

Housing Market Digest

Greater Toronto Area, November 2023

New Email

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The Continuing Costs of Covid

A lot of people are sick right now (even if they won't admit it's Covid; and if they go to work while sick, they are spreading it).

We don't know how many are sick, because the provincial government refuses to collect good data.

We don't know how many excess deaths are occurring, because of reporting delays in Ontario. In the provinces that produce data in a timely manner, the death numbers remain elevated.

We get very little data on the economic costs of Covid. We do have data on people who are counted as employed but have missed work due to illness (this is only a part of the employment costs of Covid). By itself, this data is hard to interpret. I derived an estimate that I find useful. It shows that among people who have jobs, absences from work due to illness have been highly variable during the Covid period, but they are notably higher than during the pre-Covid period. So far this year, time lost due to illness, per total adults, is 9% higher than pre-Covid. The recent data is actually worse than in 2021, but less-bad than 2022.



A bigger concern is how many people are not in the labour force due to disability. Official data from the US and UK show continuing rises in that statistic. We don't have that data for Canada.

I believe that the greatest economic risk is post-Covid diseases, which prevent people from working as much as they want to. I also continue to worry about the effects on kids.

Here is a very good discussion of what science knows about long-Covid (the video is 53 minutes long, and it's worth the time):

<https://www.wsws.org/en/articles/2023/11/04/jjik-n04.html>

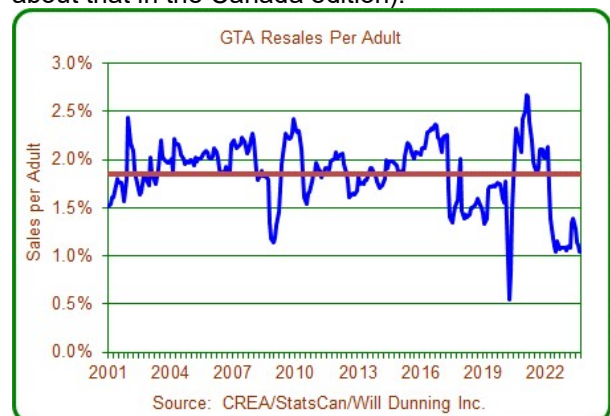
Interest Rates

Bond yields remain quite volatile (signaling that there is a lot of uncertainty and shifting of opinions about the economic outlook, in Canada and elsewhere). Depending on what happens in the bond market, fixed mortgage rates might fall.



Resale Market

Sales have fallen for five consecutive months. The (annualized) rate for October was 58,400. This is 46% below the population-adjusted long-term average. Apart from the two months at the start of Covid, this is the worst month in the entire history of this data. This is probably not the bottom, because we aren't yet seeing the employment effects of current interest rates (I have more to say about that in the Canada edition).



The sales-to-listings ratios continue to fall. The sales-to-active listings ratio (26%) is now below the balanced market threshold (which I estimate as 32%). The new listings ratio is worse, the

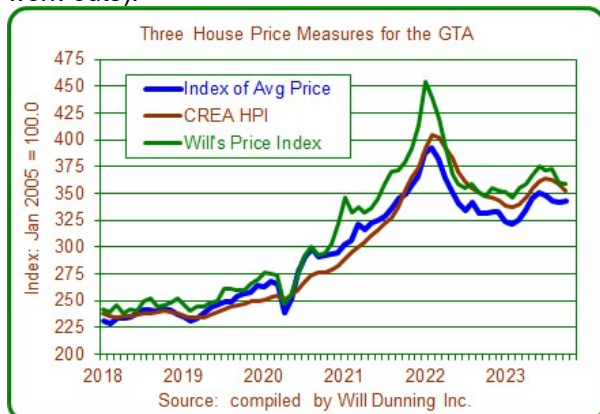
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current ratio of 35% is far below the 52% threshold for a balanced market. The data on new listings might be getting an artificial boost, as sellers relist to find the current market values (and therefore the “true” listings ratio might not be quite as bad as indicated).



All three of the price measures I use hint that prices might be softening. But, we aren't seeing what the financial folks would call “capitulation”. That could happen, but it will depend a lot on what happens to employment (job losses forcing people to sell) or extreme difficulties in making payments (and lenders being unwilling or unable to find work-outs).



In my neighbourhood, there are so few sales happening in the low-rise sector that I think “price discovery” is now inoperable. There are still enough sales for apartments that it is probably possible to estimate market values.

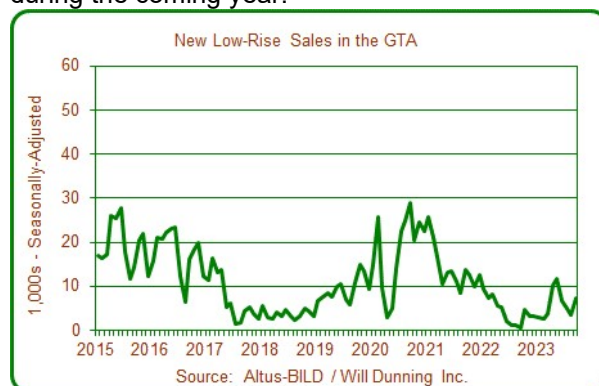
I'm also noticing in my neighbourhood that a lot of the active listings are new builds/rebuilds – with high end of market pricing – for which the builders can't find buyers at their expected prices. There appear to be relatively few listings by owner-occupants (but even those are struggling to find buyers).

New Home Sales

The sales data show some months in which sales are less bad, but it has now been almost two years since there has been a monthly sales rate above 50,000 (and we probably need at least 60,000 in the GTA). During the past year (up to September, there have been about 18,500 new home sales (including 5,600 low-rise and 12,800 apartment). As I discussed in a report issued in late October – the first item on this page:

<https://www.wdunning.com/recent-reports>

we aren't yet seeing consequences in terms of actual construction activity or employment, or for the broader economy. Those impacts will develop during the coming year.



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