

# AUGUST 2024: TORONTO AND REGION

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August may be the last month of one of the worst residential resale market periods since the early 1990's. Only 4,975 properties were reported sold for the greater Toronto area, 5.3 percent fewer than the 5,251 properties that changed hands last August. Year-to-date 46,864 sales have taken place. Last year at this time 49,049 homes of all types were reported sold in the greater Toronto area. Last year's performance was not robust.

A little historical perspective is necessary in order to understand the degree to which the resale market has declined since the pinnacle of the pandemic market (February-March 2022). Last year 65,879 homes were reported sold. At the re-sale market's current pace, the Toronto and Region will see approximately 63,000 properties change hands by year end, approximately 4.5 percent fewer than 2023. From 2011 to 2020, just before the beginning of the Covid-19 pandemic the Toronto and Region resale market averaged a little over 90,000 reported sales annually, with a high of 113,040 in 2016, and a low of 78,017 in 2018, the year following the introduction of a foreign buyer's tax in Ontario. During that period the Bank of Canada's benchmark rate never exceeded 1.75 percent, and for most of the decade remained well below 1.00 percent. It is currently 4.25 percent. In 2011 the population of the greater Toronto area was 5,593,000. By 2020 the number of people in the Toronto area had grown to 6,197,000, an increase of approximately 11 percent. Currently, the population of the greater Toronto area is 6,431,000, and growing (Statistics Canada).

Shockingly, with a population today of almost 1,000,000 greater than in 2011, sales have dwindled by 30 percent compared to the average number of sales reported annually over the period 2011 and 2020. These are dramatic numbers, not seen since the early 1990's recession and when the population of the greater Toronto area was slightly more than 4,000,000 residents. In fact, more sales were recorded between 1996 and 1999 than will be recorded in 2024.

AUGUST YEAR-OVER-YEAR SUMMARY			
	2024	2023	% Change
<b>Sales</b>	4,975	5,251	-5.3%
<b>New Listings</b>	12,547	12,358	1.5%
<b>Active Listings</b>	22,653	15,492	46.2%
<b>Average Price</b>	\$1,074,425	\$1,082,881	-0.8%
<b>Average DOM</b>	28	20	40.0%

Source: TRREB 2024

This exceptionally dismal re-sale market is on the verge of positive change. On September 4th the Bank of Canada announced a 0.25 percent reduction to its benchmark rate,

bringing it down to 4.25 percent, down 0.75 percent from the post pandemic high of 5 percent. The current rate is still more than 300 percent higher than the average Bank of Canada's benchmark rate throughout the decade before the Covid-19 pandemic. Although still historically high, the recent benchmark rate reductions are having an impact on borrowing costs. As we move through the last half of 2024 and into 2025, borrowing cost will continue to trend lower, which will have two significant market impacts: more buyers will be able to qualify for mortgage amounts necessary to enter the resale market, and monthly mortgage financing costs will decline.

The importance of lower borrowing costs can not be over-emphasized. A recent study (Ratehub) concluded that to purchase a home in the greater Toronto area a buyer requires an annual household income of \$215,920 to buy the average priced resale property. In addition, the buyer will require saved equity of more than \$200,000 to purchase the average priced home. These are lofty numbers for any community. It is not surprising therefore that the same study determined that 36 percent of home buyers are receiving significant amounts of financial family assistance. In Ontario the average family assistance is \$128,000, and substantially higher in the greater Toronto area marketplace.

The evolution to a resale market resembling the pre-pandemic resale market will be gradual, but it will begin in the last quarter of this year. Inventory levels have grown during the first 8 months of 2024. At the end of August, 22,653 properties were available to buyers in the greater Toronto area, 46.2 percent more than the 15,492 available last year. It will take time for the inventory of available homes to be absorbed, especially condominium apartments. Ample buyer choice means that price growth will be moderate.

The bulk of inventory growth is in the condominium apartments sector. As of the end of August there were 8,336 condominium apartments available to buyers, 38 percent of the entire Toronto and Region resale inventory. Almost 70 percent of the available condominium apartments are located in the City of Toronto. It is not surprising therefore that in August condominium apartment sales were off by 15 percent compared to last year. Correspondingly the average sale price of condominium apartments declined by 6 percent in August to \$681,835. Both sales and average sale prices for detached and semi-detached properties have performed well, bolstering the overall market.

The Bank of Canada is expected to further reduce its benchmark rate in October and December. It is anticipated that by year end, the benchmark rate will be between 3.50 to 3.75 percent. The lower benchmark rate, the improvement in the cost of borrowing, and the absorption of available inventory will all contribute to the normalization of the Toronto and Region residential resale market. Unfortunately, this will not happen overnight. But the change has begun.