



Expect demand to remain healthy

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

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Existing home sales in the Greater Toronto Area remained strong in February. There were 6,266 transactions reported through TorontoMLS® representing a 14 per cent decline from the record result reported in February 2010. While not representing a record, February 2011 sales were 50 per cent higher than the number reported in February 2009 during the recession and slightly higher than the average February sales over the previous ten years.

In my opinion, one of the key factors underlying the number of transactions we see in the resale home market is consumer confidence. If people are confident in their ability to purchase and pay for a home over the long term, sales levels will remain strong. Continued improvement in the GTA economy over the past year has arguably kept confidence levels high. We have seen steady growth in the number of people employed, the unemployment rate has receded markedly from the recessionary peak and income growth has accelerated.

RBC recently released the results of their annual Home Ownership Study. The results confirm what we have experienced in the housing market over the past year. The percentage of Canadians who said they would likely purchase a home over the next two years was at 29 per cent – down from 31 per cent in 2010 (the highest level on record), but the second highest reading since 2006. The percentage of Ontarians planning on purchasing a home over the next two years was slightly lower than the national average at 28 per cent. I asked Jason Mercer, the Toronto Real Estate Board's Senior Manager of Market Analysis to comment.

“The RBC survey results follow the trend we have seen recently in the GTA. Last year this time home sales were running well-above what the level of population

dictated. In 2011 and 2012, the pace of sales is expected to be more sustainable, meaning in line with the expected level of population and population growth. Expect to see between 80,000 and 85,000 transactions through TorontoMLS® this year, and other 85,000 to 90,000 sales in 2012.”

I also asked Mr. Mercer to provide his views on the direction of price over the next couple of years. He is confident that we will continue to see growth through the end of 2012, albeit at a more subdued rate.

“Average existing home selling prices are expected to increase by three to five per cent annually over the next two years. Even with expected mortgage rate hikes in 2011 and 2012, the share of the average GTA household's income dedicated to mortgage principal and interest, property tax and utilities will remain manageable in relation to accepted lending standards,” continued Mercer.

“Recently, average price growth has also been supported by relatively tight market conditions. While sales have remained quite strong, the number of new listings has been low from a historic perspective. There has been enough competition between home buyers to promote price growth,” added Mercer.

Market conditions through the recession-recovery period between 2008 and the end of 2010 can certainly be characterized as volatile. Over the next two years, by most accounts, it seems like the housing market in the GTA is getting back to normal.

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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