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Toronto Real Estate Market Report

October 2009

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The Toronto Real Estate Board has now reported residential resale data for October. By any comparison the results have been dramatic, particularly when we look back to the early months of 2009. Since the market began its recovery in March of this year, sales have outdistanced even 2007, the strongest year ever in Toronto resale history, during which 93,193 properties were reported sold. As at the end of October 74,721 properties have been reported sold. For all of 2008, only 74,552 properties were reported sold. At its current pace the market should deliver approximately 85,000 sales for 2009, making it the second strongest month on record.

October saw 8,476 properties reported sold. This compares very favorably with the 7,915 sales in October 2007. Last October only 5,155 properties sold in the greater Toronto area. A textbook "V" recovery.

The continuing concern is the availability of properties for sale. At the end of October there were only 14,771 properties available for buyers to purchase. This compares to 27,277 available last year, a decline of 46 percent. In October 2007 there were 20,626 available properties. The listings now on the market represent a historical low for this time of the year, and it does not appear that this market phenomenon is likely to change soon. Only 11,532 new properties came on the market in October. In October 2007 13,363 new properties became available. We find ourselves in a market conundrum. Sellers will not list their properties because they cannot find replacement homes.

This market conundrum may change if average prices continue to rise. In October the average sale price for all properties sold in Toronto came in at \$423,559, shattering the previous high of \$406,877 set in September of this year. A single month increase of more than 4 percent. Since January the average sale price has increased by over 20 percent. The most significant increases have been achieved since April. It must be remembered that prior to 2009 the single-month average sale price had never exceed \$400,000. To date in 2009 it has done so on three occasions, June, September, and now October at \$423,559.

The downside of a rapidly increasing average sale price is affordability. Even with historically low-interest rates (variable rates can be obtained for a little more than 2 percent), higher average sale prices will squeeze some buyers from the market, particularly first time buyers. If some first time buyers are excluded from the market, move up buyers will have greater difficulty selling their properties, which should result in rising inventories. Based on October's data, there are only 1.75 months of inventory available to consumers. In a balanced market there should be approximately 3 months of inventory. With only 14,771 properties on the market at the end of October, Toronto is more than 10,000 properties short of a balanced market.

A rise in interest rates, combined with the historically high average sale prices, will no doubt result in the market moving towards balance, with prices even moderating. This is not likely to occur until at least the second half of 2010 given the Bank of Canada's stated position not to raise rates until that time. Until then the current market place is likely to remain unchanged, except for the historical seasonal slow-down in December and early January. Early November results indicate that the market is on course to deliver approximately 7200 sales for the month. Again this compares impressively with 2007, when 7,313 sales were reported in November of that year. This is particularly true when it is remembered that in 2007 there were 20,626 properties available at this time of the year, almost 40 percent more listings than we have available today. It is a testament to this market that notwithstanding so few listings, it continues to produce record-breaking sales numbers on a monthly basis.

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