GTA MONTHLY HOUSING REPORT

Prepared Exclusively for Royal LePage Signature Realty by Urbanation Inc.

July 2022

Summary Points

- Housing sales continued to decline in June due to the impact on affordability caused by higher interest rates, buyers adopting a “wait and see” approach with rates anticipated to rise further, and the market transitioning towards the typically slower summer months. Activity fell 41% year-over-year from an elevated level in 2021 to 6,474 transactions — 31% below the 10-year average and the lowest June total since 2000.

- The rolling 12-month total slid to 98,893 sales, falling below 100,000 for the first time since January 2021 but remaining close to the long-term trend level of approximately 102,000. At the market peak in July 2021, 12-month sales reached a record 129,173, necessitating the slowdown to below-trend levels currently underway.

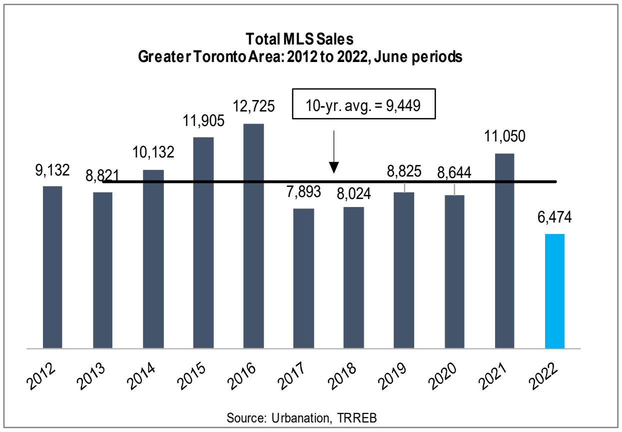
- While demand has slowed, supply has remained tame. New listings during June were up only 1.0% annually and recorded a 12.5% monthly decline — falling faster from the previous month than sales (-11.0%). While the sales-to-new listings ratio in June of 40% remained at the border between a buyer’s market and a balanced market, it improved slightly from May and has been weighed down more due to a slowdown in sales than a rise in listings. Homes priced according to current conditions continue to sell well — the average time on market remained low at 15 days (below the 10-year average of 18 days) and the average sale price-to-list price ratio was 100%.

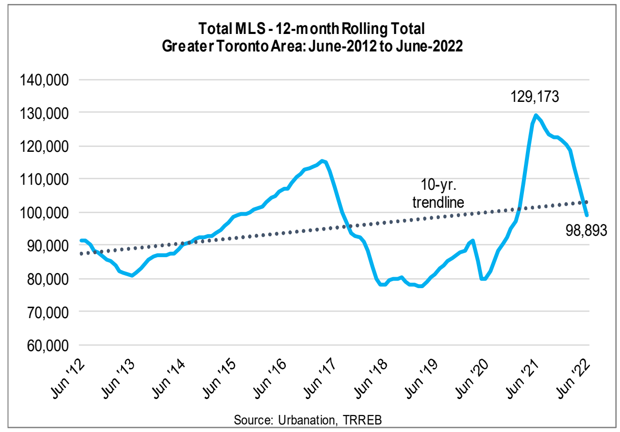
- At 16,094 units, month-end active listings were up 42% annually from the 25-year low last year but were 8% below the 10-year average and equal to 2.5 months of supply, only slightly above the decade average of 2.0 months.

- Nonetheless, with buyers remaining patient and sellers adjusting to the new market realities, average prices declined for the fifth consecutive month. The 5.5% month-over-month decline in June steepened from the 2.6% to 3.5% monthly declines recorded between March and May. At an average of $1.14 million in June, prices were down by a cumulative 14% from the February peak, but still up over last year by 5.3% and 23% higher than two years ago.

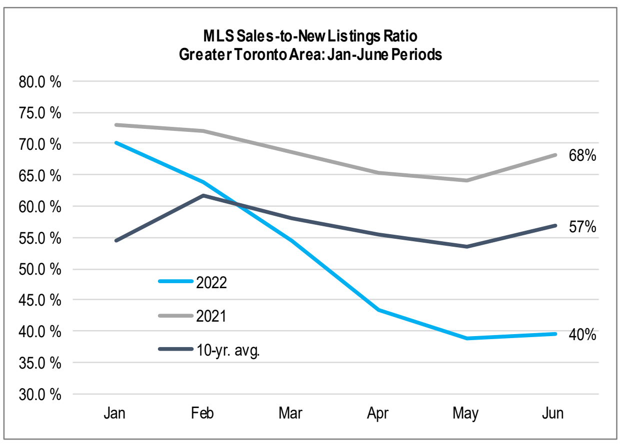
Summary Charts for June 2022

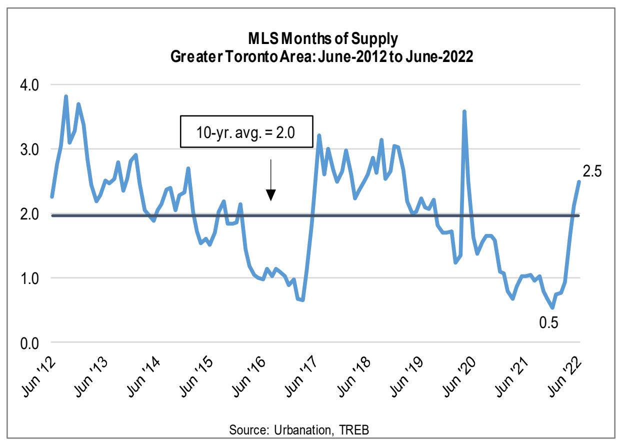
Demand Indicators



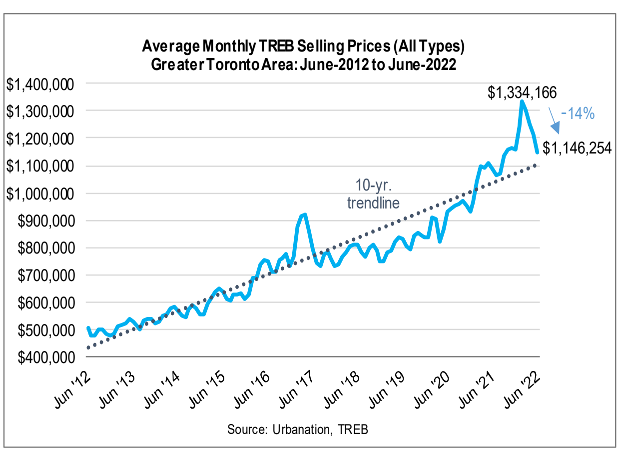


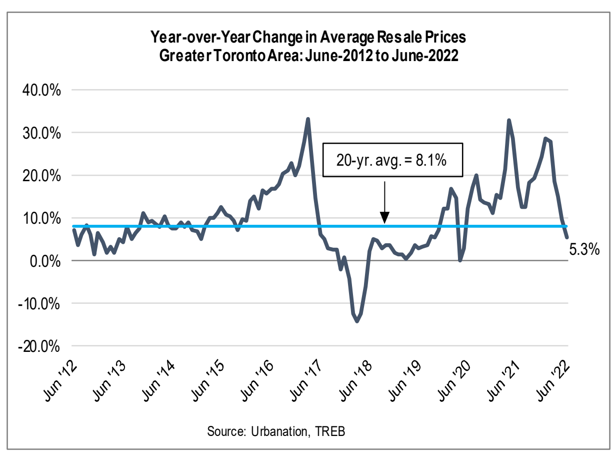
Supply Indicators





Price Indicators



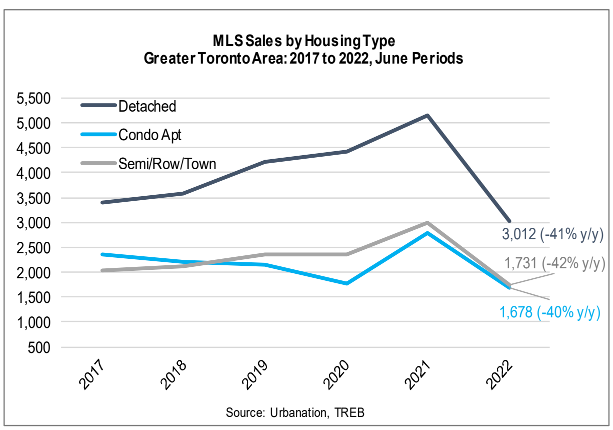


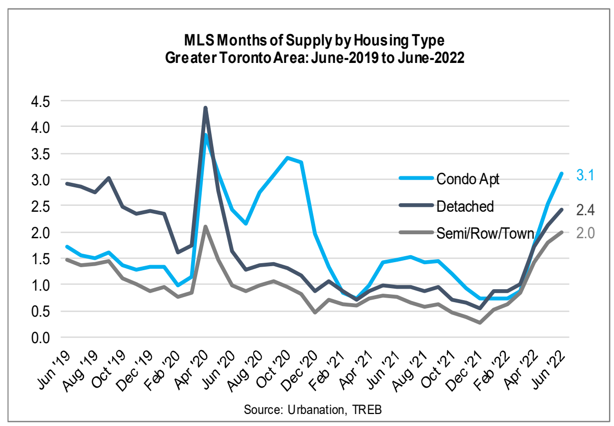
Condo Apartments Take Over Lead for Annual Price Appreciation

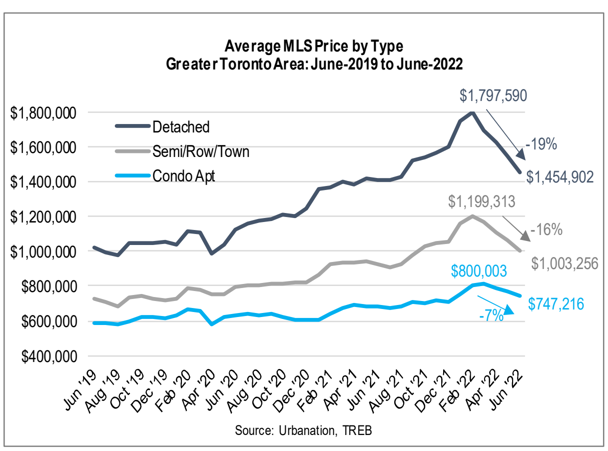
- Annual sales declines in June were fairly consistent across housing types, ranging between 40% (condo apartments) and 42% (semis/rows/towns). Sales of condo apartments (1,678) and semis/rows/towns (1,731) converged for the first time since 2018 as demand shifted to the most affordably priced housing in the GTA amid interest rate increases.

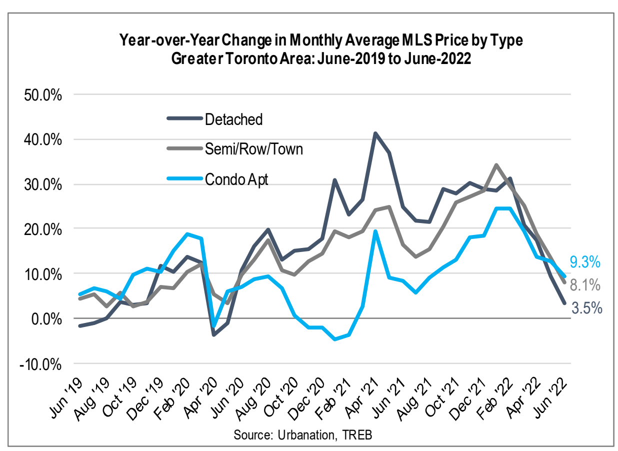
- However, at 3.1 months of supply, inventory levels were highest for condo apartments, which has been a consistent theme since the start of the pandemic as homeowners looked to move up in the market and investors have more recently tried to sell near the market peak. Detached supply increased to 2.4 months, only slightly above its 10-year average of 2.2 months (condo apartment 10-year average was 2.4 months), while supply remained lowest for semis/rows/towns at 2.0 months.

- Despite having the highest months of supply on the market, downward price adjustments have been milder so far for condo apartments. Average condo apartment prices declined 3.1% month-over-month and were down by a cumulative 6.6% since February, compared to declines of 5.6% (monthly) and 16.3% (Feb-June) for semis/rows/towns and 6.1% (monthly) and 19.1% (Feb-June) for detached homes. In fact, for the first time in two years, condo apartments led annual price appreciation in June with a 9.5% year-over-year increase.



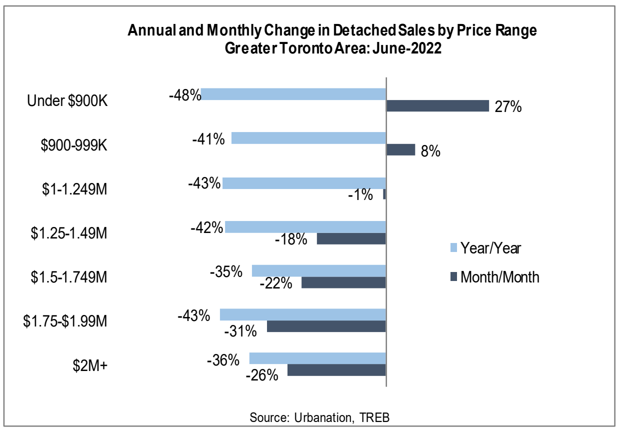


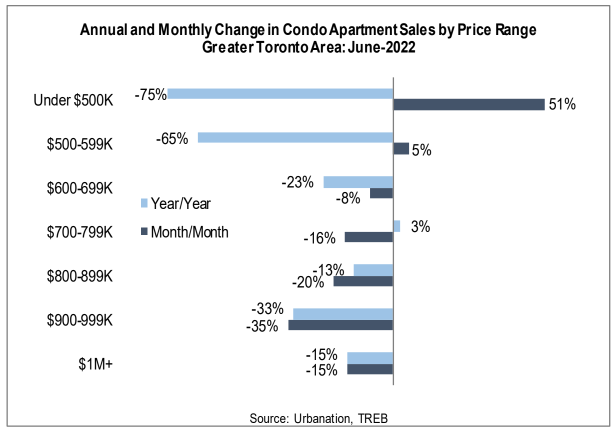




Activity Rising in the Low-End of the Market

- As price declines led some homes into lower price brackets and first-time buyers took advantage of rate holds secured before the recent rate increases, as well as more advantageous market conditions, sales continued to shift into the lower end of the market during June. Sales for detached homes under $900K rose 27% from May (451 vs. 351) and $900-999K detached sales grew 8% (307 vs. 285). Activity was fairly steady month-over-month for detached sales between $1.0 and $1.249 million (679 vs. 685). For condo apartments, units selling for under $500K rose 51% month-over-month in volume (89 vs 59) and $500-599K units increased sales by 8% compared to May (325 vs 309). While $700-799K priced condos experienced a 16% month-over-month decrease in sales, they were the only price range to record an annual increase in activity with a 3% gain.





Market Continues Slowing the Most in the 905 Region

- Annual sales declines by property type were consistently strongest in the 905 Region of the GTA, with the largest discrepancy compared to the City of Toronto identified among detached homes (-45% vs. -31%). The 22% drop in median detached prices in the 905 since February nearly brought values back to their level from a year ago (+2% year-over-year), with Halton Region detached homes being the first to record an annual price decline (-1%). Across all housing types, the steepest price declines from February were found in Durham, which experienced amongst the fastest growth during the pandemic run-up and still has the lowest levels of inventory in the GTA. Compared to a year ago, prices are up the most for the lowest priced homes represented by 905 region condo apartments at 13%.

MLS Market Summary by Area and Housing Type Greater Toronto Area: June 2022																			
	Detached						Semi/Row/Town						Condo Apartment						
	Sales	Y/Y %	Median Price	Feb-Jun %	Y/Y%	Mths of Supply	Sales	Y/Y %	Median Price	Feb-Jun %	Y/Y%	Mths of Supply	Sales	Y/Y %	Median Price	Feb-Jun %	Y/Y%	Mths of Supply
Toronto West	250	-28%	$1,322,500	-12%	8%	2.0	151	-43%	$945,629	-14%	-2%	2.4	245	-34%	$652,000	-7%	10%	2.8
Toronto Central	200	-39%	$2,152,000	-15%	0%	3.1	172	-39%	$1,274,890	-12%	10%	2.1	761	-39%	$720,000	-7%	7%	3.2
Toronto East	297	-28%	$1,170,000	-20%	3%	1.6	165	-46%	$1,061,613	-11%	14%	2.1	159	-44%	$629,900	-9%	17%	2.7
City of Toronto	**747**	**-31%**	**$1,375,000**	**-18%**	**3%**	**2.2**	**488**	**-42%**	**$1,082,102**	**-11%**	**5%**	**2.2**	**1,165**	**-39%**	**$690,000**	**-7%**	**8%**	**3.1**
Halton Region	344	-41%	$1,372,500	-20%	-1%	2.6	236	-35%	$915,445	-22%	7%	1.7	80	-42%	$639,000	-17%	7%	3.3
Peel Region	523	-51%	$1,305,000	-21%	5%	2.9	441	-48%	$915,809	-21%	9%	2.1	203	-41%	$630,000	-11%	15%	3.1
York Region	551	-52%	$1,500,000	-18%	5%	3.1	269	-47%	$1,062,781	-19%	10%	2.6	181	-46%	$685,000	-11%	13%	3.2
Durham Region	660	-32%	$990,000	-26%	4%	1.5	255	-31%	$778,667	-22%	8%	1.2	44	-31%	$600,000	-12%	14%	2.3
905 Region of GTA	**2,078**	**-45%**	**$1,267,800**	**-22%**	**2%**	**2.5**	**1,201**	**-43%**	**$919,500**	**-21%**	**8%**	**1.9**	**508**	**-43%**	**$648,400**	**-12%**	**13%**	**3.0**

Source: Urbanation Inc., TREB

Key Takeaways

The GTA market continued slowing in June due to a number of factors, which primarily include a rebalancing in activity levels following the record-breaking pace in 2021 and early 2022, the impact to purchasing power caused by higher interest rates, and a shift in buyer psychology with expectations of further price declines. The adjustment in prices towards their equilibrium level has been swift, with average values down 14% in the past four months (and some parts of the market experiencing a greater than 20% correction so far), which is not unlike what happened during the initial months following April 2017. While the rise in rates has nearly had a proportionate impact on prices, it appears the market is also partly pricing in future rate increases as many buyers remain on the sidelines. This has been enhanced by the start of the summer, whereby the traditional slowdown in housing activity has been absent during the pandemic until now due to due to travel restrictions.

As the Bank of Canada remains focused on raising its policy rate potentially up to 3% or higher (from 1.5% in June) in the short-term to combat soaring inflation, implementing its largest moves in decades, the housing market will continue to be impacted by the shock to demand. However, the current outlook supports a short-lived contraction for housing as inflationary pressures may be reaching an inflection point, with commodity prices having dropped in recent weeks. Already, five-year Canada bond yields (which are used to price fixed-term mortgages) are starting to come down slightly, which should take some pressure off the housing market as variable rates continue to rise in the coming months. So long as the expected economic slowdown caused by monetary tightening is mild (which is the current consensus view), housing activity and prices should begin to recover in 2023. This is supported by the current half-century lows for unemployment, record levels of population inflows underway, and growing number of qualified buyers waiting on the sidelines and facing a soaring rental market.

Importantly, current supply levels remain below historic norms and a number of studies have been recently put forth that show a massive structural undersupply of housing in Canada, particularly in the GTA. This, along with a very low level of mortgage defaults and forced selling, should help keep a floor under prices as they continue to adjust back to their fundamental level following the excessive run-up that occurred over the past two years.

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

The analysis and insights contained herein have been prepared on the information and assumptions set forth in this report. However, this report relies on information from secondary sources and Urbanation cannot guarantee the accuracy of this data. Moreover, it is not possible to fully document all factors or account for all changes that may occur in the future.