REAL ESTATE MARKET REPORT

SEPTEMBER 2024: TORONTO AND REGION

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CHESTNUT PARK
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It would appear that three 0.25 percent benchmark rate cuts by the Bank of Canada, the last coming in early September, have finally stimulated the Toronto and Region residential resale real estate market. September saw 4,996 properties reported sold, the first month-over-month improvement since May, and 8.5 percent higher than the 4,606 properties reported sold last September.

YEAR-OVER-YEAR SUMMARY			
	2024	**2023**	**% Change**
Sales	4,996	4,606	8.5%
New Listings	18,089	16,377	10.5%
Active Listings	25,612	18,906	35.5%
Average Price	$1,107,291	$1,118,215	-1.0%
Average DOM	27	20	35.0%

Source: TRREB 2024

The good news is deceptive. The 4,996 reported sales are historically low for the month of September. Typically the month of September, which is the traditional beginning of the fall market, will produce approximately 7,500 sales. For example, in September 2019, the year before the beginning of the Covid-19 pandemic, 7,795 homes traded hands. This September's sales were lower than sales recorded more than two decades ago, when the Toronto and Region's population was substantially smaller than it is today. By comparison in September 1998, 5,429 properties were reported sold. Those sales were followed by 5,897 sales in 1999.

The year-over-year summary does not tell the full story about the Toronto and Region marketplace. Freehold properties, detached and semi-detached homes, have held their value, notwithstanding the increasing inventory levels of available properties. In the City of Toronto (416 area) all detached properties sold for $1,685,755 (on average) and all semi-detached properties sold for $1,300,000. In the 905 Region average sale prices were lower, with detached properties selling for $1,333,394 and semi-detached properties for $949,609. In both cases these numbers are only marginally off compared to last year, as the overall average sale price for Toronto and Region indicates. In the City of Toronto all detached properties sold for 100 percent of their asking price and in only 21 days. Semi-detached properties sold for 104 percent of their asking price and amazingly in only 17 days, with sales in some trading areas happening even faster and at sale prices even higher than 104 percent of asking prices. These sales numbers, though limited, speak to a strong ground level market.

The weakest sector of the Toronto and Region resale market is condominium apartments. At the end of September there were almost 9,000 condominium apartments for sale, 35 percent of the total number of properties for sale. In addition, there are many assignment condominium apartments for sale. These offerings are not on MLS making their number hard to track. Sales of condominium apartments were not proportionate to the number of condominium apartments available for sale. Whereas condominium apartments represent 35 percent of the Toronto and Region's MLS inventory of available properties, only 1,312 condominium apartment sales were reported in September, less than 27 percent of the 4,996 total sales of all types.

The weak condominium apartment market is a product of history. Over the last decade, and particularly during the pandemic, as cost increased, often due to government intervention at all levels, developers built smaller and smaller units. Over the past ten years, the average size of condominium apartments shank by 35 percent, from approximately 1,100 square feet to 700 square feet. Most new construction units sold over this period went to investors, many of them being foreign investors. Notwithstanding higher rents, financing costs and declining average sale prices – unlike freehold properties most condominium apartments have not held their value – have driven investors to divest, resulting in increasing numbers of small condominium apartments (often referred to as "matchbox" units) coming to market. With both Federal and Provincial legislation prohibitive and unfavourable to foreign investors, their absence will be missed, as fewer new construction projects will come to market.

Buyers, primarily first-time buyers, are simply not buying these small units. Many of the condominium apartments currently on the market for sale were built to fulfill investor demand, not to meet the special needs of end users. It will take a considerable amount of time for the condominium market to correct, likely years.

In September several announcements were made at the Federal level. All first-time buyers will be eligible for 30-year amortizations for insured mortgages. Insured mortgages enable the borrower to buy a property with a much smaller down payment. There are three default insurance providers in Canada, the largest being Canada Mortgage and Housing Corporation. Also, in September the cap on insured mortgages was raised from property sales of $1 million to $1.5 million. Since Toronto and Region's average sale prices exceed $1 million this will enable buyers with smaller savings to enter the market. These changes will take effect on December 15th.

There is little doubt that these mortgage changes will stimulate a market that is already beginning to show signs of life. In addition the Bank of Canada will be meeting on two occasions before year end, the next meeting being October 23rd, 2024, followed by another overnight rate announcement in December. Economists are forecasting faster and deeper cuts to borrowing costs, with cuts of at least 0.25 percent in both October and December (Bloomberg). By next July the overnight rate is expected to be as low as 3 percent and down to 2.75 percent by year end, 2025.

As we come towards the end of 2024 the recent federal mortgage measures and declining borrowing costs will cause the resale market to come awake from its two year slumber.