

TORONTO REGIONAL REAL ESTATE BOARD RELEASING 2020 MARKET OUTLOOK AND JANUARY MARKET STATISTICS TODAY AT ECONOMIC SUMMIT

TORONTO, FEBRUARY 6, 2020 - Toronto Regional Real Estate Board President Michael Collins announces the release of TRREB's fifth annual Market Year in Review and Outlook Report. The research and report findings will be presented at a morning event consisting of multiple presentations on the housing market, related transportation infrastructure and the underlying economic drivers in the Greater Toronto Area (GTA). The media are encouraged to attend (see event details below). TRREB MLS® System statistics for January 2020 are also provided below.

This year's Market Year in Review and Outlook Report follows the increased demand for ownership and rental housing, and the persistent constrained supply of listings, especially where ownership housing is concerned. TRREB's baseline forecast is calling for strong growth in home sales and selling prices, while the supply of listings is expected to be flat-to-down.

"Robust regional economic conditions, strong population growth and low borrowing costs will support increased home sales in 2020. Market conditions will become tighter, as transactions will continue to outpace the growth in available listings. The resulting increase in competition between buyers will likely result in an acceleration in price growth across all major market segments" said Mr. Collins.

"The fact that tens of thousands of new households form each year in the GTA is testament to our region's competitiveness on the global stage. We attract some of the best talent available into and across a diversity of economic sectors. However, in order to remain competitive, policy makers need to continue their focus on the constrained GTA housing supply and to ensure we have an integrated and efficient transit and transportation network that will effectively allow the movement of people and goods. Research in this year's Market Year in Review and Outlook Report addresses these important topics," said John DiMichele, TRREB CEO.

2020 Outlook Summary

The following points summarize TRREB's outlook for 2020 and results of the Ipsos Home Owners and Home Buyers surveys:

Strong underlying demand drivers should see home sales crest the 90,000 mark in 2020, with a point forecast of 97,000 – up by almost 10.5 per cent compared to 87,825 sales reported in 2019. Sales growth will be driven by the higher density low-rise market segments (semi-detached houses and town houses) and the condominium apartment segment. These home types are more affordable, on average, and will remain popular as the OSFI mortgage stress test, although under review by the federal government, appears to be remaining in place for the foreseeable future.

More than half of intending home buyers claimed to have been affected by the OSFI mortgage stress test. In order to adjust to the more stringent qualification standards, intending buyers followed a number of different paths. The most common responses involved changing home price, type or location. Some intending buyers also looked to alternate lenders, such as credit unions or the secondary lending market.

The most popular home type for intending buyers was the detached house. However, the share of intending buyers GTA-wide who sought a detached house has declined markedly since the first survey in 2015 – from 54 per cent in the fall of 2015 to 42 per cent in the fall of 2019. This decline was evident both in the City of Toronto and

surrounding regions. An increase in buying intentions for condominium apartments and semi-detached homes has accounted for the dip in detached buying intentions.

Unless we see a significant increase in supply, it is highly likely that new listings will not keep up with sales growth in 2020. The end result will be an acceleration in price growth over the next year, as an increasing number of home buyers compete for a pool of listings that could be the same size or smaller than in 2019.

The point forecast for the overall average selling price in 2020 is \$900,000, close to a 10 per cent increase compared to the average of \$819,319 reported for 2019. This forecast rate of growth presupposes that price growth will continue to be driven by the less expensive mid-density low-rise home types and condominium apartments. If the pace of detached home price growth starts to catch up to that of other major home types, the average selling price for all home types combined could push well past the \$900,000 mark over the next year.

While we did see an improvement in condominium apartment rental supply in 2019, recent consumer polling coupled with the potential for smaller returns on investment from rental income suggests that there are still forces working against more balanced market conditions in the GTA rental market. Policymakers at all levels of government need to be mindful of rental supply requirements as the GTA population continues to grow on the back of a strong regional economy and strong immigration. Expect above-inflation annual growth rates in average one-bedroom and two-bedroom condominium apartment rents to be sustained in 2020.

"After more than three years of slower market activity brought on largely by changes in housing-related policies at the provincial and federal levels, home sales will move closer to demographic potential in 2020. The key issue, however, will be the persistent shortage of listings. Without relief on the housing supply front, the pace of price growth will continue to ramp up. Policy makers need to understand that demand side initiatives on their own will only have a temporary impact on the market," said Jason Mercer, TRREB's Chief Market Analyst and Director of Service Channels.

The Toronto Regional Real Estate Board is urging caution on the issue of a possible vacant home tax in the City of Toronto. A measured approach to the issue can help to avoid any unintended consequences on the housing market and property owners. TRREB is concerned there is not enough empirical city data or evidence to support this approach.

It is also important to point out that, just three years ago, City Council increased the Municipal Land Transfer Tax (MLTT) on all home buyers by an additional 0.5 percentage point and added an additional upper tier rate of 0.5% on homes priced over \$2 million to match the provincial LTT. Continuous increases to the MLTT is an unsustainable and risky fiscal strategy for the City.

While the current suggested MLTT increase by some councillors is focused on higher-priced properties, TRREB is also warning about the potential impact of this proposal on lower-priced properties. The real estate market functions as a continuum. Policies that impact certain price points can have a trickle-down effect by influencing move-up decisions of home-buyers, thereby preventing the supply of lower-priced properties from being freed-up for other home buyers. Anecdotal and statistical evidence suggests that the MLTT has a direct impact on mobility.

"During the recent federal election campaign, Ipsos identified affordability issues as being top of mind for Canadians, and central to those concerns are housing costs in Canada and the GTA in particular. In the coming year, governments will no doubt be focused on how their policies are impacting the delicate balance between housing supply and demand, and how they can best provide relief to Canadians' pocketbooks in the area of housing costs," said Sean Simpson, Vice President at Ipsos.

New Research on Housing Supply, Regional Transportation and the Regional Economy

This year's report is all about planning for growth in the Greater Toronto Area and broader Greater Golden Horseshoe. The subtitle for this year's report is "The Time is Now" and the contents within the report puts the focus on planning for growth in the GTHA. In addition to sharing the latest data on the Greater Toronto Area ownership housing market, rental market and commercial real estate data, the Toronto Regional Real Estate Board has worked with several partners to bring top-quality and evidence-based research. Our partners this year include Altus Group, Canadian Centre for Economic Analysis, the Pembina Institute and Ryerson University.

"Toronto's booming economy has brought with it housing affordability challenges that will continue throughout the next decade. Both the provincial and municipal governments must support a massive increase in the supply of all types of housing and tenures as priority number one and quickly transform the land use planning system to make this happen," said Frank Clayton, Senior Research Fellow, Ryerson University's Centre for Urban Research & Land Development.

"To accommodate the 480,000 new daily commuters that are expected to join the system between now and 2041, transportation infrastructure capacity will have to increase significantly, and especially for public transit. To get there without making congestion worse, it's going to be very important to evaluate each new investment in transportation infrastructure on the basis of its productivity to make sure pressure is relieved in the right places" said Paul Smetanin, President and CEO, Canadian Centre for Economic Analysis.

The Canadian Centre for Economic Analysis research in TRREB's Market Year in Review and Outlook Report looks at growth patterns and presents a comprehensive review of current transportation challenges across the GTHA, as well as suggested solutions for future transportation opportunities.

"Building transit-friendly communities helps individuals and families save on their housing and transportation costs, improves transit use, manages traffic congestion, and in doing so, reduces pollution. In the GTHA, there's an exciting opportunity to greatly improve access to bus transit that is already widely relied on. To seize these opportunities, communities should prioritize gently increasing housing supply and choice around the GTHA's bus network," said Carolyn Kim, Ontario Regional Director, Pembina Institute.

The Pembina Institute presents research on transit-supportive development and the interplay of housing diversity and ideas on increasing housing supply.

TRREB MLS® System Monthly Report for January 2020

TRREB President Michael Collins announced that Greater Toronto Area REALTORS® reported 4,581 home sales through TRREB's MLS® System in January 2020 – up by 15.4 per cent compared to January 2019. On a preliminary seasonally adjusted basis, sales were up by 4.8 per cent compared to December 2019.

"We started 2020 where 2019 left off, with very strong growth in the number of sales up against a continued dip in the number of new and available listings. Tighter market conditions compared to a year ago resulted in much stronger growth in average selling prices. Steady population growth, low unemployment and low borrowing costs continued to underpin substantial competition between buyers in all major market segments," said Mr. Collins.

The MLS® HPI Composite Benchmark price was up by 8.7 per cent compared to January 2019 – the highest annual rate of growth for the Benchmark since October 2017. The condominium apartment market segment continued to lead the way in terms of MLS HPI® price growth, but all home types experienced price growth above seven per cent when considering the TRREB market area as a whole. The average selling price in January was up by 12.3 per cent, driven by the detached and condominium apartment segments in the City of Toronto.

"A key difference in the price growth story in January 2020 compared to January 2019 was in the low-rise market segments, particularly with regard to detached houses. A year seems to have made a big difference. It is clear that

many buyers who were on the sidelines due to the OSFI stress test are moving back into the market, driving very strong year-over-year sales growth in the detached segment. Strong sales up against a constrained supply continues to result in an accelerating rate of price growth," said Jason Mercer, TRREB's Director of Market Analysis and Service Channels.

TRREB's 2020 Market Year in Review & Outlook Report and Economic Summit

At 10:00 a.m. today at Parkview Manor in Toronto (55 Barber Greene Road), TRREB will release its fifth annual Market Year in Review & Outlook Report at an Economic Summit. All media are invited to attend. The event is closed to the public.

The full report can be downloaded February 6, 2020 at 12:00 p.m. from TRREB.ca

Summary of TREB MLS® Sales and Average Price - January 1 - 31, 2020

	2020			2019		
	Sales	Average Price	New Listings	Sales	Average Price	New Listings
City of Toronto ("416")	1,603	884,385	2,633	1,414	776,199	3,143
Rest of GTA ("905")	2,978	815,129	5,203	2,554	731,106	6,313
GTA	4,581	839,363	7,836	3,968	747,175	9,456

TREB MLS® Sales & Average Price By Home Type - January 1 - 31, 2020

	Sales			Average Price		
	416	905	Total	416	905	Total
Detached	407	1,667	2,074	1,369,848	957,287	1,038,247
Yr./Yr. % Change	20.8%	23.9%	23.3%	16.7%	8.7%	10.5%
Semi-Detached	91	260	351	1,004,208	718,167	792,326
Yr./Yr. % Change	0.0%	7.0%	5.1%	1.1%	10.4%	6.5%
Townhouse	177	605	782	782,274	667,974	693,845
Yr./Yr. % Change	25.5%	13.3%	15.9%	-1.9%	11.1%	8.0%
Condo Apartment	918	417	1,335	679,182	521,878	630,047
Yr./Yr. % Change	9.7%	5.3%	8.3%	15.0%	14.3%	15.1%

January 2020 Year-Over-Year Per Cent Change in the MLS® HPI

	Composite (All Types)	Single-Family Detached	Single-Family Attached	Townhouse	Apartment
TREB Total	8.72%	7.39%	7.73%	8.81%	11.26%
Halton Region	11.12%	10.28%	8.25%	12.90%	16.50%
Peel Region	10.35%	9.02%	9.62%	10.87%	14.65%
City of Toronto	8.76%	6.81%	6.99%	4.71%	10.61%

York Region	5.24%	4.99%	5.11%	4.72%	8.25%
Durham Region	6.80%	6.25%	6.98%	7.00%	12.89%
Orangeville	3.59%	3.55%	5.82%	-	-
South Simcoe County ¹	4.79%	-0.26%	10.96%	-	-

¹South Simcoe includes Adjala-Tosorontio, Bradford West Gwillimbury, Essa, Innisfil and New Tecumseth

Outlook Summary Table

	2016	2017	2018	2019	2020(F)
TREB MLS® System Sales	113,041	92,342	78,020	87,825	97,000
TREB MLS® System Average Price	\$729,824	\$822,510	\$787,842	\$819,319	\$900,000

Seasonally Adjusted TREB MLS® Sales and Average Price¹

	Sales	Month-over-Month % Chg.	Average Price	Month-over-Month % Chg.
January '19	6,939	4.0%	\$776,244	-0.8%
February '19	6,223	-10.3%	\$775,533	-0.1%
March '19	6,452	3.7%	\$780,837	0.7%
April '19	7,118	10.3%	\$787,077	0.8%
May '19	7,431	4.4%	\$801,924	1.9%
June '19	7,464	0.4%	\$812,728	1.3%
July '19	7,827	4.9%	\$825,622	1.6%
August '19	7,879	0.7%	\$827,356	0.2%
September '19	7,867	-0.2%	\$837,891	1.3%
October '19	7,674	-2.5%	\$840,082	0.3%
November '19	7,780	1.4%	\$846,009	0.7%
December '19	7,567	-2.7%	\$873,195	3.2%
January '20	7,929	4.8%	\$870,905	-0.3%

Source: Toronto Real Estate Board; CREA Seasonal Adjustment

¹Preliminary seasonal adjustment undertaken by the Canadian Real Estate Association (CREA). Removing normal seasonal variations allows for more meaningful analysis of monthly changes and underlying trends.

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The Toronto Regional Real Estate Board is Canada's largest real estate board with more than 56,000 residential and commercial professionals connecting people, property and communities.

