



MARCH 2024 **GTA MARKET** **UPDATE**

Prepared By:
ROYAL LEPAGE TERREQUITY REALTY



www.terrequity.com



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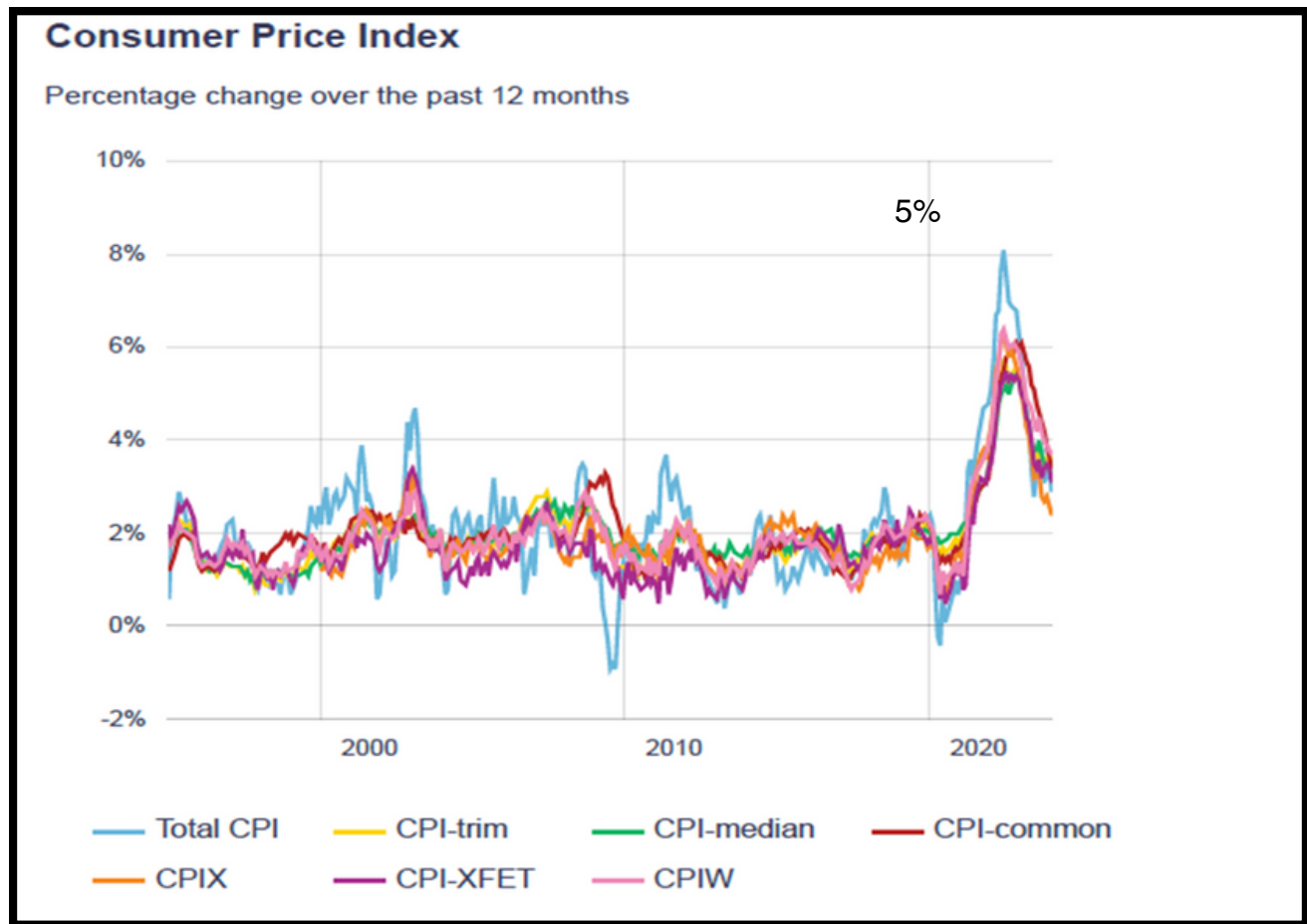
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CHAPTER 1

Interest Rates, Inflation & Other Economic Indicators

Interest Rates and Inflation

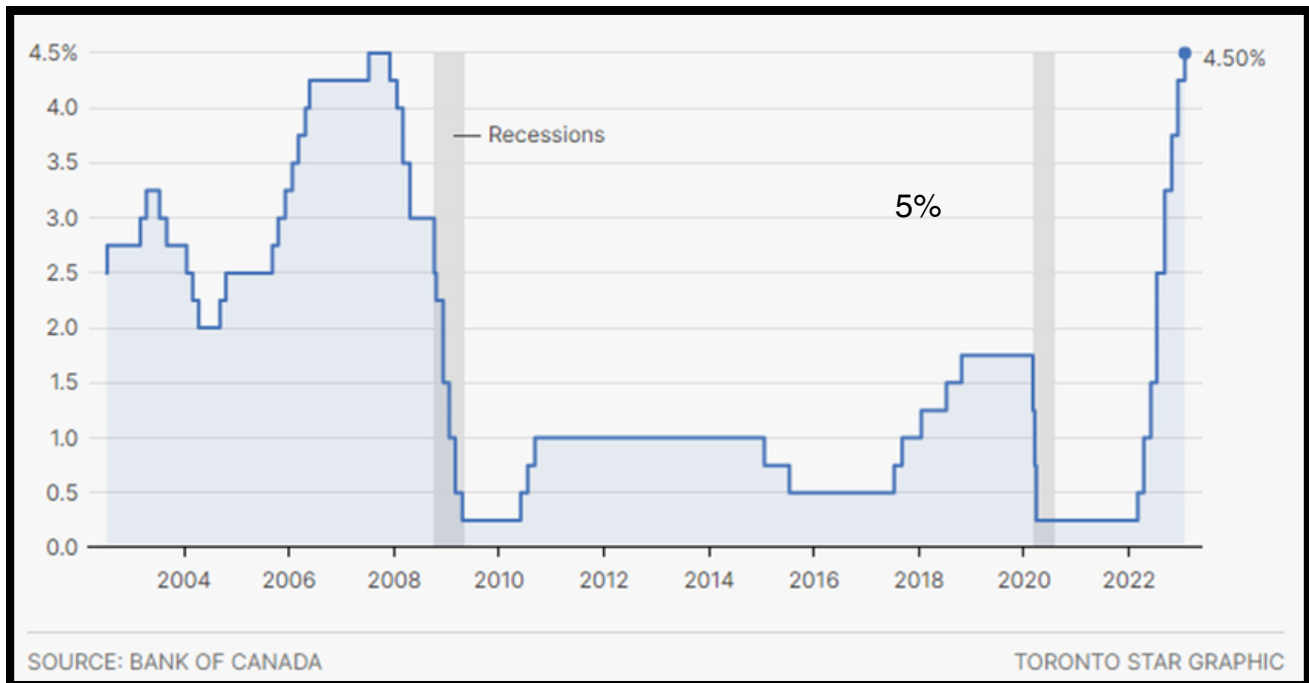
Consumer Price Index



Causes of Inflation Spike

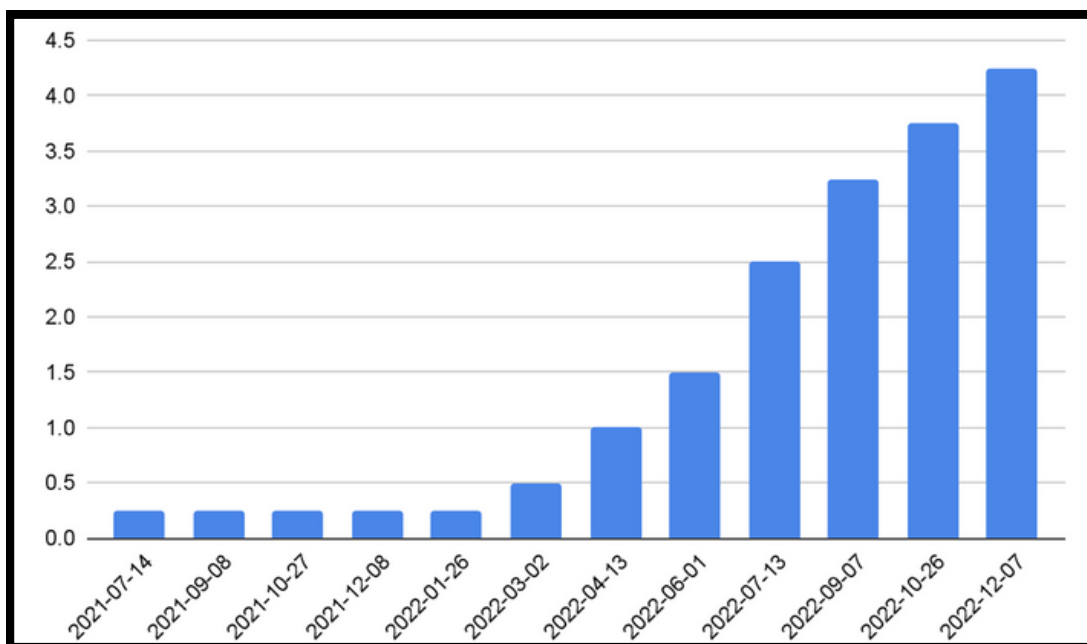
- Very low interest rate, free money, and grants due to COVID response
- Increased real estate sales and price
- Labour Shortages driving up labour rates
- COVID supply chain issues resulting in product shortages
- Ukraine war resulting in oil shortages

Bank of Canada Overnight Lending Rate



Bank of Canada Interest Rates

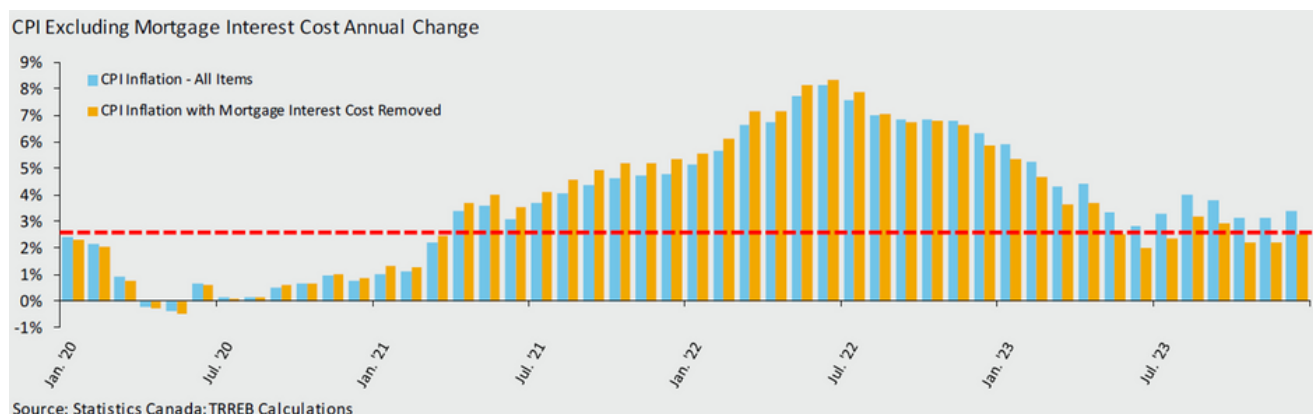
- 4.25% to 5% in 2023
- Highest rate since early 2008
- Significant impact on housing prices and mortgages
- 10 rate increases to date
- 0.25% to 4.25% in 2022



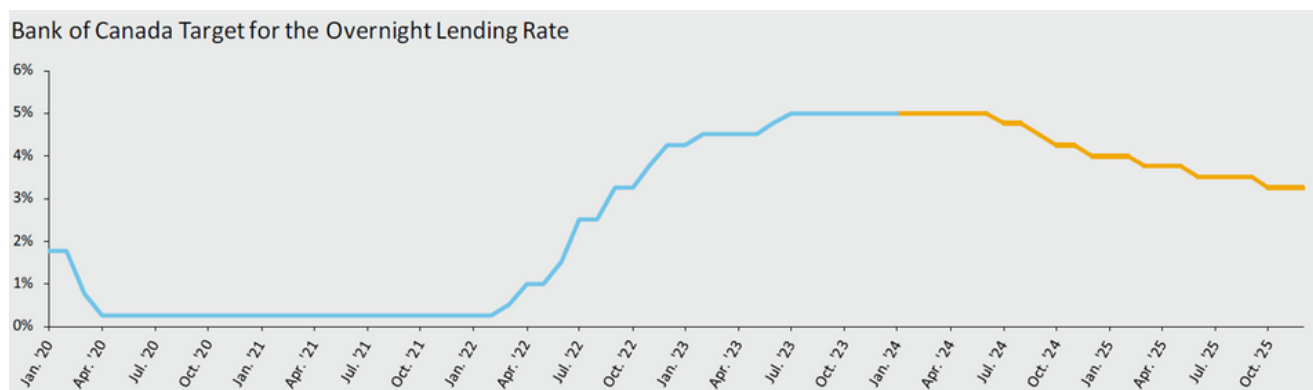
Bank of Canada and Inflation

- Inflation peaked in June 2022, at 8.1% and began to decline thereafter
- In February 2023, Canada's annual inflation rate dropped to 5.9%
- In December 2023, Canada's annual inflation rate dropped to 2.9%
- September 2023, Bank of Canada said it was pausing future rate increases again
- **This is great news for homeowners**

The Rate of Inflation Has Subsided



Interest Rate Outlook



Mortgage Rates

- With increases in the Bank of Canada rates, mortgage lenders have had to increase the mortgage lending rates as well
- Fixed 5-year mortgage rates have more than doubled since the Bank of Canada started increasing its lending rates

Sequoia Mortgage Rates Vs. Bank Rates

Sequoia Mortgage Rate vs Bank Rate			
As of March 5, 2024			
	Sequoia		Bank
	Insured	Conventional	
1 Year	6.59%	6.93%	7.84%
2 Year	6.37%	6.37%	7.39%
3 Year	5.29%	5.49%	6.94%
5 Year	5.09%	5.54%	6.79%
10 Year	6.14%	6.14%	7.49%
Variable	6.30%	6.85%	6.97%

Rates are subject to change at any time without notice. Rates subject to qualifying criteria. Please call for further updates. As of today the Prime Rate is 7.20%.

Summary of Interest Rates

Year	Month	Inflation Rate	B of C Rate	Prime Rate	5 Yr Closed Insured	5 Yr Closed Uninsured	Variable Rate
2023	May	3.4%	4.50%	6.70%	4.59%	5.04%	6.45%
	June	2.8%	4.75%	6.70%	4.94%	5.14%	6.45%
	July	3.3%	5.00%	6.95%	5.19%	5.79%	6.55%
	August	4.0%	5.00%	7.20%	5.39%	6.09%	6.95%
	September	3.8%	5.00%	7.20%	5.64%	6.24%	6.95%
	October	3.1%	5.00%	7.20%	5.79%	6.19%	7.05%
	November	3.1%	5.00%	7.20%	5.84%	6.44%	7.00%
	December	3.4%	5.00%	7.20%	5.54%	6.39%	7.15%
	2024 January	2.9%	5.00%	7.20%	5.24%	5.84%	7.05%
	February	TBA	5.00%	7.20%	5.14%	5.72%	7.00%
	March	TBA	5.00%	7.20%	5.09%	5.54%	6.85%

Stress Test and Mortgage Rates

- Both A and B Lenders use the Qualifying Rate or Stress Test Rate to determine how much the client can borrow
- Stress Test (or Qualifying Rate) applies to all fixed and variable rates at all A and B Lenders, but not Credit Unions
- To determine what the qualifying rate is, it is either 5.25% or your mortgage Contract Rate + 2.00% whichever is higher **
- Whereas Credit Unions will qualify clients on their Contract Rate, provided the client has a 20% down payment, and have good credit and income.

** This is set by the Office of the Superintendent of Financial Institutions

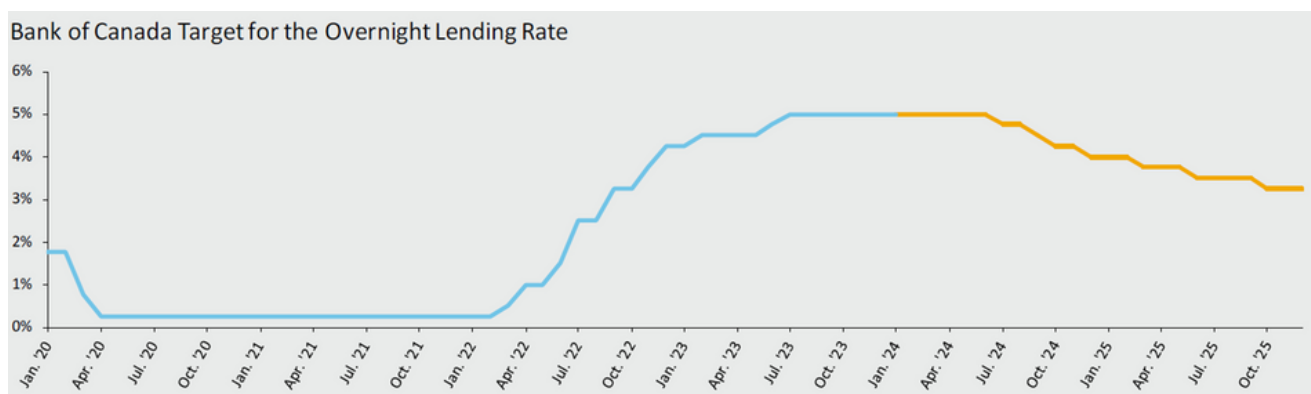
Sequoia Mortgage Rates vs. Bank Rate

Qualifying Rate	Contract Rate
Purchase Price \$600,000	Purchase Price \$680,000
Down Payment \$120,000 (20%)	Down Payment \$136,000
Mortgage \$480,000	Mortgage \$544,000
Rate: 5.49% + 2.00% = 7.49%	Rate: 6.99%

The two examples above are based on a 3-year fixed term, with:

- Clients putting down 20% and have an income of \$120,000
- 30-year amortization
- Property Taxes of \$4,500/yearly
- Heating \$125/monthly

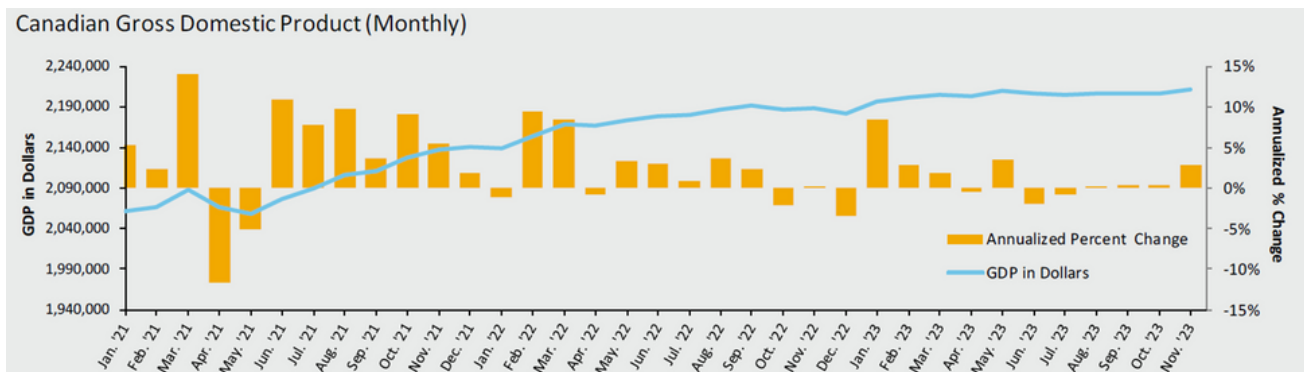
Interest Rate Outlook



Record Employment Levels

- Unemployment levels in Ontario continue to decline
 - October 2022: 5.4%
 - November 2022: 5.3%
 - December 2022: 5.1%
 - February 2023: 5.0%
 - March 2023: 5.2%
 - August 2023: 5.5%
 - February 2024: 5.7%
- Current level of unemployment represents one of the lowest levels of unemployment on record vs the long-term average of 7.42%

The Economy Has Remained Resilient



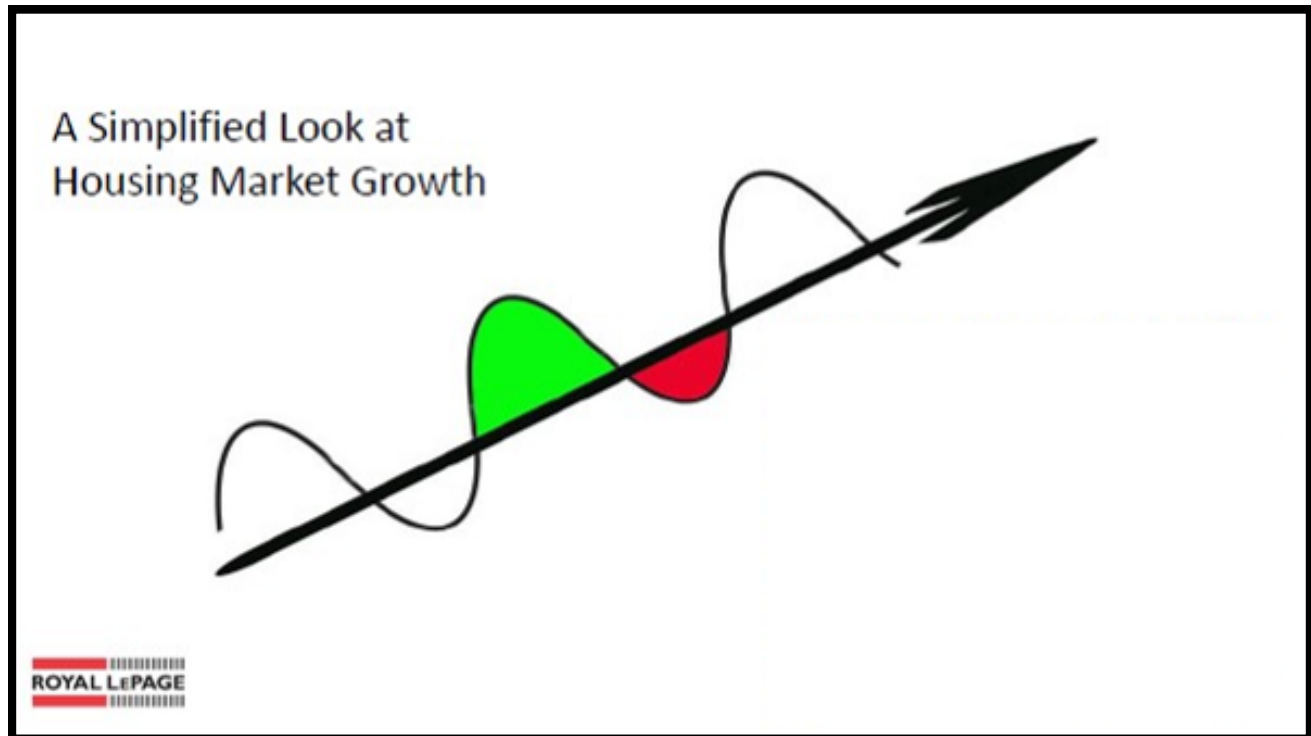
Recap - Economic Update

Inflation Rate	2.9%
Bank of Canada	5%
Bank Prime Rate	7.2%)
GDP Growth	1%
National Unemployment Rate	5.7%

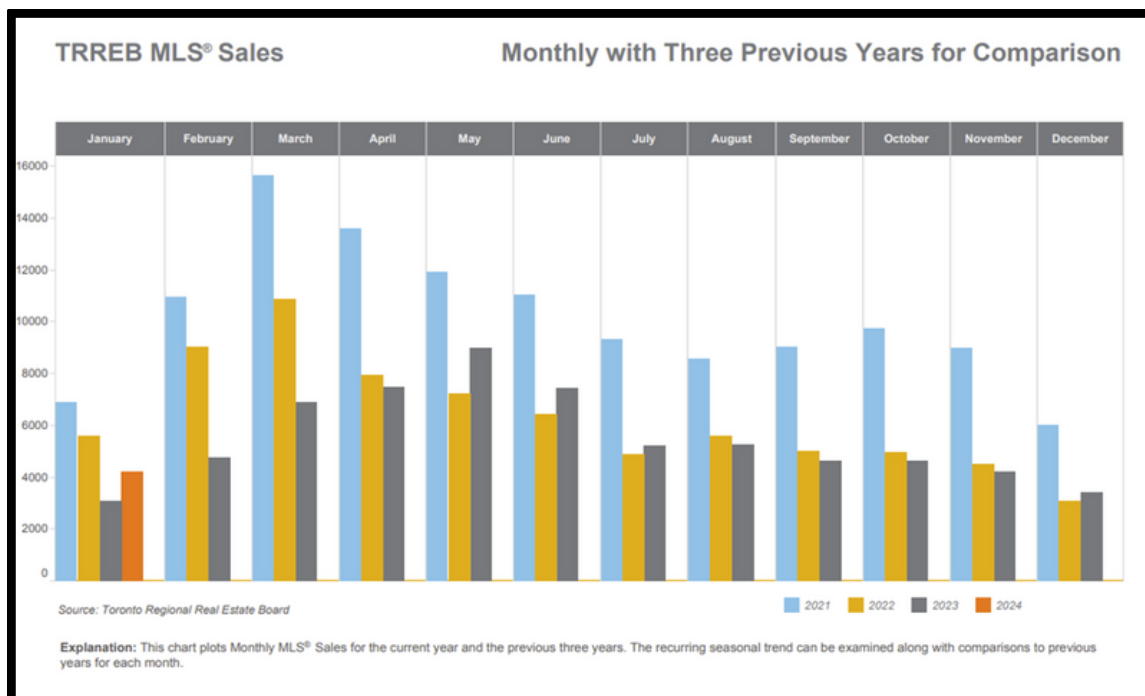
CHAPTER 2

GTA Real Estate Market

Where is the Real Estate Market Today?



TRREB Unit Sales



GTA Real Estate Market Update

- Unit sales are the key metric to access market conditions
- Unit sales drive future price increases and decreases
- An increase in number of units sold will typically result in higher average prices
- Conversely, decreases in unit sales will result in dropping average prices over time

Market Update: December 31, 2022, vs 2023 (YOY)

- **Units Sold:** 75,047 (2022) vs 65,982, (2023) or 12.1% decrease
- **Average Selling Price:** \$1,126,604 (2023) vs \$1,190,749 (2022) or 5.2% increase
- **Active Listings:** 10,370 (December 2023) vs 8,694 (December 2022) or 19.3% increase
- **Days on Market - PDOM:** 49 (December 2023) vs 40 (December 2022) or 22.5% increase

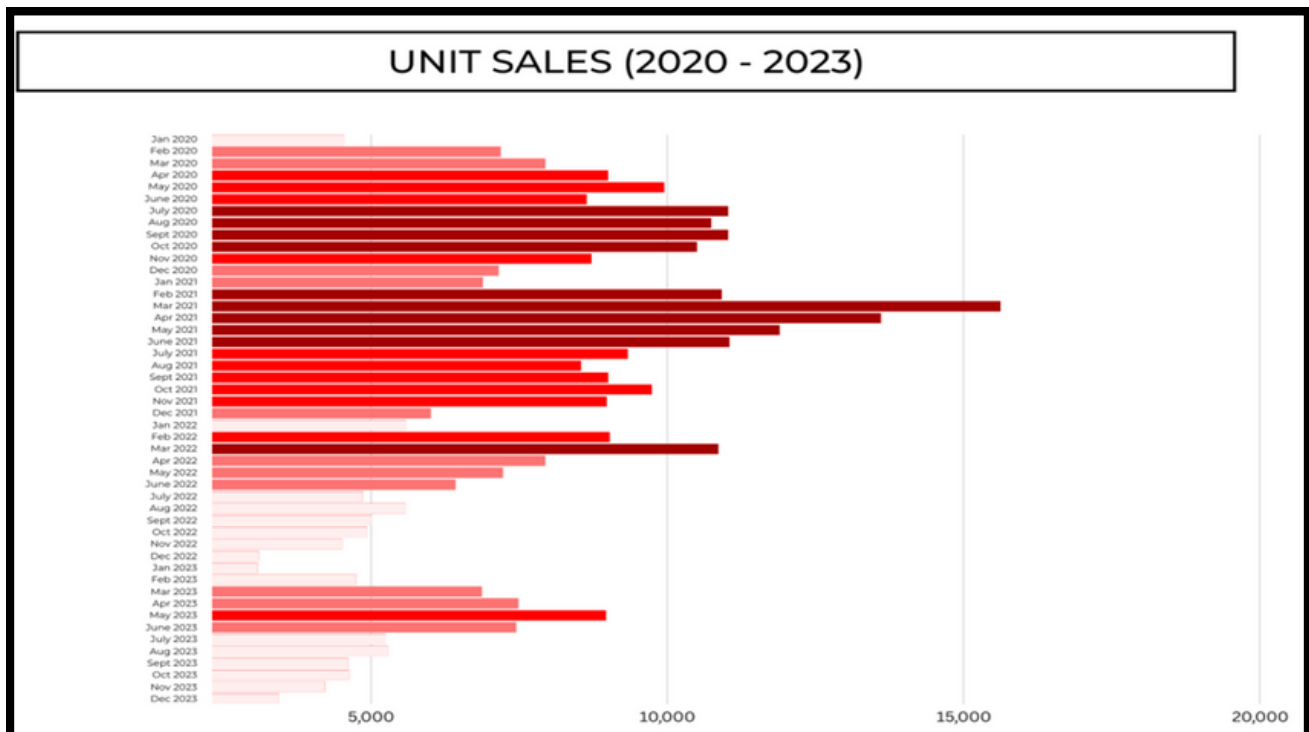
GTA Real Estate Market Sales % Changes December 2023-YOY

UNIT SALES - DECEMBER 31, 2023			
YoY % Change	416	905	Total
Detached	20.8%	11.4%	13.6%
Semi-Detached	56.1%	26.5%	36.7%
Townhouse	1.8%	24.6%	19.8%
Condo Apt.	0.5%	-5.0%	-1.4%

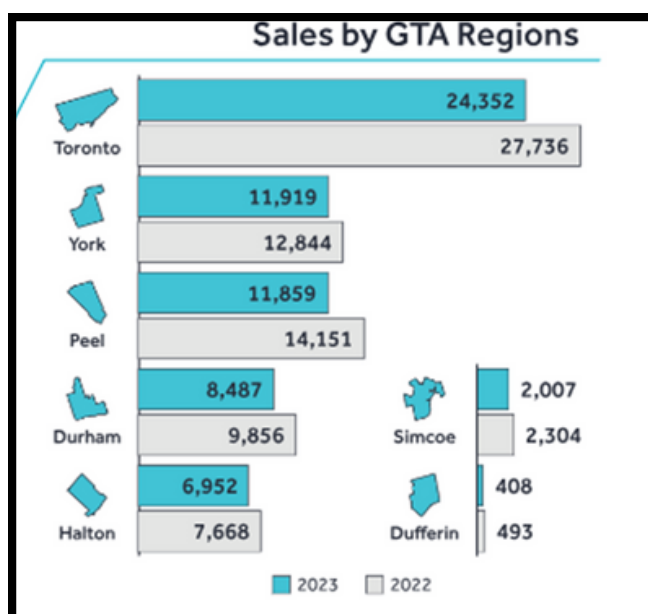
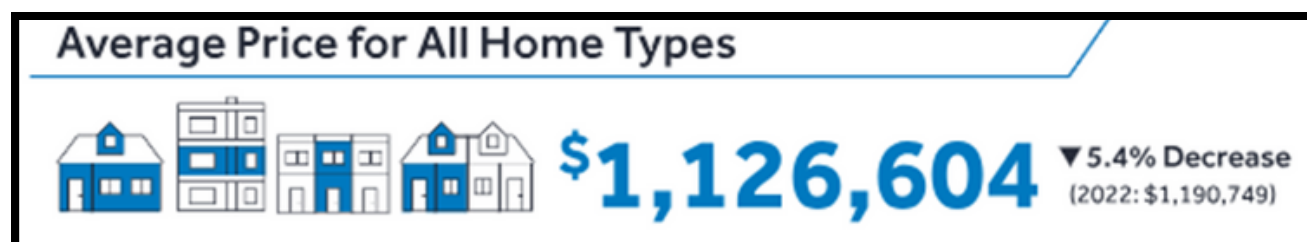
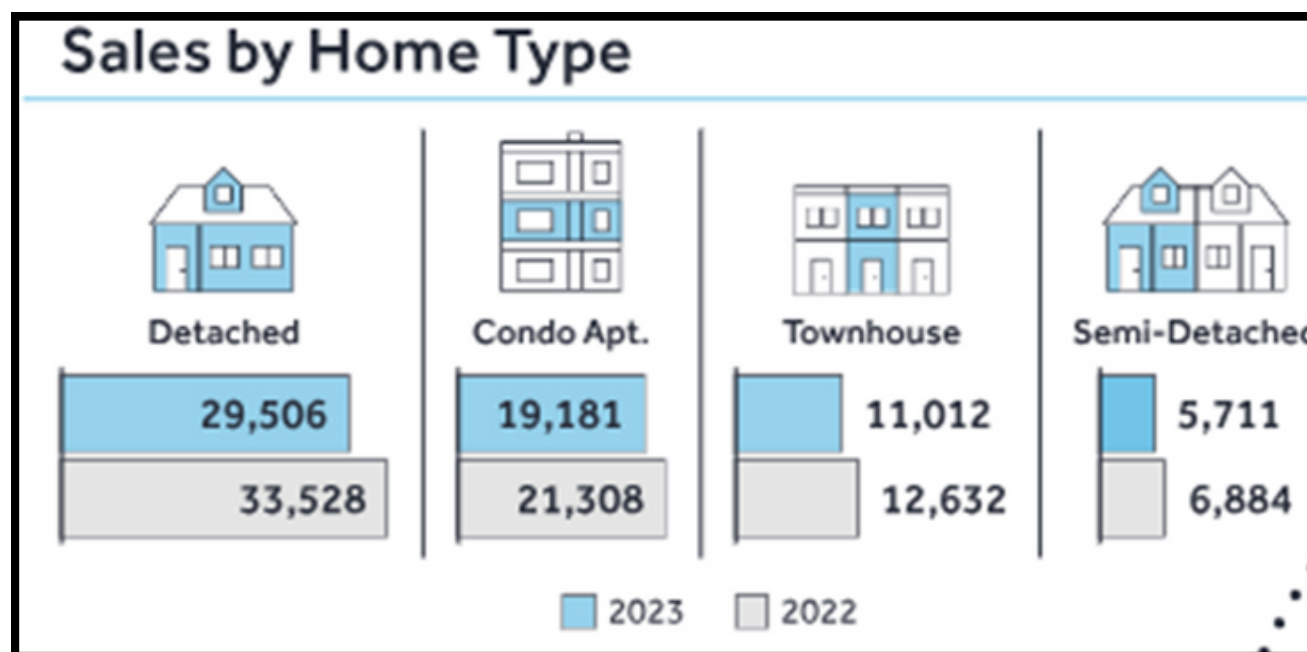
Historical TRREB Unit Stats

	2017	2018	2019	2020	2021	2022	2023
	Units	Units	Units	Units	Units	Units	Units
January	5,154	3,987	3,968	4,546	6,887	5,594	3,085
February	7,955	5,148	4,982	7,193	10,925	9,028	4,754
March	11,953	7,188	7,132	7,944	15,627	10,864	6,872
April	11,463	7,744	9,005	9,005	13,613	7,941	7,490
May	10,066	8,402	9,950	9,950	11,903	7,228	8,970
June	7,893	8,024	8,826	8,645	11,052	6,424	7,452
July	5,868	6,916	8,555	11,033	9,338	4,870	5,245
August	6,306	6,797	7,682	10,738	8,549	5,590	5,294
September	6,334	6,415	7,792	11,033	9,010	5,001	4,616
October	7,070	7,448	8,446	10,503	9,743	4,936	4,630
November	7,326	6,208	7,055	8,726	8,979	4,521	4,226
December	4,876	3,749	4,365	7,156	6,013	3,110	3,444
	92,264	78,026	87,758	106,472	121,639	75,107	66,078
Average 9 Months	8,110	6,736	7,544	8,899	10,767	6,949	5,975

TRREB Market – Units Sold



2023 Year in Review: A Look Back



Average Selling Price - December 31, 2022 vs 2023 (YOY)

- **Detached:** \$1,418,323 (2023) vs \$1,384,586 (2022) or 2.5% increase
- **Semi-Detached:** \$1,027,432 (2023) vs \$1,009,479 (2022) or 1.7% increase
- **Townhouse:** \$912,403 (2023) vs \$864,567 (2022) or 5.5% increase
- **Condo Apt:** \$682,525 (2023) vs \$705,659 (2022) or 3.1% decrease

Market Update: December 31, 2022, vs 2023 (YOY)

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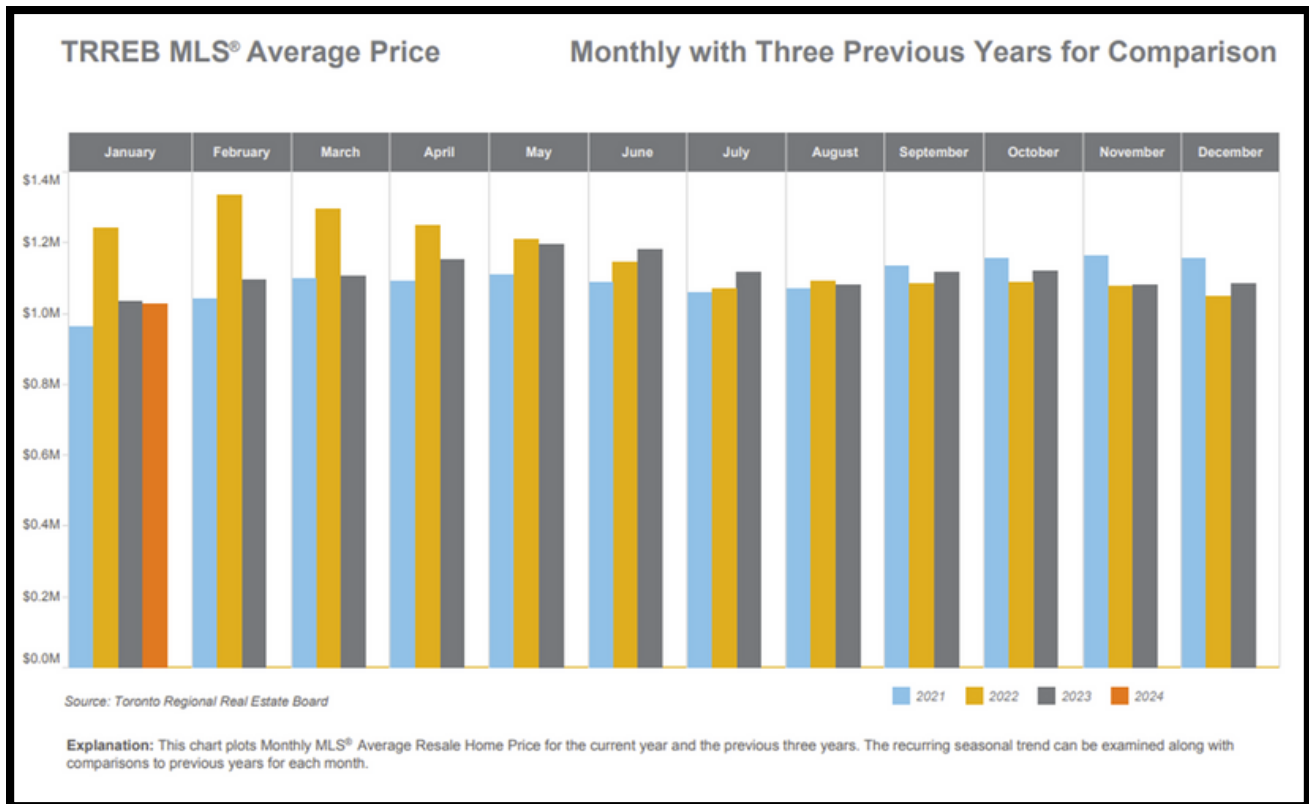
GTA Real Estate Market Sales % Changes December 2023 - YOY

AVERAGE PRICE - DECEMBER 31, 2023			
YoY % Change	416	905	Total
Detached	-0.3%	3.1%	2.5%
Semi-Detached	1.5%	-0.1%	1.7%
Townhouse	25.3%	1.2%	5.5%
Condo Apt.	-4.1%	-1.2%	-3.1%

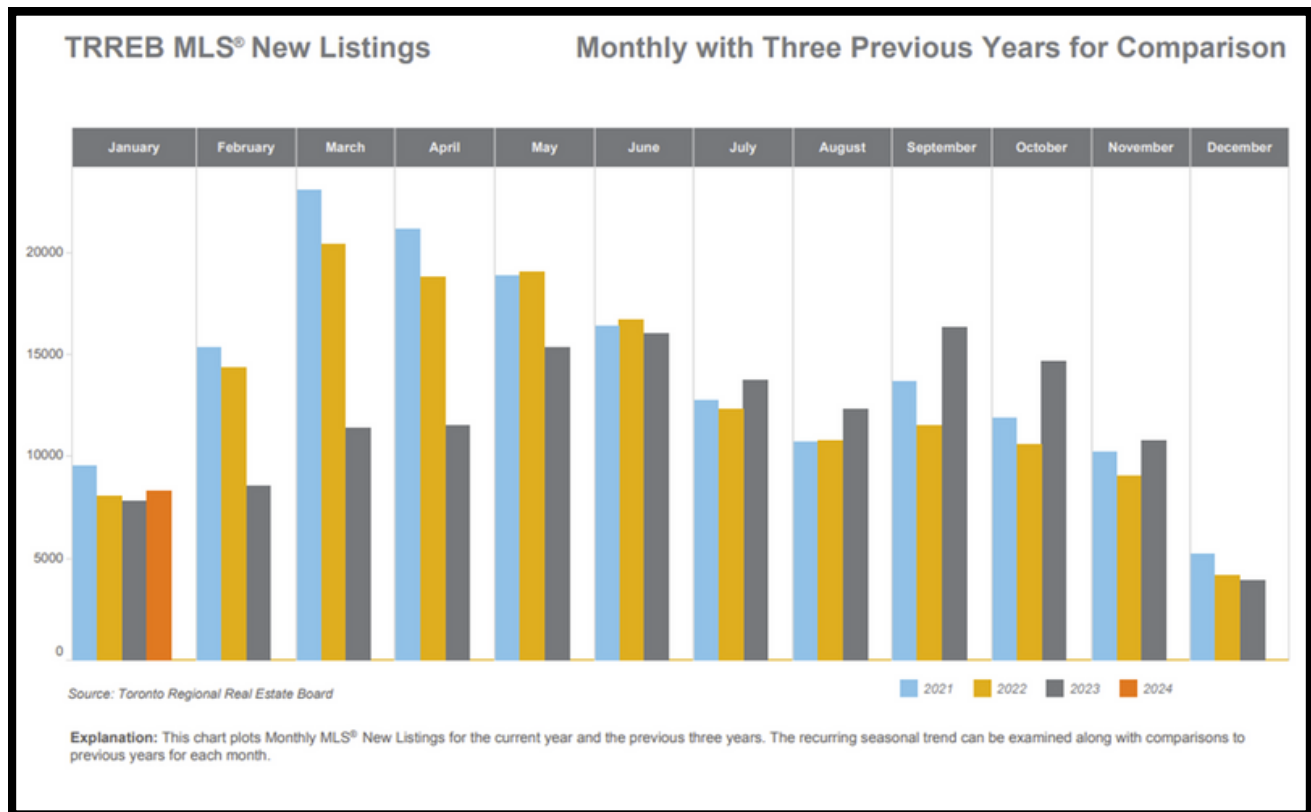
Historical TRREB Average Selling Price

	2017	2018	2019	2020	2021	2022	2023
	Selling Price	Selling Price	Selling Price	Selling Price	Selling Price	Selling Price	Selling Price
January	\$ 768,427	\$ 735,874	\$ 747,175	\$ 838,087	\$ 966,001	\$ 1,242,407	\$ 1,037,145
February	\$ 876,363	\$ 767,801	\$ 779,791	\$ 910,068	\$ 1,044,910	\$ 1,334,062	\$ 1,096,157
March	\$ 915,089	\$ 784,514	\$ 788,133	\$ 902,737	\$ 1,097,319	\$ 1,298,671	\$ 1,108,299
April	\$ 918,130	\$ 804,926	\$ 820,373	\$ 820,226	\$ 1,090,414	\$ 1,250,739	\$ 1,153,520
May	\$ 862,149	\$ 809,305	\$ 838,248	\$ 863,563	\$ 1,108,124	\$ 1,210,646	\$ 1,195,439
June	\$ 791,929	\$ 808,066	\$ 831,882	\$ 931,131	\$ 1,089,012	\$ 1,145,786	\$ 1,181,639
July	\$ 745,815	\$ 781,918	\$ 806,971	\$ 943,594	\$ 1,061,653	\$ 1,073,316	\$ 1,117,611
August	\$ 730,969	\$ 765,252	\$ 792,134	\$ 951,219	\$ 1,070,201	\$ 1,079,586	\$ 1,082,496
September	\$ 774,487	\$ 796,798	\$ 842,628	\$ 960,613	\$ 1,135,027	\$ 1,086,560	\$ 1,118,600
October	\$ 780,599	\$ 807,538	\$ 851,890	\$ 968,535	\$ 1,155,624	\$ 1,090,301	\$ 1,123,955
November	\$ 761,410	\$ 787,758	\$ 843,292	\$ 955,889	\$ 1,162,564	\$ 1,079,087	\$ 1,081,736
December	\$ 734,842	\$ 749,580	\$ 838,625	\$ 932,277	\$ 1,157,837	\$ 1,051,031	\$ 1,084,692
Mean Average	\$ 805,017	\$ 783,278	\$ 815,095	\$ 914,828	\$ 1,094,891	\$ 1,161,849	\$ 1,115,107

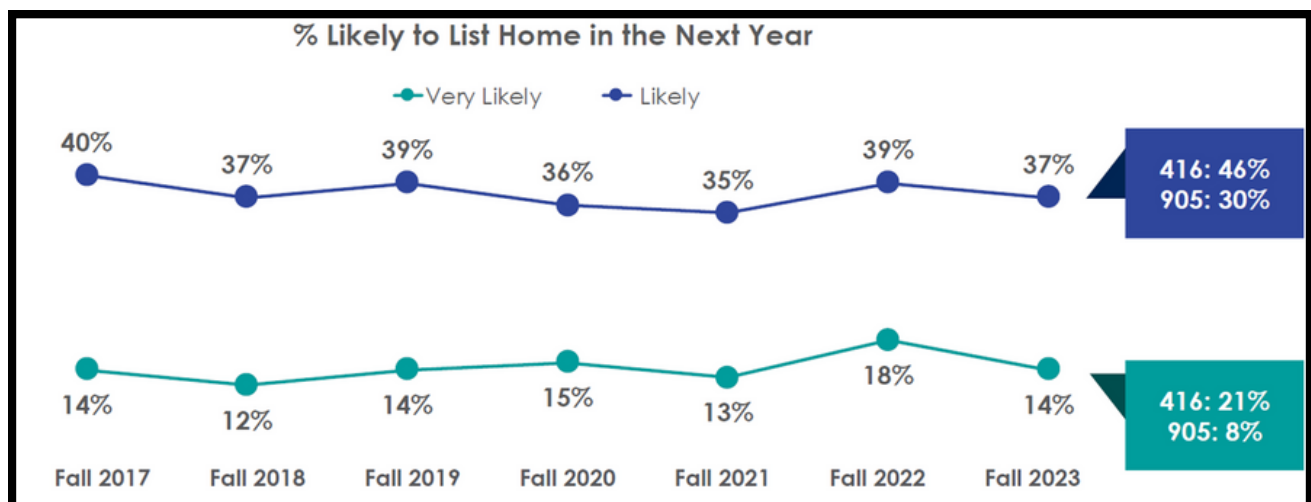
TRREB MLS - Average Price



TRREB New Listings



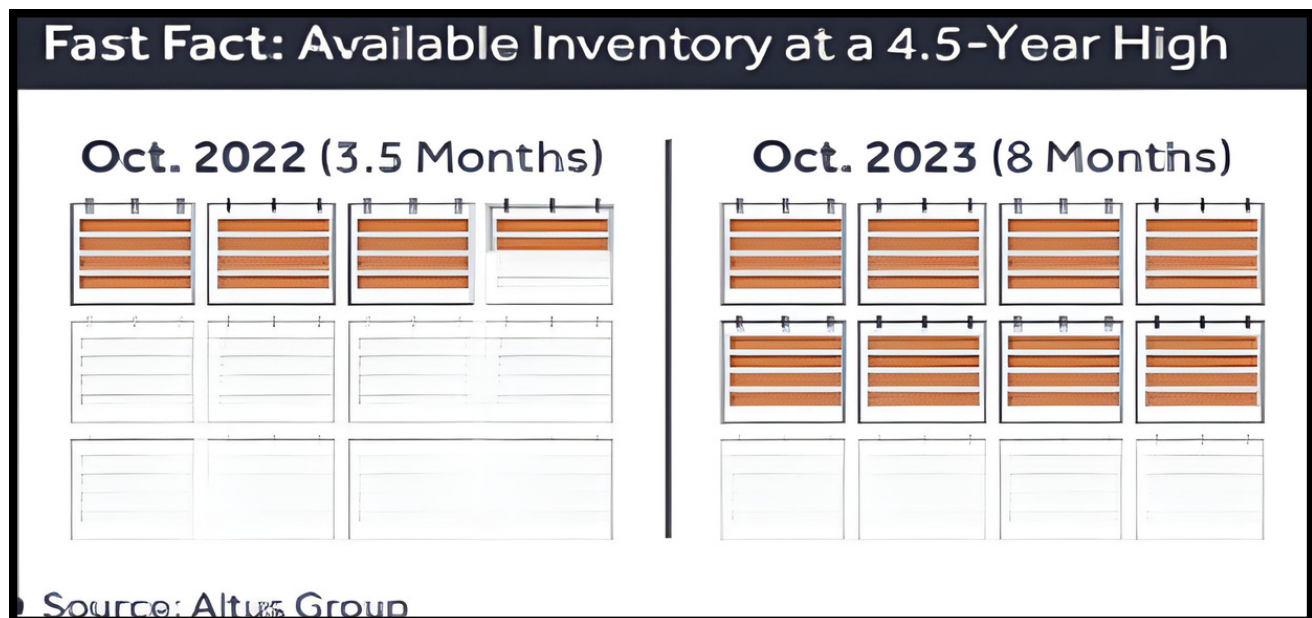
Likelihood of Listing Homes For Sale



Pre-Construction (Pre-Con) Sales

- Preconstruction sales are down 27% from last years numbers due to:
 - Decline in resale Condo Prices
 - Higher costs of construction
 - Higher interest rates especially with variable-rate mortgages
 - Negative cash flow
- Many investors can no longer carry the property due to many interest rate hikes, resulting in lack of demand for new projects
- Many projects have been put on hold as the market adjusts

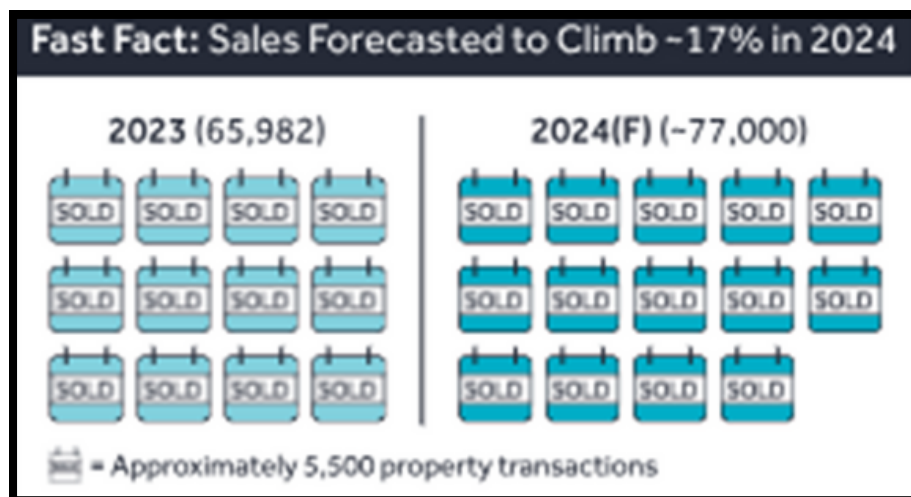
New Homes & Condos Review and Outlook



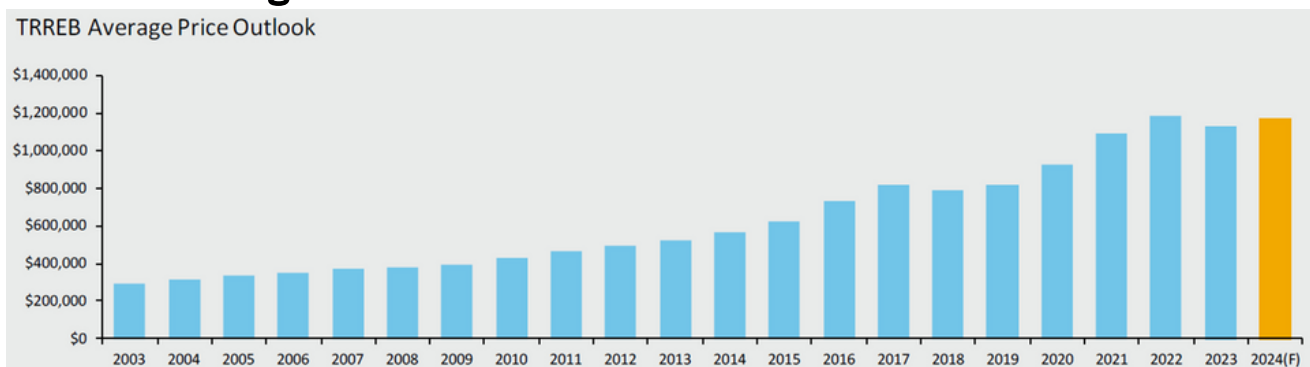
TRREB GTA New Listings Forecast



Sales Are Forecasted to Climb 17% in 2024



TRREB Average Price Outlook



CHAPTER 3 – A

Factors Affecting the GTA:

Desirability of Canada and GTA real estate



Desirability of Canada and GTA Real Estate



CANADA GETS TOP MARKS WORLDWIDE

#1 Country Where People Would Most Like to Live

1. 🇨🇦 Canada
2. 🇳🇿 New Zealand
3. 🇨🇭 Switzerland
4. 🇦🇺 Australia
5. 🇪🇸 Spain
6. 🇮🇹 Italy
7. 🇳🇱 Netherlands
8. 🇸🇪 Sweden
9. 🇳🇴 Norway
10. 🇩🇰 Denmark

U.S. News & World Report, 2022

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Desirability of Canada and GTA Real Estate

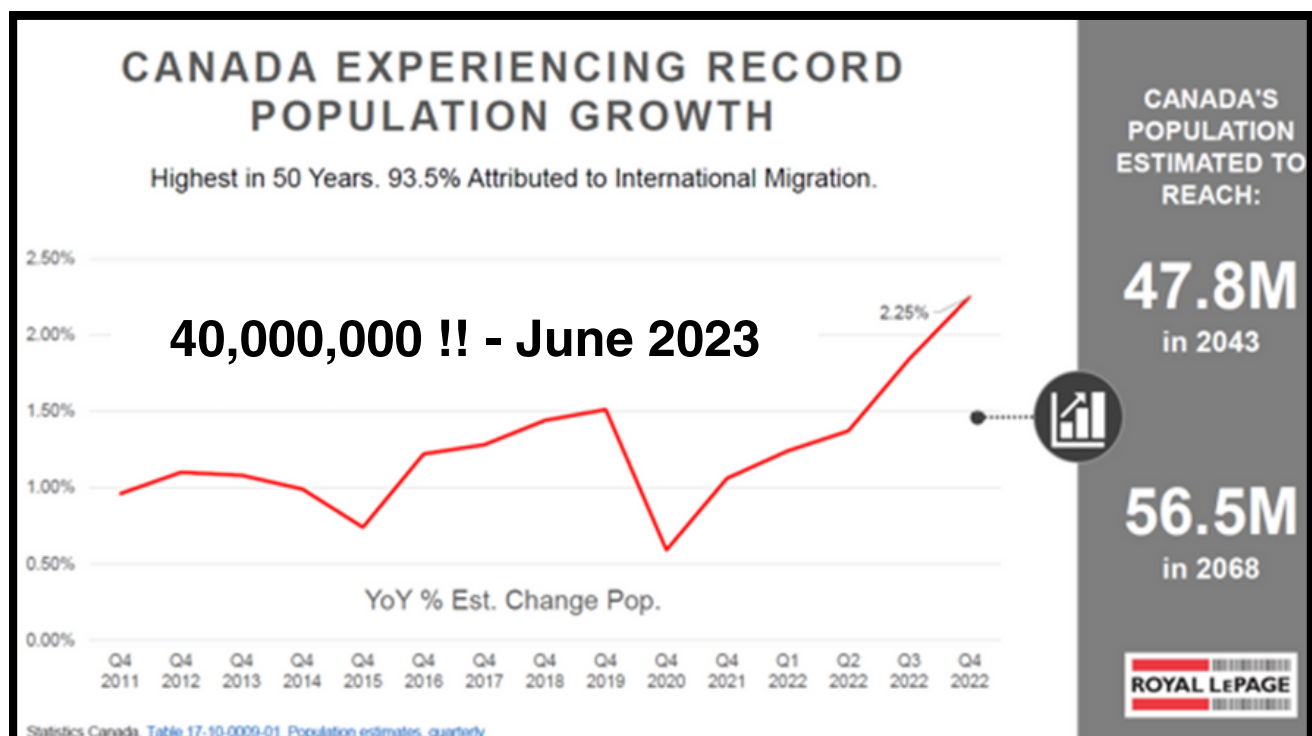
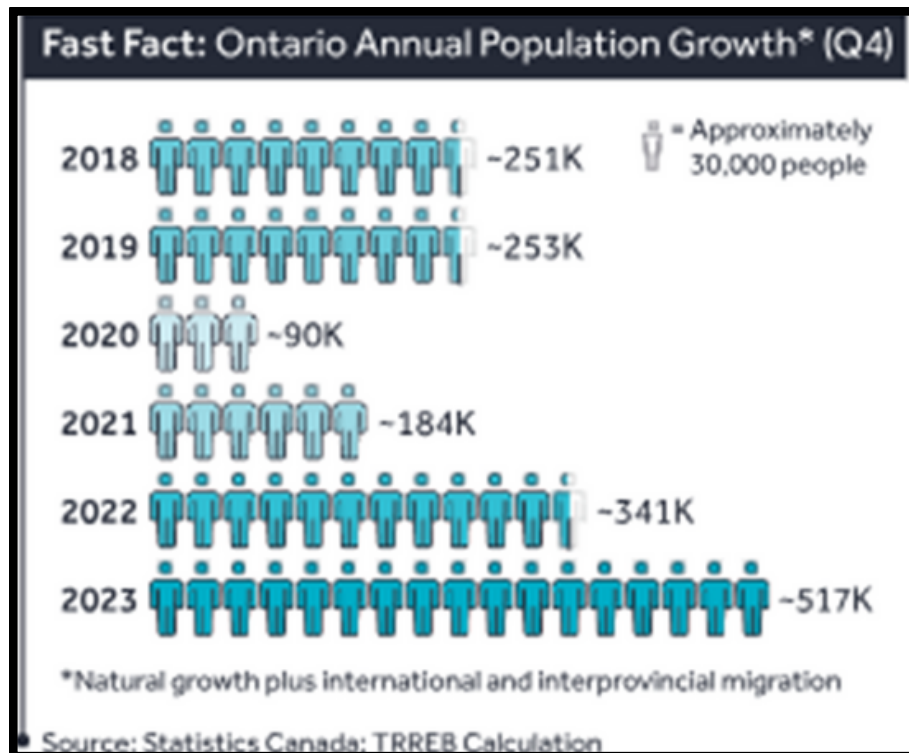
- No.1 Country people would like (Source: U.s. News & World Report 2022)
- No.1 Country when moving abroad (Source: Remitly October 2020)
- No.1 Country to start a career (Source: US News Global Survey)
- Rank No.1 Country for people, governance, and immigration investment (Source: Anholt -Ipsos National Brands Index 2021)
- Canada has three cities in the top 10 of Best Cities to Live in the World (Source Forbes Global livability index 2022) – GTA # 8



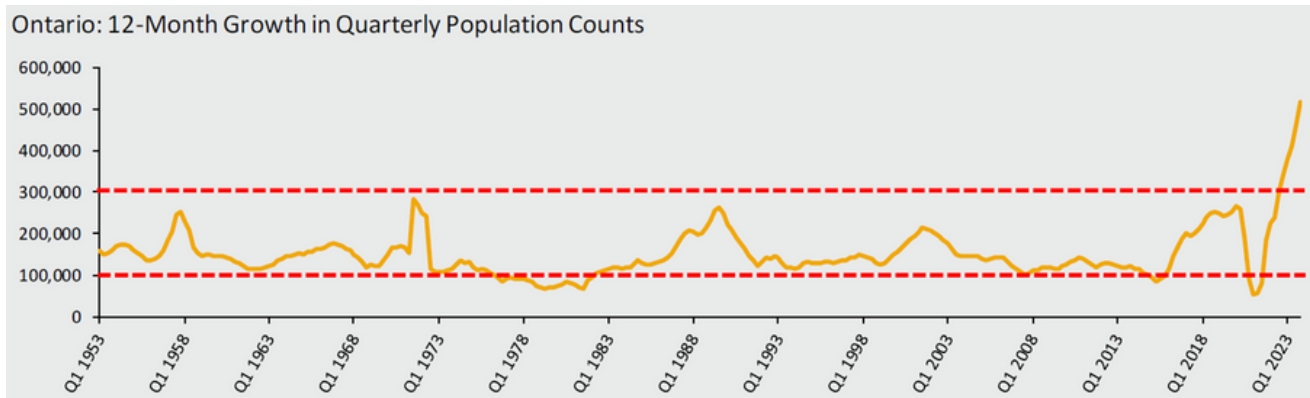
CHAPTER 3 – B

Factors Affecting the GTA: Population Growth

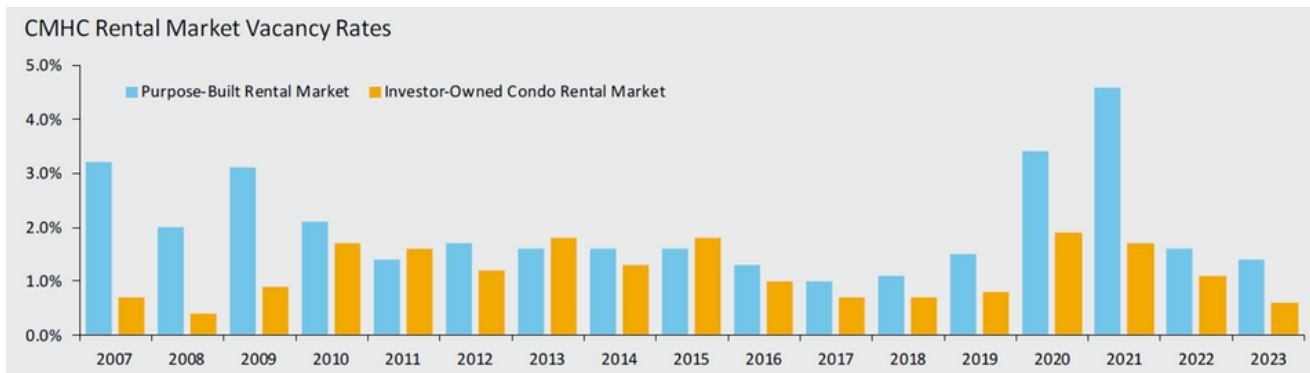
Ontario Population Growth* (Q4)



Very Strong Population Growth



Average Vacancy Rates Trended Lower 2024



CHAPTER 3 – C

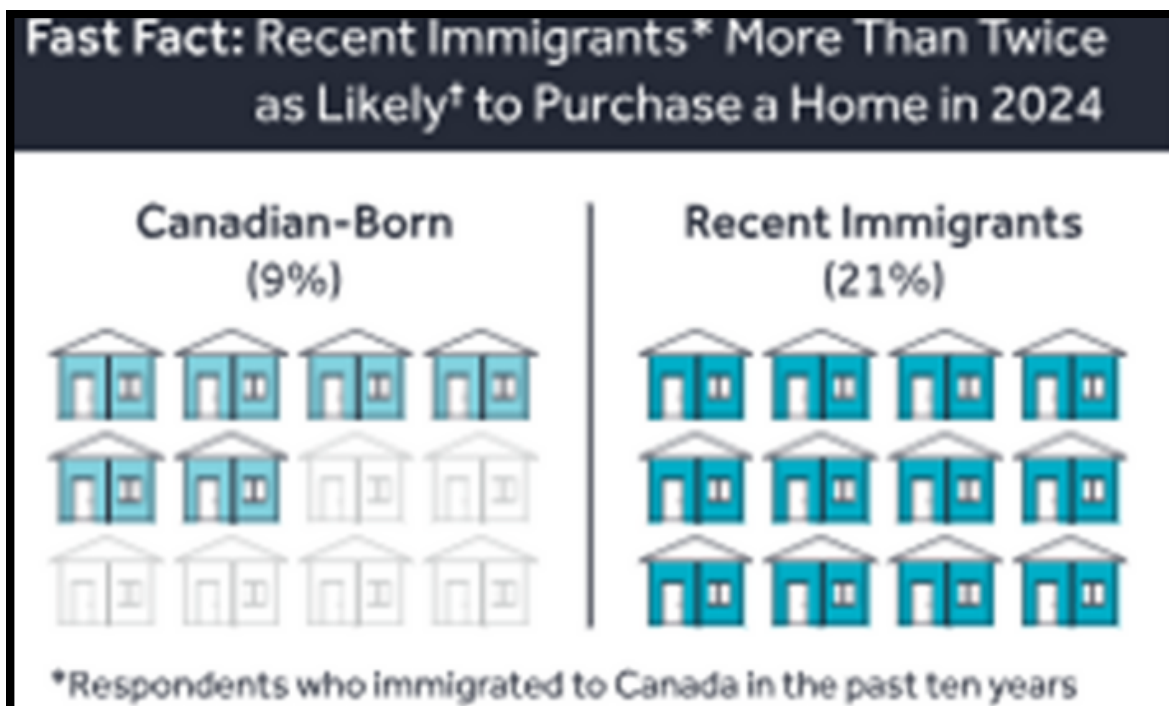
Factors Affecting the GTA:

Immigration Growth & Students

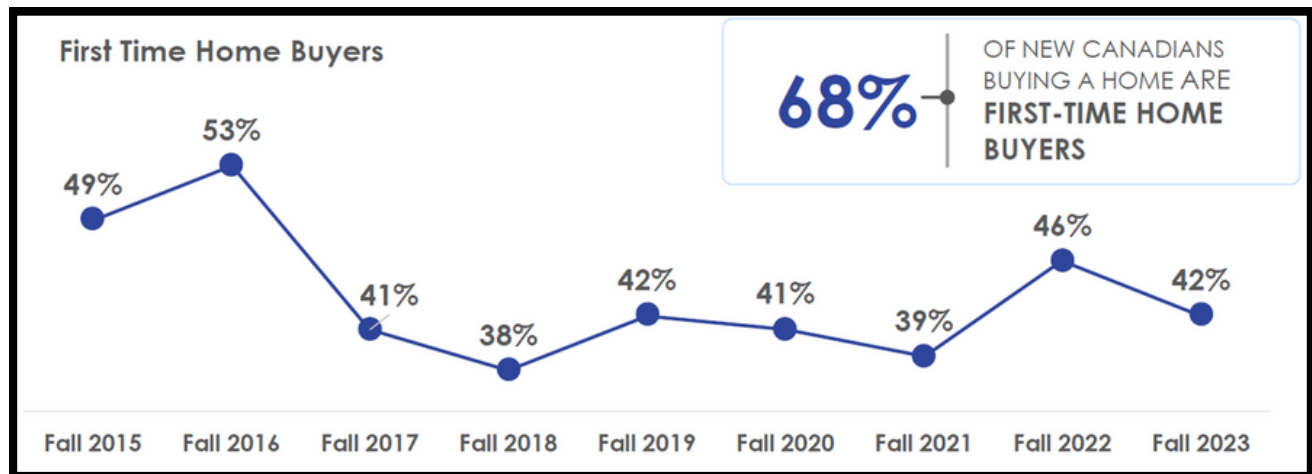
Immigration Growth



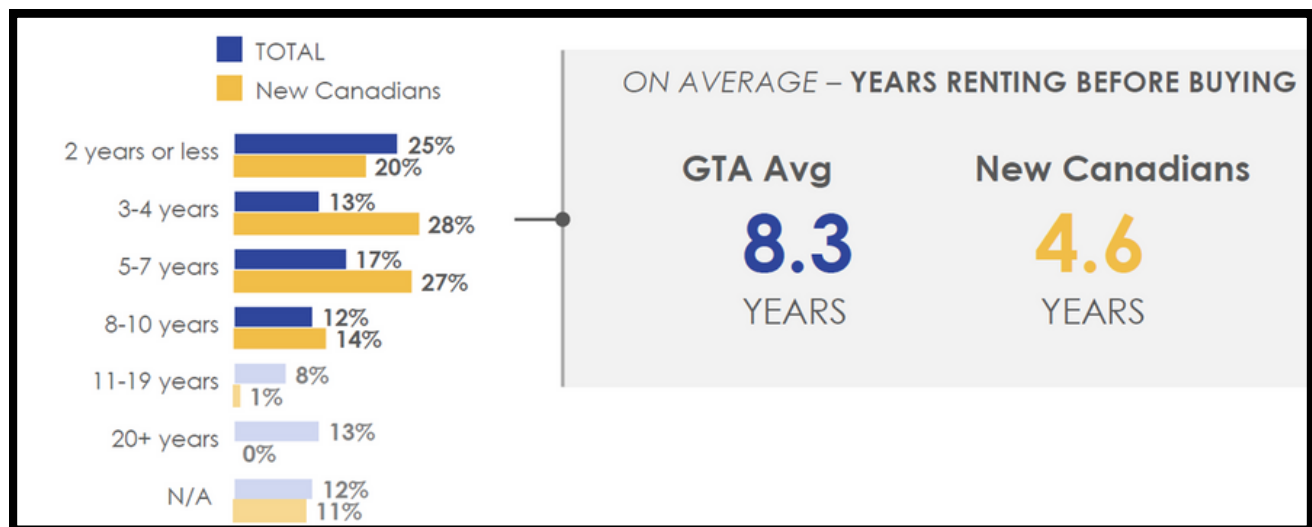
2024 Market Outlook: What's Trending Next



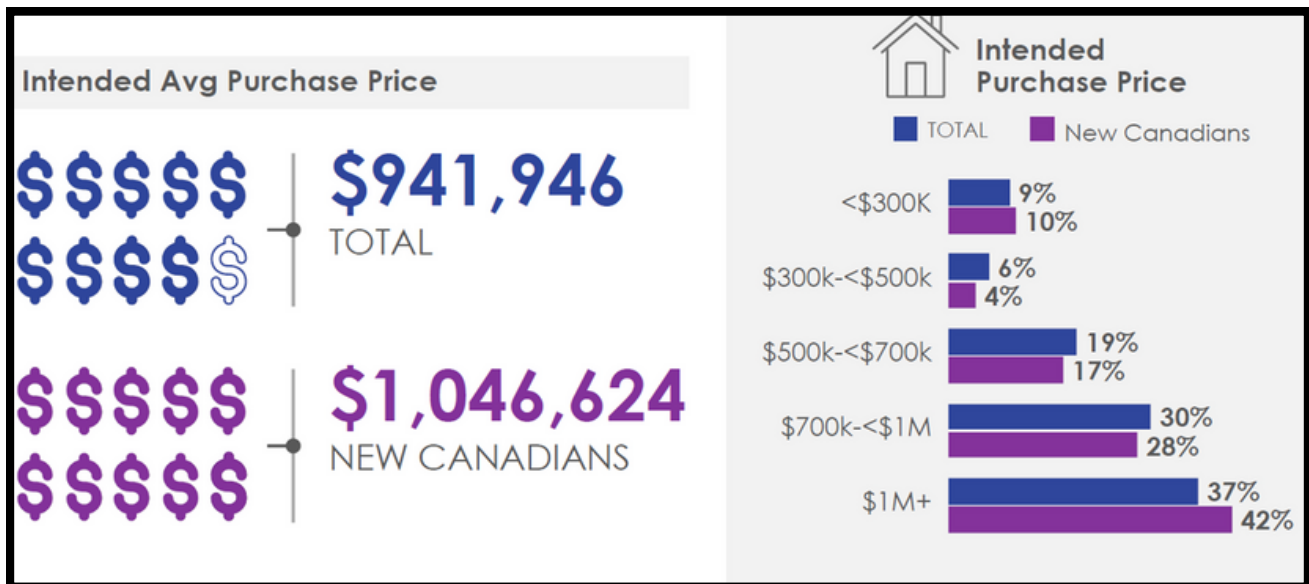
Incidence of First-Time Home Buyers



Duration Before Home Purchase (among homeowners)



New Canadians vs Total



International Students

#1

COUNTRY IN THE WORLD WHERE STUDENTS WANT TO STUDY ABROAD!

International STUDENTS

Canada is the world's third leading destination for international students, with 621,565 studying in Canada in 2022.

This group plays an important role in the health of our economy by contributing **over \$22 Billion** annually.

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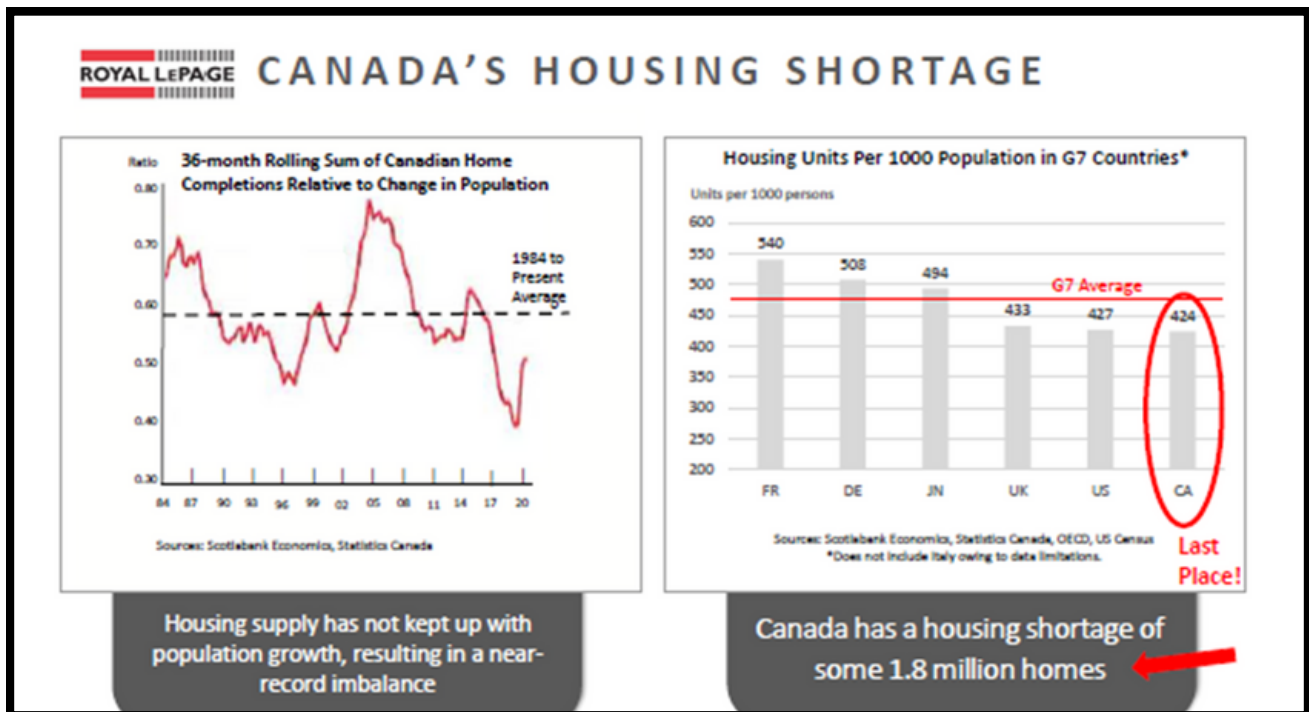
Source: <https://www.remitly.com/gb/en/landing/where-the-world-wants-to-study>

CHAPTER 4

Factors Affecting Supply

Factors Limiting Supply

- Housing Inventory shortage
- Governmental development restrictions/delays
- Shortage of affordable housing due to Inflation and cost of new construction

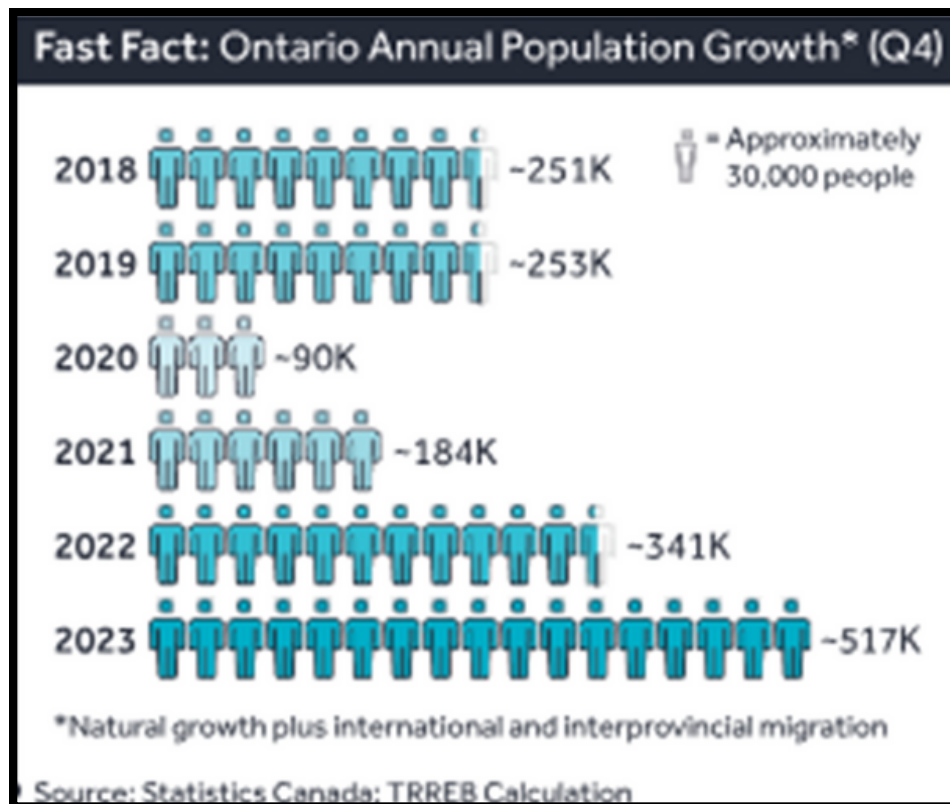


Market is coming **back to life!**

Mortgage Rates are Dropping

Year	Month	Inflation Rate	B of C Rate	Prime Rate	5 Yr Closed Insured	5 Yr Closed Uninsured	Variable Rate
2023	May	3.4%	4.50%	6.70%	4.59%	5.04%	6.45%
	June	2.8%	4.75%	6.70%	4.94%	5.14%	6.45%
	July	3.3%	5.00%	6.95%	5.19%	5.79%	6.55%
	August	4.0%	5.00%	7.20%	5.39%	6.09%	6.95%
	September	3.8%	5.00%	7.20%	5.64%	6.24%	6.95%
	October	3.1%	5.00%	7.20%	5.79%	6.19%	7.05%
	November	3.1%	5.00%	7.20%	5.84%	6.44%	7.00%
	December	3.4%	5.00%	7.20%	5.54%	6.39%	7.15%
	January	2.9%	5.00%	7.20%	5.24%	5.84%	7.05%
2024	February	TBA	5.00%	7.20%	5.14%	5.72%	7.00%
	March	TBA	5.00%	7.20%	5.09%	5.54%	6.85%

Ontario Population is Growing (Q4)



Sales are Increasing

	Units Recent Month	Units Prior Year	Unit Increase	% Increase
December 2023	3,444	3,090	354	11%
January 2024	4,223	3,083	1,140	37%
February 2024	5,607	4,754	853	18%
Total	13,274	10,927	2,347	21%

* Sales are compared to the same month in the prior year

New Listings are Increasing

- New Listings are up in 2024
- New Listings were up by 6.1% in January
- New Listings were up by 33.5% in February

* Sales are compared to the same month in the prior year

Recap - GTA Real Estate Market

- Inflation and mortgage rates are dropping
- Inventory levels are improving
- Prices are still stable and are expected increase in the spring market as mortgage rates drop
- Condo prices are depressed in 416 and 905 offer great opportunity for buyers
- Townhouse prices are depressed in 416 offer great opportunity for buyers
- Pre-Construction sales are not expected to improve until interest rates and resale Condos improve

**The Future is
Looking Bright!**

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