

Toronto Real Estate Market Report

February 2010

The Toronto residential resale market went into overdrive in February establishing a number of firsts for resale activity. There is little doubt that this frenetic activity was driven by historically low interest rates, a shortage of available properties, and by the Harmonized Sales Tax which will take effect in Ontario on July 1st, 2010. The fact that the economy is strengthening has also added a level of confidence that is also fuelling activity.

The pace of sales in February reached unprecedented levels. In February average days on market for all listed properties was only 22 days. This represents the lowest monthly average days on market ever reported by the Toronto Real Estate Board. In comparison, last February it took 45 days on average for properties in Toronto to sell. With properties being snapped up at record speed, it is not surprising that the average sale price achieved for all properties sold would also break any existing records for average sale prices. In February the average sale price for all properties sold came in at \$431,509. This is an all time high monthly average sale price. The highest monthly average sale price prior to February was attained in October of last year at \$423,559. February marks the sixth consecutive month in which the average sale price for Toronto properties sold exceeded \$400,000.

As has been said in previous reports, year-over-year comparisons are pointless. During the first three months of 2009 the economy was mired in recession, and the real estate market had softened in tandem with it. It will not be until April and even more appropriately May and ensuing months that comparisons with last year will be meaningful.

Inventory of available properties for sale continues to be a problem for buyers. Although there was a moderate increase in the number of new properties coming to market in February, the market is still far from being balanced. In February 12,726 new properties became available for sale. By month end there were 14,514 properties available to buyers. This is 32 percent fewer properties than were available last year. Last year there were 21,440 properties available at this time. Based on February's sales, there is less than two months of supply in the Toronto resale market place.

Notwithstanding the shortage of available product, Toronto area realtors were responsible for 7,291 reported sales. This number is also a record. It represents the highest number of sales achieved by Toronto area realtor in any previous February, including February 2007. For the time being 2007 remains the strongest year on record. At this pace the Toronto resale market should exceed the 87,308 sales reported in 2009. However, looming interest rate hikes may temper sales in the second half of 2010.

The bulk of reported sales were in the \$300,000 to \$500,000 range. Of the 7,291 reported sales, 4,505 of those fell into this category. This represents almost 62 percent of the universe of reported sales.

In February the Federal government announced three lending rule changes designed not so much to cool the housing market but to prevent borrowers from acquiring debt that they might not be able to service when rates rise. Specifically the rules require that high ratio borrowers be qualified at the 5 year lending rate, refinancing is reduced from 95 to 90 percent of the value of the property, and a minimum of 20 percent down payment will be required for rental properties. These measures will have a modest impact on the market. As we move into March and the Spring selling season anticipate more of what we saw in February. Low inventories, increasing average sale prices, with properties selling at a record pace. A particularly dramatic example of how quickly properties sold in February was the east end neighbourhood known as Riverdale including Leslieville. In that trading district all properties listed in February sold in 11 days with an average sale price of 107 percent over the asking price. Although not all trading districts produced such dramatic results, this represented a common trend, one that will continue until interest rates and inventories begin to rise.