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## Your Greater Toronto Real Estate Newsletter

### Slim pickings for homebuyers As listings plunge and prices soar

**A**lthough the weather is cooling down, the housing market in the GTA is still heating up. While home sales across the region were down in comparison to September 2020 by 18 per cent, it was the first month-over-month increase in activity since March. And home prices soared yet again. At \$1,136,280, the average home price in the GTA jumped by 18.3 per cent in comparison to September 2020, and ticked up from the previous month by 6.1 per cent.

Within the City of Toronto, detached homes segment saw the biggest price gain on a year-over-year basis, up by 19.5 per cent to \$1,778,928. The average price of a semi-detached home rose by 13.9 per cent to \$1,304,504 and townhouses sold at \$930,056, up by 7.2 per cent. The condo apartment continued its upward trajectory in both sales and price. It was the only housing segment to increase its sales activity in comparison to the same month last year. The average price came in at \$744,730, up by 8.5 per cent.

The suburbs saw the most vigorous year-over-year price growth. On average, detached homes sold for \$1,451,471 (up by 31.4 per cent); semi-detached homes sold for \$991,073 (up by 25.2 per cent); townhouses sold for \$902,853 (up by 26 per cent); and condo apartments racked up an average price of \$634,111 (up by 18 per cent).

It's been slim pickings for buyers, as the number of houses on the market dropped significantly by a whopping 34 per cent over September 2020. This ongoing shortage is one of the major drivers of home price growth and has become a concern for industry experts.

TRREB president Kevin Crigger noted, "Demand has remained incredibly robust throughout September with many qualified buyers who would buy a home tomorrow provided they could find a suitable property...The lack of housing supply and choice has reached a critical juncture. Band-aid policies to artificially suppress demand have not been effective. This is not an issue that can be solved by one level of government alone. There needs to be collaboration federally, provincially, and locally on a solution."

The housing shortage is not expected to wane in any significant way in the near future. Meanwhile, as the vaccination rate increases, the economy and employment expands and immigration returns, demand is expected to increase, continuing to drive up home prices. *REU*

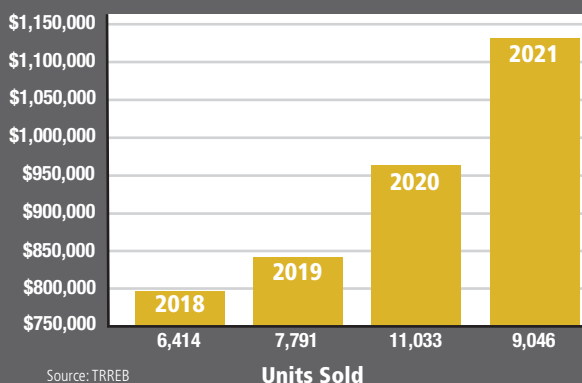
#### GTA BY THE NUMBERS

**DETACHED**  
↑28.9%  
Ave. Price Yr/Yr

**SEMIS**  
↑20.8%  
Ave. Price Yr/Yr

**CONDO APTS**  
↑11.6%  
Ave. Price Yr/Yr

#### Average Home Prices - September in the Greater Toronto Area



## Monthly stats

September average price by area

**416**

**DETACHED**

**↑19.5%**  
YEAR  
YEAR

**\$1,778,928**  
Average Price

**CONDO APT**

**↑8.5%**  
YEAR  
YEAR

**\$744,730**  
Average Price

**905**

**DETACHED**

**↑31.4%**  
YEAR  
YEAR

**\$1,451,471**  
Average Price

**CONDO APT**

**↑18.0%**  
YEAR  
YEAR

**\$634,111**  
Average Price

## Swings in mortgage rates

### Mortgage rates What's driving the fluctuations?

One major reason for the hot demand for homes in Canada is the ultra-low mortgage rates compounded by the widely held belief that the country's economic recovery would prompt an uptick in interest rates. This did not happen. In fact, the opposite scenario came into play around mid-September when the big banks actually

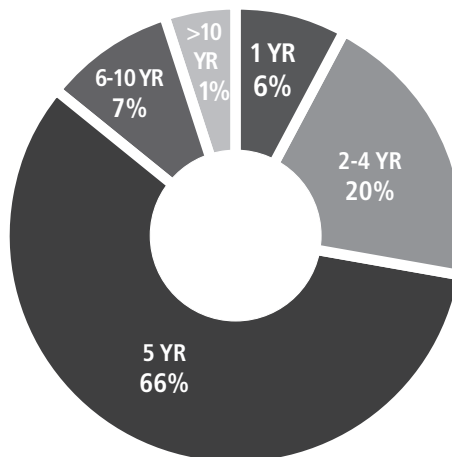
dropped their fixed mortgage rates. But why did this happen?

Experts say firstly, with the onset of the fourth wave of COVID, a sustained economic recovery was still just barely visible on the horizon. Secondly, banks were rich with liquidity thanks to government support during the pandemic and a record amount of deposits, so they could afford to offer lower rates and go for market share rather than profits. Bond yields had also been on a downward trend in the preceding months and bond yields typically lead fixed mortgage rates.

But towards the end of September, bond yields started to tick up. Bond yields largely determine fixed mortgages, because lenders benchmark their rates to bond yields. The five-year Government of Canada bond yield, rose substantially over fears of rising inflation and this prompted the banks to once more hastily raise rates. The Toronto-Dominion Bank became the first major Canadian lender to raise its five-year special fixed mortgage rate from 1.99 per cent to 2.29 per cent.

What does this all mean? Given the expectation that bond yields will trend upward taking mortgage rates along with them, those homebuyers looking for a fixed mortgage should lock in as soon as possible. **REU**

### Mortgage popularity by term



Source: ratehub.ca

## Housing deficit

### Under-building of homes Challenges to home ownership

Canada has the lowest number of housing units per capita among all the G7 nations and a severe housing shortage, says Scotiabank's senior vice-president and chief economist Jean-François Perrault. According to his report, Canada has 424 housing units per 1,000 residents. This housing-to-residents ratio has been falling since 2016 as Canada's population continued to grow. The current housing deficit could be up to 1.8 million homes and the shortage is contributing to skyrocketing home prices.

"The principal challenge facing the housing market and the underlying cause for rising prices and diminished affordability; is the substantial insufficiency of supply relative to demand," the Scotiabank report explains. Canada has long had a housing supply shortage, but over the past year construction has ramped

up. A Royal Bank of Canada report found that housing starts over the past 12 months were at their strongest since 1977.

However, there are still many challenges to building a home, particularly in this COVID-19 era. Rising construction costs for materials like lumber make building expensive and thus the completed product less affordable. COVID-fueled disruptions in the supply chain are adding to costs and delaying building completions.

Given Canada's strong immigration push and the need for more housing options for younger Canadians, there is an urgent need to build more units and the right type of housing. "Population growth will resume its rapid pace of increase if the government delivers on its very welcome immigration plans," concludes the Scotiabank report. **REU**



# Financial matters

## Rental properties When is the right time to sell?

Being a landlord allows one to enjoy a passive income from a property's rental stream. But, how can you tell if it's the right time to sell your rental property? "Some would argue that the best time to sell your rental property is never. That way, you are protected for life against inflation, an ever-present threat that can erode the value of money over time." says Vickie Campbell, a certified financial planner. There isn't a golden rule for when landlords should sell, every property owner's situation is unique, but there are some common things to consider.

- The property needs extensive work: The cost of carrying the property has risen substantially as the cost of repairs, taxes, maintenance, insurance and vacancy rates may not be covered by rent, making a dent in your cash flow.
- You are experiencing big changes in your life: Maybe you are going through a divorce, a death in the family, or have health problems making it difficult for you to take proper care of your rental property.
- You have other ways to generate passive income: Even if you no longer want to be a landlord there are other ways to enjoy passive income without owning rental properties. For example, you could buy units of a real estate investment trust (REIT), a company that owns, operates or finances income-generating real estate. "Modelled after mutual funds, REITs



pool investor capital, making it possible for individual investors to earn dividends from real estate investments without having to buy, manage or finance any properties themselves." explains Campbell.

- You may not need the rental income to support your lifestyle in retirement: As you get older and closer to retirement age, you may want to spend more time traveling or being with family. "If you've gotten to a point where you

need time more than you need money, it may be time to think about selling," advises Cheryl Coleman, an industry expert. Pensions, registered retirement savings plans (RRSPs) and returns from other investments may be enough to cover your retirement lifestyle costs.

But before making a final decision, discuss the idea with a good financial adviser and tax accountant. *REU*



## On the internet

### Interesting websites

**ARTworxTO.ca**  
Exciting new initiative supports artists that reflect Toronto's diversity and create opportunities for public to engage in-person with art across the City.  
Fall 2021 to Fall 2022

**covid19.ONTARIOhealth.ca**  
Download your proof of vaccination from this provincial government website. You need your OHIP card to log in.

**webSUDOKU.com**  
Help delay dementia, and protect the brain from decline by playing Sudoku for free. Offers thousands of combinations.

**womensHEALTHmatters.ca**  
A trusted source of information, news and research findings on women's health from Women's College Hospital.

## Mortgages

October 8, 2021

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

Prime .....	2.45%
Variable .....	1.39%
1-year .....	1.99%
2-year .....	1.89%
3-year .....	2.09%
4-year .....	2.29%
5-year .....	2.39%





## Liberals' ambitious housing plan **What to look for**

**T**he Liberal Party is back in power. And there were lots of promises made to address making homeownership more accessible. Here are some promises to look for going forward.

- Introduction of a “rent-to-own” program: A promise of \$1 billion in funding to help renters become homeowners.
- Introduction of a tax-free First Home Savings Account: It will enable Canadians up to age 40 to save up to \$40,000 toward their first home and to withdraw money for a home purchase with no requirement to repay it or pay taxes on it.
- Doubling the First-Time Home Buyers’ Tax Credit: This increase from \$5,000 to \$10,000 is designed to help with closing costs.
- Reduction of mortgage insurance: The government wants the Canada Mortgage and Housing Corporation to cut rates by 25 per cent, saving the average person \$6,100. It also wants to increase the insured mortgage cut-off from \$1 million to \$1.25 million and index that price to inflation.
- Introducing a Multigenerational Home Renovation tax credit: This credit can be used for adding a secondary unit by claiming a 15 per cent tax credit up to \$50,000 in renovation and construction costs.
- Limits on foreign ownership: The Liberals want a two-year ban on new foreign ownership to stop foreign buyers from buying non-recreational, residential property.

- A one per-cent tax: This would be applied to non-resident, non-Canadian owners of vacant, underused housing.
- Review of corporate owners of residential properties: A review of the tax treatment of large corporate owners of residential properties such as REITs to curb excessive profit. It will also review the down payment requirements for investment properties to limit speculation.
- Introduction of an anti-flipping tax on residential properties: The aim is to reduce speculative demand by requiring properties to be held for at least 12 months before selling.
- Introduction of a Home Buyers’ Bill of Rights: This bill would ensure that the process of buying a home is fair, open and transparent. It will include: ending blind bidding; making a home inspection a legal right; making the history of recent house sale prices on title searches more transparent; requiring real estate agents to disclose when they are involved in both the sale and purchase side of a potential transaction; ensuring banks and lenders offer mortgage deferrals for up to six months in event of job loss or major life event; stopping “renovictions,” landlord evictions of tenants on the basis of planned major renovations.

Justin Trudeau won the election by promising Canadian voters he’d make homeownership more accessible and affordable in his third term. Let’s see if this becomes a reality. *REU*



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