

GTA HOUSING PULSE

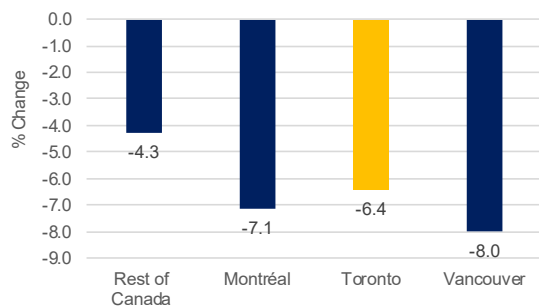
Issue # 2: April 17, 2020

HOME PRICES START TO SLIDE

In this issue we look at how the Toronto Census Metropolitan Area (CMA) performed relative to the rest of the country amid the first stage of coronavirus-related shutdowns in March of this year. While the economy

in the Toronto CMA was not the hardest hit from all the social distancing and business shutdown measures so far, the housing market weakened the quickest.

Figure 1: Employment by Select CMA, Month-Over-Month % Change, March 2020

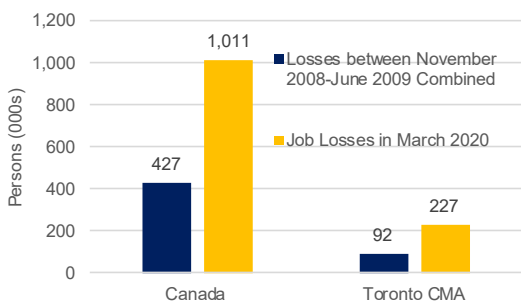


Source: CUR, based on Statistics Canada data from the Labour Force Survey

The employment picture was bad in the Toronto CMA, but it was not the worst among Canadian CMAs

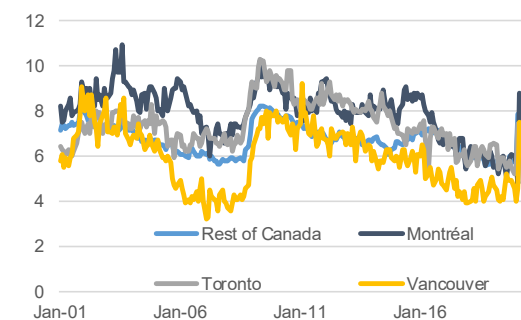
- March was a record breaker when it comes to job losses. The overall Canadian economy lost 1 million jobs in March from February, due to preliminary business shutdowns, while 1.2 million more workers reduced the number of hours they worked. A rough estimate suggests that there were \$2.6 billion dollars in lost wages during the week of March 15th to 21st alone.
- Of these job losses, one-quarter (227,000) were in the Toronto CMA. Employment fell by 6.4% in Toronto (Figure 1), slightly less than the decline in both Montréal (-7.1%) and Vancouver (-8.0%). The Toronto economy lost three times as many jobs in March alone as it did during the whole of the 2008/2009 recession (employment losses ensured for seven months) (Figure 2). These losses are roughly in line with the much worse 1990/1991 recession, when employment losses were spread over almost two years.
- The unemployment rate in Toronto jumped almost 2 percentage points in one month (Figure 3). This was the biggest monthly increase in the unemployment rate for the CMA, but was still moderately lower than the 3 percentage point increase in Vancouver, or the 4 percentage point increase in Montréal.
- Statistics Canada noted that the labour force survey was taken during the week of March 15 to 21st and that shutdowns accelerated thereafter. There are reports that the number of people claiming employment insurance quadrupled since the end of March, to 4 million so far.

Figure 2: Employment Losses, Canada and Toronto CMA, 2008/09 Recession and March 2020



Source: CUR, based on Statistics Canada data from the Labour Force Survey

Figure 3: Unemployment Rate (%) by Select CMA

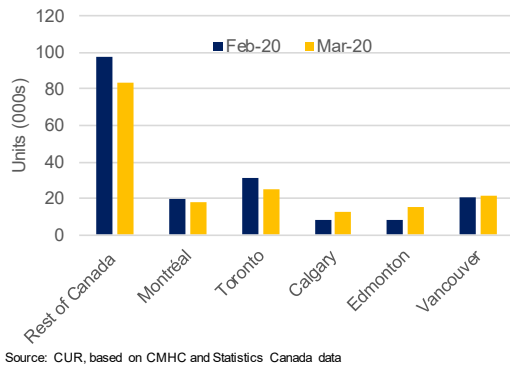


Source: CUR, based on Statistics Canada data from the Labour Force Survey

Housing Starts fell the most in the Toronto CMA, while preliminary building permit data show a more substantial drop is to come

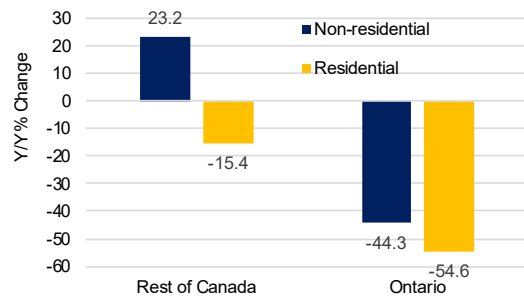
- Housing starts in Canada fell to 183k units in March, from 197K units in February, a monthly decline of 7.3%. The biggest drop occurred in the Toronto CMA where housing starts fell almost 20% (Figure 4). Housing starts were still rising in Vancouver, Calgary and Edmonton.
- The decline in housing starts in March was not outside of the normal volatility in the data. More telling was Statistics Canada's preliminary building permit data for select municipalities in Canada in March. Building permits fell 50%

Figure 4: Housing Starts by Select CMA, February and March, 2020



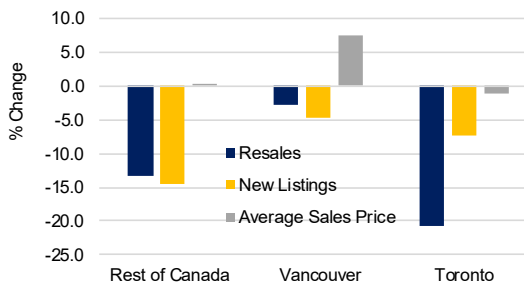
Source: CUR, based on CMHC and Statistics Canada data

Figure 5: Flash Estimates for Building Permits for Select Municipalities, Canada, Year-Over-Year % Change, March 2020



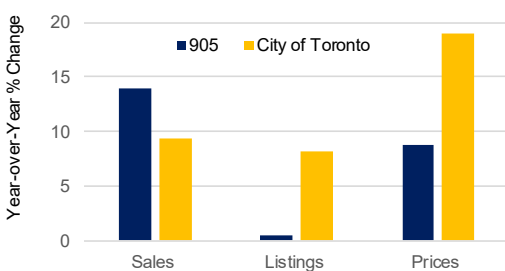
Source: CUR, based on Statistics Canada data

Figure 6: Monthly % Change in Existing Home Sales, New Listings and Average Sales Price, Seasonally Adjusted, Select Regions



Source: CUR, based on Canadian Real Estate Association data

Figure 7: Y/Y % Change in Existing Home Sales, New Listings and Average Sales Price, City of Toronto and the Rest of the Toronto CMA



Source: CUR, based on Toronto Regional Real Estate Board data

from year ago levels among municipalities surveyed in Ontario (Figure 5), compared to remaining relatively flat on average everywhere else. Residential building permits fell significantly more than non-residential building permits.

- Based on essential business designations, projects currently under construction are allowed to continue, however, new building projects are not allowed to commence. Housing starts are likely to drop to their lowest level on record in April and May because municipalities like the city of Toronto are not accepting building permit applications.

The existing home market fell particularly hard in Toronto in March from February

- Existing home sales fell 14% in Canada in March. While existing home sales fell broadly across the country, MLS home sales fell particularly sharply in the Toronto Area (-20%), especially compared to the Vancouver CMA, where sales only fell by 3% in March (Figure 6).
- Figure 6 shows that while listings fell by a greater amount than sales across Canada, the decline in the Toronto listings was far more tempered. This helped balance the market, which had been in a seller's market for the previous 8 months.
- As such, the average selling price fell by 1.1% in the Toronto CMA for the month of March (from February on a seasonally adjusted basis), while it was still growing everywhere else in Canada.
- Note: sales, prices and listings were still up year-over-year in March.
- The Toronto Regional Real Estate data from earlier this month showed that the performance in sales was shared proudly across the 905 and 416 regions. However, listings remained more buoyed in the 416 areas.

Takeways

- It is not surprising that the housing market has weakened more in the Toronto CMA than in the overall economy.
- Nanos/Bloomberg survey showed that consumer confidence SUNK to the lowest level since the 2008/2009 financial crisis in Canada. Their survey showed that real estate market in Ontario was one area of particular concern for survey respondents. In Canada, the index respondents expecting home values to increase in the next six months, fell from roughly 49% of respondents on March 6, to 15% on April 10th. The index fell more substantially in Ontario, from almost 70% on March 6th to 23% on April 10th.
- The combination of consumer expectations in real estate and March's reading on existing home sales suggest that there is some downside risk to the view that home prices will hold steady.
- As our last commentary noted, listings held stronger than sales during the SARS crisis in the Toronto market, putting some doubt on the belief that listings will fall by more than sales during COVID-19 lockdowns.