



Housing Market Outlook 2014

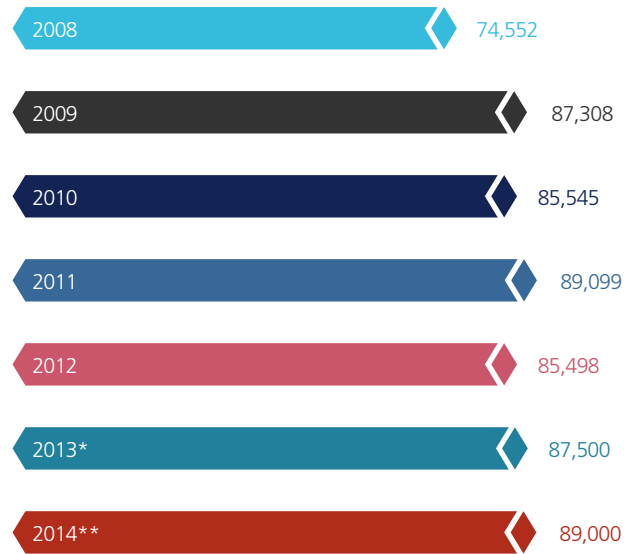
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Greater Toronto Area

Residential real estate in the Greater Toronto Area (GTA) continued to demonstrate extraordinary resilience in 2013, with the city expected to post the second-best year on record for housing sales since 2008. Approximately 87,500 homes are expected to change hands by year end, representing a two per cent increase over the 85,498 sales reported in 2012. Pressure on housing values continued to climb, with average price forecast to appreciate five per cent to \$520,000 in 2013, up from \$497,150 one year ago. Strong demand and a shortage of homes listed for sale contributed to a serious uptick in activity throughout the year. Central core neighbourhoods, as well as those along transportation arteries, were most popular with purchasers. Many Toronto communities reported year-to-date sales-to-list price ratios of 100 per cent or more including South Parkdale, Roncesvalles, Swansea, High Park, Bloor West Village, Eglinton West, and Weston in the west end, Mount Pleasant, Don Mills, Parkwood, Donalda, and Victoria Village in the centre core, and the Beach, Riverdale, Danforth, Woodbine, Leslieville, Agincourt and Milliken in the east end. A mid-year influx of first-time buyers—many prepared to make the move to homeownership armed with larger downpayments and/or adjusted expectations—bolstered homebuying activity across the board. Almost 64 per cent of condominium apartment and townhome sales occurred between \$200,000 and \$399,999 in 2013, while half of all detached home sales moved between \$300,000 and \$599,999. Move-up purchasers continued to represent the lion's share of activity, driving sales of properties between \$600,000 and \$1 million. Tight inventory levels were evident throughout much of the year, with multiple offers commonplace in many neighbourhoods south of the 401, the Beach, Riverdale, and Leslieville in the east end, and Bloor West Village and High Park in the city's west end. While new listings were off last year's levels by about one per cent in the GTA in 2013, conditions were tighter in Toronto Proper where the number of homes listed for sale was down five per cent from 2012. New condominium product was largely absorbed in 2013—rented or sold—with sales of resale units finishing the year on par with year-ago levels. The average price of a condominium apartment edged up slightly to \$342,948, while townhouse values rose just over 5 per cent to \$348,000. Single-detached homes rose five per cent to approximately \$658,000. Given the significant

Greater Toronto Area
Residential Unit Sales 2008-2014



*Estimate **Forecast
Source: Historical values are sourced from CREA or Local Board statistics. Estimates and forecasts are based on the opinion of independent RE/MAX broker/owners and affiliates.

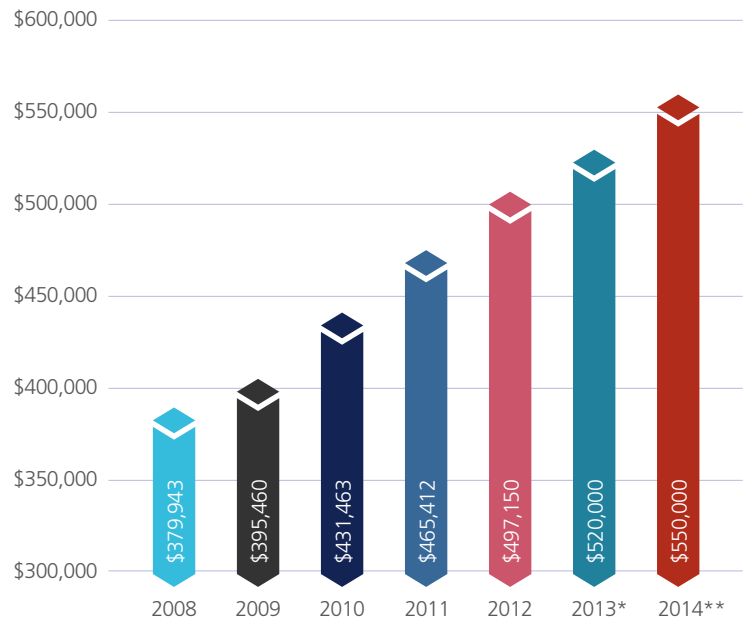
difference in values, condominiums are expected to continue to enjoy a strong following in the years ahead from younger, first-time buyers, with market share hovering at just over 30 per cent. Single-detached homes continue to make up close to 50 per cent of all sales, but with the average detached price in the GTA sitting at \$658,000, the cost of owning a freehold property is becoming prohibitive. After a slow start to the year, demand for luxury product priced in excess of \$1.5 million should post an increase of about 14 per cent over year-ago levels. While locals remain a force in the marketplace, foreign investment

continues to factor into upper-end sales, particularly at the \$2 million-plus price point where sales are up approximately 12 per cent over 2012. Demand for upscale condominiums over \$2 million—especially in tony Yorkville—has surged, with the number of units changing hands up more than 50 per cent over one year ago. The trend toward custom building continues throughout Toronto Proper, as purchasers move to build what they can't buy. Older, existing homes in blue chip neighbourhoods are experiencing strong demand from both end users and builders, with choice lots commanding a serious premium. While movement to the core continued to gain traction in 2013, particularly with younger, upwardly mobile purchasers, the 905 still accounted for the vast majority of GTA sales at 63 per cent. Lower overall housing values, combined with no land transfer tax, provided a powerful incentive to those making their move to suburban areas north, east, and west of Toronto Proper.

Despite an unemployment rate of 7.9 per cent, economic momentum in the Greater Toronto Area continues to build. New housing starts—while down from last year's robust pace—are expected to settle at 34,000 units in 2013 and experience a slight decrease of 100 units to 33,900 at year-end 2014. Multiple starts, including apartment, row and townhouses, and semi-detached, are forecast to fall 35.3 per cent year-over-year, with apartments most impacted. Just 18,000 new units are expected to be sold in 2013, falling from 29,617 in 2012. The decline in new high-rise sales should bode well for the housing market overall, with the number of new units coming onstream in the future less likely to create a glut. Non-residential construction continues to rattle and hum, with 10 new high-rise office towers planned for the downtown core, bringing millions of additional Class A space to the market by 2017. Serious expansion is also underway at many of the GTA malls, including Yorkdale, with a further addition of 300,000 sq. ft., and Sherway Gardens, set to increase square footage by an additional 250,000 sq. ft. to 1.25 million. Plans for the 170-acre site of the former Buttonville airport just north of the city proper, including residential, office, retail, hotel and convention facilities, should also help bolster economic development within the GTA. Capital projects are underway in the City of Toronto, with close to \$10 billion in transportation infrastructure and revitalization planned between now and 2022, such as road and highway maintenance, bridges and structures (\$2.26 billion) and new off-

street bicycle paths (\$90.75 million), as well as improvement to public safety and responsive emergency services. An additional \$225 million is slated for renovation, expansion, and redevelopment of various community programs and services. Immigration will continue to play a role in supporting residential housing markets moving forward. In 2012, Ontario welcomed close to 100,000 new Canadians, with the vast majority choosing to settle in Toronto. While numbers may moderate somewhat in coming years as job opportunities in other provinces draw an increasing percentage of the immigrant pool, their impact on the GTA will remain undeniable. Population in the Greater Toronto Area continues to climb, with the number of residents reaching 6,574,140 in the 2011 Census, an increase of approximately nine per cent over 2006. Given that the GTA represents close to 20 per cent of the overall Canadian population, the outlook for the city remains

Greater Toronto Area
Residential Average Price 2008-2014



*Estimate **Forecast
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robust, with the housing market in Toronto proper and the peripheral areas expected to experience solid activity for years to come.

Historically low interest rates and buyer enthusiasm are expected to bolster the GTA housing market over the next 12-month period. Higher housing values in traditional blue chip enclaves are expected to prompt buyers to investigate opportunities in bordering areas. Up-and-coming neighbourhoods will continue to include communities situated along the subway line. In the city's east end, the area between Woodbine and Victoria Park is poised for growth, while Little India and Cliffcrest are already making strides. In the centre core, the Canary/Corktown/Distillery Districts are well positioned for the future. Dufferin Grove, Corsa Italia, Dovercourt/Wallace, Caledonia, Western/Pellam are predicted to garner favour with entry-level purchasers in the city's west end. Competitive offers should remain commonplace in 2014, with frequent bidding wars expected on properties priced under \$1 million in core areas. Condominiums will continue to play a pivotal role in homeownership, representing the first step for most purchasers. Townhome communities such as King West and Liberty Village and condominium apartments along the Lakeshore and the Fort York area in downtown Toronto

will be a popular choice for many, allowing buyers to live and work within a short distance from home. First-time buyers will work in tandem with move-up purchasers in 2014, stimulating home buying activity at virtually every price point. Baby boomers will be a major influence on the demographic mix, with many selling larger homes in peripheral areas and making lateral moves to smaller homes or condominiums in the core. Tight inventory levels will contribute to the urgency in the market, although more listings are anticipated to come onstream this spring. By year end, an estimated 89,000 homes are expected to change hands in Greater Toronto—an increase of two per cent over 2013, while average price is expected to continue its ascent, rising six per cent to \$550,000 in 2014.