



Resale dips in June, 23%

Bill Johnston

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

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Having just started my term as Toronto Real Estate Board (TREB) President, I was excited to write my first article for the National Post. This article comes at an interesting point in time as the GTA existing home market transitions from the strong recovery we experienced over the better part of the last 12 months. More often than not since the spring of 2009, we have seen record-setting months for sales, at least up until the last two months. Market conditions in May and June signaled a change.

In the first six months of 2010, a record 50,455 transactions were reported through the Multiple Listing Service® (MLS®). Very strong sales during the first four months of 2010 were the basis for this new record. In June specifically, resale home transactions dipped 23 per cent to 8,442 from the record high of 10,955 sales in June 2009. The average price for these transactions was \$435,034, representing an annual increase of eight per cent.

The trends in sales and price have played out on a fairly uniform basis across the GTA. The annual change in sales and price was roughly the same in the City of Toronto and the surrounding 905 regions.

Jason Mercer, TREB's Senior Manager of Market Analysis, says that the change in market conditions over the last couple of months was not unexpected:

"The forecast for this year was always a tale of two halves: the first half starting off where 2009 left off with record sales results and double-digit price growth; the second half continuing at a more modest pace as pent-up demand for housing that built-up during the recession was satisfied and as households reacted to higher mortgage rates."

"The pace of sales that we started off with at the beginning of the year was not sustainable over the long-term. Sales

are now moving back in line with longer term expectations for population growth in the GTA," continued Mercer.

The change in market conditions has raised questions about whether or not current price levels make sense. Most households' largest single asset is their home. It stands to reason that home owners want the value of their house to grow over time rather than fall – no one wants to experience a prolonged downturn in home prices. With this in mind, I asked Jason Mercer to comment on current home prices and what he sees through the end of 2010.

"Taking current lending standards into account, the average home price in the GTA is justified. However, with mortgage rates higher than they were at the beginning of the year, there is less room for prices to grow before affordability becomes an issue," Mercer said. "Look for annual price growth to be in the low to mid single digits for the remainder of this year."

While we may not be setting records for sales every month moving forward, it seems that the housing market in Toronto and the surrounding area remains solid. There are lots of factors both in Canada and abroad that influence the Canadian (and GTA) housing market. I look forward to discussing these factors with you over the next 12 months.

Bill Johnston is President of the Toronto Real Estate Board, a professional association that represents 30,000 REALTORS® in the Greater Toronto Area. Follow TREB on www.twitter.com/TREB_Official, www.Facebook.com/TorontoRealEstateBoard and www.youtube.com/TREBChannel