



Listings dwindle, boosting prices

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Greater Toronto REALTORS® reported some interesting results this past April. Deals were completed on 9,041 homes, representing a 17 per cent decline compared to April 2010 when sales spiked to a new record. When we look at April 2011 sales from a longer term perspective we find that the level of transactions was in line with the April average over the previous five years.

I asked Jason Mercer, the Toronto Real Estate Board's Senior Manager of Market Analysis, to shed some light on the April sales result in relation to his forecast for total GTA resale transactions in 2011. Here's what he had to say:

"The level of April sales, after adjusting for the recurring seasonal pattern in transactions, points to approximately 87,000 transactions on an annual basis – more or less in line with our forecast of 85,000 sales in 2011," said Mercer.

It seems like things are unfolding as expected in terms of demand for resale housing in the GTA. With this in mind, it is also important to consider where things stand from a pricing perspective.

The average price for April transactions was \$477,407 – up nine per cent in comparison to April 2010. This annual rate of growth was quite a bit higher what was experienced in the second half of 2010 and the first quarter of this year. I asked Jason Mercer if he could explain why the rate price growth seems to have accelerated.

"The number of homes listed for sale has been below expectations so far this year. This means that the share of sales relative to listings has increased – in other words, the market has tightened compared to last year. With more competition between buyers, the rate of average price growth has accelerated," explained Mercer.

"The average existing home selling price is expected to grow by approximately five per cent this year. This is the rate of growth we experienced through the first quarter of 2011. Accelerating rates of price growth generally prompt more owners to list their homes for sale. With this in mind, we should see a better supplied market as we move toward the summer, resulting in a return to more moderate rates of price growth," continued Mercer.

Having been a practicing REALTOR® for many years, I have experienced a number of price cycles. The key to understanding these cycles has always been the relationship between the number of homes offered for sale and the number of people looking to buy. Two things are clear to me in this regard:

First, there are still a lot of people looking to purchase a home in the GTA. The number of sales we have seen through the first four months of this year bears this out;

Second, because of the robust sales numbers and price growth reported recently, households who are currently on the fence with regard to listing their home should become more confident that they will be able to list their home for sale and receive offers in line with their asking price within a reasonable amount of time. In April, homes were on the market for an average of 22 days in the GTA and sold for 99 per cent of the asking price.

I look forward to discussing the GTA resale market with you further as we make our way through the spring market.

Bill Johnston is President of the Toronto Real Estate Board, a professional association that represents 31,000 REALTORS® in the Greater Toronto Area.

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