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Toronto Real Estate Market Report

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The Toronto residential resale market could not avoid the turmoil in equity markets and the incessant news reports predicting an all embracing economic recession. Notwithstanding the still sound economic fundamentals of the Toronto market place, buyers appear to have responded to this climate of uncertainty. As this report will indicate, this is particularly true in central Toronto's high end resale market. It experienced a very substantial decline in sales.

Overall the number of sales reported by the Toronto Real Estate Board for October 2008 was 5,155. This compares to 7,915 sales in 2007. It must be noted that sales in October 2007 were artificially driven upward by the announcement of the implementation of Toronto's municipal land transfer tax, (effective February 2008), which was added to the already existing provincial land transfer tax. This decline amounted to 35 percent. Declining sales have also brought down prices. October's average sale price was \$352,974, a decline of about 11 percent compared to the \$394,646 that was achieved last year. This decline represents the second consecutive month in which year-over-year average sale prices have fallen. Unlike September, the decline in average sale prices was experienced in all four of the Toronto Real Estate Board's trading districts, with central districts experiencing the steepest drop of almost 14 percent, from \$522,800 to \$450,437.

The decline in the central districts was heavily influenced by the sharp drop in high end sales in October. The Toronto resale market for property having a sale price of \$1 Million or more came to an abrupt halt, primarily influenced by the disastrous performance of both the Canadian and world wide equity markets. In October only 77 properties having a value of \$1 Million or more were reported sold. Last year that number was 252. Even though October 2007 figures were inflated because of the implementation of the municipal land transfer tax, October 2008 compares poorly with October 2006 (144 reported sales) and October 2005 (131 reported sales).

Days on market also increased in all of the Toronto Real Estate Board's trading areas. In the eastern districts days on market increased from 30 to 35 days year-over-year; in western districts from 30 to 39; in the northern districts from 35 to 42; and in the central districts from 22 to 28. Ironically, given that sales and average prices in the central districts were down, 28 days on market as the average time that a property took to sell is quite remarkable. (It should be noted that this number may not reflect accuracy in that many listings in the central districts are cancelled and relisted before being sold).

Compared to October 2007, the number of active listings in 2008 increased substantially. There were 20,626 active listings at the end of October 2007. That number increased to 27,277 in 2008, an increase of 32 percent. Based on the current rate of monthly sales, that represents an inventory of 5.3 months. The Toronto residential resale market is no longer a Seller's market. It is now firmly in a balanced mode. Longer term the market's rhythm will be determined by the pace of new listings coming to the market. Early indications are that that pace is declining. This is no doubt due to the fact that unlike our American neighbours, the high equity ratios enjoyed by Canadians will enable them to avoid forced sales that have so crippled the American housing market.

As we are discovering, no marketplace is an island. Notwithstanding that Toronto's economic fundamentals are stronger and more resilient than other economies, and notwithstanding that recent international studies have indicated that Toronto's residential real estate is undervalued (and that was when the average sale price was approximately \$380,000), the consumer's confidence has been undermined and as a result there has been a pull-back in house purchases. Until the equity markets stabilize, and the press begins to emphasize the positives (which outweigh the negatives) in the Toronto market place, anticipate months like October going forward. Although the changing landscape will require an adjustment by Sellers used to the heady days of multiple offer, it has now created opportunities for Buyers that have not existed in more than five years.

Prepared by: Chris Kapches, Senior Vice-President

1300 Yonge Street, Suite 100 Toronto, Ontario M4T 1X3 • P: 416.925.9191 • F: 416.925.3935