TREB: March Marches along nicely

Tom Lebour

TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE NATIONAL POST

March, 2010

The Toronto Real Estate Board (TREB) reported a record result for existing home sales for March and the first quarter of 2010. Last month, 10,430 transactions were reported through the Multiple Listing Service® (MLS®) within the TREB market area, representing a 69 per cent increase over the same month last year. The March result rounded out the first quarter with total sales amounting to 22,418 – a 75 per cent increase over the first three months of 2009. The average prices for March and first quarter transactions were $434,696 and $427,948 respectively, which represented 20 per cent annual increases for both the month and the first quarter. As has been the case in recent months, strong annual growth rates for sales and average price were due to both increased demand for ownership housing driven by strengthening consumer confidence and the base year effect, which involves a comparison of economic recovery this year to a period of economic decline last year.

With the first quarter behind us, I think it is important to think about where the GTA housing market is headed for the remainder of 2010. After all, a lot happened during the first three months of the year that will likely impact the housing market.

Jason Mercer, TREB's Senior Manager of Market Analysis, points to increasing consumer confidence in the first quarter as a positive for the housing market moving forward.

"As GTA households have heard an increasing number of positive economic reports, they have become more and more confident in purchasing a home. Expect confidence to remain strong as the economy continues to strengthen this year and GTA employment remains on the upward trend," said Mercer.

Economic recovery is clearly an important factor behind the record home sales we have experienced this year. But I think it is also important to point out that the stronger than expected economic recovery has also resulted in upward pressure on consumer prices, or inflation. The broadly held view is that the Bank of Canada will start to raise interest rates in the second half of 2010 to make sure that the inflation rate remains at acceptable levels.

"Interest rates will be rising later this year. In fact, longer-term fixed mortgage rates recently increased in anticipation of future Bank of Canada rate hikes," said Mercer. "Historically low interest rates have been a key factor keeping ownership housing affordable on average, not only over the past year but over the better part of the last decade. As interest rates and home prices climb this year, the cost of home ownership will increase, but a household with the average household income in GTA will still find home ownership affordable. Sales in the second half of 2010 will not be as strong as in the first half, but will remain strong."

It is also the largely-held view that home owners in the GTA will continue to list their homes in greater numbers. Strong price growth generally attracts more listings as home owners become more confident that they will receive offers in line with their asking price. As the market becomes better supplied, home buyers will have more choice. This will see the average annual rate of price growth moderate from the double digits into the single digits.

It is safe to say that the first quarter of 2010 was much better than the first quarter of 2009, not only for the housing market, but also for the economy as a whole. While some changes are certainly in sight, on the whole it seems these changes are weighted toward the positive. I look forward to discussing the GTA housing market with you further next month.

Tom Lebour is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.