

real estate UPDATE

Your Greater Toronto Real Estate Newsletter

Buyer competition returns Sales and price up from last month

March saw homebuyer competition return to the GTA housing market, according to the Toronto Regional Real Estate Board (TRREB). Sales accounted for an increased share of listings in comparison to March 2022, suggesting that competition between buyers is heating up. The average sale price was above the average list price for the first time since May 2022.

"We appear to have reached a bottom where the sales and price trends have flattened over the last few months and are starting to show signs of growth on a monthly basis," says TRREB chief market analyst Jason Mercer. In March, GTA homes changed hands much more frequently than in the previous month. Sales increased by 44 per cent from February to March, although declined by 36.5 per cent in comparison to March 2022, when low interest rates fuelled activity.

"A year after the rate-hike cycle began, housing affordability remains near record lows, with costlier mortgages largely erasing the effect of lower home values. Federal lending rules are amplifying the impact of higher mortgage rates, further hobbling borrowers. At the same time, many homeowners are loath to sell after the recent price declines, meaning real estate listings are scarce. The result is buyers scrambling to snap up something they can afford in their chosen market," explain Erica Alini and Rachelle Younglai, industry reporters at Globe and Mail. "To be sure, this spring won't mark a return to the feverish bidding of the COVID-19-era housing boom. In many markets, demand from real estate investors and wealthy out-of-towners from big cities has waned.

Buyers are far more cautious about making offers above the asking price, purchasing properties sight unseen and waiving home inspections. Yet multiple offers on a home are back, real estate agents across the country report. If you want to buy one, you must still act fast."

The average home price in the GTA was \$1,108,606, down by 14.6 per cent in comparison to last year, but up from February's \$1,095,617 by 1.18 per cent. The home price index, which excludes the highest-priced homes, rose by 2.5 per cent to \$1,118,500 over the same period.

"Recent consumer polling also suggests that demand for ownership housing will continue to recover this year," says TRREB president, Paul Baron. "Look for first-time buyers to lead this recovery, as high average rents move more closely in line with the cost of ownership." *REU*



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GTA BY THE
NUMBERS

DETACHED

↓ **13.5%**
Avg. Price Yr/Yr

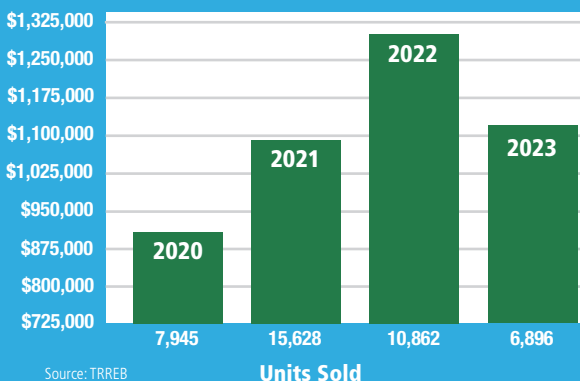
SEMIS

↓ **17.4%**
Avg. Price Yr/Yr

CONDO APTS

↓ **13.0%**
Avg. Price Yr/Yr

Average Home Prices - March in the Greater Toronto Area



Monthly stats

March average price by area

416

DETACHED

↓10.8%
YEAR
YEAR

\$1,708,373
Average Price

CONDO APT

↓11.9%
YEAR
YEAR

\$732,944
Average Price

905

DETACHED

↓14.3%
YEAR
YEAR

\$1,400,246
Average Price

CONDO APT

↓15.1%
YEAR
YEAR

\$645,305
Average Price

Source: TRREB

New federal budget

First Home Savings Account **Who should have one**

The new federal budget has thrown struggling prospective homebuyers a small lifeline that launched on April 1st. "If you're serious about buying a first home, or you're the parent/grandparent of someone in this position, contributing to a First Home Savings Account (FHSA) is a no-brainer. Do it now, even if you have only a little money to spare," says Rob Carrick, personal finance columnist for The Globe and Mail. "FHSAs are in no way the answer to high

home prices in big cities, but they're too good to miss out on as a way to build a down payment."

FHSAs have a lifetime contribution limit of \$40,000, with annual maximums of \$8,000. FHSAs provide the best of Tax-free Savings Accounts and Registered Retirement Savings Plans. You get a tax deduction on your contributions, as with the RRSP, and you get the TFSA's tax-free withdrawals when using the account to buy a home. As with both RRSPs and TFSAs, investment gains earned in an FHSA are tax-sheltered. "Eligible investments for FHSAs include the same choices available for TFSAs and RRSPs, including stocks, bonds, exchange-traded funds, mutual funds and guaranteed investment certificates," Carrick points out.

If you do not buy a home, any unused savings in your FHSA can be transferred to another FHSA, or a qualifying RRSP on a non-taxable transfer basis. But, if you decide to withdraw your FHSA savings without purchasing a home, all funds will be subject to taxes.

Various banks, including Scotiabank, RBC and TD Bank, have already started sharing information about FHSAs on their websites. [REU](#)



Condo update

Condos **An important segment of the market**

GTA's condo market continued its post-Covid rebound. Sales were up 31.4 per cent from February, with the average price of \$703,566 remaining steady. Days on the market shortened from 27 days in February to 24 in March; and new listings rose from 2,797 in February to 3,600 in March.

The average price for a condo in Toronto stood at \$732,944 and in the 905 areas at \$645,305. Industry experts expect these prices to grow. The federal home affordability programs, growing immigrant population, stable interest rate environment and potentially higher prices for other home types in the offing could turn homebuyers towards the more affordable condo option.

Toronto's rental market boomed in the last few months. Rents.ca reports that the average rent in February for a one-

bedroom in the City of Toronto stood at \$2,501, 21.5 per cent higher than during the same period last year and 1.8 per cent higher than January. A two-bedroom in Toronto rented for \$3,314 on average, 19.4 per cent above last year and 2.7 per cent above the previous month.

"Condo apartments remain an important segment of the market. They are the key entry point for many first-time buyers. Investor-owned condos are also an important source of rental supply in many parts of the GTA. As immigration into Canada continues at a record pace for the foreseeable future, the GTA will welcome many new households. This should see the demand for condos, in both the ownership and rental markets, strengthen moving forward," says TRREB Chief Market Analyst Jason Mercer. [REU](#)

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ourKIDS.net/camp
Find a camp, by location, type, dates and age of the child. A comprehensive program guide with search tools, profiles, articles, reviews, news and events.

seatGURU.com
The ultimate source for airplane seating, in-flight amenities, flights shopping and airline information. Find your seat map.

mindBODYgreen.com
Lifestyle media dedicated to inspiring you to live your best life - mentally, physically, spiritually, emotionally and environmentally.

These sites are believed to be reliable but their accuracy cannot be guaranteed.

Money matters

Canadian banks How they are saving the housing market

No doubt about it, the rising interest rate environment has been tough on Canada's homeowners, especially those with variable rate mortgages.

Yet, the rate of mortgage defaults remains very low nationwide. That's partly because lenders and mortgage insurers have been offering loan modification options to ease the financial burden of ever-higher mortgage payments. These options include reducing or deferring payments, and extending amortization periods.

Most variable rate mortgages have fixed payments which means the payment amount does not change as interest rates change. But while the payment amount remains the same, when interest rates rise, a larger share of the monthly payment goes towards interest, and less goes towards paying off the principal.

When interest rates increase too rapidly, homeowners with variable rate mortgages will eventually hit their "trigger rate" – the point at which their mortgage payment doesn't even cover the interest. If the homeowner is unable to increase their mortgage payment, then the difference between the interest they owe each month and their mortgage payment gets added to their mortgage balance, which increases their total mortgage amount. This means that, "their mortgage balance is actually increasing each month, a scenario referred to

as negative amortization," says John Pasalis, industry expert and data analyst.

"CIBC disclosed that 20% of their mortgage borrowers are seeing their mortgage balances grow each month because their mortgage payment isn't high enough to cover their interest owed. TD and the Bank of Montreal also allow their mortgage holders to have negative amortization mortgages, but they have not disclosed the share of mortgage holders in this



scenario. Royal Bank does not allow negative amortization mortgages and Scotiabank's variable rate mortgages have floating payments where the payment increases with every change in interest rates," explains Pasalis.

Industry experts point out that lenders do not want to foreclose people's homes, and will work with the borrowers to customize an emergency relief plan. [REU](#)



Mortgages

April 10, 2023

Mortgage rates are negotiable with individual lenders. Rates are subject to change without notice. OAC E&OE

Prime	6.70%
Variable	6.00%
1-year	6.04%
2-year	5.24%
3-year	4.99%
4-year	5.04%
5-year	4.79%



GTA '23 totals

Sales activity of all home types
Most recent month, year to date

Active listings

March10,120
YTDN/A

New listings

March11,184
YTD27,254

Sales

March6,896
YTD14,750

Average price

March\$1,108,606
YTD\$1,089,819

Median price

March\$965,000
YTD\$940,000

Average property days on market

March27
YTD32

Average percentage of list price

March101
YTD100

Source: TRREB

Housing market indicators

Single-family dwellings

Source: TRREB	Sales	New Listings
Mar '22	10,862	20,061
Mar '23	6,896	11,184
% Change	-36.5%	-44.3%

Implementing a renovation **Steps to take**

Spring is a great time for performing maintenance tasks and taking care of home improvements. While home renovation projects are exciting, they can also easily become overwhelming. It's important to ensure that you put some careful thought into the implementation of the renovation. Here are some key steps to getting repairs successfully completed around your home.

Know what you want done

If, for example, you need to repair a roof with a leaking valley flashing, decide whether you want the valley flashing replaced or just patched to last a few years until you get the whole roof re-shingled. If you know what you want done, you can compare apples to apples when reviewing quotations. Otherwise you will find it very hard to compare quotes if every contractor has a different repair strategy.

Find at least three reputable contractors and obtain written estimates

Personal referrals from trusted people are a great starting point, but be sure the work you are planning is similar in size and scope to the work done for the person providing the referral. Many contractors who are geared to do major renovations are

not well suited to do minor repairs, and vice versa. Contractors' quotes can vary as much as 300% on any given job. As home inspectors, we are often faced with contractor opinions that differ drastically from the recommendations in our reports. A good option is to ask the contractor for a list of recent clients and get their opinions. Don't forget to ensure that the contractor has appropriate licenses and insurance.

Choose the contractor

Don't base your choice on price alone. Look carefully at what work and supplies have been included in the estimates. Strongly consider choosing the contractor with the best reputation, provided that the price for the job is fair. Avoid paying cash. The benefit of a cash deal is typically far greater for the contractor than it is for the homeowner.

Have both parties sign a contract

The contract should include a complete description of the work and details such as whose responsibility it is to obtain permits. If there is any doubt regarding the need for a permit, contact your local building department. The contract should include a start date and a completion date. (On larger contracts, there's sometimes a penalty clause for each day the job extends beyond the completion date). The contract must also contain a payment schedule. The schedule should not demand very much money up front and the payment should be based on the stages of completion as opposed to pre-determined dates.

Expect delays and have a contingency fund

Many home renovations end up taking longer than anticipated and unearthing something else that requires repair. While this is very common, ask lots of questions if your contractor is proposing additional work.

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Thank you!

MARK CHEATLEY
Broker



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