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Brokerage

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AUGUST 2024
GTA MARKET
UPDATE

Prepared By:
ROYAL LEPAGE TERREQUITY REALTY

 www.terrequity.com

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Each year Terrequity awards dozens of scholarships for future Real Estate Agent committed to building a successful business and want assistance in getting started. *To learn more contact us as indicated below.*

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CHAPTER 1

Interest Rates, Inflation & Other Economic Indicators

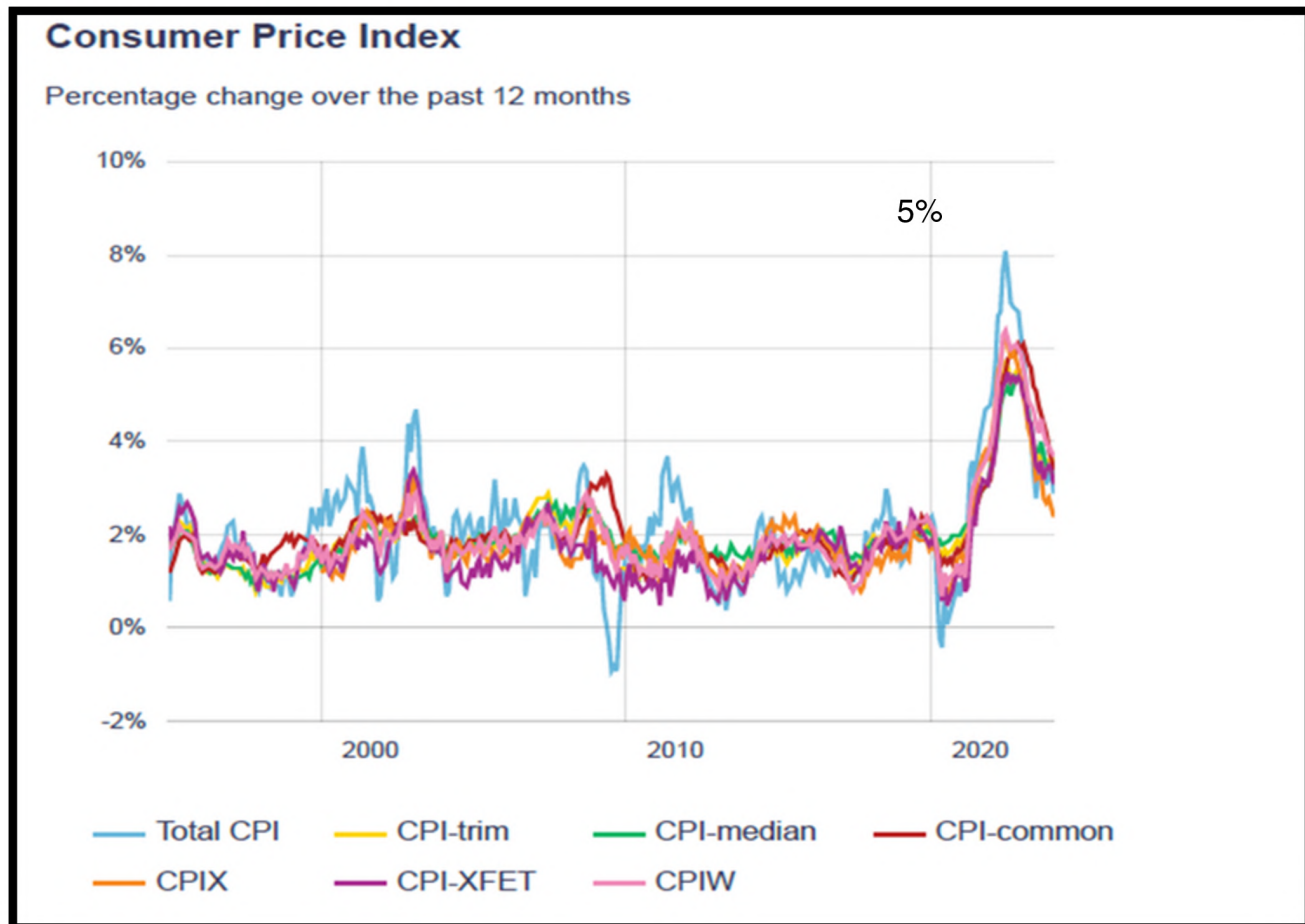


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Interest Rates and Inflation

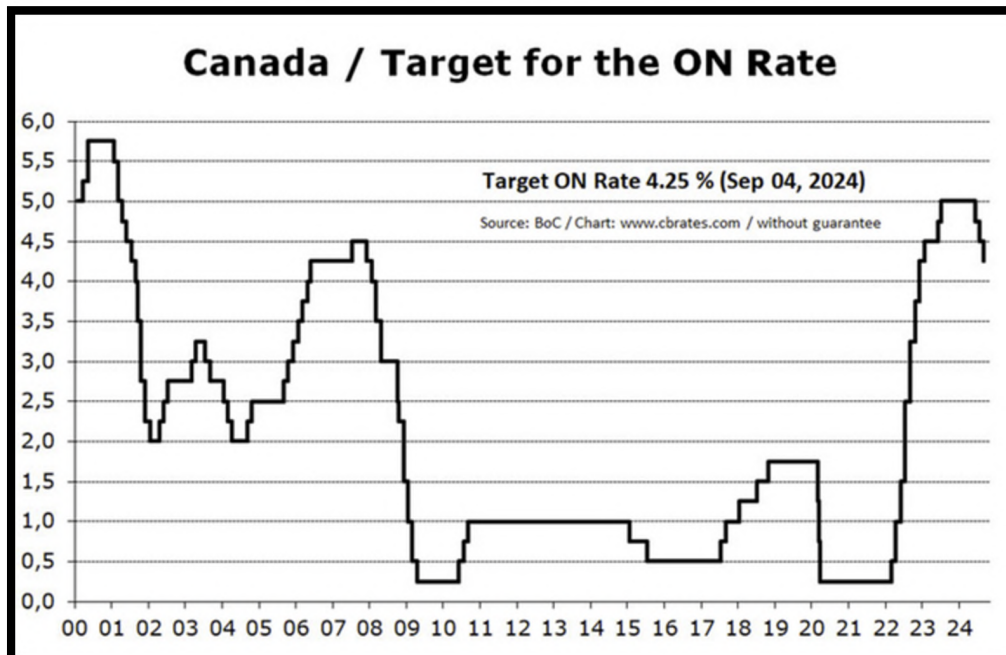
Consumer Price Index



Causes of Inflation Spike

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

Bank of Canada's Response



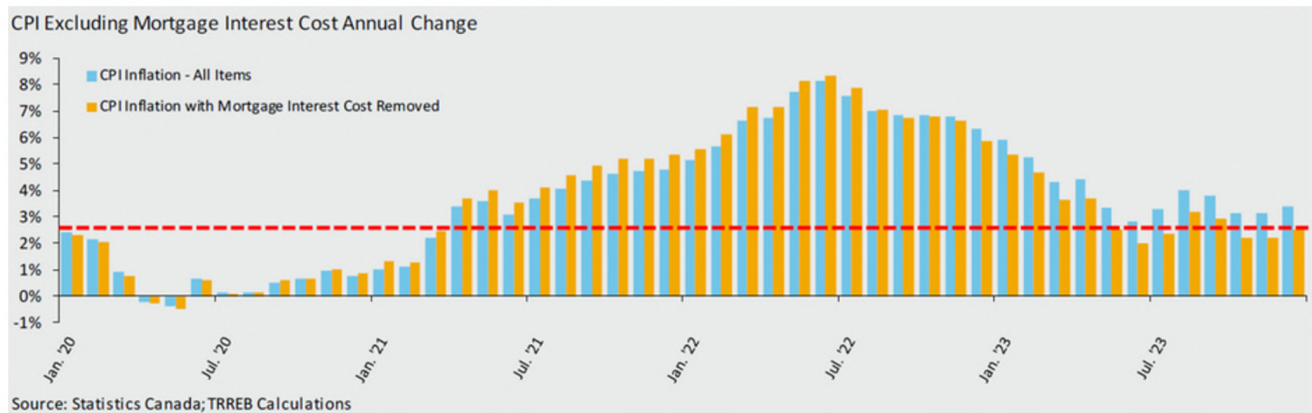
Bank of Canada Interest Rates

- 10 rate increases in row starting in 2022
- **Current rate is 4.25%**
- Starting in June 2024 Bank of Canada announced first of three decreases of .25% each
- 0.25% to 4.25% in 2022
- 4.25% to 5% in 2023

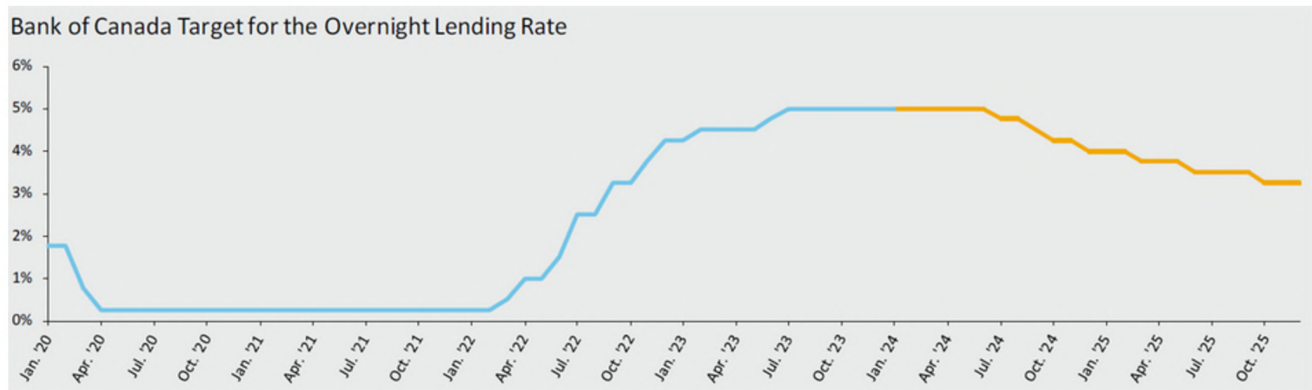
Bank of Canada and Inflation

- 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%
- September 2023, Bank of Canada said it was pausing future rate increases again
- In August 2024, Canada’s annual inflation rate dropped to 2.5%

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 been reduced by almost 2% from the peak of 2024

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	2.8%	5.00%	7.20%	5.14%	5.72%	7.00%
	March	2.9%	5.00%	7.20%	5.09%	5.54%	6.85%
	April	2.7%	5.00%	7.20%	4.99%	5.44%	6.85%
	May	2.9%	5.00%	7.20%	4.99%	5.44%	6.29%
	June	2.7%	4.75%	6.95%	4.94%	5.44%	6.29%
	July	2.9%	4.50%	6.95%	4.89%	5.19%	6.34%
	August	2.5%	4.50%	6.70%	4.69%	5.04%	6.20%
	September	TBA	4.25%	6.45%	TBA	TBA	TBA

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% which ever is higher **
- Whereas Credit Unions will qualify clients on their Contract Rate, provided the client has 20% down payment, have good credit and income.

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

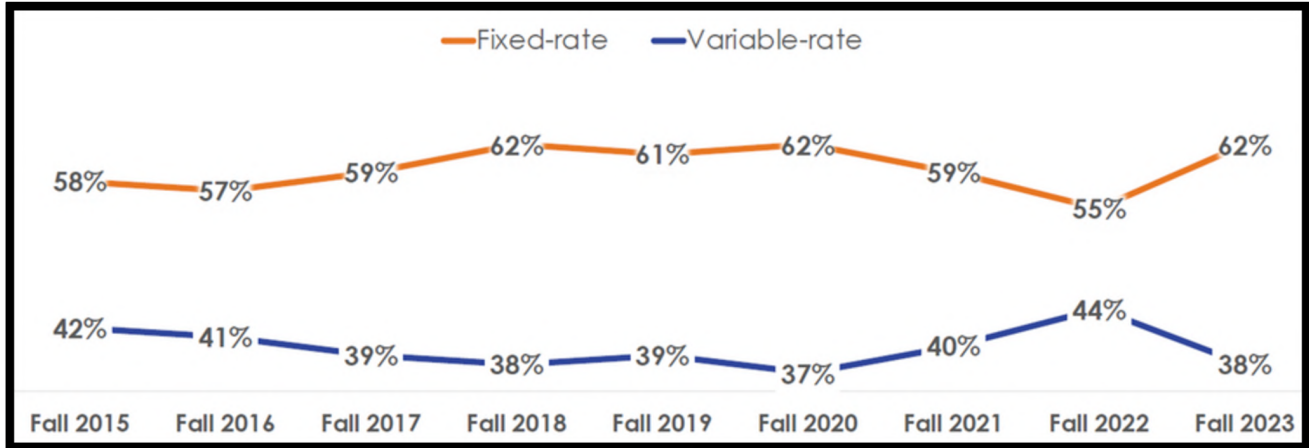
Sequoia Mortgage Rates vs. Bank Rate

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%

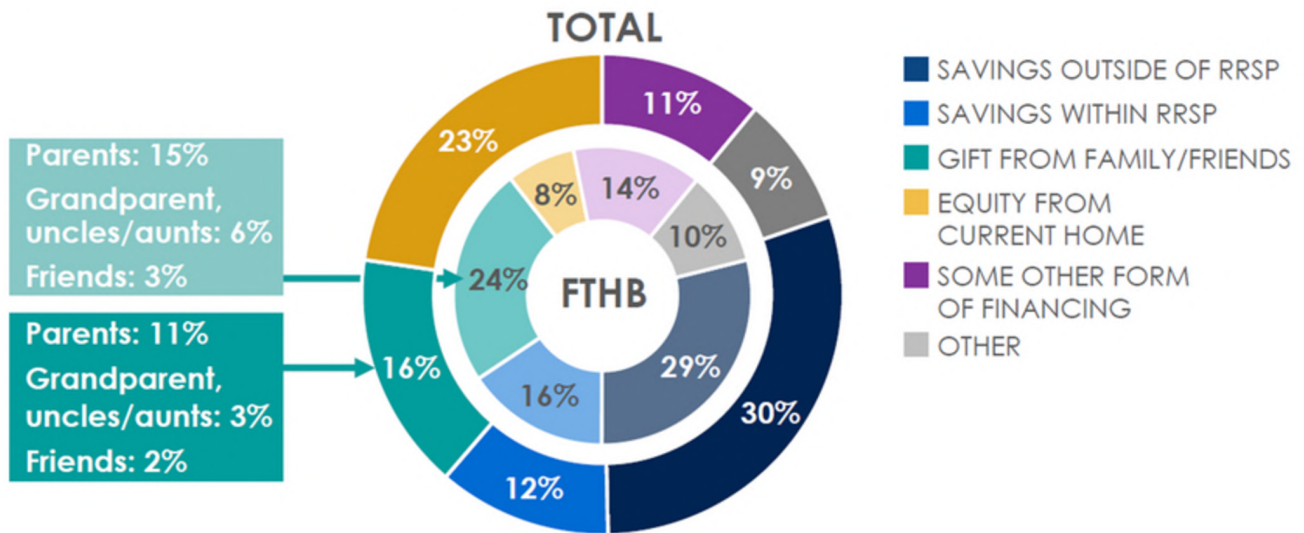
The two examples above are based on a 3-year fixed term, with:

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

Mortgage Type (among those pre-approved)



Source of Down Payment



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%
 - August 2024: 6.6%
- Current level of unemployment represents one of the lowest levels of unemployment on record vs the long-term average of 7.42%

Key Economic Indicators

Inflation Rate	2.5%
Bank of Canada	4.25%
Bank Prime Rate	6.7%
GDP Growth - Q2	2.1%
National Unemployment Rate	6.6%

CHAPTER 2

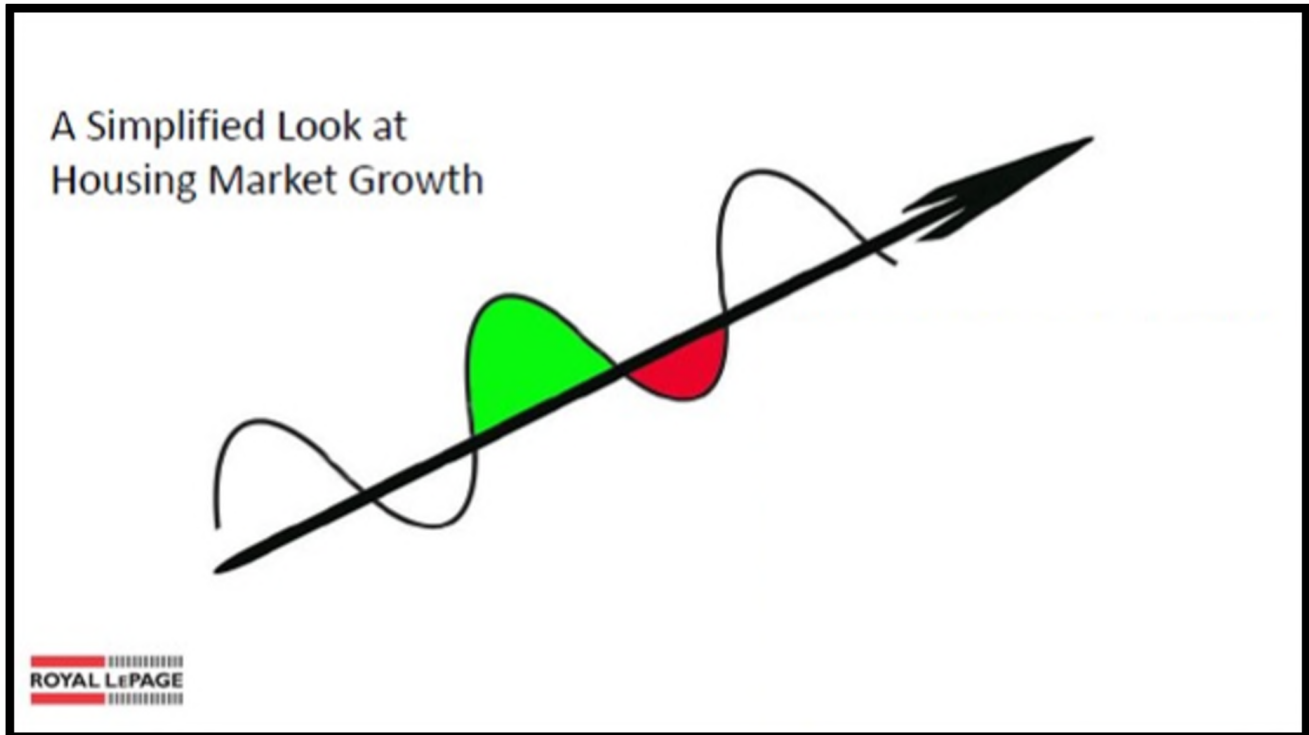
GTA Real Estate Market



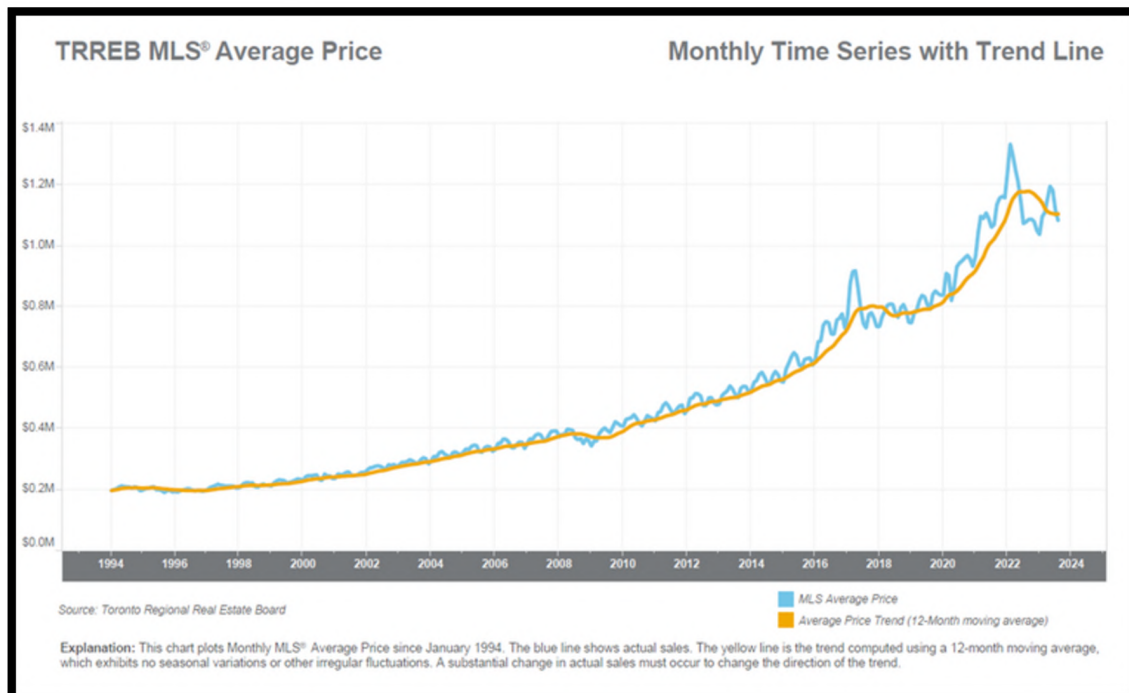
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Where is the Real Estate Market Today?



TRREB MLS Average Price



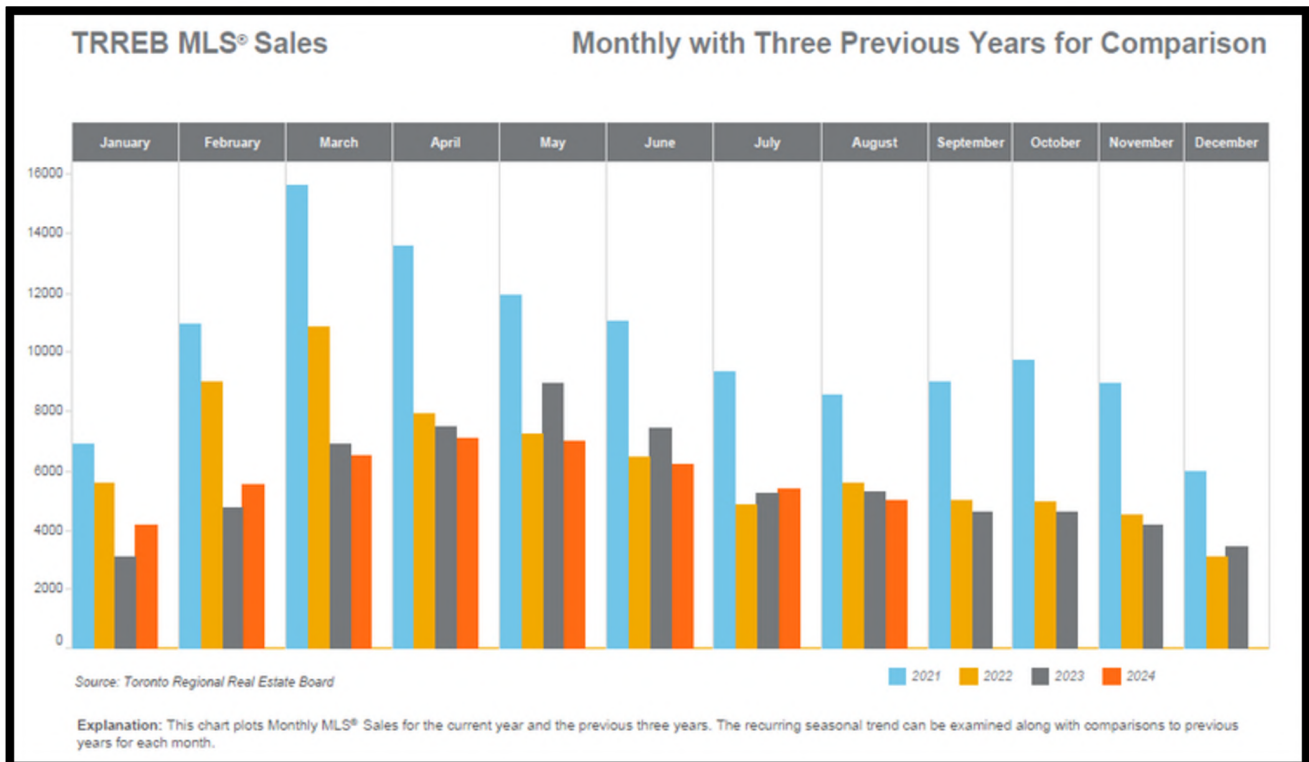
GTA Real Estate Market Update

August 31 - 2023 vs 2024

Year-Over-Year (YoY)

	2024	2023	% Chg
Sales	4,975	5,251	-5.3%
New Listings	12,547	12,358	1.5%
Active Listings	22,653	15,492	46.2%
Average Price	\$1,074,425	\$1,082,881	-0.8%
Avg. LDOM	28	20	40.0%
Avg. PDOM	44	28	57.1%

TRREB Unit Sales



GTA Real Estate Market Update - Unit Sales

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

GTA Real Estate - Unit Sales - % Changes - August 2024 -YOY

	Sales (Units)		
	416	905	Total
Detached	484	1,734	2,218
Semi-Detached	133	294	427
Townhouse	169	703	872
Condo Apt	922	495	1,417
	1,708	3,226	4,934

YoY % Change	Sales-Units		
	416	905	Total
Detached	8.3%	-3.3%	-1.0%
Semi-Detached	-2.2%	-3.9%	-3.4%
Townhouse	-18.4%	-2.6%	-6.1%
Condo Apt	-14.8%	-4.4%	-11.4%

Historical TRREB Unit Stats

	2017	2018	2019	2020	2021	2022	2023	2024
	Units	Units	Units	Units	Units	Units	Units	Units
January	5,154	3,987	3,968	4,546	6,887	5,594	3,085	4,178
February	7,955	5,148	4,982	7,193	10,925	9,028	4,754	5,566
March	11,953	7,188	7,132	7,944	15,627	10,864	6,872	6,518
April	11,463	7,744	9,005	9,005	13,613	7,941	7,490	7,076
May	10,066	8,402	9,950	9,950	11,903	7,228	8,970	6,984
June	7,893	8,024	8,826	8,645	11,052	6,424	7,452	6,190
July	5,868	6,916	8,555	11,033	9,338	4,870	5,245	5,377
August	6,306	6,797	7,682	10,738	8,549	5,590	5,294	4,975
September	6,334	6,415	7,792	11,033	9,010	5,001	4,606	
October	7,070	7,448	8,446	10,503	9,743	4,936	4,611	
November	7,326	6,208	7,055	8,726	8,979	4,521	4,194	
December	4,876	3,749	4,365	7,156	6,013	3,110	3,420	
Total	92,264	78,026	87,758	106,472	121,639	75,107	65,993	46,864
Average 9 Months	8,110	6,736	7,544	8,899	10,767	6,949	5,974	5,858

Historical TRREB Units Stats

	2017	2018	2019	2020	2021	2022	2023	2024
	Units	Units	Units	Units	Units	Units	Units	Units
January	5,154	3,987	3,968	4,546	6,887	5,594	3,085	4,178
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	> 10,000 Units Sold
	9,000 -10,000 Units Sold
	8,000 -9,000 Units Sold
	7,000 -8,000 Units Sold
	6,000 -7,000 Units Sold

GTA Real Estate Market Update - Average Prices

GTA Real Estate - Average Prices - % Changes - August 2024 - YOY

	Average Selling Price \$		
	416	905	Total
Detached	\$ 1,692,239	\$ 1,336,427	\$ 1,414,070
Semi-Detached	\$ 1,204,678	\$ 945,801	\$ 1,026,435
Townhouse	\$ 906,594	\$ 888,358	\$ 891,892
Condo Apt	\$ 681,835	\$ 661,427	\$ 674,706

YoY % Change	Average Selling Price \$		
	416	905	Total
Detached	3.2%	-2.0%	-0.3%
Semi-Detached	-2.6%	-4.8%	-3.9%
Townhouse	-6.6%	-3.9%	-4.6%
Condo Apt	-6.0%	-0.8%	-4.5%

Historical TRREB Average Selling Price

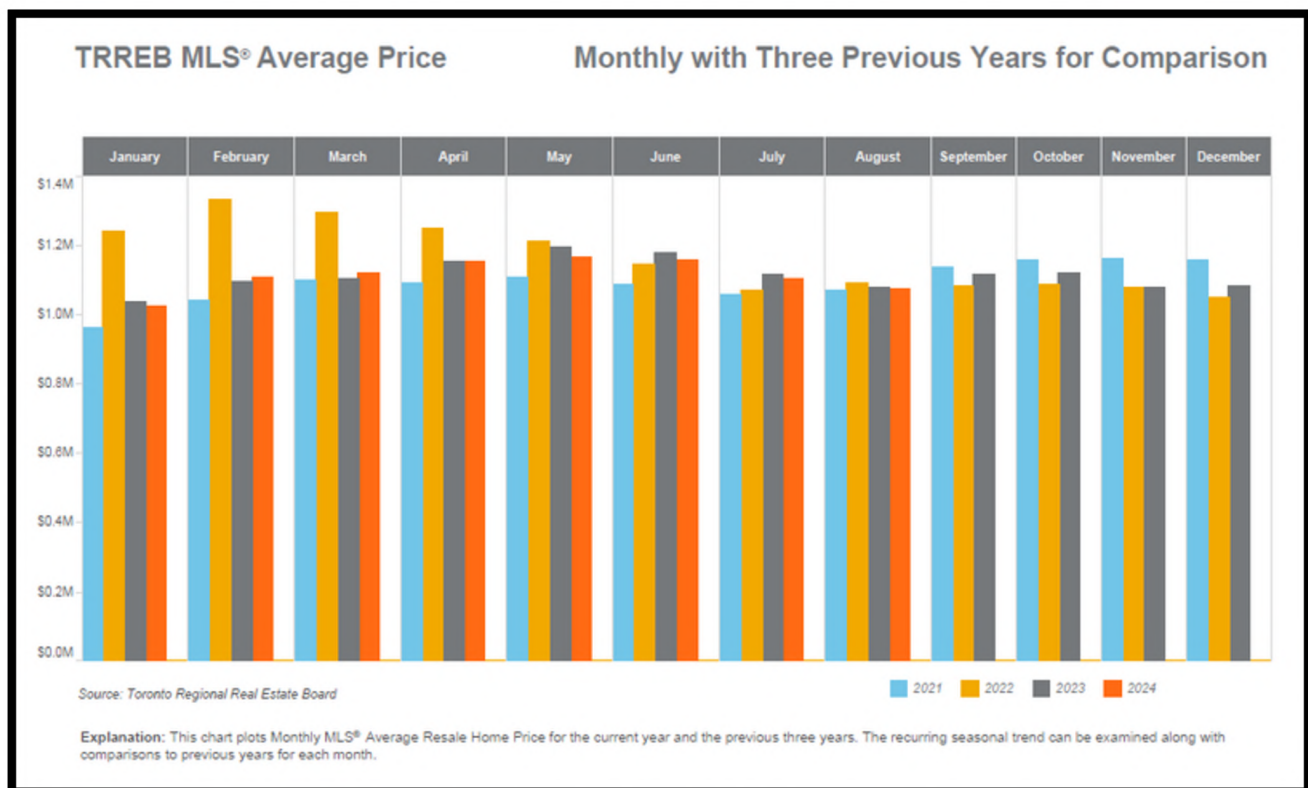
	2017	2018	2019	2020	2021	2022	2023	2024
	Selling Price	Selling Price	Selling Price	Selling Price	Selling Price	Selling Price	Selling Price	Selling Price
January	\$768,427	\$735,874	\$747,175	\$838,087	\$966,001	\$1,242,407	\$1,037,145	\$1,025,244
February	\$876,363	\$767,801	\$779,791	\$910,068	\$1,044,910	\$1,334,062	\$1,096,157	\$1,110,084
March	\$915,089	\$784,514	\$788,133	\$902,737	\$1,097,319	\$1,298,671	\$1,108,299	\$1,121,085
April	\$918,130	\$804,926	\$820,373	\$820,226	\$1,090,414	\$1,250,739	\$1,153,520	\$1,155,165
May	\$862,149	\$809,305	\$838,248	\$863,563	\$1,108,124	\$1,210,646	\$1,195,439	\$1,165,656
June	\$791,929	\$808,066	\$831,882	\$931,131	\$1,089,012	\$1,145,786	\$1,181,639	\$1,161,768
July	\$745,815	\$781,918	\$806,971	\$943,594	\$1,061,653	\$1,073,316	\$1,117,611	\$1,107,055
August	\$730,969	\$765,252	\$792,134	\$951,219	\$1,070,201	\$1,079,586	\$1,082,496	\$1,074,425
September	\$774,487	\$796,798	\$842,628	\$960,613	\$1,135,027	\$1,086,560	\$1,118,215	
October	\$780,599	\$807,538	\$851,890	\$968,535	\$1,155,624	\$1,090,301	\$1,123,390	
November	\$761,410	\$787,758	\$843,292	\$955,889	\$1,162,564	\$1,079,087	\$1,077,891	
December	\$734,842	\$749,580	\$838,625	\$932,277	\$1,157,837	\$1,051,031	\$1,084,952	
Mean Average	\$805,017	\$783,278	\$815,095	\$914,828	\$1,094,891	\$1,161,849	\$1,117,472	\$1,115,060

Historical TRREB Average Selling Price

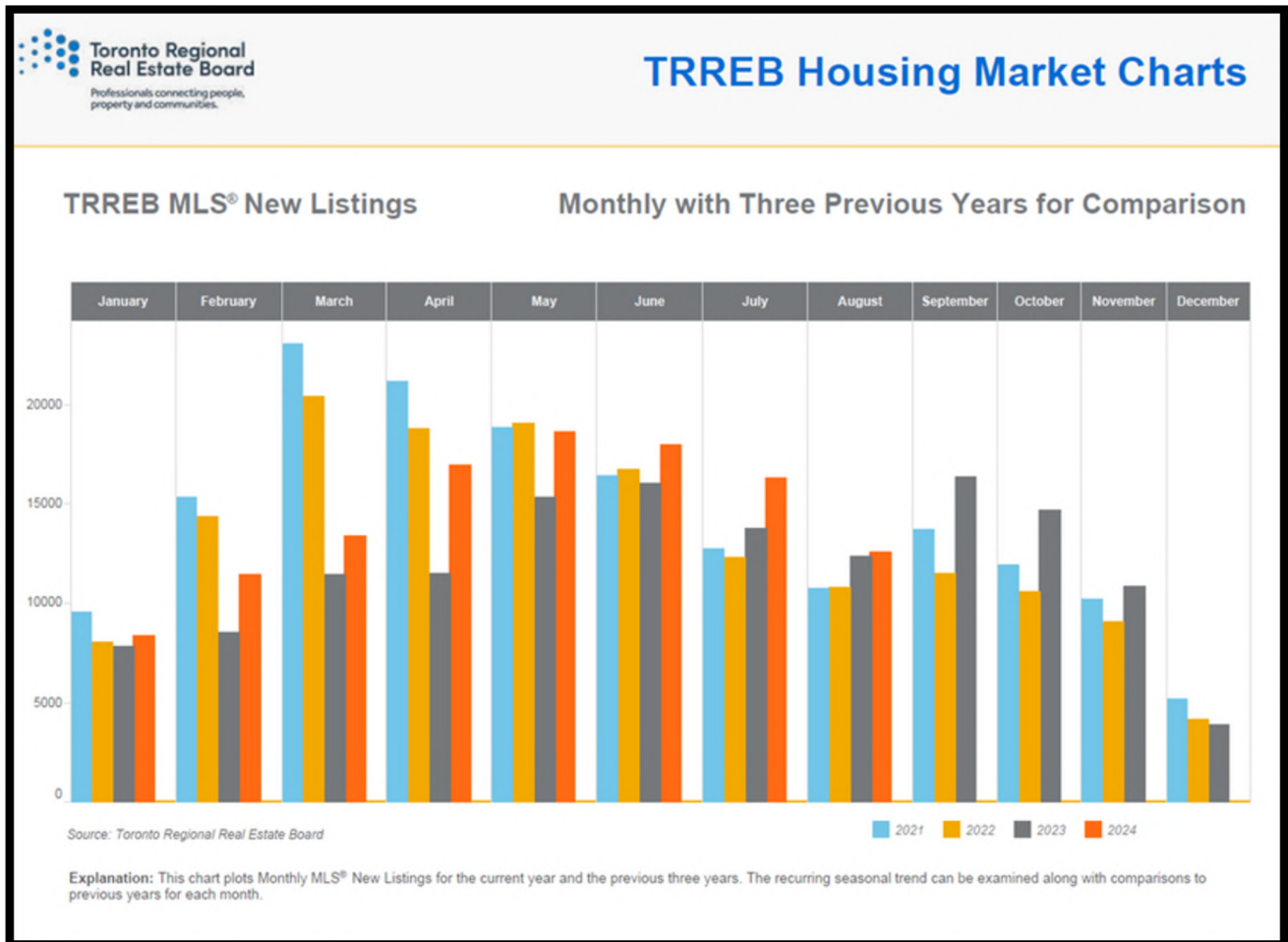
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December	\$734,842	\$749,580	\$838,625	\$932,277	\$1,157,837	\$1,051,031	\$1,084,952	
Mean Average	\$805,017	\$783,278	\$815,095	\$914,828	\$1,094,891	\$1,161,849	\$1,114,730	\$1,115,060

	>\$1.2 million
	\$1.1 M - 1.2 M
	\$1.0 M - 1.1 M
	\$.9 M - 1.0 M
	\$.8 M - .9 M

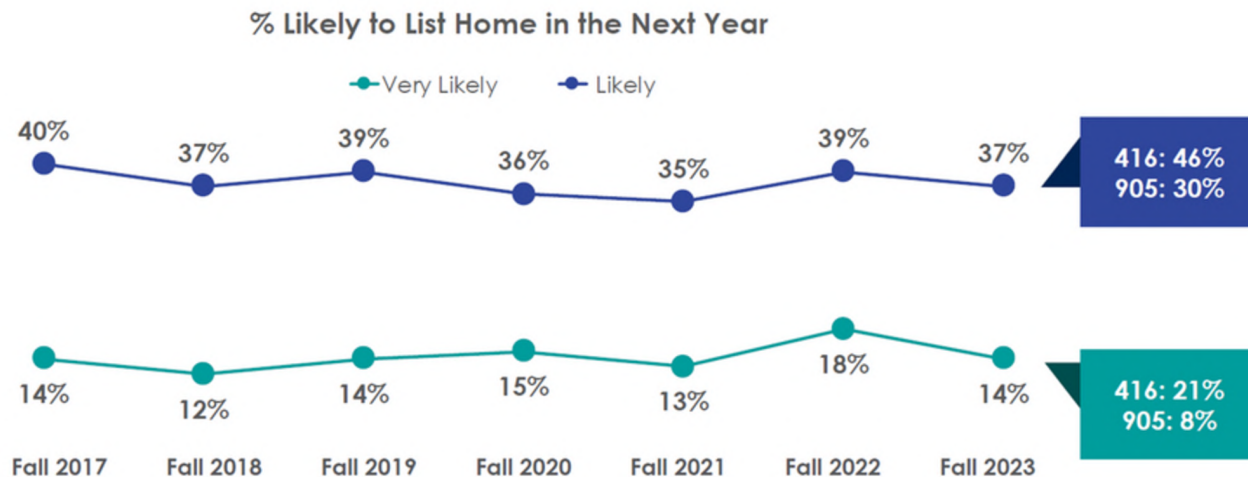
TRREB MLS - Average Price



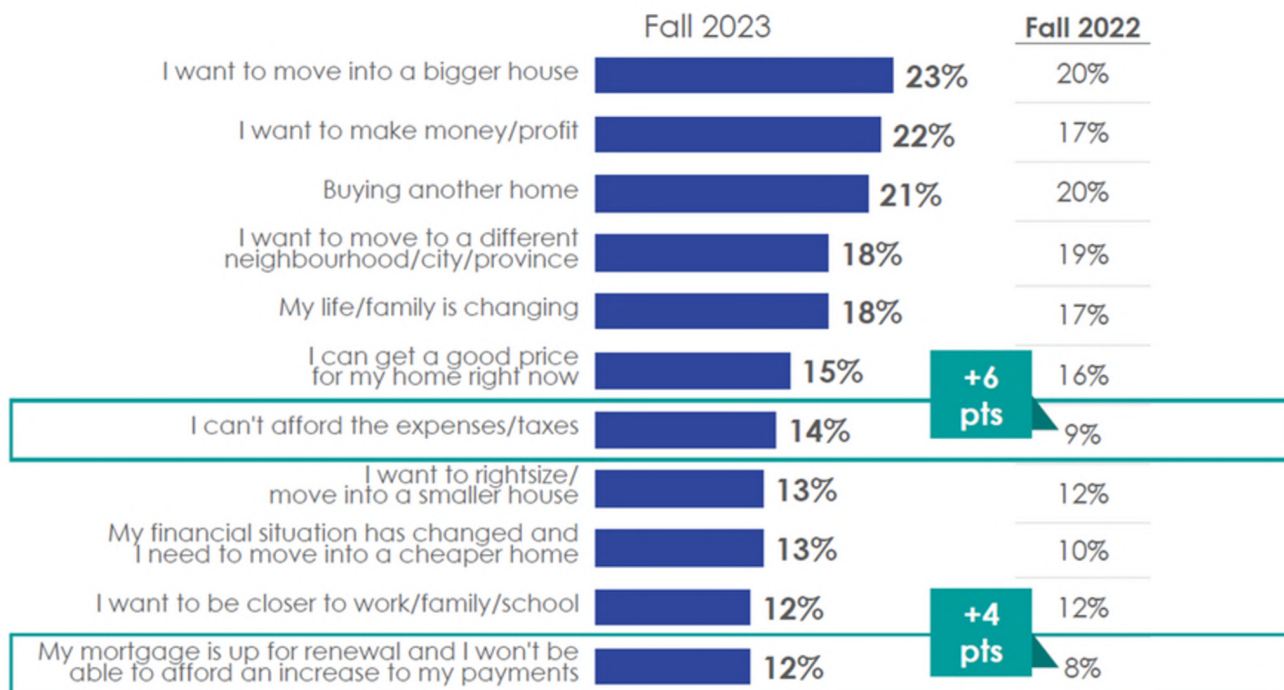
TRREB Listings



Likelihood of Listing Home For Sale



Reasons for Listing Home for Sale



Pre-Construction (Pre-Con) Sales

- Preconstruction sales are down by over 25% 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

Recap - GTA Real Estate Market

- Inflation and Mortgage rates are dropping
- Inventory levels and days on market are increasing
- Prices are still stable and have not yet increased as the mortgage rates drop
- Pre-Construction sales is not expected to improve resale condo inventory is sold early will be 2025

CHAPTER 3 - A

**Factors Affecting the GTA:
Desirability of Canada and GTA real estate**



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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



OH CANADA!

#1 BEST COUNTRY TO START A CAREER



Canada Dominates the Top 10



Best Cities to Live in, Globally

Source: Forbes Global Liveability Index 2022

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



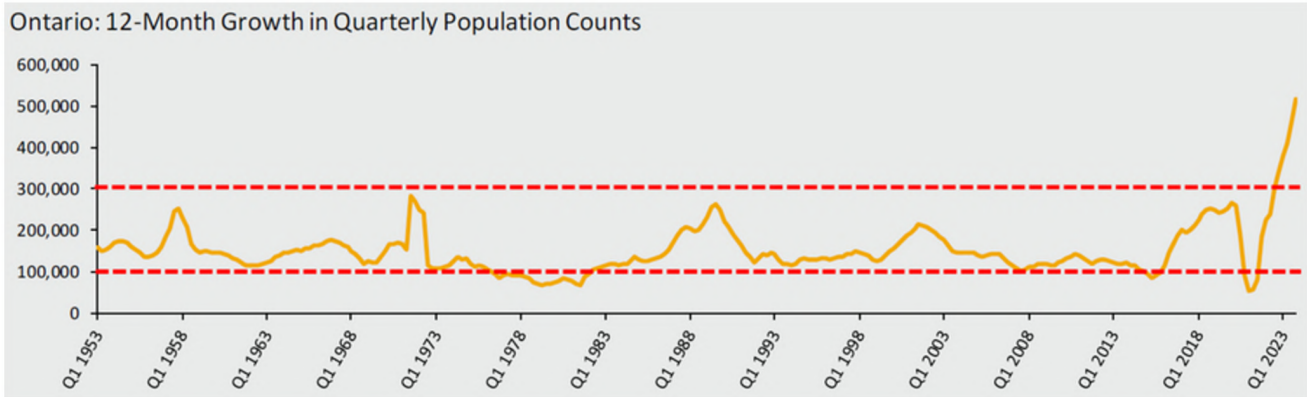
CHAPTER 3 - B

**Factors Affecting the GTA:
Population Growth**

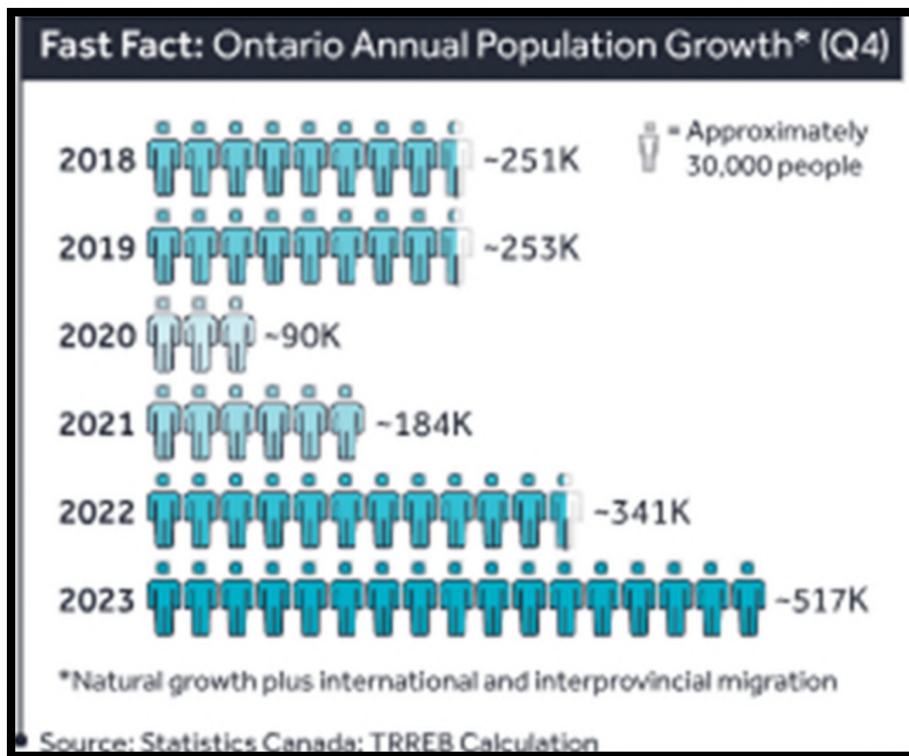


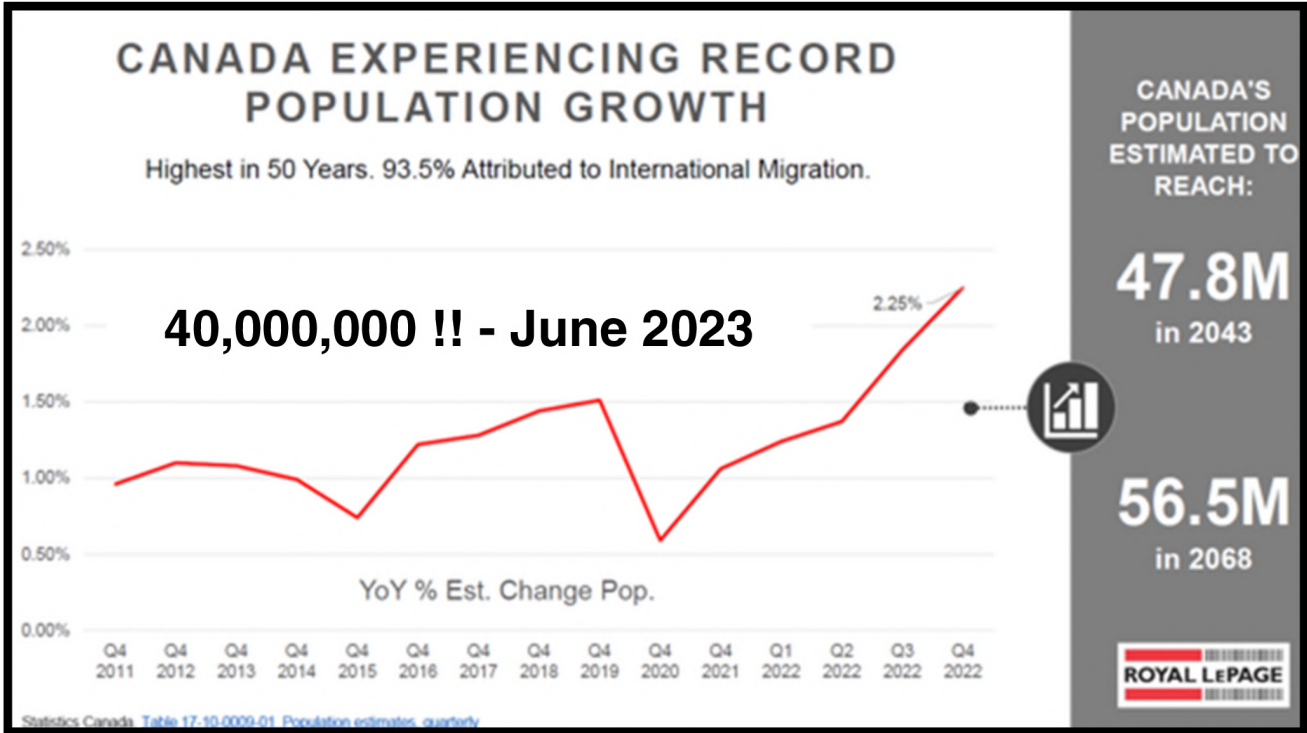
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Very Strong Population Growth

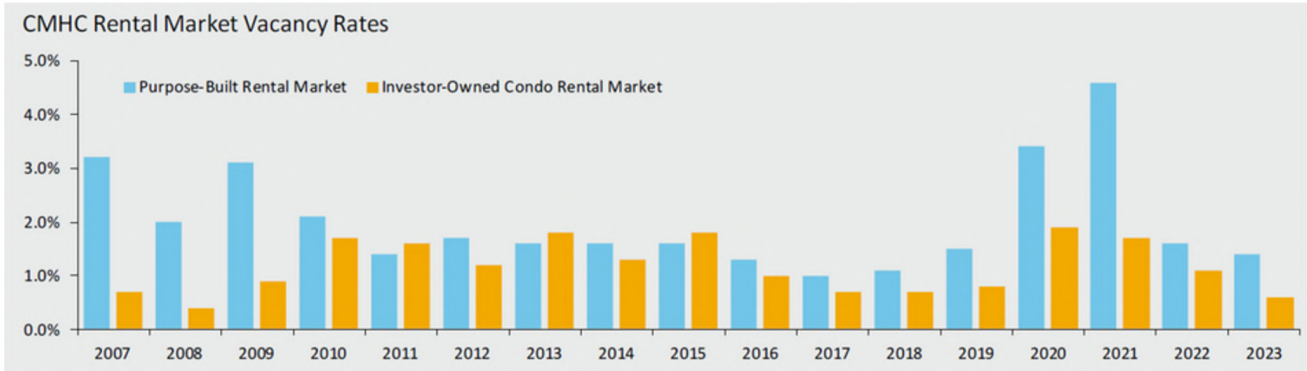


Ontario Population Growth* (Q4)





Average Vacancy Rates Trended Lower 2024



CHAPTER 3 - C

**Factors Affecting the GTA:
Immigration Growth & Students**

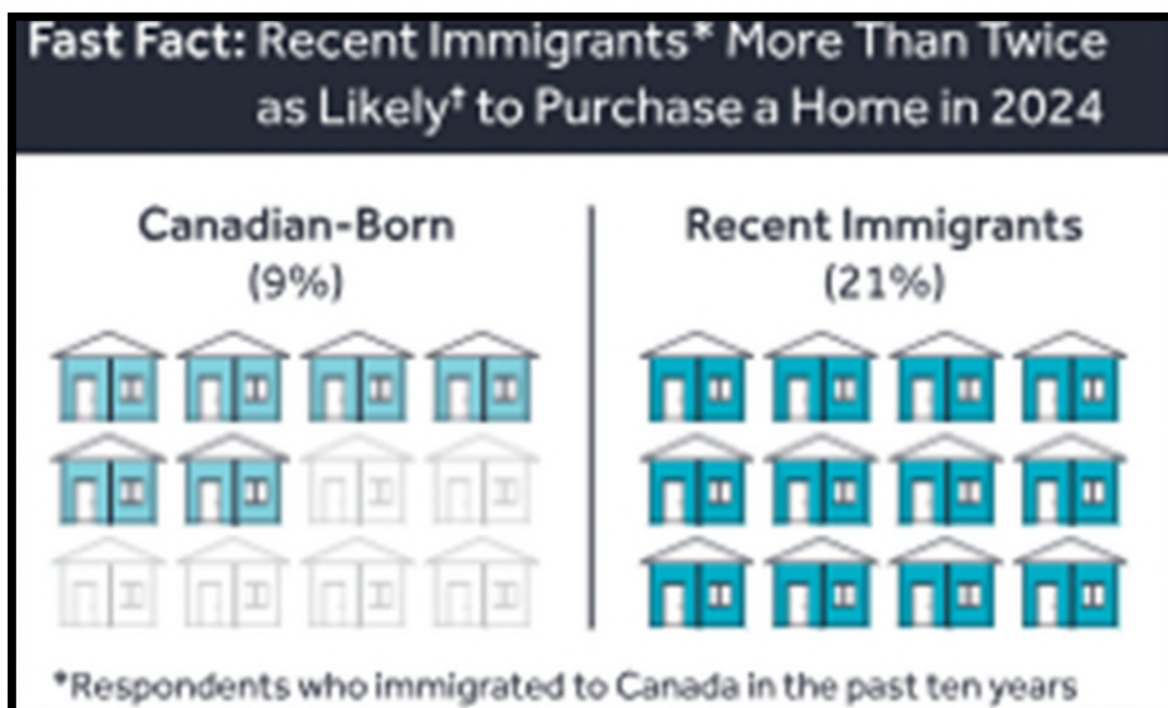


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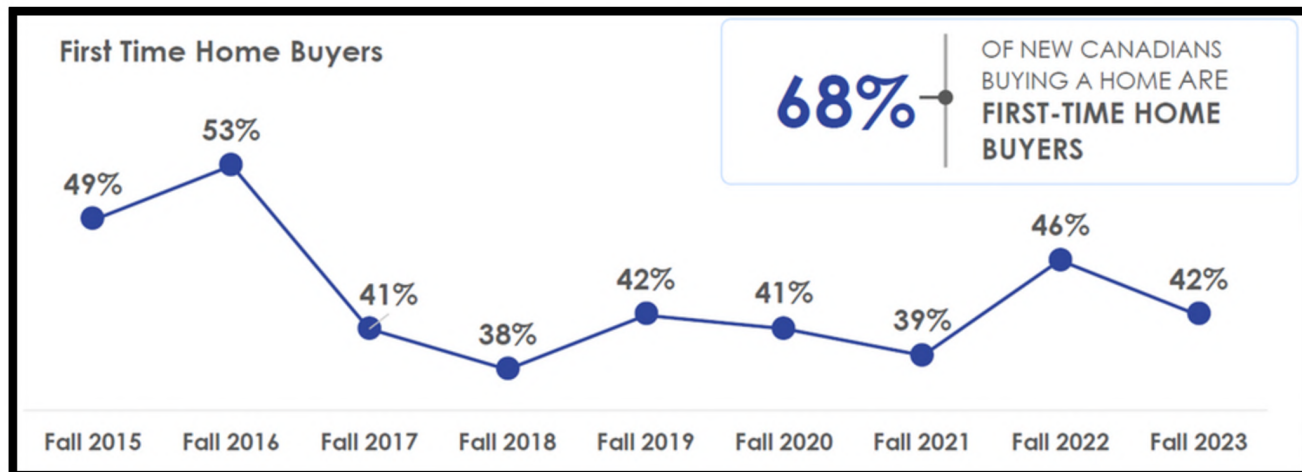
Immigration Growth



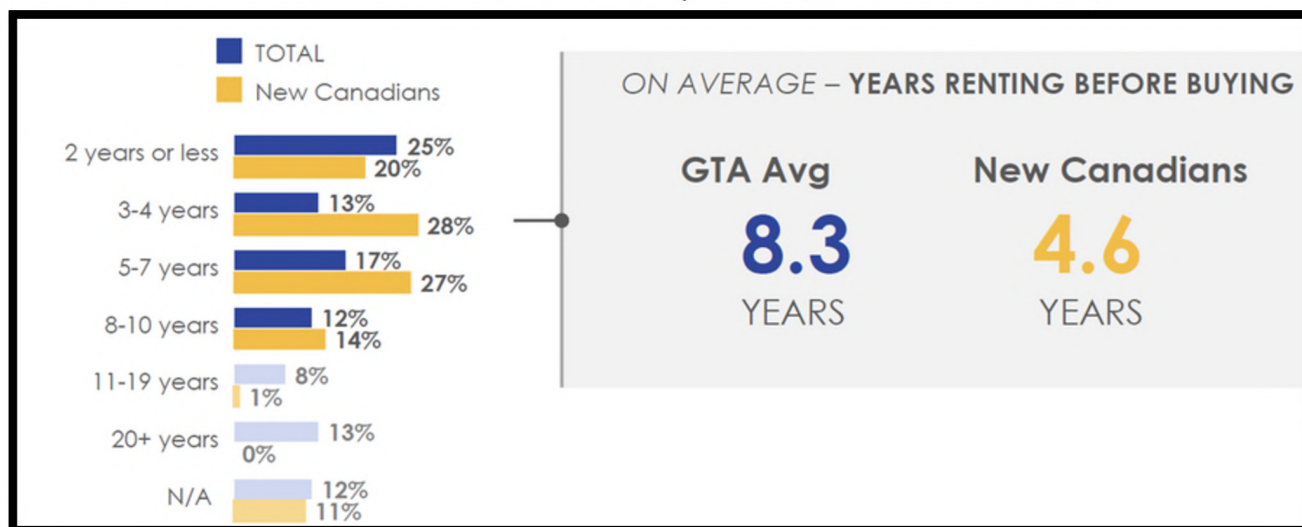
2024 Market Outlook: What's Trending Next



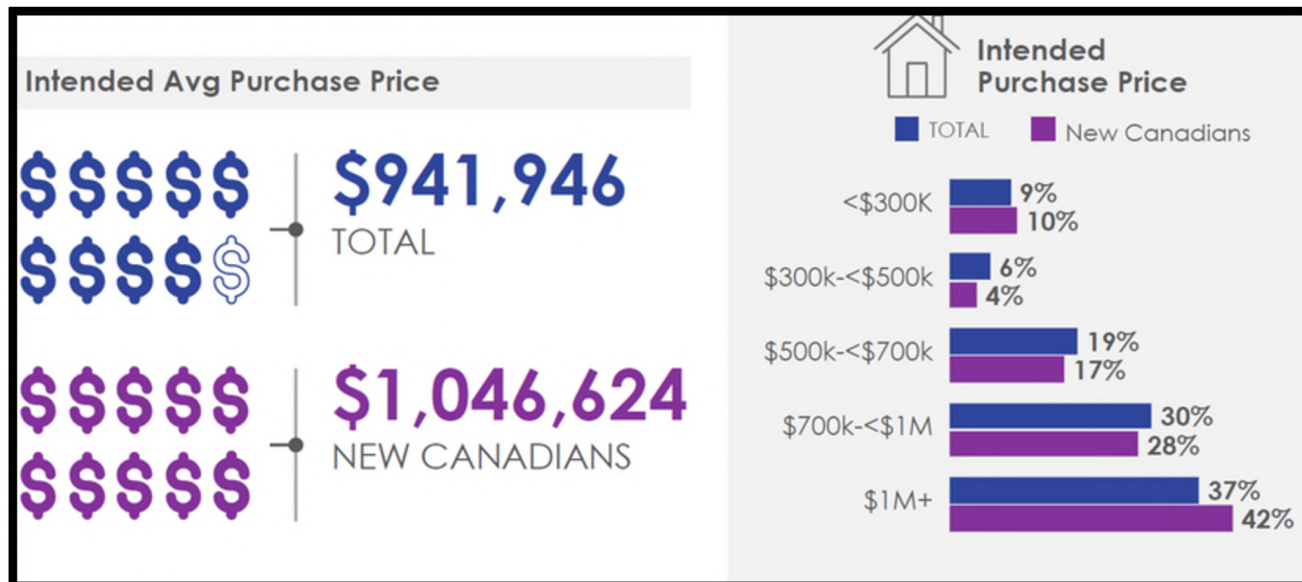
Incidence of First-Time Home Buyers



Duration Before Home Purchase (among homeowners)



New Canadians vs Total



International Students

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.

ROYAL LePAGE

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

CHAPTER 4

Factors Affecting Supply

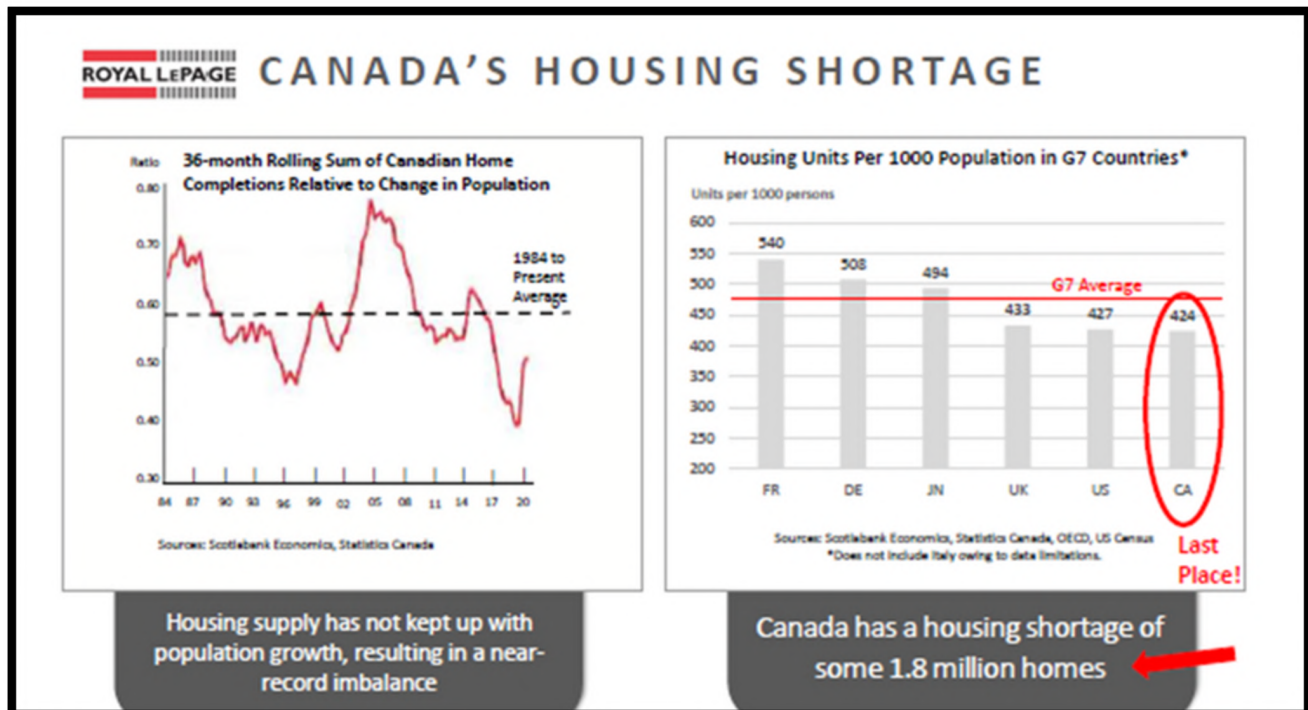


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Factors Limiting Supply

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



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