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Sales Volume Down But Prices Remain Steady

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The Greater Toronto Area (GTA) housing market stands strong even in the face of challenging economic conditions. Over the past few months, there has been an uptick in home values, with a cumulative increase of $43,432, and a second consecutive monthly rise of $6,500. This puts the average GTA home price at $1,125,928, reflecting a year-over-year increase of $36,500. Among the various housing segments, the detached category continues to show strength, with a monthly increase of $9,326 and a year-over-year gain of $77,674.

While prices have not increased as much as they did earlier in 2023 and remain lower than the peak of March 2022, the resilience of the GTA market offers confidence to both prospective homebuyers and investors. It appears that the GTA housing market remains highly attractive and is resilient to the prevailing economic challenges.

"Competition between buyers remained strong enough to keep the average selling price above last year's level in October and above the cyclical lows experienced in the first quarter of this year. The Bank of Canada also noted this resilience in its October statement. However, home prices remain well-below their record peak reached at the beginning of 2022, so lower home prices have mitigated the impact of higher borrowing costs to a certain degree," said TRREB Chief Market Analyst Jason Mercer.

The stability of the housing market was highlighted in the recent release from the Bank of Canada. "Normally, house prices move pretty lockstep with interest-rate increases," Bank of Canada senior deputy governor Carolyn Rogers said at a news conference Wednesday, where she was discussing the bank's decision not to hike its rate further. "As interest rates come down, house prices go up a bit. And they'll come off as interest rates come back up," she said.

"We're not seeing the decline in house prices that we would expect," she continued, adding that there is a "structural lack of supply" of housing in Canada, and that until it is fixed, "interest rates on their own are not going to help us get back to a housing affordability situation or solution."

One of the primary hurdles for potential homebuyers continues to be the structural lack of housing supply. However, there is some relief on the horizon as inventory levels have shown improvement, reaching 19,540 active listings in October, the highest since June 2019. With more properties available on the market and a moderating demand due to high borrowing costs resulting in slower sales, the housing market is transitioning to a more balanced state. In October, the number of home sales remained relatively subdued, with 4,646 transactions occurring. Notably, the sales figures for detached and semi-detached homes saw a modest uptick of 0.37% and a more substantial increase of 6.47%, respectively, while the condo and townhouse segments experienced slight declines of 0.84% and 3.83%.

While more inventory for buyers to choose from is a welcome relief for homebuyers, some have questioned whether more homes available for sale are a sign of distressed homeowners, unable to meet their mortgage commitments. Recent research from Royal LePage suggests that while higher interest rates are stressful for Canadians, the number of people who are missing mortgage payments remains at historical lows. In fact, only 15 out of every 10,000 mortgages in Canada are in arrears for more than ninety days.

With more inventory available than in previous years, this fall and winter may be an excellent opportunity for prepared and qualified buyers to make their move. Economic data indicates that the Canadian economy is contracting and that inflation, while still higher than the Bank of Canada's target, has also slowed in recent months. These factors reduce the likelihood that the Bank of Canada will raise rates again in the coming months, and we may even see an interest rate decrease in 2024. A stable or slightly lower interest rate environment will compel buyers to move off the sidelines, driving up competition for homes once again. As such, we may look back on the next six months as having been the best opportunity for homebuyers looking for more choice with less competition to have entered or moved up in the market.

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