

TREB releases market year in review and outlook report

(CNW) — The Toronto Real Estate Board (TREB) released its annual Market Year in Review and Outlook Report January 31 at its Economic Summit.

The report provides a look forward into the 2017 housing market and tackles top-of-mind issues, including consumer intentions, foreign buying activity in the Greater Toronto Area, impact of transportation infrastructure on housing affordability, and the lack of housing supply.

TREB is forecasting another strong year for home sales through its MLS System in 2017, with more than 100,000 sales forecast for the third consecutive year. Between 104,500 and 115,500 home sales are expected this year, with a point forecast of 110,000 — down slightly from 113,133 sales reported by GTA realtors in 2016.

Ipsos, on behalf of TREB, undertook a homebuyers survey in November 2016. The survey focused on consumer buying intentions in 2017. Compared to a similar survey conducted at the end of 2015, the number of likely buyers was down slightly. However, GTA households still seemed upbeat about ownership housing. This included first-time buyers, whose share of overall buying intentions increased to 53 per cent from 49 per cent a year earlier.

“While changes to federal mortgage lending guidelines and higher borrowing costs may impact some would-be homebuyers, the big impediment will be the lack of inventory,” said Jason Mercer, TREB’s director of market analysis. “Active listings at the end of December were at their lowest point since before 2000. It is unlikely that the shortage of listings will improve to any great de-

gree over the course of the next year. This will put a ceiling on sales growth.”

As a result of very strong demand for ownership housing up against an extremely constrained supply of listings in 2017, double-digit annual rates of price growth are expected to remain in place for the majority of home types across the GTA. The growth rate for the average selling price will be between 10 and 16 per cent with an average price range between \$800,000 and \$850,000. TREB’s point forecast for the average selling price is \$825,000.

Lowrise home types, including detached and semi-detached houses and townhouses, will experience the strongest annual rates of price growth, but the condominium apartment market segment will remain tight as well.

The Ipsos homebuyers survey confirmed that likely homebuyers are expecting to see strong home price increases in 2017. However, Ipsos also found that the average homebuyer is planning on making a substantial down payment – 27.6 per cent for all recent homebuyers combined and 23.9 per cent for first-time buyers. The sources of homebuyers’ down payments were also quite diverse, including savings within and outside an RRSP, gifts from friends/family and equity built up in their current dwelling.

MARKET YEAR IN REVIEW & OUTLOOK REPORT 2017



Despite relatively large down payment percentages, home price growth has obviously been a concern from an affordability perspective. The policy reaction to date has been focused on the demand side of the price growth equation. Changes to federal mortgage lending guidelines and ruminations about a foreign buyer tax for the GTA dominated the headlines in the second half of 2016.

A foreign buyer tax in the GTA would be misguided. In order to obtain actual empirical data on foreign buying activity in the GTA, as opposed to conjecture, TREB commissioned Ipsos in November 2016 to survey its members, who acted on behalf of homebuyers during the preceding 12 months, as to foreign buying activity in the region. Key findings were as follows:

- Only an estimated 4.9 per cent of GTA transactions, in which TREB members acted on behalf of a buyer, involved a foreign purchaser.
- The great majority of foreign buyers purchased a home as a primary residence (40 per cent), to rent out to tenants in an extremely tight GTA rental market (25 per cent), or for another family member to live in (15 per cent).
- Less than 2 per cent of realtors had been involved in a transaction for a foreign buyer that they knew was impacted by the foreign buyer tax in British Columbia.

An additional land transfer tax on foreign buyers could have unintended consequences, including:

- Tighter market conditions and stronger price growth in neighboring communities/regions without a tax;
- Less rental supply, because the number of investors looking to purchase and rent out a property could decline;
- A potential negative impact on immigration. It is important to remember that population growth in the GTA, on net, is driven by immigration.

“Housing affordability, and affordable homeownership in particular, is a growing concern. Home prices will increase well above the rate of inflation and income growth in 2017, as the supply of listings remains very constrained.” said TREB CEO John DiMichele. “While governments have been focusing their policy solutions on allaying demand, what is needed are policies that focus on the lack of available homes for sale and for rent. The public, private and not-for-profit sectors need to come together to focus on innovative solutions to the housing supply issue.”

In addition to analyzing market fundamentals influencing demand, supply, price growth, and, ultimately, affordability, TREB had the Canadian Centre for Economic Analysis (CANCEA) undertake a study on how improved transit infrastructure, and particularly the Metrolinx Regional Express Rail plan (RER), can impact housing affordability. The study found that the impact of RER on affordability is largely positive in the regions making up the GTA and surrounding GGH, especially when residents take advantage of the new transportation infrastructure and switch their mode of commuting. Improved transit infrastructure can also add price premiums of up to 12 per cent to a home’s value. The findings of CANCEA’s study are summarized in the report.

The report can be found at http://trebhome.com/market_news/release_market_updates/news2017/pdf/2017-MarketYearInReview.pdf