

JULY 2024: TORONTO AND REGION

Prepared by: Chris Kapches, LLB, President and CEO, Broker

July's resale housing market performance improved marginally compared to July 2023. It is not, unfortunately, an indication of an improving market. This July, 5,391 homes were reported sold by Toronto and Region realtors, a 3.3 percent improvement compared to the 5,220 properties reported sold last year. The reality is that last year by July the resale market was in sharp decline, a decline that has continued into this year and this month of July.

MONTHLY STATISTICS 2023		
January	3,083	\$1,036,925
February	4,754	\$1,096,157
March	6,867	\$1,107,052
April	7,487	\$1,152,519
May	8,958	\$1,195,298
June	7,429	\$1,181,002
July	5,220	\$1,116,950
August	5,252	\$1,082,841
September	4,606	\$1,118,215
October	4,611	\$1,123,390
November	4,194	\$1,077,891
December	3,420	\$1,084,952
Annual	65,881	\$1,126,264

Source: TRREB 2024

At the beginning of 2023 the Bank of Canada's (B of C) benchmark lending rate was 4.5 percent. Buyers had adjusted to the rate and average sale prices had come off dramatically from their high of early 2022. In February of 2022, the Toronto and Region average sale price for all properties sold was \$1,334,062. By January 2023, it had dropped to \$1,036,925. This combination of a stable B of C rate and substantially lower average sale prices positively stimulated the resale market. During the month of May almost 9,000 homes changed hands, and the average sale price had increased by more than 15 percent since January to almost \$1,200,000. That combination triggered a 0.25 percent rate increase in June, and then another 0.25 percent increase in July, bringing the B of C benchmark rate to 5 percent, the first time since April 2001 that the rate had hit the 5 percent mark. The 5 percent rate combined with the mortgage stress tests (adding approximately 2 percent to a borrower's qualifying rate) sent the market into free fall, resulting in one of the weakest second half year resale markets in more than two decades. It's against that

background that year-over-year comparisons will be made for the remainder of 2024.

In June and July of this year the B of C reduced its benchmark rate bringing it to 4.5 percent. Unfortunately, those two rate reductions have had a minimal impact on borrowing costs. Five-year fixed mortgage rates are still over 5 percent and variable rates are close to 6 percent, depending on the lender. In this prevailing landscape buyers and sellers are waiting for further promised and anticipated rate cuts from the B of C. It is this "wait and see" psychology that is the prevalent and immobilizing market influence.

YEAR-OVER-YEAR SUMMARY			
	2024	2023	% Change
Sales	5,391	5,220	3.3%
New Listings	16,296	13,755	18.5%
Active Listings	23,877	15,360	55.4%
Average Price	\$1,106,617	\$1,116,950	-0.9%
Days on Market	24	17	41.2%

Source: TRREB 2024

This "wait and sell" market is resulting in a build up of inventory. At the end of July almost 24,000 homes were on the market available to buyers. Almost 9,000 of those homes were condominium apartments. The condominium apartment market is the most financially sensitive, attracting first time buyers, the least financially secure buying cohort. As a result, condominium apartment sales and prices have declined throughout 2024. At the end of July, the average sale price for condominium apartments came in at \$718,698, a little higher in the City of Toronto at \$748,330. Inventory levels are exceptionally high due to the added number of investor units coming to market.

Notwithstanding the increase in inventory and slowing sales activity – in June 6,202 homes were reported sold - average sale prices for detached and semi-detached properties have remained strong. In July all detached properties sold for \$1,425,927, and higher in the City of Toronto, coming in at \$1,648,021, and even higher in central Toronto (\$2,500,771). Similarly, with semi-detached properties. The average sale price for semi-detached properties throughout the Region was \$1,067,576, and \$1,254,280 in the City of Toronto. Except for Toronto's central districts, all detached and semi-detached properties sold for 100 percent or more of their asking prices.

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Buyer interest in semi-detached properties continues to be intense. All semi-detached properties sold after only 16 days in the City of Toronto, and at 103 percent of their asking price. In Toronto's eastern trading districts all homes traded in only 14 days and for an eye-popping 107 percent of their asking price. Toronto's popular eastern neighbourhoods- Riverdale, Leslieville and the Beaches – sold in only 8 days (yes 8 days!) and for 111 percent of their asking price!

So, what does all this conflicting data tell us about the Toronto and Region marketplace? It tells us that demand has not diminished. Unfortunately, it can't be fulfilled. The historically high mortgage interest rates which are constraining affordability, and the psychological impact of future reduced financing costs which will certainly make home buying easier, are holding back buyers from engaging

in the resale market. Given the state of the Canadian economy, and a wall of looming mortgage renewals, relief is, or should be, on its way. Economists are forecasting B of C rate cuts of up to 1 full percentage point before the end of 2024. If that happens, and the odds are that it will, it will be the stimulus the residential resale market needs to lift off and return pre-Covid levels. The frenzy of the Covid market is unlikely to ever be seen again.

