MARKET UPDATE

J&D

FEBRUARY | 2024

GTA Real Estate Market Sees Sales Activity, Prices Climb as Consumers Anticipate a Drop in Interest Rates

The Greater Toronto Area (GTA) housing market witnessed a strong surge in activity throughout February, setting an optimistic tone for the region's real estate market as we move into Spring. With a total of 5,607 homes sold, representing an impressive 33% increase from the previous month and a notable 17% rise compared to the same period last year, the market demonstrated renewed vigour. Heightened sales activity translated into a substantial uptick in property prices, with the average home fetching $1,108,720—an impressive monthly increase of $82,017. Notably, this 8% gain marks the largest month-over-month increase since February 2022.

Across all asset classes, there were notable gains in both average sales prices and total monthly sales, signalling a robust start to the year as compared to 2023. Responding to this heightened demand, sellers have re-entered the market with listings, resulting in a monthly total of 11,102 active listings, a 15% yearly increase that offers promise for bolstered inventory levels in 2024, following a year of anemic supply.

The increase in sales was noted by TRREB President Jennifer Pearce, "We have recently seen a resurgence in sales activity compared to last year. The market assumption is that the Bank of Canada has finished hiking rates. Consumers are now anticipating rate cuts in the near future. A growing number of homebuyers have also come to terms with elevated mortgage rates over the past two years."

Prospective buyers who had been biding their time in anticipation that lower interest rates would lead to an easier path to home ownership in the latter half of 2024 may be met with a different reality, as a recent article in The Globe and Mail suggests interest rate decreases could potentially exacerbate already climbing home prices. "As the bank inches toward easing monetary policy, shelter price inflation and a jumpy real estate market remain the key challenge. Rising mortgage-interest costs, which are directly tied to the bank's past rate decisions, are the single biggest driver of overall inflation. But interest-rate cuts, which would offer some relief to homeowners with mortgages, will likely push home prices higher, further eroding housing affordability."

Delving deeper into specific asset classes across the GTA, the trends in price appreciation and market activity were widespread. The detached market emerged as a frontrunner, with the average sale price surging by $92,784, accompanied by a 43% increase in total sales to 2,495. Similarly, the semi-detached market witnessed substantial gains, with values soaring by $85,593, driving the average sales price to $1,123,896, and a 35% monthly increase in sales to 463.

In the townhouse market, prices rose by $70,507, reaching an average sales price of $1,034,011, fueled by a remarkable absorption rate of nearly 90% and a 25% monthly increase in sales to 1,016. Similarly, the condo market saw a monthly price increase of $13,366, with the average sale price reaching $695,345, accompanied by a 19% increase in sales to 1,586.

As home prices begin their upward trajectory across the GTA, a recent study conducted by Royal LePage sheds light on the purchasing power of $1 million across Canada. “Years ago, a $1-million budget could buy a generous amount of square footage and access to sought-after neighbourhoods in almost any market,” said Karen Yolevski, chief operating officer of Royal LePage Real Estate Services Ltd. “Over time, however, we have watched the purchasing power of $1 million vary more widely between cities. These days, this budget can buy a luxurious detached home in one location, or a two-bedroom condominium in another.”

Overall, the GTA housing market's performance in February underscores the demand for housing in Canada's most populous region. As we march towards a decrease in interest rates and increased competition in the market, the advice and expertise of a real estate professional well-versed in current market dynamics will be the consumer's biggest asset.

FEBRUARY SALES ACTIVITY

YEAR OVER YEAR CHANGE

17.9%

MONTH OVER MONTH CHANGE

32.8%

FEBRUARY AVERAGE PRICE

YEAR OVER YEAR CHANGE

1.1%

MONTH OVER MONTH CHANGE

8.0%

The average selling price was $1,108,720 as compared to $1,026,703 the previous month. The average price is above last year's average of $1,096,157.

The average number of listing days on the market is down by 12 days to 25 as compared to 37 from the previous month. Total active listings were up 15.1% year-over-year, and new listings were up 33.5% year-over-year, from 8,537 in February 2023 to 11,396 in February 2024.

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

- The benchmark price for detached homes was $1,408,500, 1.5% higher than in February 2023.
- The benchmark price for attached homes was $1,076,300, 1.1% higher than in February 2023.
- The benchmark price for townhouse homes was $809,000, 1.7% higher than in February 2023.
- The benchmark price for condo apartments was $679,100, 1.2% lower than in February 2023.

Average price by home type (416 and 905):

- The average price for detached homes was $1,443,612, 0.2% higher than in February 2023.
- The average price for semi-detached homes was $1,123,896, 5.0% higher than in February 2023.
- The average price for townhouse homes was $934,154, 0.1% lower than in February 2023.
- The average price for condo apartments was $695,345, 1.5% lower than in February 2023.

AVERAGE PRICE BY MAJOR HOME TYPE

$1,443,612 DETACHED	**$1,123,896** SEMI - DETACHED
$934,154 TOWNHOUSE	**$695,345** CONDO

Average Price

BY MAJOR HOME TYPE

DETACHED	FEB SALES	JAN AVG PRICE	FEB AVG PRICE
416	568	$1,570,520	$1,657,026
905	1,927	$1,297,275	$1,380,706

SEMI-DETACHED	FEB SALES	JAN AVG PRICE	FEB AVG PRICE
416	181	$1,199,531	$1,319,884
905	282	$966,193	$998,103

TOWNHOUSE	FEB SALES	JAN AVG PRICE	FEB AVG PRICE
416	190	$895,307	$970,967
905	826	$890,645	$925,686

CONDO	FEB SALES	JAN AVG PRICE	FEB AVG PRICE
416	1,014	$709,419	$726,608
905	572	$628,375	$639,924

Market Stats

GREATER TORONTO AREA

11,396

NEW LISTINGS

February 2023	8,537	^	33.5%
January 2024	8,312	^	37.1%

33.5%

$1,108,720

AVERAGE SALE PRICE

February 2023	$1,096,157	^	1.1%
January 2024	$1,026,703	^	8.0%

1.1%

25

DAYS ON MARKET

February 2023	22	^	13.6%
January 2024	37	v	-32.4%

13.6%

5,607

OF SALES

February 2023	4,754	^	17.9%
January 2024	4,223	^	32.8%

17.9%

11,102

ACTIVE LISTINGS

February 2023	9,643	^	15.1%
January 2024	10,093	^	10.0%

15.1%

Bank of Canada expected to hold rates steady, even with inflation back in target range

Courtesy of The Globe and Mail, written by Mark Rendell March 3, 2024

The Bank of Canada is expected to stay the course on interest rates this week and remain tight-lipped about the timing of future cuts, even as the pace of inflation has fallen back within the central bank's target range.

Bay Street analysts see the bank keeping its policy rate at 5 per cent on Wednesday for the fifth consecutive rate announcement. After increasing borrowing costs ten times in 2022 and the first half of 2023, the bank has been on hold since July, waiting for sluggish economic activity to pull inflation back down to Earth.

Governor Tiff Macklem said at the last announcement in January that additional rate increases are now unlikely – an important shift after months of threatening further hikes.
However, he avoided giving a timeline for rate cuts, and said that he wouldn't consider easing monetary policy until core inflation measures, which strip out volatile price movements, show "clear downward momentum."

Consumer-price-index inflation has declined substantially over the past 18 months. But central-bank officials remain worried about cutting interest rates too soon and having to reverse course, according to minutes from the January meeting. And they want to avoid throwing fuel on the spring real estate market, with home sales already perking up as buyers re-enter the market in expectation of rate cuts this year.

"Since the January policy announcement, the data have been mixed, with growth coming in a bit better than anticipated, while the latest CPI report was the most encouraging in years," Benjamin Reitzes, managing director of Canadian rates and macro strategy at Bank of Montreal, wrote in a note to clients.

"Those reports aren't enough to move the needle for the BoC, which has preached patience as policymakers wait for inflation to move closer to the 2-per-cent target before considering easing."

While analysts think the central bank will maintain a cautious tone in this week's announcement, recent data has, by and large, come in better than bank officials and private-sector observers expected.

In January, the annual rate of CPI inflation dropped to 2.9 per cent, crossing an important threshold back into the bank's 1-per-cent to 3-per-cent target range. That's a long way from the 8.1-per-cent inflation rate reached in mid-2022, and only the second time inflation has been below 3 per cent since the spring of 2021.

Inflationary pressures are easing across many sectors, and the bank's preferred measures of core inflation moved notably lower in January. There are, however, still pockets of rapid price growth. Shelter inflation, which captures rents, mortgage costs and other housing-related expenses, rose 6.2 per cent in January, up from 6 per cent in December.

Economic growth in Canada is weak. However, the country has so far avoided the recession many economists were predicting this time last year. Real gross domestic product rose at an annualized pace of 1 per cent in the fourth quarter, aided by exports to the United States, where the economy is booming.

This near-zero growth is something of a sweet spot for the central bank. It's purposely trying to slow economic activity to reduce upward pressure on prices, but doesn't want to overdo it and drive the economy into a ditch.

"The Bank of Canada is being gifted some time right now, simply because the bottom hasn't fallen out of the economy," James Orlando, senior economist at Toronto Dominion Bank, said in an interview.

"If the economy was in contraction, and we were looking at recession, the Bank of Canada wouldn't have time to be able to sit and wait for inflation to come down. They would have to cut immediately. … that's just not the case right now."

Most analysts expect the central bank to start lowering interest rates around the middle of the year, most likely at the June meeting. However, some think the bank could move as early as April, after the recent positive inflation data.

Interest-rate swap markets, which capture market expectations about monetary policy, put the odds of an April rate cut at slightly under 40 per cent, according to Refinitiv data. This rises to nearly 80 per cent for a rate cut by June.

As the bank inches toward easing monetary policy, shelter price inflation and a jumpy real estate market remain the key challenge.

Rising mortgage-interest costs, which are directly tied to the bank's past rate decisions, are the single biggest driver of overall inflation. But interest-rate cuts, which would offer some relief to homeowners with mortgages, will likely push home prices higher, further eroding housing affordability.

At the same, the bank has said it can't do much about high rent inflation, which is being driven by a serious mismatch between housing supply and rapid population growth. That's led some economists to suggest that the bank should look past shelter inflation when trying to judge when to lower interest rates.

“Canada has a housing problem, not an inflation one, and the bank’s policy now risks making it worse,” Olivia Cross, North America economist with Capital Economics, wrote in a note to clients.

“High interest rates have weighed heavily on the preconstruction sales that developers rely on to fund their projects,” she wrote. “As a result, housing starts have continued to trend lower in recent months, despite the potential boost from unseasonably mild weather. The case to make policy less restrictive is therefore more compelling.”

Analysts will also be watching on Wednesday for any hints about the end of the Bank of Canada’s quantitative tightening (QT) program, whereby the bank is shrinking the size of its balance sheet to compliment high interest rates.

Bank officials said last year that they expected to end QT in late 2024 or early 2025. However, recent signs of strain in short-term lending markets have prompted speculation that the bank could wind down QT in the coming months.

Source: The Globe and Mail

Posthaste: What $1 million will buy you in Canada's housing market

Courtesy of Financial Post, written by Pamela Heaven February 22, 2024

Time was $1 million would buy a lot of house in Canada.

Not so much anymore. The low interest rates during the pandemic brought on a housing boom that pushed prices to heights not even the subsequent correction has brought back to earth.

“Years ago, a $1-million budget could buy a generous amount of square footage and access to sought-after neighbourhoods in almost any market,” said Karen Yolevski, chief operating officer of Royal LePage Real Estate Services Ltd.

“Over time, however, we have watched the purchasing power of $1 million vary more widely between cities. These days, this budget can buy a luxurious detached home in one location, or a two-bedroom condominium in another.”

On average, according to a Royal LePage study out today, a $1 million property in Canada has 3.2 bedrooms, 2.1 bathrooms and 1,760 square feet of living space.

But where you are buying this home makes a world of difference.

The average home in Greater Vancouver going for between $950,000 and $1,050,000 in December of 2023 had 2.4 bedrooms, 2 bathrooms and 1,187,000 square feet of living space — 573 square feet less than the national average, said Royal LePage.

If you are looking to buy in the city of Vancouver itself you get even less — 1.8 bedrooms and just 900 square feet.

“If you’re shopping for a home in Vancouver’s downtown core, $1 million can get you into a two-bedroom condo or a small loft-style townhouse,” said Adil Dinani, of Royal LePage West Real Estate Services.

Here and in the almost equally expensive city of Toronto, the bulk of home hunters with a $1 million to spend are at the bottom on the property ladder.

In downtown Toronto, “those shopping in the $1 million segment are mostly first-time buyers, newcomers and young families who are looking to transition from a rental into home ownership,” said Shawn Zigelstein, a Royal LePage broker.

Compare that to Edmonton, where you can get the most square footage in Canada for your money. The average home for $1 million here has 3.3 bedrooms, 2.9 bathrooms and 2,675 square feet — 915 square feet more than the national average.

"Unlike other major cities in Canada, a $1-million property in Edmonton is not considered entry level – it is very much in the higher end of the market," said Ed Lastiwka, associate broker with Royal LePage Noralta Real Estate. "For this price, buyers can afford a spacious home on a large lot in a desirable neighbourhood."

Deals also remain in Regina, Winnipeg and Halifax, where $1 million will buy you more than 2,500 square feet. Canadians rushed to Calgary because of the city's affordable housing, but the real estate boom has pushed prices higher. Now the average $1 million home has 2,179 square feet.

"In today's market, a $1-million property no longer epitomizes luxury as it once did," said Doug Cabral of Royal LePage Benchmark.

Royal LePage® 2024 Million-Dollar Properties Report

	Properties valued $950,000 to $1,050,000			Properties valued $1,050,000 to $2,050,000		
	December 2023			December 2023		
Region	Average # of bedrooms	Average # of bathrooms	Average square footage	Average # of bedrooms	Average # of bathrooms	Average square footage
National	**3.2**	**2.1**	**1,760**	**3.7**	**2.6**	**2,501**
Greater Toronto Area	3.0	2.3	1,459	3.8	3.1	2,692
Toronto	2.8	1.9	1,218	3.5	2.7	2,075
Greater Montreal Area	3.8	2.4	2,226	4.0	2.9	2,940
Montreal	4.0	2.4	2,093	4.0	2.8	2,718
Greater Vancouver	2.4	2.0	1,187	3.5	2.8	1,953
Vancouver	1.8	1.6	900	3.1	2.4	1,427
Ottawa	3.6	2.7	2,303	4.1	3.6	3,381
Quebec	3.8	2.5	2,516	4.3	2.9	3,835
Calgary	3.1	2.8	2,179	3.2	3.4	3,176
Edmonton	3.3	2.9	2,675	3.8	3.7	3,828
Halifax	3.7	2.8	2,543	4.4	3.8	3,945
Winnipeg	3.2	3.0	2,558	3.9	3.9	3,994
Regina	3.0	2.9	2,604	-	-	-

The Royal LePage Million-Dollar Properties Report includes information on all housing types nationally and in the nation's largest real estate markets, and includes property valuation data from December, 2023. Data provided by RPS Real Property Solutions, the trusted source for residential real estate intelligence and analytics in Canada.

What you can buy for $1 million hasn't changed a lot over the past year because of the slowing real estate market, but what Canadians can afford has.

Homebuyers' monthly carrying costs have increased substantially because of higher mortgage rates, said Yolevski.

Another big hurdle is the down payment which for a $1 million home is a minimum of $200,000. Mortgage insurance, which is required for homes bought with less than a 20 per cent down payment, is not available to homes sold for over $1 million.

"Regardless of budget, many buyers in today's market are facing affordability challenges, forcing compromises to be made on location, property type and size," she said.

According to a Royal LePage survey, two thirds of Canadians believe that $1 million is a reasonable budget for a home that meets their needs. Of those, 41 per cent say it's more than enough.

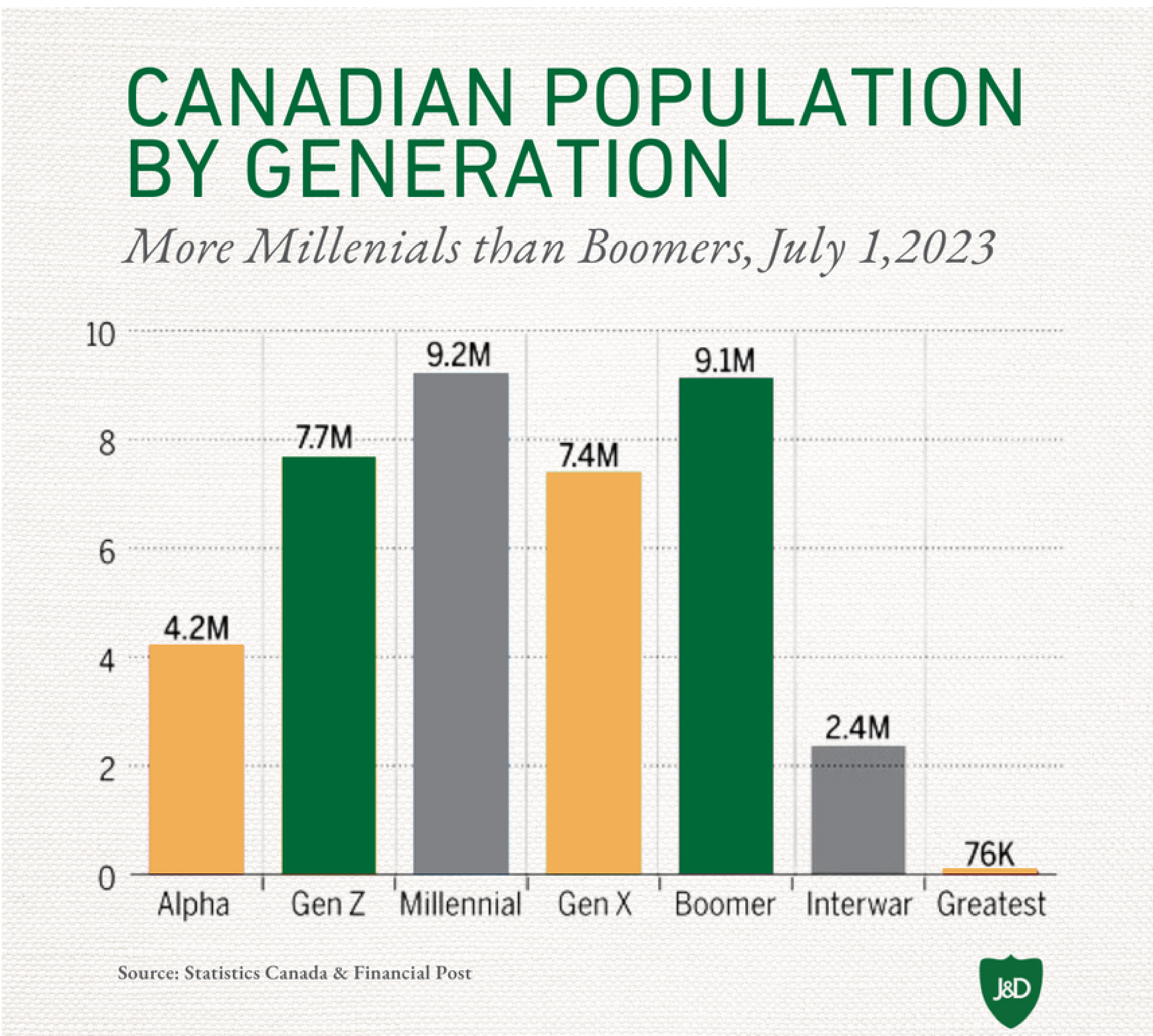
However, almost a quarter of Canadians say that it is not enough, and, you guessed it, most of them live in British Columbia and Ontario.

Forty-five per cent of the people surveyed in British Columbia said $1 million was not enough to buy a home; in Ontario it was 31 per cent. Compare that to just 8 per cent in Quebec.

Nor is this affordability challenge likely to get better in the near term. With the Bank of Canada expected to lower interest rates this year, the rush back to the property market will push up prices even further, said Yolevski.

"Without a significant increase in supply, especially in cities like Toronto and Vancouver, the standard for a $1-million property will continue to evolve away from large homes," she said.

The reign of the baby boomer is over.



For the past 65 years this age group, born between 1946 and 1964, has dominated Canada's demographic landscape. But no more. On July 1, 2023, for the first time millennials, born between 1981 and 1996, outnumbered boomers, Statistics Canada reported Wednesday.

The baby boomer generation became the largest in Canada in 1958 — seven years before the last of the age group was even born. They accounted for 40 per cent of the population from the mid-1960s to the early 1970s.

The rise in millennial and Generation Z populations has largely been fuelled by Canada's record population growth in recent years. Most of the immigrants, both permanent and temporary, were under 40.

This has also lowered the average age in Canada to 41.6 years, the first decline since 1958.

Source: Financial Post

The Standard of Excellence

JOHNSTON & DANIEL

A DIVISION OF ROYAL LePAGE REAL ESTATE SERVICES LTD., BROKERAGE

ALL STATS ARE PROVIDED BY TORONTO REGIONAL REAL ESTATE BOARD.