

# Housing Market Digest

Greater Toronto Area, November 2017

**Mortgage Professionals Canada has released the "Annual State of the Residential Mortgage Market in Canada". It's available now in the Recent Reports Section of [www.wdunning.com](http://www.wdunning.com) and here: <https://mortgageproscan.ca/en/post/consumer-survey>**

## Resale Market

This report is a few days late, meaning that I can include the data for November that has been released by TREB, but the official seasonally-adjusted estimates from CREA are not yet available. Instead, the charts include my preliminary seasonally-adjusted estimates.

Sales surged in November, to an annualized rate of 101,100. While activity is still well below year-ago levels, it is a considerable improvement from the average of 78,000 seen during May to October. The November numbers are mid-range historically – below the excessive sales seen last fall and winter, but a recovery from the depressed figures that resulted after consumers got spooked. Calculating sales on a per-adult basis, November sales are just fractionally below the long-term average.



The average price fell in November, to \$761,757 and is now down on a year-over-year basis for the first time (by 1.9%). The setback from the excessive price growth seen earlier is a welcome event.

I'm more interested in what happens to the short-term trend: if prices continue to fall, that could be quite damaging to consumer confidence, harming not just the housing market but also consumer confidence and therefore the broader economy. The next chart is an index created from the median resale prices by type of dwelling. That analysis suggests that prices are now roughly flat.



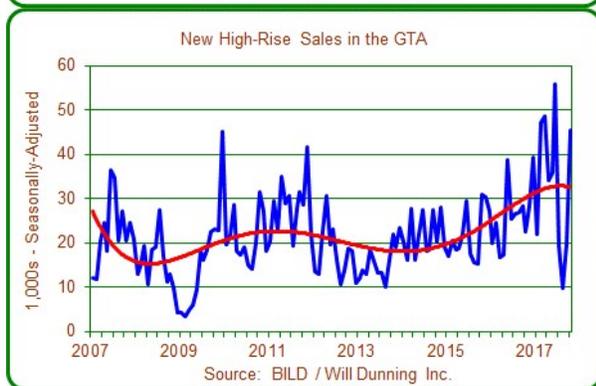
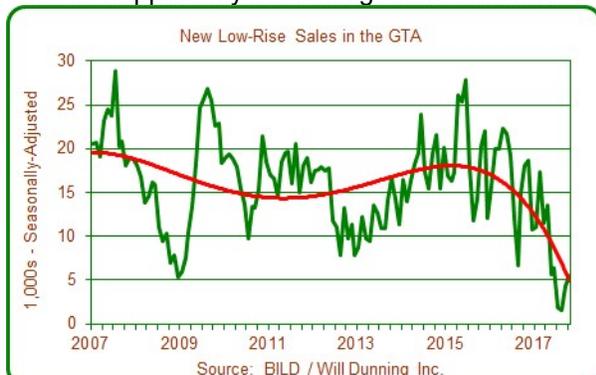
The sales rebound had a lot to do with increased supply: new listings surged. After seasonal-adjustment, they were up by 27% compared to the prior six months. So, I see the sales jump mostly as the result of increased opportunity in sub-market areas that have been supply-deprived.

The sales-to-new-listings ratio remains well below the "balanced market" threshold, which is in the low 50s. There is a wide mix of conditions across the GTA. "416" has a ratio of 61%, and is in sellers' market territory. Within "905", the ratios are generally at the balanced level, except for York Region (a very low ratio of 33%). Looking at dwelling types, the ratio is low for single-detached (42%) but higher for the other major types (semis at 57%, 63% for condo towns, 68% for condo apartments, 49% for freehold towns). There has been some commentary that the low ratio for singles "proves" that there is no supply shortage. Nonsense: it just shows that there is currently caution in this part of the market following a period of excess (bad decisions were made, based on fear-of-missing-out). Looking forward, there is still a huge shortage of low-rise housing in the GTA.



## New Homes Market

New home sales leaped in October (November data are not available yet) to a rate of 51,000. Low-rise activity rose, but from an extremely low level and are still extremely low: just 5,500 (annualized). This can be attributed to inadequate supply being offered, but also to increased caution by potential low-rise buyers in "905". High-rise sales were very strong in October (annualized rate of 45,500). Despite all of the negative commentary about rent controls killing investment in rentals, the investors apparently have not gotten the memo.



## Other News

CMHC reports that the apartment vacancy rate for Toronto CMA fell this year to 1.0%, versus 1.3% last year. I attribute this to strengthening job creation and insufficient completions of new housing (not enough opportunities for renting or movement into ownership). Rents rose by 4.2%

## Interest Rates

Bond yields (5-year GoC) slipped during October and November (although they have jumped in the first two days of December). The data in the chart (which is reported as of Wednesdays) shows that the typical, major lender "special offer" rate (3.4%) is now about 1.8 points above the 5-year GoC yield (1.62%), which is essentially the long-term average. This should mean that mortgage rates

won't change unless bond yields move by a material amount.



## The Outlook

No changes have been made to the forecasts.

Toronto Indicators			
	2017 Forecast	2018 Without B-20	2018 With B-20
Job Growth	2.0%	2.8%	2.3%
Resales (units)	93,400	94,300	84,100
Sales-to-New-Listings Ratio	54.3%	54.6%	47.3%
Ch. in Avg. Resale Price	12.3%	-3.1%	-7.1%
GTA New Home Sales			
Low-Rise	8,900	10,100	9,500
High-Rise	32,900	26,600	24,000
Total	41,800	36,700	33,500
Housing Starts			
Low-Rise Ownership	16,600	11,300	11,200
Condo Apartment	22,400	27,000	27,000
Rentals	2,700	2,500	2,500
Total	41,700	40,800	40,700
Apartment Vacancy Rate	1.0%	1.4%	1.4%
Rent Increase	4.2%	2.8%	2.8%

Source: forecasts by Will Dunning Inc. (Oct 27/17)

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