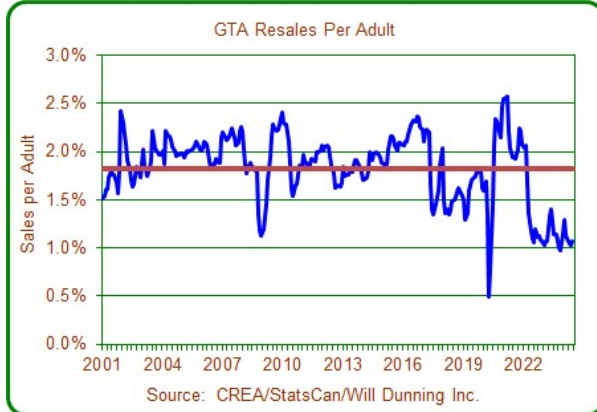


# Housing Market Digest

Greater Toronto Area, July 2024

## Resale Market

Sales improved in June, to an annualized rate of 64,800, which was 4.1% higher than in May. As I discussed in the Canada edition, the increase in the capital gains exclusion rate appears to have had a very small impact on sales during the month of June (for the GTA, that impact might have been about 200 additional sales). On a population-adjusted basis, sales in June were 42% below the long-term average.

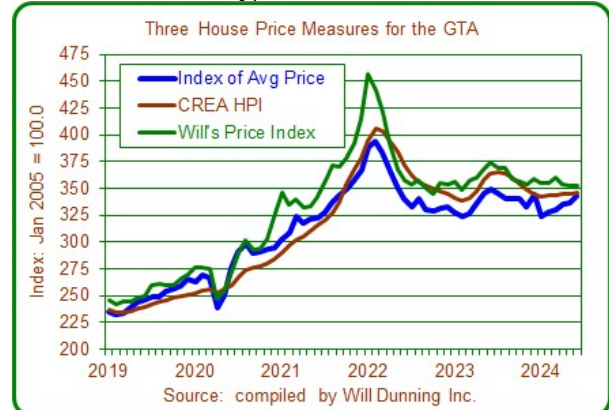


Listings continue to creep upwards, and the sales-to-listings ratios continue to drop. For the sales-to-new-listings ratio, there is now a clear “buyers’ market” condition, as the ratio was just 36% in June, versus a 52% threshold for balance. The active listings ratio was 26% for June, and is now falling increasingly below the balanced market threshold of 32%. Listings are expanding for both apartments and other forms, but the movement is most severe for apartments (the sales-to-active listings ratio was just 14% in June, versus 31% for other types).

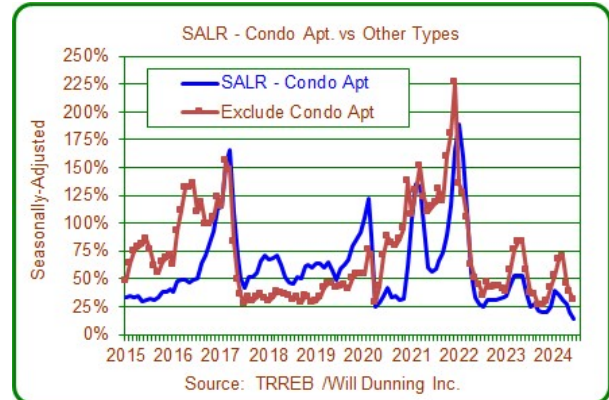


None of my measures of market values have changed materially (although there is noise in the data on average prices). The recent rise in the average price is related to changes in composition (the shares of sales for singles and semis have

increased recently, as apartment sales have slowed considerably).

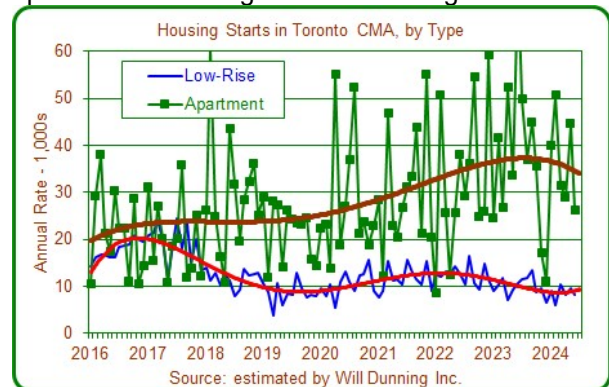


Given the evolving weakness for the sales-to-listings ratios, I continue to see a risk of price declines (but I do not see a certainty – I don’t have an opinion on whether there will be a “capitulation” that sets off a downward spiral). The risk is certainly greater for apartments than for low-rise homes.



## New Housing Construction

Superficially, it appears that the trend for apartment starts might now be turning down.

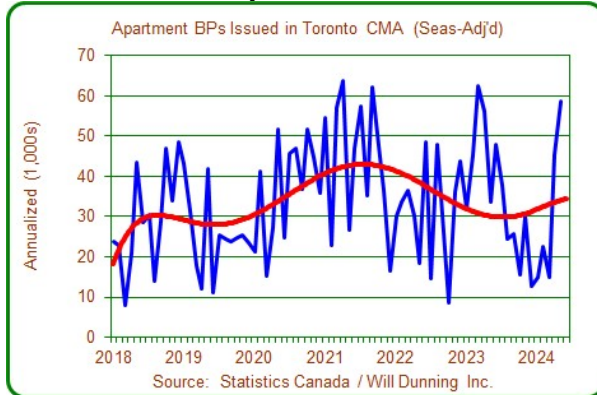


However, there is a lot of randomness in the data for apartments, and it’s too soon to make that call.

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Moreover, there is also a lot of random variation in the data for building permits. The two most recent datapoints (April and May) showed large numbers. When (and if) those permits lead to actual construction, the downtrend for apartment starts could be further delayed.



I still believe that a large drop in starts is likely, at some point. According to data on new home sales (from Altus Group/BILD – this is data up to May), new home sales remain very weak for low-rise homes, and especially for apartments.



## Interest Rates

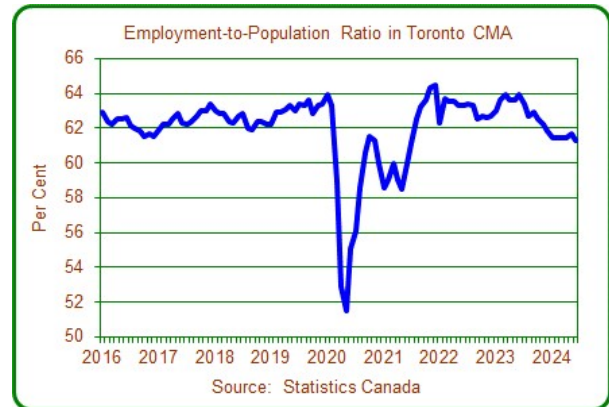
Bond yields continue to show minor variations (due to occasional shifts in sentiments about the outlook for inflation and the economy – and largely driven within the US). At present the spread

between 5-year bond yields (about 3.3%) and 5-year fixed rate mortgages (5.3%) is a bit fat (2.0 points, whereas 1.6 would be normal). But, unless there is a big shift in expectations, I don't expect any game-changing movements in fixed mortgage rates.



## New Housing Construction

The employment to population ratio is down by more than 2 points versus a year (worse than the 1.1-point drop for Canada). This is possible, because mortgage renewals in this high-cost housing market will be more painful than elsewhere.



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