

GTA HOUSING PULSE

Issue # 8: September 11, 2020

GROUND-RELATED HOUSING HEATS UP WHILE THE APARTMENT MARKET LAGS

- The Greater Toronto Area (GTA) MLS sales activity reached record levels again in August as pent-up demand that accumulated over the March to May period continued to be unleashed.
- The 905 area led the way in record total sales as buyers showed a higher preference for ground-related housing. Ground-related home resale activity boomed in the 416 as well, but slower sales in the relatively larger apartment market dampened the total sales increase.

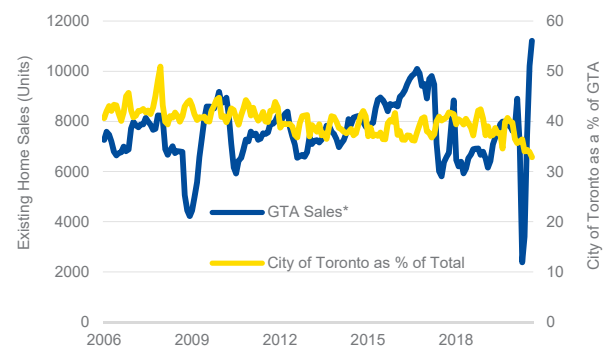
Overall GTA sales boomed and inventory followed

- On a seasonally adjusted basis, existing home sales hit record levels (+40% y/y), while the average sales price is estimated to have reached \$1 million on a seasonally adjusted basis (up 21% from year-ago levels) (Figure 1 and 2).
- The GTA market became more balanced and the 21% year-over-year gain in the average sales price was higher than would be expected given supply-demand fundamentals (Figure 3). New listings were up 57%, also hitting a record level for August. The sales-to-listings ratio fell to 54 from 62 in the prior month. Months of inventory also ticked up, but remain very low.

Demand for ground-related housing surged in both the 416 and 905 area

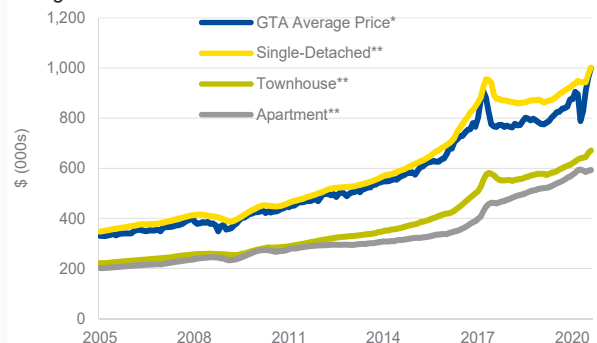
- Record activity occurred in the 905 area, which saw the strongest August since 1996. It was only the second best August on record for the 416, still not bad for a pandemic. As such, the share of resale activity that occurred in the 416 area fell to 33%, down from 36% a year ago (Figure 1).
- The 416 area underperformed the 905 because it has a larger apartment market, otherwise demand for ground-related housing increased faster in the 416 than in the 905 (Figure 4). The apartment market lagged all other housing types across the GTA.

Figure 1: MLS Residential Sales, GTA, January 2006-August 2020



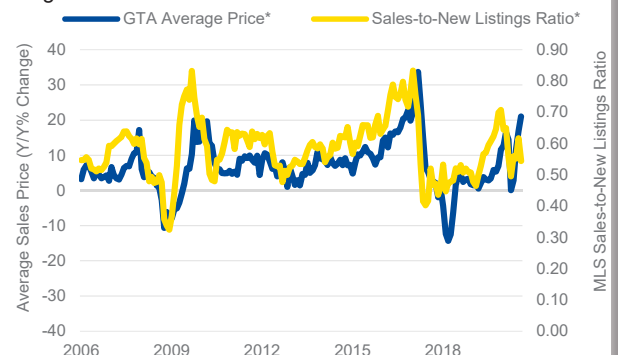
Source: CUR, based on CREA and TRREB data. *Seasonally Adjusted

Figure 2: MLS Residential Sales Price, GTA, January 2005-August 2020



Source: CUR, based on CREA and TRREB data. *Seasonally Adjusted. **Quality-Adjusted Measure

Figure 3: MLS Residential Market, GTA, January 2006-August 2020



Source: CUR, based on CREA and TRREB data. *Seasonally Adjusted

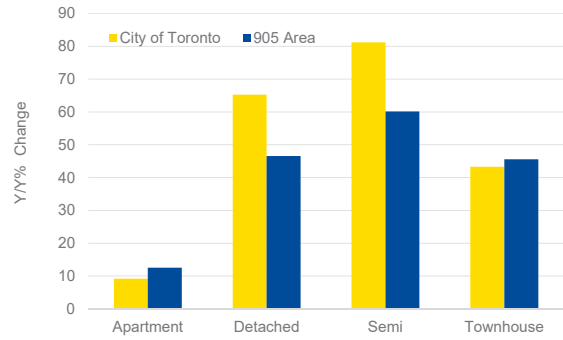
Prices rose strongly even as supply grew

- The average sales price rose faster in the 416 area compared to the 905 area for most housing types (Figure 5), but inventory also increased at a higher rate.
- Inventory of homes for sale were up more than resales in the city of Toronto for most housing types with the exception of detached homes. This contrasts to the 905 area where the condo market was the only segment to experience a faster increase in active listings than in sales (Figure 8).
- Active listings of apartments jumped 116% y/y in the 416 and 65% y/y in the 905 area, but fell for all other housing types. Months of inventory rose to 3.0 for apartments in the 416, more than double that of all other housing types in the city (Figure 6).

Millennials unleashed demand for ground-related housing at the expense of the condo market

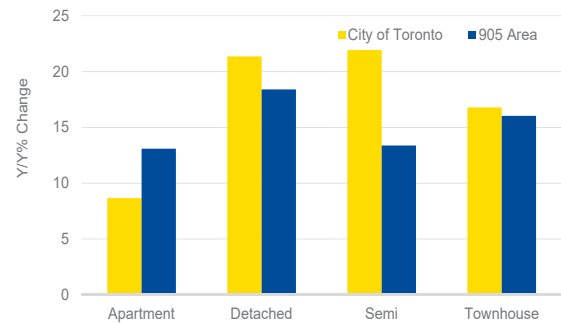
- The real estate market still has not fully made up for the lost activity between March and April, so we do expect some of this strength to continue into September.
- Never underestimate the power of Millennials to continue driving upside surprises in resale market activity, especially as very low interest rates have helped improve affordability.
- As this generation moves out of apartments into ground-related housing, apartments are likely to remain a lagging segment of the real estate market.
- Add to this the fact that there are an estimated 8K to 10k Airbnb units that would not be compliant with new City of Toronto short-term rental bylaws coming into effect this week. Some of these units may end up on the ong-term rental market, while many might end up for sale.

Figure 4: GTA MLS Residential Sales, City of Toronto and 905 Area, Year-over-Year % Change, August 2020



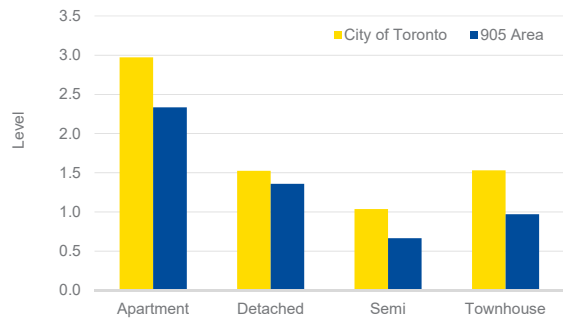
Source: CUR, based on TRREB data.

Figure 5: GTA MLS Residential Sales Price, City of Toronto and 905 Area, Year-over-Year % Change, August 2020



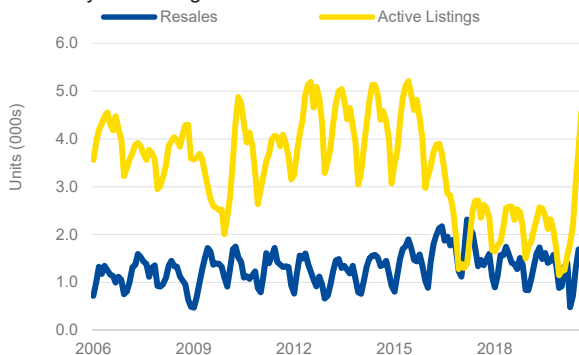
Source: CUR, based on TRREB data.

Figure 6: GTA MLS Months of Inventory, City of Toronto and 905 Area, August 2020



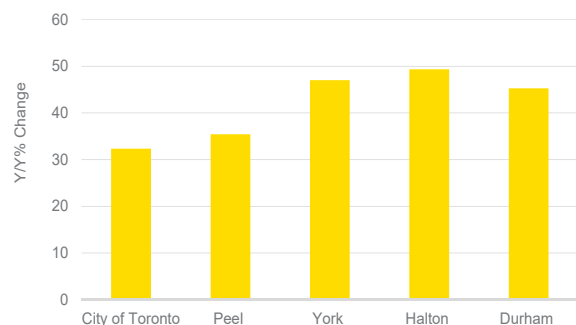
Source: CUR, based on TRREB data.

Figure 7: MLS Residential Condo Market, City of Toronto, January 2006- August 2020



Source: CUR, based on TRREB data.

Figure 8: GTA MLS Residential Sales by Municipality, Year-over-Year % Change, August 2020



Source: CUR, based on TRREB data.