

# REAL ESTATE MARKET REPORT

## FEBRUARY 2019: TORONTO REGION

February results were expected to continue what we saw in the first month of 2019 -- modest growth in sales and average sale prices. That didn't materialize. I have generally not regarded the weather as having a material impact on the residential resale market, but this February may be the exception.

This February we saw a modest decline in sales compared to February last year. This year 5,025 properties were reported sold, a small decline of 2.4 percent compared to the 5,148 properties reported sold in February 2018. The reason for this decline, particularly in the 416 regions, was simply due to a lack of inventory. Since January saw a year-over-year increase in supply, the only plausible explanation is the weather. February brought three major snow storms, and effectively paralyzing the greater Toronto area on three different occasions, with snow mounting to shocking levels. It is not surprising that properties did not come to the market.

In February only 9,828 properties came to market, 6 percent less compared to the 10,473 that became available last year. Even the 10,473 properties that became available last year were insufficient to meet demand. Consequently, as we enter March, we are marginally lower than the properties available to buyers last year, and most of the properties are in the 905 regions of the greater Toronto area. Of the 13,284 properties available for sale, 70 percent of them, or 9,352, are located in the 905 regions.

It is clear that demand is present and because of supply shortages it is beginning to pent up. In February the properties that sold caused the average sale price to increase for the second month in a row. All properties sold for \$780,000 in February, almost 2 percent higher than last February's sale price of \$767,000.

In the City of Toronto, the average sale price increased dramatically to \$840,000 (a price which includes all condominium apartment sales), at least 10 percent more than the average sale price in the 905 regions. The clearest example of both the supply shortages and the impact on average sale prices is February's average sale price for semi-detached property in the City of Toronto. In February the average sale price came in at a shocking \$1,087,363. Semi-detached property sales only exceeded \$1 Million during the frenetic increase in prices in late 2016 and the early months of 2017.

The length of time that properties spent on the market also demonstrates how strong the City of Toronto's resale market continues to be. In February all properties available for sale in the greater Toronto marketplace sold in only 25 days. In the City of Toronto sales happened at a lightning speed of 22 days. Semi-Detached properties both in the 905 regions and the City of Toronto sold even faster – 18 and 15 days, respectively. What is astounding and further proof that supply is insufficient to meet demand, is that all semi-detached properties sold for more than their asking price. At 102 percent in the 905 regions and at 106 percent in the City of Toronto.

It is concerning that the last truly affordable housing type, condominium apartments, is rapidly becoming unaffordable. In February all condominium apartments sold in the City of Toronto (on average) for \$612,000. In Toronto's central districts, where most condominium apartment sales take place, the average sale price came dangerously close to \$700,000. With the increase in mortgage interest rates and the implementation of mortgage stress testing, these prices are making it very difficult for first time buyers to enter Toronto's real estate market.

At the other end of the real estate spectrum, higher end property sales continue to strengthen. In February 118 properties having a sale price of \$2 Million or more were reported sold. This compares favorably to the 126 sold last year. It is interesting to note that condominium apartments accounted for almost 10 percent of sales in this price category.

As we move into March and improving weather conditions, we anticipate more properties coming to the market to meet demand. It would appear that buyers have accepted higher interest rates and mortgage stress testing but are frustrated by their inability to find suitable properties for sale, especially semi-detached properties in the City of Toronto.

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