

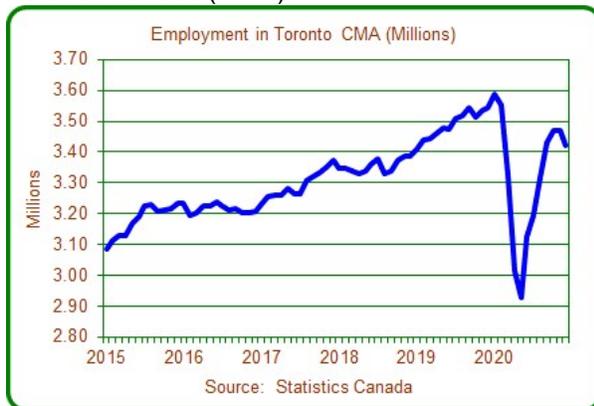
# Housing Market Digest

Greater Toronto Area, January 2021

**Synopsis: I removed the outlook section from these reports in March. I'm still not ready to believe that the future is predictable.**

## Further Economic Consequences?

Statistics Canada estimates that Toronto CMA lost 52,000 jobs in December. The data reflects the week that ended on December 12, and therefore further lockdowns may have resulted in additional losses since then. As of December, Toronto CMA employment is 133,000 lower than in February (a drop of 3.8%). This is a bit worse than the shortfall for all of Canada (3.3%).



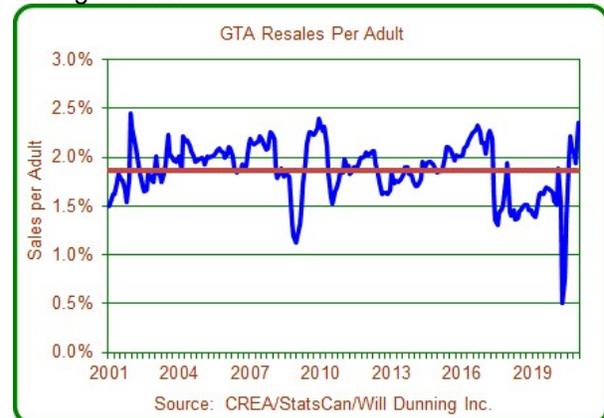
Another way to look at the damage: the employment-to-population ratio for “prime age” adults (25 to 54) was 79.2% in the fourth quarter of 2020, which was 2.7 points lower than a year earlier. This is a substantial reduction.

## Resale Market

Resale activity set another all-time record in December, at an annualized rate of 135,200. Unlike all of Canada and many other communities, the GTA did not set a new annual record in 2020. Total sales for 2020 (about 95,000) were lower than in 2015 (101,000) and 2016 (113,000).



The population-adjusted sales rate for December was 26% above the long-term average (but did not set a new record). For the entire year, the population-adjusted sales rate was 10% below the long-term average. By this metric, the housing market in the GTA was weaker than for all of Canada: for Canada, sales in 2020 were 14% above the long-term population-adjusted average. Home-buying has been bolstered by the combination of exceptionally low interest rates and the desire among many of us to change our living arrangements.

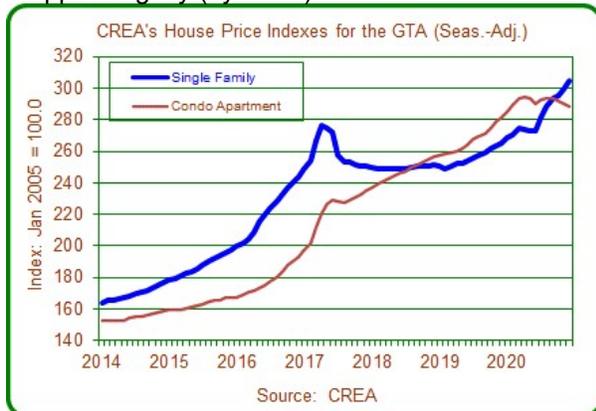


Flows of new listings into the market remain deficient. The sales-to-new-listings ratio was 68% in December (61% for the entire year), far above the balanced market threshold of 53%. TRREB data also shows a low level of active listings (this year was 22% below the 10-year average for December).



During the past six months, CREA's price index for the GTA has jumped by 7.5%, which equates to

an annualized growth rate of 15.6%. Single-family pricing is extreme (up by 11.7% during the past six months) while the index for condo apartments has dropped slightly (by 0.6%).



### Housing Starts

Housing starts (for the Toronto Census Metropolitan Area) dipped during the fourth quarter (the annualized rate was 31,000 in December). Low-rise starts have recovered slightly compared to 2019, but remain extremely low: total low-rise starts for the year (just 10,524) are at best only one-half of the required amount. More than a decade of under-production of low-rise homes is now contributing to the supply pressures seen in the resale market. On the other hand, as I've commented repeatedly, a large supply of new condo apartments, at a time when consumer interest is shifting away from high-density living, is likely to result in oversupply for some time.



### Interest Rates

There has been very little movement in interest rates during the past month. The yield for 5-year Government of Canada bonds remains in the area of 0.45%. My opinion-estimate of a typical "special offer" mortgage interest rate (5-year fixed-rate,

advertised by major lenders) is 1.65%. The spread between 5-year fixed rate mortgages versus bonds remains skinny at just 1.2 points, far below the long-term average of 1.8 points. For variable rates, my opinion estimate is still 1.35%. The mortgage stress tests still use a ridiculous rate of 4.79%. The Bank of Canada publishes data on actual contracted interest rates. Within that data (which starts in 2013) the highest monthly average rate recorded for 5-year (and longer) insured fixed rate mortgages is 3.69% (3.76% for uninsured).



### Rental Markets

CMHC will release the results from its October survey on January 28. Two years ago, the release occurred on November 28.

In recent news, Urbanation has reported a 5.7% vacancy rate for the City:

<https://twitter.com/Urbanation/status/1351605830387458051>

But this is for buildings completed in 2005 or later, which is only about 5% of the market, and they usually perform very differently than the overall market. I'm keenly waiting for this data.

*I'm looking forward to seeing you again.*

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