



“Weathering the Storm”

GTA market is holding it's own in tough times

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

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In last week's article I explained that the Toronto Real Estate Board (TREB) recorded a record 10,955 sales in June. We also experienced the first annual average price increase since August 2008, with the average price rising two per cent to almost \$404,000. This week, I want to talk about why the Greater Toronto Area housing market has remained resilient over the past year and also why we should continue to see steady growth in the housing market over the longer term.

So, how is it possible that during a recession we saw record existing home sales last month? TREB's Senior Manager of Market Analysis, Jason Mercer, points to affordability: “With prices leveling off, mortgage rates at or near historic lows and earnings continuing to grow, the average home became more affordable for the average household this Spring.” Mercer also suggested that “many households were in a holding pattern during the winter months, waiting to see how they would be positioned during these slower economic times. Moving into the spring, households confident in their employment situation moved quickly to take advantage of heightened affordability.” Last week a report released by RBC confirmed that affordability improved over the last quarter in the GTA.

Low mortgage rates have clearly been a factor in keeping the housing market buoyant. This is in stark contrast to the recessions we experienced in the early 1980s and early 1990s, when home buyers were faced with double-digit mortgage rates. According to Mercer, “the Bank of Canada kept inflation in check over the past decade, so they had room to aggressively drop interest rates to help stimulate economic recovery. This wasn't an option in previous recessions.”

Home ownership will continue to be a wise long-term investment in the GTA because of our steady population growth. This region is the single greatest beneficiary of immigration into Canada. According to Statistics Canada, the GTA has the highest percentage of foreign-born population compared to all other major metropolitan areas around the world. Newcomers have been attracted by the diversity the GTA offers: certainly ethnic and cultural diversity, but also diversity in terms of jobs. Over the long term, people have been able to find employment in almost every sector of the economy. This means that this region is attractive to people from many different walks of life with many different skill sets. At the end of the day, all of these people require a place to live. Some of these newcomers will purchase a home right away; others may rent or live with family or friends before purchasing a home at some point in the future.

When we think about the health of the GTA housing market, we have to take a short and long-term view. We may not experience record sales or price growth this year. But, when we look back on 2009, we will definitely be able to say that the region's housing market fared very well in the midst of a global economic slow-down. The housing market follows cycles over the short-term, but if we look forward not one or two years, but instead a decade or more, the future looks very bright indeed. Steady population growth will prompt sustainable long-term growth in sales and home values.

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