

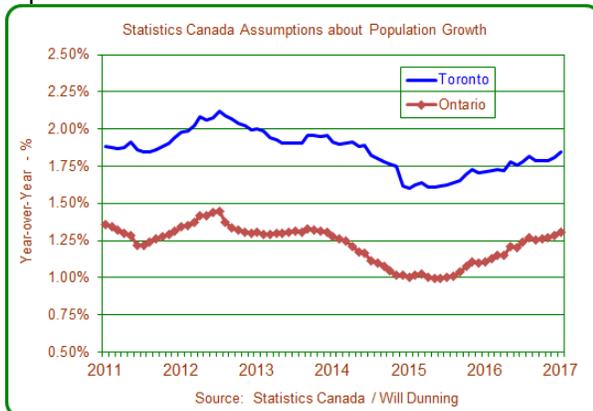
Housing Market Digest

Greater Toronto Area, February 2017

Synopsis: my phone deleted my phone book. If you think you should be in it, please text or email me.

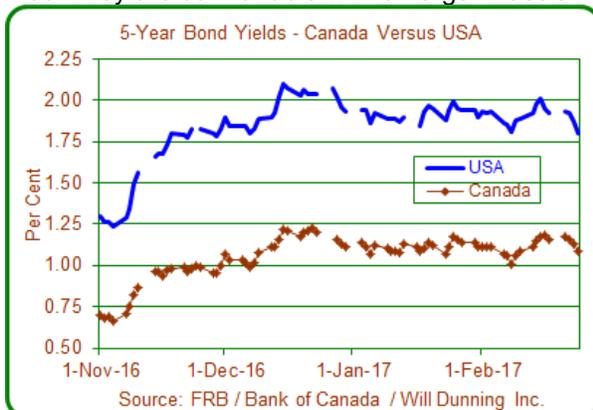
Economic Trends

I have two issues with the recent employment data. Firstly, a critical element is the assumptions that StatsCan makes about rates of population growth. The assumptions haven't fully kept up with the changes that are probably occurring (eg. StatsCan assumes that the growth rates for Ontario and Toronto are the same as three years ago. But, weakness in resource-producing regions likely means that our population growth is higher than assumed). The result is that job growth is being under-estimated for Ontario and Toronto. Secondly, the data for Montreal is wacky – 4.5% job growth over the past year, or 35% of the Canadian total. This is distorting the Canada total. Taking Montreal out, the rest of Canada has seen 1.1% job growth over the past year, versus the reported 1.5%.



Interest Rates

Bond yields have been roughly flat since the start of the year, while financial markets consider how much they are comfortable with emergent fascism.



Meanwhile, my opinion-estimate of the typical 5-year fixed mortgage rate is still 2.9% and the spread versus bonds is 1.8 points, equal to the long-term average.

Resale Market

Resale activity remains very strong. The January rate was 115,800, based on 5,188 actual sales. Supply has deteriorated further, with the sales-to-new-listings ratio hitting another all-time record, at 94%. Sales would have been even higher if there had been more supply. The average price rose by 22.1% versus a year ago. CREA's House Price Index, which eliminates distortions caused by changes in what sells, was up by a similar amount (22.6%, including 24.4% for singles and 18.2% for apartments).



The combination of extreme price growth and an uptick for mortgage rates has resulted in a deterioration of affordability. But, my interest-only cost index (which nets-out the forced savings that result from principal repayment) shows that affordability is still decent, which helps explain the continued strength of demand.



For all of Canada, while resale activity has fallen from the peak seen last spring, it remains relatively high in historic terms.



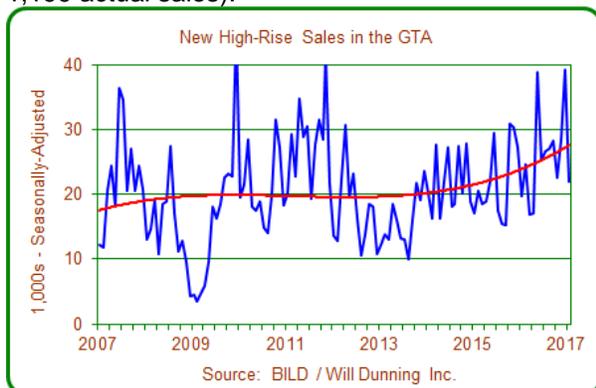
CREA's price index for Canada shows year-over-year growth at 15.0%. Apart from Toronto and environs, prices are tame.

New Homes Market

New home sales were weak in January, at a rate of just 33,100 (based on 1,940 actual sales). I attach little importance to new homes sales in Januarys. Low-rise sales remained very low, at a rate of just 11,100 (based on 741 actual sales). The trend should be at least in the mid-20,000s.



High-rise sales, on the other hand, were below trend, but still strong, at a rate of 22,000 (based on 1,199 actual sales).



Other News

I bought a house a year ago. At the time, I found that while the GTA market was pressurized, it was orderly, and I saw very few signs of panic. I wonder if that has changed. [Comments, please.](#)

On March 9, I'll be on a panel (with Jason Mercer of TREB), discussing the GTA market. I hope to see you there. Info and registration are here: <https://mortgageproscan.ca/en/page/index/toronto-symposium-and-trade-show>

Canadian Mortgage Trends has published an excellent 2-part commentary on the House of Commence committee hearing on the housing and mortgage markets. I suggest that you read the comments, as well as the main articles.

[Part 1 is here.](#)
[Part 2 is here.](#)

The Outlook

No changes have been to my forecasts.

Toronto Indicators		
	2016 Actual	2017 Forecast
Job Growth (Toronto CMA)	1.2%	2.1%
Resales (units)	113,725	109,800
Ch. in Avg. Resale Price	17.3%	10.8%
GTA New Home Sales		
Low-Rise	17,975	19,600
High-Rise	29,186	24,400
Total	47,161	44,000
Housing Starts (Toronto CMA)		
Low-Rise Ownership	17,581	16,800
Condo Apartment	18,769	23,900
Rentals	2,677	2,500
Total	39,027	43,200
Apartment Vacancy Rate	1.3%	1.4%

Source: forecasts by Will Dunning Inc. (Feb 8/17)

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