in wages. In August wages for permanent employees in Canada increased by 3.8 percent year-over-year. Considering that sales volumes are still playing "catch-up" from 2016 and 2017 numbers, a 13 percent increase compared to last year is modest.

In actual numbers 7,711 properties were reported sold in the greater Toronto area. Last year 6,797 were reported sold. The average sale price came in at $792,611 compared to $765,252 for the same period last year. It should be noted that the increase in sales volumes was concentrated in Toronto's 905 region. Of the 7,711 reported sales 5,158 were primarily located in Halton, Peel, York, and Durham regions. Only 2,553 were City of Toronto properties. This number is almost identical to the 2,550 sales that took place in the City of Toronto last year. As these numbers indicate the City of Toronto made no contribution to the 13 percent increase in sale volumes across the entire marketplace.

The reason for this disparity is two fold. Firstly, the City of Toronto's average sale price came in at $818,715, at least 5 percent higher than the average sale price achieved in the 905 region. More impactfully is the lack of inventory available to buyers in the City of Toronto.

Condominium apartment sales were practically flat in August (2.2 percent higher than last year). Condominium apartments have not only become pricey ---- in the Central core of Toronto where most condominium apartments are located and sell, the average price is approximately $700,000. With mortgage stress testing a buyer of a condominium apartment would need household income substantially higher than $100,000 annually, and if their mortgage financing is high ratio at 10 percent equity, at least a $70,000 deposit. It is these factors that ultimately will keep average sale prices from increasing substantially more than 3 percent year-over-year for sometime to come, even if the Bank of Canada reduces its overnight lending rate, which its wisely refrained from doing at its meeting in early September.

Although condominium apartments are still selling briskly ----- all condominium apartment sales took place in 22 days (the rate in the overall market place was 25 days) and at 100 percent of their asking prices ----- inventory levels are down. Last year there were 2,307 active listing at the end of August. This year only 2,117. The same is true for the overall market. Last year there were 17,864 active listings available to buyers in the greater Toronto area, this year that number has dropped to 15,870, an 11.2 percent decline. This not good news for buyers, even those who have the financial means to comfortably afford Toronto real estate prices, a serious concern going forward.

The high end of the residential resale market also continued its slow recovery. In August 159 properties having a sale price of $2 Million or more were reported sold. Last year 144 were reported sold, an increase of 10 percent, a number that lags the over market place increase of 13.4 percent. As discussed in previous reports the average sale price of luxury properties out-distanced the overall market place in 2016 and early 2017. That sector of the marketplace is still correcting, however that process is now almost complete. In August the sale of detached properties (average sale of $1,246,392) increased by 0.3 percent compared to last year, one of the few year-over-year increases in the City of Toronto over the last few months.

Given some recent economic numbers there is nothing that would indicate that the prevailing resale market place will change throughout the remainder of 2019 and into 2020. As indicated above, wages rose by 3.8 percent in August; 81,100 new jobs were added to the Canadian economy, 23,900 of those being full-time jobs; and the Bank of Canada did not lower interest rates. If the Canadian economy continues to create jobs throughout the balance of 2019, we should make it to year-end with out the Bank of Canada reducing rates. All of this economic activity ensures a stable real estate market going forward, with modest increases in sale volumes and 3 to 3.5 percent increases in average sale prices.

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