

MARKET UPDATE



J A N U A R Y | 2 0 2 4

GTA Housing Market Begins the Year with Higher Sales Activity as Consumer Confidence Returns

The GTA housing market is beginning to gain momentum, exhibiting robust sales figures across all asset classes in January as compared to last year. The average home sale price for the month settled at \$1,026,703, closely mirroring the figures from the same period in 2023. However, the market's activity suggests that 2024 is gearing up to be a considerably busier year than its predecessor.

Total active listings hit 10,093, an 8.5% yearly increase. Although the increase in inventory was modest, it was swiftly overshadowed by strong sales numbers, signalling a resurgence of buyer confidence. Sales surged across the GTA, reaching 4,223, marking an impressive 36% yearly growth.

Experts anticipate further market acceleration in the latter part of the year. This period, prior to any decision by the Bank of Canada to lower interest rates, represents a timely opportunity for potential homebuyers to act before market competition picks up.

As highlighted in a recent [Globe and Mail article](#), attempting to time the mortgage rate cuts may not be the best path forward. “The truth is no one knows the future of interest rates – even Mr. Macklem is uncertain about the possibility and timing of rate cuts. For first-time home buyers navigating the uncertainty, it’s crucial to acknowledge that a crystal ball for mortgage rates doesn’t exist. And getting caught up in the hype and uncertainty surrounding the future of rates is dangerous. When you buy your first home, aim for a reasonable degree of certainty regarding the people in your life and your housing needs; otherwise, you will end up having to sell sooner than you had planned and perhaps in unfavourable market conditions, costing yourself tens or even hundreds of thousands of dollars.”

While not all asset classes experienced yearly gains, both the detached and semi-detached markets in the GTA saw price appreciation. In the detached market, average sales prices saw an increase of \$8,980, resulting in an average sales price of \$1,350,828. Although the price increase was nominal compared to the previous year, there are strong indications that buyers are becoming more active. Sales increased by 26% annually, totalling 1,745 sales during the month. However, inventory for detached properties experienced an 8.7% decline compared to January 2023, with active listings totalling just 3,589.

The semi-detached market, on the other hand, saw an average sales price of \$1,038,303 in January, indicating an \$18,635 yearly increase. This price increase was supported by a 42.9% yearly increase in total sales. Similar to the detached market, the semi-detached inventory started the year with a 21% decrease compared to January 2023. The ongoing inventory shortage that characterized the GTA throughout 2023 continued into the first month of 2024. Nevertheless, the strong sales environment is expected to drive price gains as competition among buyers intensifies once again.

The GTA condo market experienced a 40.5% increase in total sales, while the yearly sales price saw a modest decline of less than 1%. The strong increase in sales activity suggests that price increases are likely in the near future. Similarly, the townhouse segment of the market saw a 59.5% yearly sales increase, totalling 442 transactions. With only 539 active listings to end the month, the limited availability of properties is likely to drive prices higher.

“We had a positive start to 2024. The Bank of Canada expects the rate of inflation to recede as we move through the year. This would support lower interest rates which would bolster home buyers’ confidence to move back into the market. First-time buyers currently facing high average rents would benefit from lower mortgage rates, making the move to homeownership more affordable,” said TRREB President Jennifer Pearce.

The renewed market strength projected for the latter half of the year seems to be gaining traction earlier than expected. In light of this, both buyers and sellers should be prepared to make informed decisions as the market continues to unfold.

**JANUARY
SALES
ACTIVITY**

YEAR OVER YEAR CHANGE

37.0% 

MONTH OVER MONTH CHANGE

22.6% 

**JANUARY
AVERAGE
PRICE**

YEAR OVER YEAR CHANGE

-1.0% 

MONTH OVER MONTH CHANGE

-5.4% 

The average selling price was \$1,026,703 as compared to \$1,084,692 the previous month. The average price is below last year's average of \$1,036,925.

The average number of listing days on the market is up by 5 days to 37 as compared to 32 from the previous month. Total active listings were up 8.5% year-over-year, and new listings were up 6.1% year-over-year, from 7,836 in January 2023 to 8,312 in January 2024.

Benchmark price by home type (all TRREB reporting areas):

- The benchmark price for detached homes was \$1,360,400, 0.3% higher than in January 2023.
- The benchmark price for attached homes was \$1,043,700, 0.4% higher than in January 2023.
- The benchmark price for townhouse homes was \$795,000, 0.3% higher than in January 2023.
- The benchmark price for condo apartments was \$682,600, 0.7% lower than in January 2023.

Average price by home type (416 and 905):

- The average price for detached homes was \$1,350,828, 0.8% higher than in January 2023.
- The average price for semi-detached homes was \$1,038,303, 1.8% higher than in January 2023.
- The average price for townhouse homes was \$891,443, 0.5% higher than in January 2023.
- The average price for condo apartments was \$681,979, 0.6% lower than in January 2023.

**AVERAGE
PRICE
BY MAJOR
HOME TYPE**

\$1,350,828

DETACHED

\$1,038,303

SEMI - DETACHED

\$891,443

TOWNHOUSE

\$681,979

CONDO

Average Price

BY
MAJOR
HOME
TYPE

DETACHED	JAN SALES	DEC AVG PRICE	JAN AVG PRICE
416	342	\$1,626,980	\$1,570,520
905	1,403	\$1,351,009	\$1,297,275

SEMI- DETACHED	JAN SALES	DEC AVG PRICE	JAN AVG PRICE
416	106	\$1,173,171	\$1,199,531
905	237	\$932,255	\$966,193

TOWNHOUSE	JAN SALES	DEC AVG PRICE	JAN AVG PRICE
416	131	\$1,101,416	\$895,307
905	634	\$870,975	\$890,645

CONDO	JAN SALES	DEC AVG PRICE	JAN AVG PRICE
416	883	\$709,283	\$709,419
905	452	\$625,918	\$628,375

Market Stats

GREATER
TORONTO
AREA

8,312

NEW
LISTINGS

January 2023 7,836  6.1%
December 2023 3,886  113.9%



\$1,026,703



AVERAGE
SALE PRICE

January 2023 \$1,036,925  -1.0%
December 2023 \$1,084,692  -5.4%



37



DAYS ON
MARKET

January 2023 29  27.6%
December 2023 32  15.6%



4,223


OF
SALES

January 2023 3,083  37.0%
December 2023 3,444  22.6%



10,093

ACTIVE
LISTINGS

January 2023 9,300  8.5%
December 2023 10,370  -2.7%



Thinking of buying your first home in 2024? Stop trying to time mortgage rates

On Wednesday, the Bank of Canada issued its first rate announcement of 2024, opting to leave rates unchanged for the fourth time in a row. In the wake of the decision, pundits (including myself) have been dissecting Governor Tiff Macklem's every word and speculating about rate policy going forward.

Will the first rate cut come in April? Or maybe in July? How will U.S. rate policy affect Canadian policy? What about quantitative tightening? What is quantitative tightening? How about the wars – do they affect rates?

The truth is no one knows the future of interest rates – even Mr. Macklem is uncertain about the possibility and timing of rate cuts. For first-time home buyers navigating the uncertainty, it's crucial to acknowledge that a crystal ball for mortgage rates doesn't exist. And getting caught up in the hype and uncertainty surrounding the future of rates is dangerous.

To start, real estate transactions have never been more expensive. Whether you buy or sell a home, expect to pay a realtor's commission of 5 per cent, lawyer's fees, moving costs or even a penalty for breaking your existing mortgage early. You may need to buy furniture for the new home, or at the very least a coat of paint. All these expenses add up. Which is why you should only buy a home if you are planning on owning it for at least five years, but ideally 10 or more.

The Bank of Canada's policies and current mortgage rates should have little influence on this long-term decision. So how can you evaluate the likelihood that you will be able to own a home for the long term? It comes down to a self-evaluation of your personal life and household finances.

There are, of course, no guarantees. But a stable personal life will increase the likelihood that you will live happily in your home for the long term. Questions you should ask yourself include:

- Are you buying on your own? If so, evaluate whether a current relationship might evolve into something more serious and wait to see if it does.
- Are you buying with a partner? Is the relationship stable and long-term? If not, it is a bad idea to buy with a partner.
- Are children on the horizon? What would your housing needs be with an expanding family?

When you buy your first home, aim for a reasonable degree of certainty regarding the people in your life and your housing needs; otherwise you will end up having to sell sooner than you had planned and perhaps in unfavourable market conditions, costing yourself tens or even hundreds of thousands of dollars.

Household finances and employment should also be on a sound footing when you jump into the housing market for the first time. Job instability is a leading cause of homeowners being forced to sell their properties early and incurring the expenses noted above. You should ask yourself:

- Are you confident that your job is secure? How about your partner – is their income reliable?
- Is there a chance you may want to switch careers or maybe move to another city?
- If you are self-employed, do you have a reasonable degree of certainty as to what your income will be in the years ahead?
- Do you have sufficient savings? After you make the down payment and pay for all the closing and moving costs, will you still have a financial cushion left?

If your career or income is uncertain, it's best to avoid plunging into home ownership. With housing prices this high, being forced to sell could be disastrous for your personal finances.

Buying and selling real estate is costly, which is why it only makes sense as a long-term investment. The right time to buy your first home is when you are ready from a career and personal perspective, not when you think it's an ideal time based on mortgage rates.

Source: The Globe and Mail

Experts predict 'snapback' in Toronto housing market following severe slowdown in 2023

Real estate sales are expected to rebound this year after reaching a multidecade low in 2023 — but experts caution not to expect the pandemic feeding frenzy that churned out record sales and home prices.

The total number of home sales reached 65,982 in 2023, according to data from the Toronto Regional Real Estate Board (TRREB), the lowest sales recorded since 2000 and a 12 per cent dip from 2022. Despite an uptick of new listings during the spring and summer, the number of new listings also declined by 6.6 per cent year-over-year in December.

But experts expect sales to increase in 2024, as forecasted interest rate cuts release pent-up buyer demand, which in turn will lead to a crop of new listings as sellers opt in to the more active market. The increased volume of transactions could put upward pressure on prices, leading to further affordability challenges.

"Last year was a terrible year," said mortgage broker Ron Butler. "There will be some pent-up demand after experiencing multidecade lows especially with millions of people coming into Canada. We will see some snapback in the market. When that snapback will come, and by how much, is hard to say."

If the Bank of Canada signals rate cuts soon there is concern it will create another feeding frenzy in the market, he said, similar to what occurred in spring 2023 when there was renewed interest from buyers and sellers after the Bank of Canada paused rate hikes.

"If interest rates fall in 2024 we could see sales volumes and prices come back relatively quickly," said David Macdonald, senior economist at the Canadian Centre for Policy Alternatives. Cutting interest rates is a double-edged sword, as it will decrease mortgage interest rates, rental costs and inflation (mortgage costs and rents are the biggest drivers of inflation currently), but it could also create a run-up in prices, worsening housing affordability, he added.

"Home prices would have to fall drastically to get to those pre-pandemic numbers," Macdonald said. "And with rate cuts, prices are likely to go up."

As soon as the Bank of Canada cuts rates by 25 basis points it will signal to the markets that the economy has turned a corner, said Tony Stillo, director of Canada Economics at Oxford Economics.

"The markets will react quickly and factor in anticipated rate cuts," he said, "meaning there is the potential for real estate to spring back more strongly than the Bank of Canada would like. That's why they'll be very measured in their signalling to avoid an upswing in housing."

But there are economic factors that could hamper activity in the market for the next two quarters, experts say. The economy is currently in a moderate recession, said Stillo, which will continue for the first half of the year. When more homeowners renew their mortgage at higher rates, household debt will increase limiting their purchasing abilities. Because of this, consumers will take a more cautious approach when it comes to large investments, such as property, he added.

Layoffs in tech, finance and media have also been significant, Butler said, giving consumers a cautious approach to their finances.

"People have to feel good about their economic situation," he said. "Prices should revive but there are some (economic) differences now compared to a year ago. The sentiment of buyers and sellers is hard to pin down."

Sal Guatieri, senior economist and director at BMO Capital Markets, doesn't see a large rebound in activity or prices this year, and even expects further price softness in the first half, given that affordability will remain a pressing issue due to current high values and likely still-elevated borrowing costs.

"An increase in listings could offset firmer demand to limit price gains this year," he said. "It may take until 2025, when interest rates are reduced further, to spark a more material rebound in prices."

Source: The Toronto Star

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