



# What's ahead for homes in 2011?

Bill Johnston

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

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I would like to take this opportunity to wish you all a Happy New Year. I think it is important to start with a look back at what transpired in the GTA existing home market in 2010. We ended up with one of the best years on record for sales, but market conditions were anything but uniform.

The Toronto Real Estate Board (TREB) reported 4,395 transactions in December 2010 – down from the December 2009 level of 5,541. The average selling price for these sales was \$433,946 – up five per cent compared to December 2009. The December results capped off the third best year on record for TREB, with total sales amounting to 86,170, just slightly off the 2009 total of 87,308. The average selling price for 2010 as a whole increased by nine per cent to \$431,463.

At the outset of 2010, we experienced an extremely fast pace of home sales, with double-digit annual rates of growth reported for the first four months of the year. Because market conditions were very tight, with sales accounting for a high percentage of listings, the average selling price grew at annual rate of between 10 and 20 per cent between January and May.

I asked Jason Mercer, TREB's Senior Manager of Market Analysis to shed some light on the super-charged start we had to 2010:

"The first four to five months of 2010 were a continuation of the strong housing market recovery that began in the second half of 2009. Low interest rates coupled with much improved consumer confidence saw a lot of home buyers coming off the sidelines," said Mercer. "It is also important to remember that at the beginning of 2010, we were comparing a strong recovery period to a period of recession at the beginning of 2009."

The situation changed markedly in the late spring and summer of 2010. Home sales were lower compared to 2009. The average selling price continued to grow, but at a slower

pace. On a seasonally adjusted basis, sales dipped to their lowest level of the year in July. Jason Mercer suggested that there were a number of factors that contributed to the changing market conditions.

"New stricter federally mandated mortgage lending guidelines and higher borrowing costs especially for short term and variable mortgage products prompted some households to put their home buying plans on hold," said Mercer. "Added to this were misconceptions about the application of the HST to resale housing. Initially, many would-be home buyers incorrectly thought the HST would be applicable to the purchase price of a resale home. This, of course, was not the case."

"As we moved through the fall toward Christmas, market conditions improved once again in the GTA. Homebuyers began to understand the misconceptions around the HST and also realized that borrowing costs remained very low. The end result was that home ownership remained affordable for the average household in the GTA," continued Mercer.

It seems to me that we ended off 2010 on a positive note, with a high level of sales from a historic perspective and average price growth progressing at a more sustainable clip. As I think about what to expect in 2011, it is important to note that most commentators' outlooks for the economy and the housing market remain more positive than negative. As always, I'm sure we'll experience some unforeseen challenges, but on balance it feels as if the GTA market remains on solid footing. I look forward to discussing the GTA housing market with you further as we move through the year.

*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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