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Toronto Real Estate Market Report

December 2009

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December 2009 is another one of those months that can not be compared to the same month a year ago. December 2008 was one of the darkest moments in recent real estate memory. Stock markets throughout the world were crashing, economists were predicting a repetition of the Great Depression, and the real estate market was dormant. Only 2577 sales were recorded in December 2008, a number not seen since the recessionary period of the 1990's.

There were no insightful (or even brave or foolish) forecasters predicting that the Toronto resale market would not only turnaround in 2009, but would finish at a pace that exceeded even 2007, to date the best year in the history of record keeping by the Toronto Real Estate Board. In the end the 2009 market did all of that and more, with December's results being no exception.

In December the Toronto resale market produced 5,541 sales. A strong number by any comparison. What was even more astounding was the fact that the average days on market in December was only 27 days. That means that on average every property listed in December throughout the Greater Toronto Area sold within 27 days, regardless of location or condition.

Given these sales results it is not surprising that the average sale price remained strong at \$411,931, almost 14 percent higher than the \$361,415 achieved in December 2008. During 2009 there were 5 months in which the average sale price exceeded \$400,000. It would not be a stretch to predict that in 2010 the average sale price for the year will exceed \$400,000. Even as it is the average sale price for 2009 at \$395,460 is the highest average sale price for a single year, up 4.2 percent over the \$379,347 achieved in 2008, and formerly the highest average sale price in Toronto resale history.

The on going troubling aspect of the Toronto market place remains the lack of inventory. Only 5,506 new properties came to market in December, 35 fewer new listings than the number of sales for the month. At month end there were only 10,292 properties available for sale, 47 percent fewer than the 19,468 that were available in December 2008. These 10,292 properties represent only 1.4 months of supply, based on average monthly sales for 2009. The lack of listings, coupled with historically low interest rates, will no doubt put upward pressure on prices as we move into 2010.

2009 finished with 87,308 reported sales, remarkable when the dismal results for January, February, and to some extent, March are taken into account. This represents the second best year on record, only behind the 93,193 sales reported in 2007. If the first three months of 2009 are eliminated, annualized sales would have exceeded 99,000 properties.

As 2009 came to an end a number of economists were taking the position that the Toronto marketplace was in a housing bubble. These comments and opinions are premature, and appear to be based on speculation rather than a hard analysis of the resale housing data. Calls for higher interest rates, shorter amortization periods, and more equity contribution by high ratio buyers are not supported by the numbers. In Toronto the average sale price only increased by 4.2 percent from 2008 to 2009, hardly the basis of a housing bubble.

The housing bubble that was experienced in the United States was fuelled by credit expansion that enabled many buyers that were not qualified to purchase homes. This credit expansion was supported by a belief by lenders that house prices would continue to rise. In addition most of the mortgages were securitized in such a way that the originators of the loans were not responsible for their default. Lending prudence was abandoned.

The current strong market in Toronto is predominately due to temporary factors. Low interest rates (practically zero interest rates) are causing a pull forward type of buying as purchasers attempt to realize what they perceive to be a once in a lifetime opportunity to purchase a house in Toronto at interest rates never seen before. No doubt these factors will subside as rates increase later in 2010.

For the time being governments should hold the course on rates ensuring that the nascent economic recovery is not strangled just as it emerges from recession.

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