

real estate UPDATE

Your Greater Toronto Real Estate Newsletter



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New year begins like 2021 ended With prices surging

The GTA housing market in January 2022 began the same way December 2021 ended with home sales down but prices skyrocketing. Sales were down by 18.2 per cent compared to the January record in 2021, but this January had 5,636 transactions, which is the second-best result in history for this month. The average selling price surged 28.6 per cent. New listings were down by 15.5 per cent creating tight market conditions and contributing to the price hike.

"It is clear that 2022 is starting off the way 2021 ended in terms of the relationship between demand and supply in the GTA housing market," says Toronto Regional Real Estate Board (TRREB) CEO John DiMichele. The 2022 market outlook calls for strong home sales in the GTA (slightly lower than in 2021 but up from previous years) with the average selling price expected to hit a new record.

While the outlook projects a growth-oriented housing market, it does point to a few potential curve balls in the offing: "While home sales will remain strong historically there are a few key factors that will see transactions slightly off last year's record pace. First, higher borrowing costs in 2022 will see some households on the margin of affordability temporarily put their purchase on hold. Second, after above-average per capita home sales in 2021, there will be some give-back in 2022, simply because the pool of ready buyers will be smaller. Finally, the perpetual lack of inventory in the GTA will preclude some willing buyers from getting a deal done - simply put: you can't buy what's not available for sale," says TRREB chief market analyst Jason Mercer.

Still, the market will remain robust, buoyed up by the expected influx of immigrants and an improving economy. "Immigration into Canada and the GTA is expected to be at or near record levels in 2022. All of these people will require a place to live. On top of this, job creation in average to above-average income sectors is expected to remain strong, further buoying consumer confidence to make a large-ticket purchase of a home. Unfortunately, the supply of listings will remain constrained, sustaining strong competition between buyers and double-digit growth in selling prices," says TRREB president Kevin Crigger. *REU*

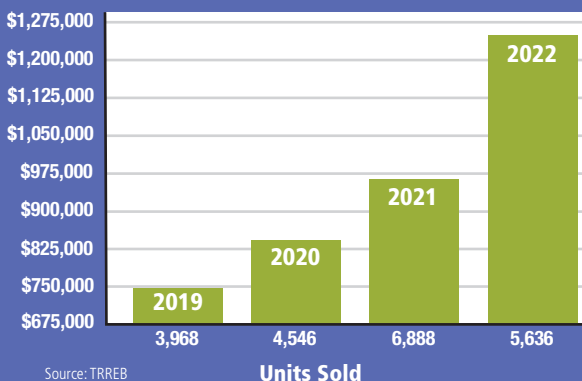
GTA BY THE NUMBERS

DETACHED
↑ **28.3%**
Avg. Price Yr/Yr

SEMIS
↑ **31.5%**
Avg. Price Yr/Yr

CONDO APTS
↑ **24.5%**
Avg. Price Yr/Yr

Average Home Prices - January in the Greater Toronto Area



Monthly stats

January average price by area

416

DETACHED

↑19.2%
YEAR
YEAR

\$1,886,413
Average Price

CONDO APT

↑21.7%
YEAR
YEAR

\$760,643
Average Price

905

DETACHED

↑30.4%
YEAR
YEAR

\$1,702,143
Average Price

CONDO APT

↑31.6%
YEAR
YEAR

\$720,532
Average Price

Aging-in-place

Boomers contributing To low housing inventory

There are currently fewer properties listed for sale in Canada than at any point on record, according to Shaun Cathcart, senior economist at the Canadian Real Estate Association in a recent press release. One reason for this low inventory and sky-high house prices is that baby boomers are staying in their homes in higher numbers than ever before.

Last year, the City of Toronto issued a planning bulletin

stating that the city's housing problems would be eased if baby boomers started to downsize or move to traditional retirement places. The bulletin explained, "Older generations' housing stock could accommodate an additional 207,240 persons by 2051 due to turnover to younger, larger households. One-quarter of Toronto's forecasted population growth to 2051 could be accommodated in the existing housing stock due to turnover."

There are many reasons boomers look to "aging-in-place" as a preferred option. People are living longer; older people are in better health and able to handle (or outsource) home maintenance.

In addition, there has been a shift in how older Canadians view real estate. Veteran mortgage broker Ron Butler has observed more "accumulation." That means that households aren't just paying off their mortgages, but adding more mortgages to fund additional real estate holdings. Instead of selling their homes and downsizing or moving to retirement homes, boomers are staying in their homes and joining the ranks of real estate investors and that means buying but not selling. [REU](#)



Mortgages

With rate hikes coming Should you switch to fixed rate?

In January, the Bank of Canada (BoC) decided to keep its overnight rate steady at 0.25 per cent, for now. The BoC deferred its first rate hike until its March 2 or April 13 meeting. So, if you have a variable mortgage, you are assured the rate won't change for another 35 to 77 days.

But then what? Bank of Canada Governor Tiff Macklem warns mortgagors to expect "a number" of rate hikes throughout 2022 because inflation is "uncomfortably high." Inflation in Canada reached a 30-year high in December and market experts are predicting as many as five rate increases in 2022. The question for a variable rate mortgagor is: should you switch and become a fixed-rate mortgagor?

The obvious appeal of a variable-rate loan is that it's considerably lower than a fixed-rate one. Most mortgage

brokers are pro-variable, despite the rate risk ahead. Their position is that although rates will inevitably rise, they will not soar. Furthermore, variable-rate prepayment penalties are lower and a mortgagor's average rate over a five-year period should be better in a variable mortgage. Brokers advise variable-rate borrowers to hang tough. Since the spread between variable and fixed rates is so large, people can withstand many prime rate increases before they may be worse off.

Nobody can predict for certain exactly what rate hikes are coming down the pike, but if the thought of rising monthly mortgage payments is giving you insomnia, you should perhaps consider locking in. [REU](#)



Condo update

Tight condo market Accelerates price growth

The supply of condo listings in the GTA remain constrained, sustaining strong competition between buyers resulting in double digit price growth. While average selling price of a condo in the City rose to \$760,643, up an impressive 21.7 per cent year-over-year, it surged 31.6 per cent in the 905 suburbs to \$720,532.

Lack of supply has dogged the condo market throughout 2021. In fact, condo buyers experienced some of the tightest market conditions in 20 years, notes Toronto Regional Real Estate Board (TRREB). New listings in Q4 2021 were down almost 29 per cent in comparison to Q4 2020.

Despite a lull in the condo market shortly after the pandemic hit, industry experts predicted that a rise in prices would come. And so it did. Experts are now predicting that this growth will continue into 2022.

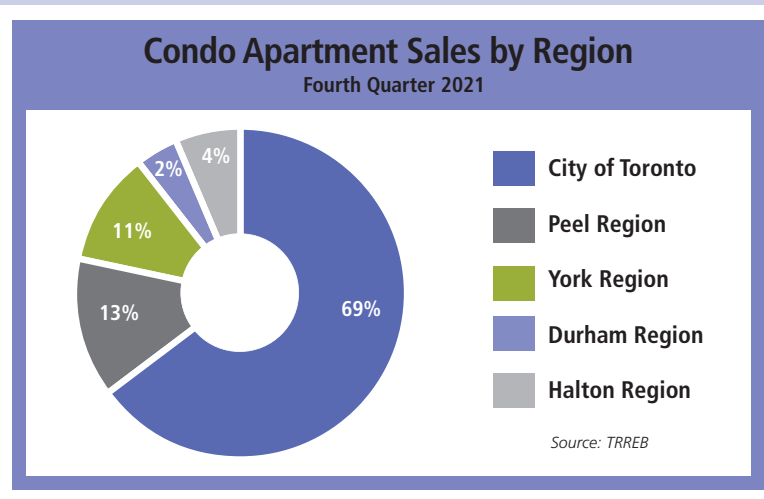
So, what's driving this condo price juggernaut? It's a combination of ground-level housing prices reaching

astounding heights and a slowdown in the pre-construction condo market. "The pre-construction market continues to show below historical average levels of supply," says Pauline Lierman, vice-president of market research with Zonda.

With the condo market already on a steep upward trajectory in terms of price, the immigration influx expected

to commence this year is bound to put the condo market on steroids. Statistics Canada points out that immigrants tend to live in large urban centres, like Toronto, and projects the arrival of over one million international students in 2022, all these newcomers will need a place to live.

With the tight condo market, rental prices have also surged. According to TRREB, the average one-bedroom condo rent was \$2,099 in Q4 2021, up 13.7 per cent compared to



the same period in 2020, while the average two-bedroom rent jumped 12.6 per cent to \$2,763. "Demand will increase as both immigration and temporary migration into the GTA picks up over the next year. In the absence of a marked increase in the supply of rental units, expect average rents to trend further upward in 2022," says Mercer. [REU](#)



On the internet

Interesting websites

rom.ON.ca

Great Whales exhibition compares three unique giant whales, from their size and diet to their intelligence and evolution. Until Jun 26.

twoSPOONS.ca

Healthy, easy, and delicious vegan recipes worth sharing - whether you're entirely plant-based, or looking for more plant-based recipes to incorporate into your diet.

mint.COM

Mint makes staying on top of your finances a cinch. Be the master of your money so you can get more out of life.

taxTIPS.ca

Canadian income tax, financial investment and real estate information for individuals and businesses.

These sites are believed to be reliable but their accuracy cannot be guaranteed.

Mortgages

At February 8, 2022

Mortgage rates are negotiable with individual lenders. Rates are subject to change without notice. OAC E&OE

Prime	2.45%
Variable	1.39%
1-year	2.44%
2-year	2.59%
3-year	2.89%
4-year	3.09%
5-year	2.94%



Multi-level 'iceberg' basements **A luxury housing trend**

Do you dream of turning your current home in your beloved neighbourhood into a mansion of entertaining pleasure? Stymied by a lot that's not big enough to build out and municipal by-laws restrict building up? Consider digging down. Way down. If you can afford it, that is.

Experts predict that the next trend in luxury Canadian real estate is 'iceberg' houses. These are single-family detached dwellings with large, multi-storey underground basements that protrude significantly beyond the surface footprint of the building. This is already happening in Toronto and Vancouver. Last November, homeowners in Hoggs Hollow, an upscale Toronto neighbourhood, made plans to dig down to build a basement with a karaoke lounge, card room, billiard room, golf simulator, stage, basketball court, spa featuring a steam room and sauna, exercise room, five-car garage, kids' lounge, mudroom, two bathrooms, nannies' lounge, plus two bedrooms for the nannies.

Owners of a mid-century-modern home near the University of British Columbia who did not want to tear it down dug a basement beside the house that is many times larger than the house itself.

Below-grade mansions emerged in the mid-2000s in London, England, when very wealthy residents pioneered deep basements to make houses much bigger than rules permitted. After hundreds of approvals, London council restricted the size of these subterranean mansions, but so far no such rules exist in Canadian cities.

But things may change. Media reports from London tell of shifts and cracks in the city's foundation, while politicians and activists warn of serious environmental effects. Toronto city councillor for Don Valley West, Jaye Robinson, says that in some jurisdictions "iceberg houses have resulted in reduced soil permeability, increased runoff, compromised foundations in neighbouring homes and added stress on storm water infrastructure."

Industry players, like builder Paul Miklas, think that with some forethought it's possible to build a mega basement without a major environmental effect. "If you are willing to put the money into a subterranean structure, figure out a way to accommodate the life of the tree."

Miklas is enthusiastic about this trend. With iceberg homes, he notes, "you don't need a two-acre lot. Now you can blow the thing up to 12,000 square feet underground. You can create these beautiful, massive homes, and it's easier on the upkeep because there is less exposure to the elements." Miklas built one such oversized basement on a 35,000-square foot mansion in Toronto's exclusive Bridle Path complete with a golf simulator, wine cellar, theatre and gym.

Toronto City Council recently instructed planners to report back on ways to control this type of construction. While an evaluation is merited, with 'iceberg' homes being a definite luxury, Toronto is not likely to see a surplus of these underground pleasure dens anytime soon. *REU*

GTA '22 totals

Sales activity of all home types
Most recent month, year to date

Active listings
January4,140
YTDN/A

New listings
January7,979
YTD7,979

Sales
January5,636
YTD5,636

Average price
January\$1,242,793
YTD\$1,242,793

Median price
January\$1,100,000
YTD\$1,100,000

Average property days on market
January18
YTD18

Average percentage of list price
January113
YTD113

Source: TRREB

Housing market indicators

Single-family dwellings

Source: TRREB	Sales	New Listings
Jan '21	6,888	9,438
Jan '22	5,636	7,979
% Change	-18.2%	-15.5%

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