
GTA MONTHLY HOUSING REPORT

Prepared Exclusively for Royal LePage Signature Realty by Urbanation Inc.

June 2022

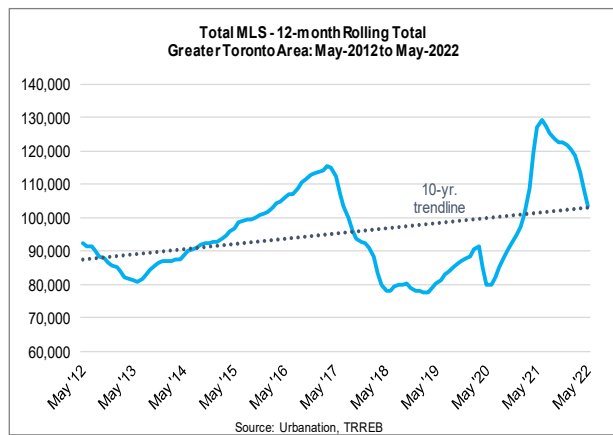
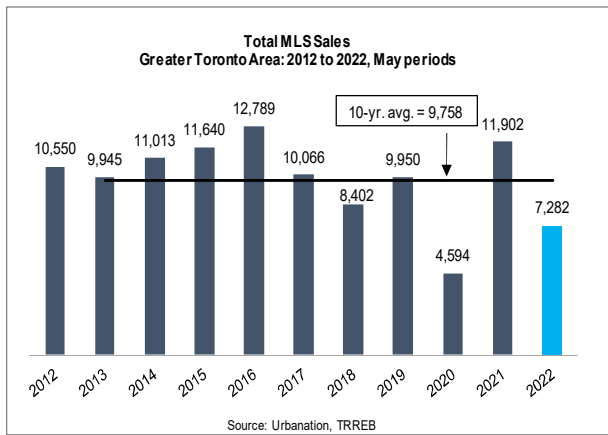
Housing Market Continues to Slow in May Amid Higher Interest Rates

Summary Points

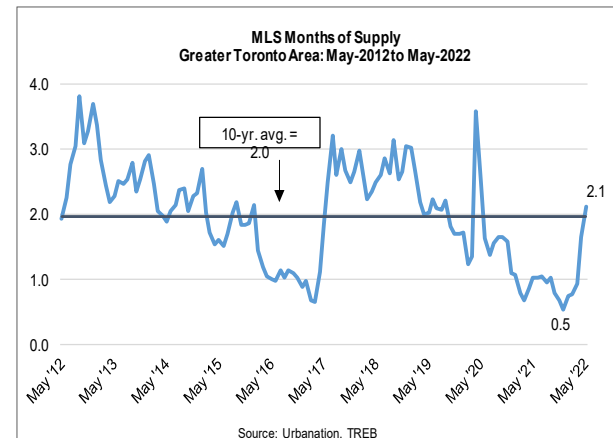
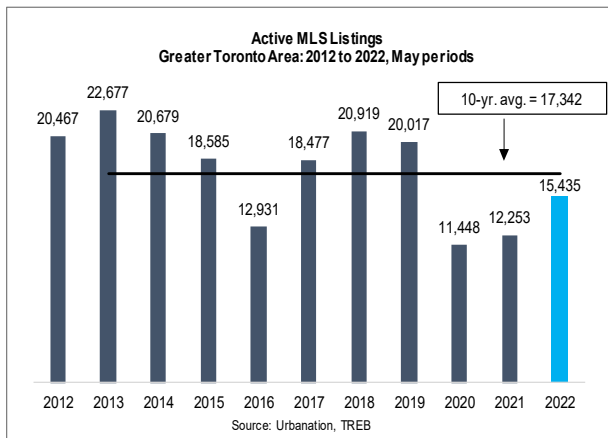
- Following 75 basis point increases to the Bank of Canada's key policy interest rate made in two moves during March and April (and a telegraphed 50 basis increase on June 1), housing market activity slowed materially in May. Housing sales were down 39% annually from last year's near record high, while sliding 9% month-over-month (normally sales rise between April and May) and falling 25% below the 10-year average.
- Sales fell as activity was pulled forward early in the year in advance of rate increases (sales were 28% above the 10-year average in February), the hit to affordability caused by higher rates, as well as market uncertainty surrounding future rate increases and their impact on prices. When measured on a 12-month rolling basis, sales returned to their long-term trend level of just above 100,000 transactions.
- New listings in May were essentially flat compared to a year ago (+0.5%) and rose a mild 1.4% month-over-month. However, the drop in sales caused the ratio of sales-to-new listings to fall to a 56-month low of 39%, which was below the lower boundary of a balanced market (45%) for the second consecutive month. This was partly driven by re-listing activity as seller's adjusted their pricing strategies to changing market conditions.
- Active listings, which is a better indicator of supply, grew 26% year-over-year in May but remained 11% below the 10-year average. Supply is rising, but off of a low base as active listings were significantly below historically normal levels during the past three years. The 2.1 months of supply in May represented a notable market transition from the low of 0.5 months of supply at the end of 2021, but stayed in line with the 10-year average (2.0 months) and was still below a balanced level (3-4 months).
- Average prices decreased for the third straight month in May, declining 3.3% from April and down 9.0% from the peak reach in February. At an average of \$1.21 million, prices were still up compared to a year ago (+9.4%) and 40.4% higher than two years ago, outpacing the 20-year annual average of 8.1%.

Summary Charts for May 2022

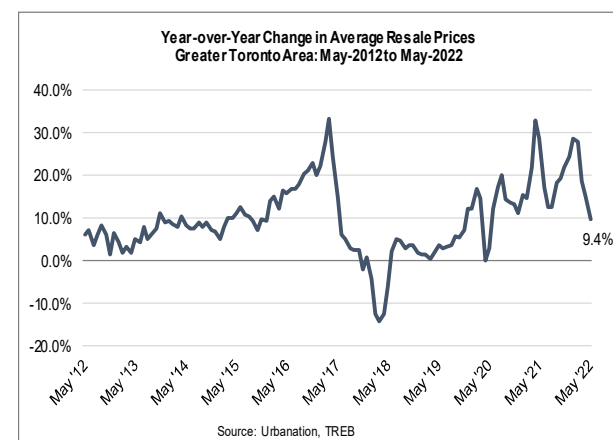
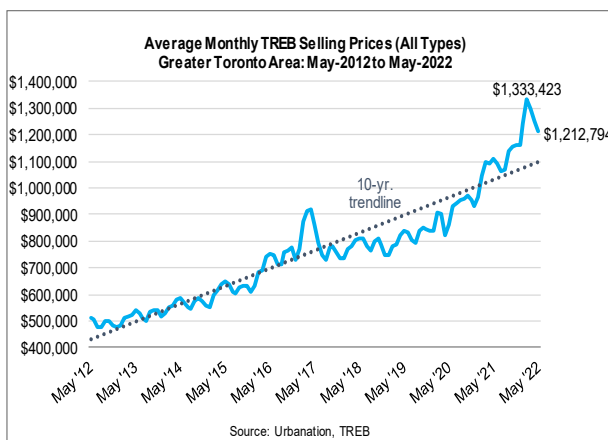
Demand Indicators



Supply Indicators

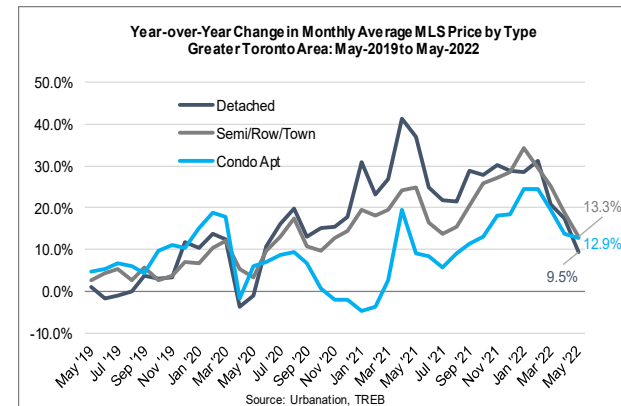
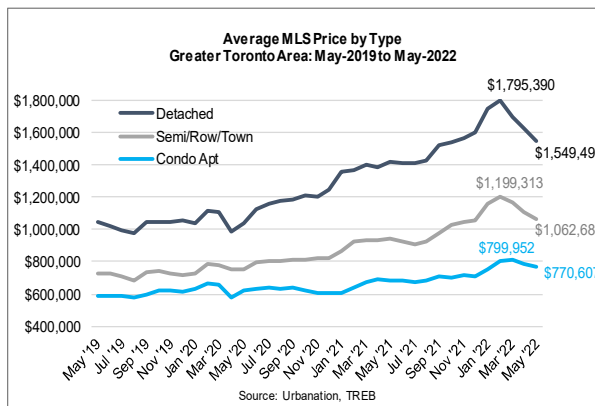
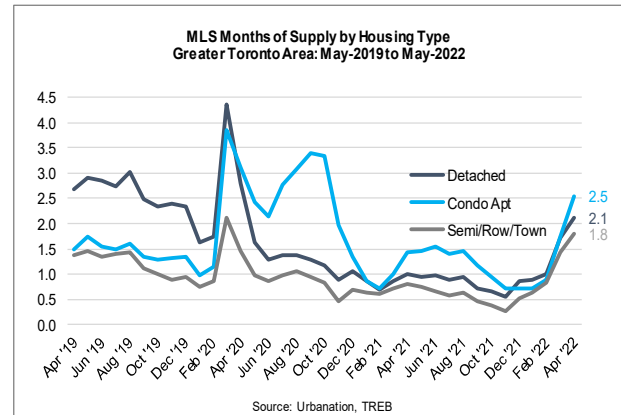
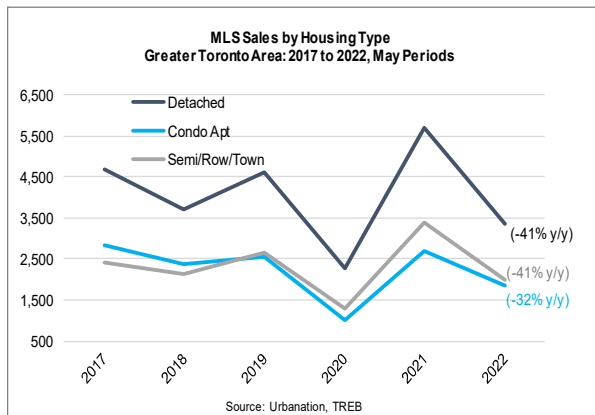


Price Indicators



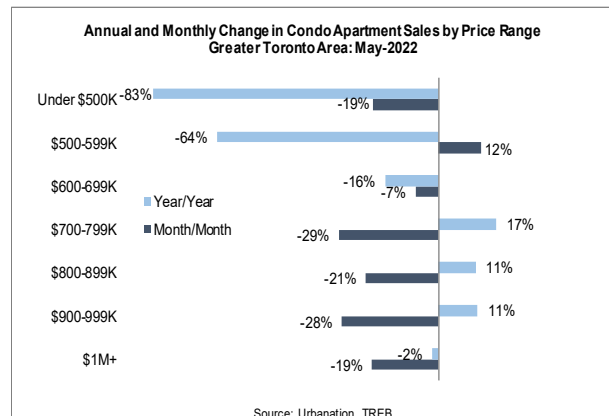
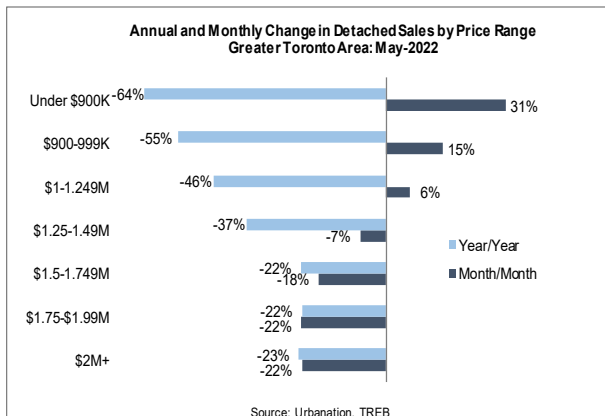
Condo Supply Rising Fastest but Prices Remain Relatively Steady

- Over the past year, sales for ground-oriented homes declined the most, with detached and semi/row/town activity down 41%. This compares to a 32% decline in sales for condo apartments, which didn't experience the same run-up in activity as ground-oriented homes during 2021. However, supply for condo apartments has been rising quickest, as investors initially react to the changing market conditions by trying to sell for near-peak prices. Active listings for condos rose 25% month-over-month in May to reach 2.5 months of supply, compared to inventory levels of 2.1 and 1.8 months for detached and semi/row/town homes, respectively.
- Despite having the highest amount of supply, condo apartments have recorded the mildest declines in prices thus far. Average condo prices decreased 2.1% month-over-month and were down 3.7% over the past three months. Meanwhile, detached prices, which experienced the strongest run-up during the last two years, were down 4.8% month-over-month and 13.7% from February. Similarly, semi/row/town average prices recorded 4.1% monthly and 11.4% three-month declines. On an annual basis, semi/row/town prices were the growth leader with a 13.3% increase.



Sales Rising for Lower-Priced Homes

- Compared to a year ago, sales activity for detached homes was down across all price segments, with the largest declines reported for the lowest priced properties. However, when examining the month-over-month change in sales between April and May, activity rose in the lower-end of the market, with detached houses selling for under \$900K rising 31% in volume. Detached sales also rose monthly for \$900-999K homes (+15%) and \$1-1.249 million homes (+6%), while experiencing a relatively mild decline (-7%) for \$1.25-1.49 million homes. Instead, monthly sales declines for detached homes were focused above the \$1.5 million level, with consistent slowing across all price segments above this threshold.
- Within the condo apartment market, sales were up year-over-year in May for units selling for between \$700 and \$999K, with annual gains in activity of between 11% and 17%. Price appreciation over the past year caused sales to drop 83% annually for units under \$500K and 64% for units \$500-599K. In the case of the latter, however, activity rose 12% month-over-month. Most of the monthly slowdown in condo sales was for units above \$700K.



Monthly Price Declines Strongest in the 905 Region

- Between April and May, sales and prices decreased more in the 905 region of the GTA than in the City of Toronto for detached homes, with sales declining by as much as 12% in York Region and prices decreasing by 11% in Durham Region. City of Toronto detached prices decreased 4% monthly compared to a 7% decline in the 905, although Central Toronto prices rose 2% from April to \$2.4 million.
- Prices for semis/rows/towns in the City of Toronto were the most stable in May, recording the smallest monthly decline of 2% and maintaining inventory below two months. For condo apartments, the month-over-month decrease in sales and prices was fairly consistent across the City of Toronto and 905 region, noting that Central Toronto condo prices recorded a relatively mild 2% monthly decrease after experiencing the smallest run-up in prices over the past year (+10%).
- While Durham generally recorded the largest monthly declines in prices across all housing types in May, the region (which is the most affordable in the GTA) continues to have the lowest amount of inventory in the market, ranging between 1.2 and 1.4 months of supply. The highest amount of inventory is generally seen in York Region, ranging between 2.4 and 3.0 months of supply — still at or below a balanced level.

MLS Market Summary by Area and Housing Type																		
Greater Toronto Area: May 2022																		
Detached							Semi/Row/Town						Condo Apartment					
	Sales	M/M %	Median Price	M/M %	Y/Y%	Mths of Supply	Sales	M/M %	Median Price	M/M %	Y/Y%	Mths of Supply	Sales	M/M %	Median Price	M/M %	Y/Y%	Mths of Supply
Toronto West	263	-8%	\$1,420,000	-5%	9%	1.8	191	-17%	\$1,134,717	3%	20%	2.0	303	-7%	\$665,000	-3%	12%	2.1
Toronto Central	234	-8%	\$2,404,944	2%	7%	2.8	175	-9%	\$1,328,126	-4%	8%	2.4	796	-16%	\$745,000	-2%	10%	2.9
Toronto East	317	-3%	\$1,265,000	-6%	10%	1.5	217	-3%	\$1,047,018	-6%	9%	1.3	165	-21%	\$635,000	-3%	15%	2.4
City of Toronto	814	-6%	\$1,505,000	-4%	8%	2.0	583	-10%	\$1,158,443	-2%	14%	1.8	1,264	-15%	\$706,750	-3%	11%	2.6
Halton Region	439	3%	\$1,490,000	-9%	8%	1.8	260	-4%	\$958,673	-4%	12%	1.6	117	-2%	\$699,000	4%	24%	1.8
Peel Region	632	-7%	\$1,400,500	-5%	13%	2.2	517	-13%	\$967,882	-6%	15%	1.9	221	-13%	\$645,000	-6%	17%	2.5
York Region	591	-12%	\$1,577,000	-6%	11%	3.0	316	1%	\$1,128,082	-5%	17%	2.4	180	-23%	\$712,500	-4%	13%	2.9
Durham Region	679	-8%	\$1,021,000	-11%	9%	1.4	278	1%	\$819,047	-5%	15%	1.2	58	-12%	\$613,500	-6%	16%	1.4
905 Region of GTA	2,341	-7%	\$1,351,800	-7%	10%	2.1	1,371	-6%	\$972,900	-5%	14%	1.8	576	-15%	\$673,900	-4%	17%	2.2

Source: Urbanation Inc., TREB

Key Takeaways

The GTA housing market continued to moderate back towards its longer term trend levels during May as interest rates increased, financial markets declined, and the Bank of Canada signalled strong intentions to raise rates further to combat surging inflation. The market may have also acted more cautiously following the release of the federal budget in April, which included a two-year ban on foreign investment and higher taxation for property flippers, and the lead-up to the results of the provincial election. These catalysts have sparked the start of a housing market correction, which is not specific to the GTA and was ultimately required in order to restore market balance.

The correction is likely to proceed over the coming months as the Bank of Canada continues to quickly raise interest rates to a neutral level. So long as rates don't need to rise by much more than another 150 basis points and this doesn't trigger a major recession, the housing market's downward adjustment should be swift but short-lived, much like in 2017-2018. While buyers have been stress-tested at interest rates at or above current levels, which will help limit the downside for prices, the market has become much more sensitive to higher rates. For every 1 percentage point increase in interest rates, mortgage payments associated with buying the average priced home rise by \$500 or 14%, a significant impact on purchasing power.

In the near-term, average housing prices, which are still approximately 10% above longer-term trend levels, are expected to continue moving lower. The total decrease in prices from the February peak to the eventual bottom could realistically reach or exceed 20%, and by September or October, year-over-year price declines are likely to be reported. However, the declines will be focused in the areas of the GTA market that experienced the strongest overextension – namely low-rise housing in the 905 — which is already becoming evident in the data thus far. Areas of the market that experienced relatively mild growth in prices over the past two years — namely Central Toronto — are expected to remain relatively steady, particularly the higher-end of the market that is less sensitive to interest rates. It's also worth noting that the rental market is extremely strong, with rents up by more than 25% since the start of the year and demand far outpacing supply, driving home the point that demand for housing hasn't fundamentally declined, it has temporarily shifted in response to ownership affordability.

About Urbanation Inc.

Urbanation is a consulting firm focusing on the Greater Toronto Area condominium sector, providing market research and in-depth market analysis services to the real estate industry since 1981. Urbanation uses a multi-disciplinary approach that combines empirical research techniques with first-hand market observations. On a quarterly basis, Urbanation tracks the new, resale, rental and proposed condominium apartment markets in the Greater Toronto Area. Urbanation also actively conducts site specific market feasibility studies and produces customized market intelligence reports for its clients.

Caveat

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