



Prices hold up, even as sales have slowed

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During the first three quarters of 2010, Toronto Real Estate Board (TREB) members reported 69,069 existing-home transactions through the Toronto Multiple Listing Service (MLS). This total was 4% higher than the number of transactions reported over the same period in 2009. The average price for existing-home sales during the first nine months of the year was \$429,657 -- up 11% compared with 2009. The year-to-date rates of growth in Greater Toronto Area (GTA) sales and average selling price have been similar in the City of Toronto and the combined 905 regions.

While we are poised to see one of the best years on record, in terms of existing-home sales, it is important to note that sales were stronger at the beginning of the year. Since May, monthly sales totals have been below last year's results. This trend continued in September, with 6,310 sales reported, representing a 23% decline compared with September 2009.

Jason Mercer, TREB's senior manager of market analysis, points to a balancing out that has been taking place in recent months:

"Resale home transactions were running well above the expected long-term trend in the second half of 2009 and first half of 2010. Many homebuyers bought sooner than they otherwise would have in order to take advantage of record-low mortgage rates that were expected to increase alongside Bank of Canada rate hikes that were set to commence mid-way through this year. Consequently, the pace of sales has slowed in the second half of the year," Mr. Mercer says.

As sales dropped off over the past few months, some market commentators expected to see a drop off in the average selling price as well. This decline did not come to pass. Year-over-year increases in the average selling price have been reported for every month so far this year, including a 5% annual increase in September.

Jason Mercer points to two factors that have supported price growth this year. The first factor relates to supply and demand:

"While the number of sales has been down year-over-year since spring, the number of transactions has still accounted for a substantial amount of total new listings. We have continued to see enough competition between home buyers to support price growth," Mr. Mercer argues.

The second factor supporting price growth has been affordability in the GTA housing market.

According to Mr. Mercer, "the share of average household income going toward a mortgage payment on the average priced home in the GTA remains in line with accepted lending guidelines. The outlook for affordability remains positive because average household income growth is expected to continue, while mortgage rates are expected to rise only moderately over the next year."

The last two years have been an interesting period of time for the existing-home market in the GTA, with sales levels first climbing well-above the expected long-term trend and then moving below trend as the market started balancing out. However, even with the swing in sales that we have experienced this year, a closer look at underlying fundamentals suggests that the current average selling price is affordable and therefore justified. I remain upbeat about the prospects for the GTA housing market through the final three months of 2010 and into 2011.

Bill Johnston is President of the Toronto Real Estate Board, a professional association that represents 30,000 REALTORS® in the Greater Toronto Area.

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