

Housing Market Digest

Greater Toronto Area, January 2022

Housing Shortages

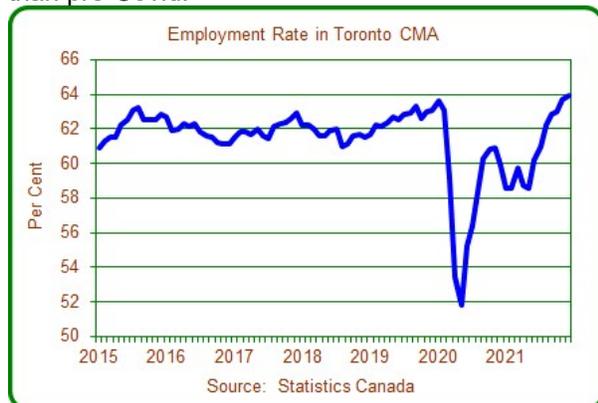
In a report that I published last May, I created estimates of how much housing supply was required for major centres across Canada, versus amounts of housing that had been produced, for the period 2006 to 2020. Those estimates showed extremely large shortfalls for low-density housing (singles and semis), but large surpluses for apartments.



Population data for 2021 has now become available, and I am working on an update of that report. The original report was unsponsored. Are any of you interested in financially supporting my housing market research?

Employment

According to Statistics Canada estimates, Toronto CMA employment is now 3.9% above the pre-Covid level. The share of Toronto adults who are employed (the “employment rate”) is now higher than pre-Covid.



Interest Rates

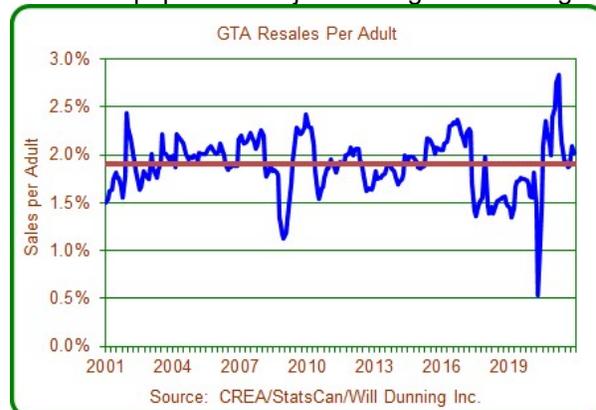
Bond yields have jumped during the past three weeks. This is partly due to geo-political risks. So far, mortgage rates have only partially followed,

and I have raised my opinion-estimate of a typical “special offer” rate for 5-year fixed rate mortgages (advertised by major lenders) to 2.8% from the prior 2.7%. I still consider this a neutral rate. But, my opinion-estimate for variable rates remains at 1.4%, which is much lower than it should be, because the Bank of Canada hasn’t raised its short-term Policy Rate (the “overnight rate”). That too-low interest rate is continuing to support “asset inflation” (housing values, stock indexes, etc.). Meanwhile, the Canadian economy (in my estimation) returned to full employment at the middle of last year, and a rise for the BoC rate is now six months overdue.



Resale Markets

Resale activity in the GTA has slowed considerably compared to a year ago, but that was an exceptional period. In historic terms, sales remain quite healthy (an annualized rate of 113,600 in December). By contrast, the long-term average sales rate, adjusted for population growth, is now 106,500. December sales were 6.6% above the population-adjusted long-term average.



But, sales are even stronger for Canada as a whole – nationally, December sales were 20% above the population-adjusted average. Due to a combination of factors, the GTA is experiencing a

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stronger-than-usual exodus, to elsewhere within Ontario, and even to other provinces (due to reorganization of work, lack of housing opportunities, housing cost differentials, changing attitudes about quality-of-life issues, possibly accelerated retirements...).

Available resale inventory continues to plunge (this chart shows unofficial data, based on my estimates of seasonal-adjustment).



Several different datasets are available for house price growth. By my preferred measure (median prices), single-family home prices have increased by 30% in the past year, while condominium apartments are up by 19%.

Compared to two years ago, prices for singles are up by 61%, but condo apartments are up by 18%.



Price growth is even stronger in lower-cost, move-to communities. Turning to a different dataset (CREA's House Price Indexes), GTA prices have increased by 46% versus two years ago. Elsewhere, some of the two-year increases are:

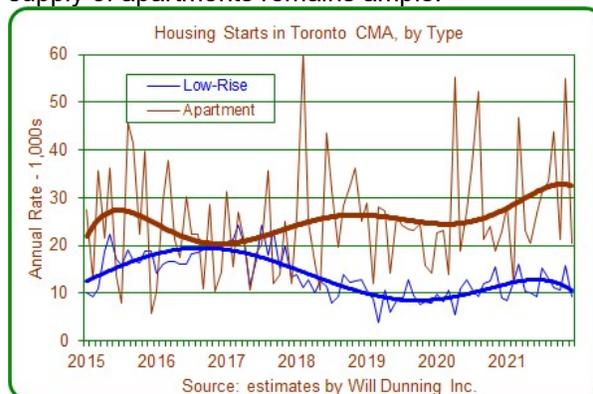
- Barrie – 70%
- Brantford – 73%
- Guelph – 55%
- Hamilton – 59%
- Kawartha Lakes – 79%
- Kingston – 56%

- Kitchener-Waterloo – 61%
- London-St. Thomas – 68%
- Niagara – 66%
- North Bay – 80%
- Quinte – 73%
- Woodstock-Ingersoll – 74%
- Moncton – 68%
- (Ottawa is slightly lower than the GTA, at 44%).

A few places are seeing much slower price growth, notably two-year price growth is in the teens in provinces that are still feeling effects from the plunge in oil prices that started in 2013 (Calgary, Edmonton, Regina, Saskatoon, and St. John's).

Housing Starts

Housing starts in the GTA settled back in December (29,600) from the exceptionally high figure seen in November. Total starts improved (slightly) for the year (41,898 versus 38,587 in 2020), but this is still far too low. Low-rise starts remain extremely weak (just 11,661 in 2021). The supply of apartments remains ample.



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