Year will see listings rise, price growth moderate

Tom Lebour | TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO STAR | January 22, 2010

I would like to take this opportunity to wish you all a Happy New Year. We have just crossed the threshold into 2010 and I think it is important to look back on the events that impacted the GTA housing market in 2009 and also consider what the future holds.

In the latest month end report, the Toronto Real Estate Board (TREB) released MLS® figures for December resale home transactions in the GTA. There were 5,541 total transactions, with an average price of $411,931. The December results capped off what turned out to be a very impressive year. Sales increased 17 per cent annually to 87,308 – the second highest level of sales under the current TREB boundaries (the record of 93,193 was reached in 2007). Average price for the year climbed to $395,460 – a four per cent increase over 2008. However, simply looking at these numbers on their own masks the interesting ride we took over the last year.

In the first quarter of 2009, Canada was in a recession and existing home sales and prices suffered. In fact, sales had been dropping throughout 2008. According to Jason Mercer, TREB's Senior Manager of Market Analysis, the balance of the housing downturn in the GTA actually took place in 2008:

"The housing market was and is a leading indicator of changing economic conditions. As we moved through 2008, Canadian consumers were hearing more and more bad news regarding the deteriorating state of the US economy and the problems this would pose for Canada. Households, unsure of what the future would hold in terms of employment and income, put their home purchasing plans on hold well in advance of reported GDP and employment declines. Essentially, downward trending home sales reflected eroding consumer confidence," said Mercer.

With this back-drop, many people were surprised to see a strong rebound in resale housing demand commence in the late spring of 2009 when unemployment was still rising. Mercer further suggests that the quick recovery made a lot of sense and, in fact, was a key driver to broader economic recovery:

"The Bank of Canada reduced interest rates to record lows in response to the economic downturn. This monetary stimulus had the desired effect. Households that were confident in their employment situation moved quickly to take advantage of the affordable housing market in the GTA. The spin-off consumer spending on housing-related items like furniture, home improvement products and renovation services certainly helped economic recovery," continued Mercer.

With broader economic recovery seemingly in place, what will the future hold for residential real estate in 2010? I asked Jason Mercer to comment both on the short-term and the long-term prospects in the Toronto area. Here is what he had to say:

"The big story in 2010 will be listings. Homes available for sale were in short supply during much of 2009. As home owners react to strong sales and price increases seen in 2009, listings will increase over the next year. With more choice in the market, annual average price growth should moderate into the single digits," said Mercer.

"Long-term prospects remain positive. Sustained demand for ownership housing is based on population growth, which in Canada comes from immigration. The GTA remains Canada's single greatest beneficiary of immigration. With Toronto's ethnic, cultural and labour market diversity, this should continue. Many newcomers will eventually find their way into the home ownership market, helping sustain long-term growth in sales and prices," continued Mercer.

I know we will all be watching the economic situation closely in the coming year, including changes in the housing market. I look forward to discussing housing market trends with you throughout 2010.

Tom Lebour is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.