

GTA HOUSING PULSE

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HOUSING DEMAND SHIFTING TO GROUND-RELATED HOUSING IN THE 905 REGIONS AND AWAY FROM TORONTO CONDOS

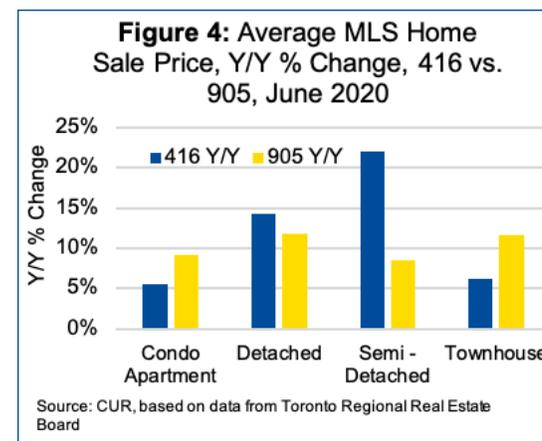
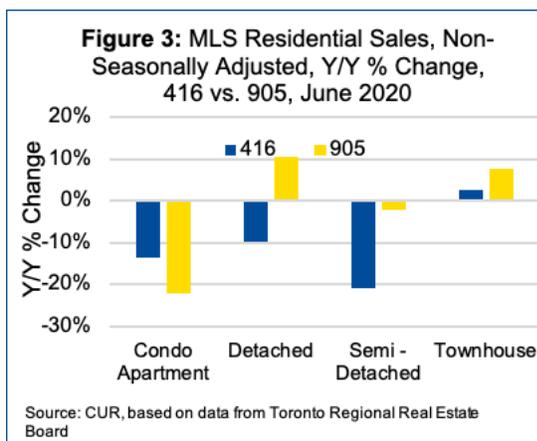
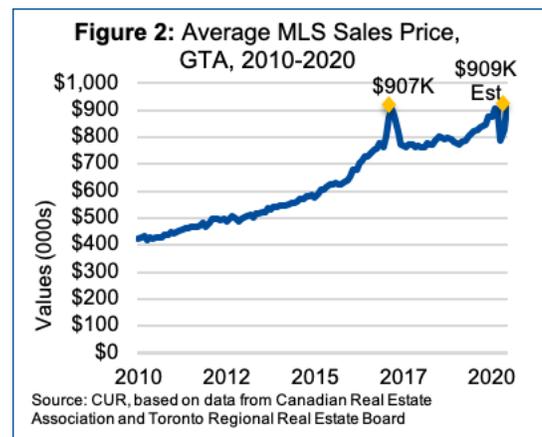
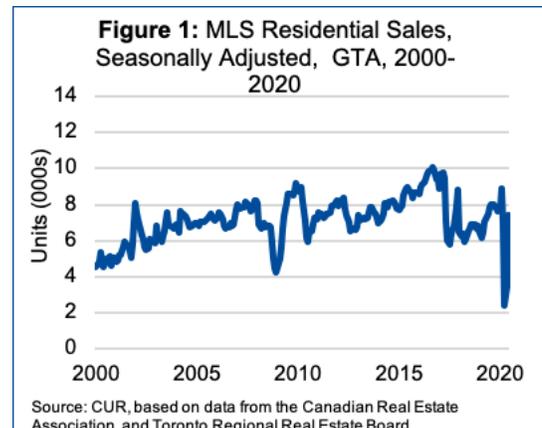
In this issue we look at the Toronto Regional Real Estate Board's (TRREB) monthly report and what it shows about shifting demand across the Greater Toronto Area (GTA). The bottom line is that while the overall headline numbers show a sharp recovery in home sales, however, the condo market in the 416 is becoming symptomatic.

The data released by TRREB this week pleasantly surprised, showing that the GTA housing market is snapping back from COVID-19 restrictions. MLS home sales are pretty much back to pre-COVID levels while the average sales price reached a new record \$909,000, climbing by 11.9% year-over-year (Figure 1 and 2).

Underlying the report was a dichotomy in markets.

Much of the strength in June was concentrated in the single-detached home and townhouse markets where total GTA sales were up 13% and 12% year-over-year, respectively, surpassing pre-COVID levels (Figure 3). Average sale prices were up by double-digit levels on an annual basis for ground-related housing across the region (Figure 4).

Existing home sales in the 905 market (+10% y/y) outperformed the 416 market (-11% y/y) as buyers were out in search of ground-related housing. The share of GTA existing home sales that occur in the 905 region is on track to reach 67% in 2020, after holding steady near 60% for the last two decades.



The GTA condo market remains the weakest. Condo apartment sales were still down over 21% year-over-year in June.

The overall condo market is still holding in what is considered a seller's market, which is supporting positive gains in average sale prices. But, changes in months of inventory show that the condo market is loosening very quickly, while all other markets are tightening (Figure 5). The GTA condo market had 2.4 months of inventory in June, up from 1.1 the same time last year and compared to just 0.3 months of inventory in the townhouse market this June. Four-six months of inventory indicate a balanced market.

Supply of condos is rising the fastest in the city of Toronto market, where active listings were up 20% year-over-year (Figure 6).

A Look Ahead

June's housing performance in the GTA is consistent with the bounce back in activity being experienced in many North American cities. While June data signaled that the GTA housing market may be fully recovering from COVID-19, it's hard to get excited about one month of good news, especially with the unemployment rate still sitting at a 14.2% and new mortgage insurance qualification rules taking effect on July 1st.

There are many reasons to remain cautious over the resale housing outlook in the GTA for the rest of 2020;

- Weak employment markets and lost household income as CERB benefits start to expire will remain a drag on overall housing demand. Employment rebounded in the GTA by almost 200,000 jobs in June, but there are still 350,000 less employed people relative to last year;
- The jump in home prices in June erased the improvements in housing affordability that occurred between March and May;
- Some of June's gain was due to first-time homebuyers bringing forward demand to get ahead of stricter mortgage qualification rules becoming effective July 1st. These new rules will reduce affordability further for first-time homebuyers; and
- The City of Toronto estimates that there are between 8,000 and 10,000 Airbnb units that would not be compliant with new upcoming short-term rental regulations, some of which may end up on the resale market – perhaps one reason why listings are rising faster than sales in the condo market.

While Millennials will continue to provide demand for ground-related housing, the condo market in the 416 remains a growing area of weakness for the housing market throughout 2020 and 2021, particularly as immigration is tempered by the pandemic. Future completion of 67,000 apartment units under construction in the GTA will contribute to rising supply in this segment of the market at a time of weakened demand. (Altus has noted that new development projects have fallen substantially through the pandemic, which may lead to tighter supply in the future, but several years out.)

