



real estate UPDATE

Your Greater Toronto Real Estate Newsletter

More balanced market

As sales and price growth slip further down

Toronto Regional Real Estate Board (TRREB) notes that with home sales and prices trending down in July, market conditions in the GTA are much more balanced compared to a year earlier. Sales were down by 47 per cent compared to July 2021. The average selling price fell to \$1,074,754, just over 6 per cent from a month earlier but was up by 1.2 per cent year-over-year; with the less expensive home types, such as condo apartments, townhouses and semis, seeing stronger rates of price growth. As interest rates continue to rise, buyers are turning to these segments or to rentals.

In the City of Toronto, the average price of a detached home was \$1,515,763, down by 7.3 per cent in comparison to July 2021; a semi-detached home came in at \$1,268,630, up by 5.1 per cent; a townhouse sold at \$963,545, up by 7.6 per cent; and condos clicked in at \$744,092, up by 4.3 per cent.

While in the suburbs, a detached home sold for \$1,320,269 on average, down by 1.9 per cent in comparison to July 2021; a semi went for \$963,994, up by 2.2 per cent; a townhouse sold for \$884,533, up by 5.5 per cent; and the condo average price was \$659,820, up by 11.9 per cent.

Given the uncertainty about interest rate hikes and where the market is headed, some buyers are sitting on the sidelines. TRREB called on all levels of government to ease some of this uncertainty by clarifying policies related to mortgage lending and housing development. "Policymakers could help allay some of this uncertainty," says John DiMichele, TRREB chief executive officer. "As higher borrowing costs impact housing markets, TRREB maintains that

the OSFI mortgage stress test should be reviewed in the current environment. Consumers looking to renew their existing mortgages with a different lender should not be subject to an additional stress test burden beyond what they would face with their existing lender."

Jason Mercer, chief market analyst at TRREB, also warned that policymakers would have to take a growing population into account and drive more housing supply construction. "... policymakers must continue to take action to boost housing supply to account for long-term population growth With savings high and the unemployment rate still low, home buyers will eventually account for higher borrowing costs. When they do, we want to have an adequate pipeline of supply in place or market conditions will tighten up again." *REU*



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GTA BY THE NUMBERS

DETACHED

↓ **3.1%**
Avg. Price Yr/Yr

SEMIS

↑ **4.9%**
Avg. Price Yr/Yr

CONDO APTS

↑ **6.9%**
Avg. Price Yr/Yr

Average Home Prices - July in the Greater Toronto Area



Monthly stats

July average
price by area

416

DETACHED

↓ **7.3%**
YEAR
YEAR

\$1,515,763
Average Price

CONDO APT

↑ **4.3%**
YEAR
YEAR

\$744,092
Average Price

905

DETACHED

↓ **1.9%**
YEAR
YEAR

\$1,320,269
Average Price

CONDO APT

↑ **11.9%**
YEAR
YEAR

\$659,820
Average Price

source: TRREB

Mortgages

Home affordability **Growing calls for longer amortization**

As interest rates rise, home affordability is becoming an even bigger issue, especially for those with a high debt load. Will Canadians be able to afford higher monthly mortgage payments?

One hopeful sign on the horizon is a growing consensus for allowing longer mortgage amortization terms in Canada, which are currently limited to 25 years. An amortization period is the length of time it will take to fully pay off the mortgage

loan. A longer amortization period means lower monthly payments and that could help those who find higher mortgage payments challenging.

Former Bank of Canada governor Stephen Poloz said recently, "We're going to need maybe more financial innovation in order to help people deal with [affordability].... Maybe we'll look at longer-range mortgages...as a solution."

"Mr. Poloz may be on to something. Canada should have 40-year mortgages, if for no other reason than borrower flexibility. Paying a mortgage quicker isn't the smartest use of cash for everyone," says Robert McLister, an interest rate analyst and mortgage strategist at MortgageLogic.news. "Problem is, when you allow people to borrow longer, they qualify for bigger mortgages, and hence they pay more. That inflates home prices, exactly what we don't need this year (but may need if prices keep plummeting)," continues McLister. "If the feds want to give people flexibility with zero home price impact, there's a simple solution. Allow 40-year amortizations but make people qualify on a 30-year amortization, which means they can't get approved for a bigger mortgage and thus pressure home prices." **REU**



Rising mortgage rates

Additional income you need **To buy a home**

Despite home prices in the GTA trending downward, rising mortgage rates and stress test threshold are making it difficult for many to buy a home. The Bank of Canada started raising the key overnight rate in March after two years of historic low rates. Fixed-rate mortgages increased by 66 per cent on average between March and June. "In every city, homebuyers require a lot more income to purchase the average home due to higher stress tests caused by increasing mortgage rates. Generally, for every one per cent that the stress test increases, a household qualifies for about ten per cent less mortgage," according to James Laird, president of Canwise Financial, a mortgage lender.

Ratehub.ca has calculated that the annual income one

would need to buy a home in Canada. Looking at the month of March in Toronto when the mortgage rate was 3.14 per cent and the stress test rate was 5.25 per cent; To buy a house at the average price of \$1,335,000 with a \$1,068,000 mortgage, a homebuyer would need to earn an annual income of \$210,750. More recently, in June, prices dipped to an average of \$1,204,900, but the mortgage rate rose to 5.21 per cent and the stress test to 7.21 per cent, that same buyer needed a smaller mortgage of \$963,920 but a higher income of \$226,500. That's an increase in required income of \$15,750.

Lower home prices are good news for prospective homebuyers, but this trend is offset by rising interest rates. **REU**

Condo update

Fierce competition for rentals **A landlord's market**

The population in the GTA is growing in leaps and bounds, which means increasingly more people need a place to live. At the same time, rising interest rates and high borrowing costs have pushed home ownership beyond the means of some buyers, making renting the option of choice for many.

Rental rates have been shooting upwards ever since Bank of Canada started raising interest rates to get inflation under control. The benchmark interest rate increased 2.25 percentage points over five months.

There were 13,203 condo apartment rental transactions reported through the Toronto Regional Real Estate Board (TRREB) in the second quarter (Q2) 2022, down 11.4 per cent compared to Q2 2021. "The dip in rentals was not the result of waning demand, but instead a much more pronounced dip in the number of rental listings, dropping by almost 30 per cent year-over-year. With less choice, it was much more difficult for renters to get deals done."

Fierce competition for homes that marked the pandemic period has now shifted to rentals, pushing rental fees sky high. Reports from real estate agents and the media tell of landlords demanding months of rent upfront, asking for higher rents when units turn over and even bidding wars

among prospective tenants. Average rents for one bedroom and two bedroom apartments are now both at record levels, surpassing the previous peak in Q3 2019. The average rent for a one bedroom and two bedroom condo apartment in the GTA, in Q2 of this year was \$2,269 and \$2,979 up a jaw dropping 20.2 and 15.3 per cent respectively, compared to last year, according to TRREB.

Experts note that this skyrocketing rental demand has buoyed condo prices in large cities, with investors willing to wait out price dips and some even looking to buy more

GTA condo apt vacancy rate and avg price for one bed apt

Halton	<div><div></div></div>	\$2,197	0.5%
Peel	<div><div></div></div>	\$2,275	0.9%
Toronto	<div><div></div></div>	\$2,279	0.9%
York	<div><div></div></div>	\$2,174	0.5%
Durham	<div><div></div></div>	\$2,256	0.3%

Source: TRREB rent report Q2 2022

investment properties.

Rental demand is expected to keep climbing. A post-pandemic return to urban centres will further boost demand for city condos. *REU*

On the internet

Interesting websites

yDhR.ca

Pumpkin Patch Family Fest & Train Ride. A trip to the pumpkin patch, hay mazes, jumping castles, and a petting zoo! Oct 15-30

eatTHISmuch.com

Automatically create custom meal plans for your diet goals. Perfect for weight loss, bodybuilding, vegan, and more!

itPAYStoKNOW.gc.ca

Financial Consumer Agency of Canada (FCAC) promotes financial education and raises consumers' awareness of your rights and responsibilities.

heartANDstroke.ca

A great source of information about stroke, heart disease, surgeries and treatments.

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

Mortgages

August 8, 2022

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

Prime	4.70%
Variable	4.19%
1-year	4.74%
2-year	4.79%
3-year	4.84%
4-year	4.89%
5-year	4.79%





GTA '22 totals

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

Active listings

July15,344
YTDN/A

New listings

July12,046
YTD107,705

Sales

July4,912
YTD52,100

Average price

July\$1,074,754
YTD\$1,239,973

Median price

July\$940,000
YTD\$1,080,000

Average property days on market

July29
YTD16

Average percentage of list price

July99
YTD108

Source: TRREB

Housing market indicators

Single-family dwellings

Source: TRREB	Sales	New Listings
July '21	9,339	12,562
July '22	4,912	12,046
% Change	-47.4%	-4.1%

Home inspections When things go wrong

There may come a time after you've lived in your house for a while that you discover something wrong with it. At that point, you may be upset or disappointed that your home inspection did not reveal this issue. There can be a number of reasons why the home inspection did not find it.

Intermittent or concealed problems

Some problems can only be discovered by living in a house and will never be found during the few hours of a home inspection. For example, some shower stalls leak when people are in the shower for a period of time, but do not leak when you simply turn on the tap for a few minutes. Some roofs and basements only leak when specific conditions exist. And, some problems will only be discovered when carpets are lifted, furniture is moved or finishes are removed.

No clues

Inspections are based on the house's past performance. If there are no clues of a past problem, it is unlikely that a future problem can be foreseen.

Contractors' advice

The main source of dissatisfaction with home inspectors comes from comments made by contractors. Contractors' opinions often differ from those of home inspectors. Don't be surprised

when three roofers all say the roof needs replacement when the inspector said that, with some minor repairs, the roof will last a few more years. Contractors fear that the last person to look at or work on the roof will get blamed if the roof leaks, regardless of whether the roof leak is the contractor's fault or not. Consequently, many contractors won't want to make a minor repair with high liability when they could re-roof the entire house for more money and reduce the likelihood of a callback. This is understandable.

Why didn't inspectors see it

Contractors may say, "I can't believe you had this house inspected, and they didn't find this problem." There are several reasons for these apparent oversights:

The wisdom of hindsight: When the problem manifests itself, it is very easy to have 20/20 hindsight. Anybody can say that the basement is wet when there is 2 inches of water on the floor. Predicting the problem is a different story.

A long look: If inspectors spend 30 minutes under the kitchen sink or 45 minutes disassembling the furnace, they would find more problems too. Unfortunately, the inspection would take several days and would cost considerably more.

Generalists: Inspectors are generalists; they are not specialists.

The heating contractor may indeed have more heating expertise than your inspector.

An invasive look: Problems often become apparent when carpets or plaster are removed, when fixtures or cabinets are pulled out, and so on. A home inspection is a visual examination. Invasive or destructive tests are not performed.

A home inspection is designed to improve your odds. It is not designed to eliminate all risk. For that reason, a home inspection should not be considered an insurance policy.

The above article is reprinted with the permission of Carson, Dunlop & Associates Ltd., Consulting Engineers – Expert Home Inspections.

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