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## Prices rise as inventory drops More increases forecast for 2019

A big drop in the number of new listings has pushed up prices in the GTA real estate market. In November, the average selling price was up by 3.5 per cent year-over-year to \$788,345. New listings dropped by 26.1 per cent compared to a year ago, and there were 9.8 per cent fewer active listings.

"New listings were actually down more than sales on a year-over-year basis in November," says Toronto Real Estate Board (TREB) president Garry Bhaura. "This suggests that, in many neighbourhoods, competition between buyers may have increased. Relatively tight market conditions over the past few months have provided the foundation for renewed price growth."

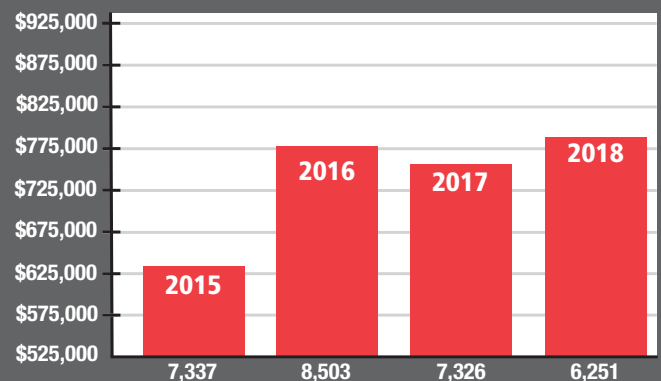
The biggest price increases were for the most affordable homes. The average GTA condo apartment price rose by 7.5 per cent to \$556,723. Townhouse prices rose by 3.1 per cent to an average of \$647,418, while the average semi-detached home sold for \$791,760, an increase of 8.3 per cent. By comparison, the average selling price for detached homes was \$1,008,768, up 1.3 per cent from a year ago.

Overall, sales in the GTA were down by 14.7 per cent. That's because in late 2017 there was a surge of activity as buyers rushed to make a deal before the mortgage stress test regulations were implemented at the beginning of 2018. The stress test, combined with rising mortgage interest rates, continue to make affordability an issue for buyers.

A forecast by Canada Mortgage and Housing Corp. (CMHC) predicts GTA home prices will grow in line with inflation in 2019. Condos, townhouses and semi-detached homes will continue to get the most interest from buyers. CMHC believes Toronto's downtown core, as well as the downtown sections of Markham and Mississauga, which have a lot of condos, will see stronger than average price appreciation.

Recently Francis Fong, chief economist of Chartered Professional Accountants Canada, wrote that although high household debt levels in Canada are a concern, overall "credit quality appears to be strong and improving over time" and that a housing crash or bursting price bubble is unlikely. "We should consider the possibility that, given Canada's relatively healthy financial system, the current level of home prices is justified, and that significant downward pressure is unlikely to occur," says Fong. REU

### Average Home Prices - November in the Greater Toronto Area



Source: TREB

Units Sold

## Monthly sales and average price by area

### November 2018

Central.....	1,237	\$959,243
East .....	1,354	653,807
North .....	1,168	845,916
West .....	2,492	749,628

### October 2018

Central.....	1,432	980,698
East .....	1,535	661,862
North .....	1,413	863,011
West .....	3,112	774,049

### September 2018

Central.....	1,185	963,448
East .....	1,374	653,258
North .....	1,210	849,918
West .....	2,686	772,736

### August 2018

Central.....	1,156	888,683
East .....	1,472	632,978
North .....	1,337	866,721
West .....	2,874	736,191

### July 2018

Central.....	1,240	931,472
East .....	1,436	647,600
North .....	1,333	861,727
West .....	2,952	752,457

### June 2018

Central.....	1,498	966,088
East .....	1,697	684,681
North .....	1,492	879,517
West .....	3,395	768,151

### May 2018

Central.....	1,555	960,558
East .....	1,565	662,375
North .....	1,378	872,843
West .....	3,336	772,126

### April 2018

Central.....	1,479	949,084
East .....	1,631	670,353
North .....	1,395	885,069
West .....	3,287	772,013

### March 2018

Central.....	1,386	883,297
East .....	1,502	662,023
North .....	1,258	892,898
West .....	3,081	755,662

### February 2018

Central.....	982	892,378
East .....	1,074	657,487
North .....	955	854,277
West .....	2,164	727,899

### January 2018

Central.....	746	857,361
East .....	811	611,414
North .....	733	821,399
West .....	1,729	707,690

### December 2017

Central.....	944	827,033
East .....	1,017	612,021
North .....	859	863,508
West .....	2,110	700,833

Source: TREB

## Mortgages

### Should you maximize your mortgage? Be conservative

Many homebuyers are tempted to take the largest mortgage that a lending institution will offer them. It's critical though to look carefully at your monthly expenses, plan for any unforeseen financial needs and then pick a mortgage that works best for you.



In September 2018, RBC's Housing Trends and Affordability Report stated that, "The ownership costs to carry a home bought in the second quarter of 2018 would have taken up 53.9 per cent of a typical household's income. This is up sharply from 43.2 per cent three years ago." The Bank of Canada has increased its benchmark interest rate by quarter of a point three times in 2018, and analysts expect more increases in 2019.

For home and condo owners, regular expenses like property taxes, utility bills, insurance etc. can take up a chunk of their paycheck. Occasionally, however, for condo owners circumstances can arise where additional funds - over and above the monthly maintenance fees - are needed. For example, a special assessment can be levied onto the unit owners to pay for a costly fix to the underground parking garage. On the other hand, home owners can get lumbered with the cost of replacing the roof or windows.

You don't need to take the maximum mortgage that you're eligible for. Jobs and life situations are unpredictable and having a financial cushion to fall back on helps when emergencies pop up without warning. By having a smaller mortgage, you can make other sound investments or save up for a rainy day, with what's left over. REU

## Condo matters

### Condo prices climbing Rental vacancy rate remains low

Condo apartment sales in the GTA are down from a year ago, when buyers scrambled to purchase their units before the mortgage stress test regulations came into effect. But demand for condos has not subsided, and that has pushed prices up. In November, the average condo apartment in the City of Toronto sold for \$595,678, an increase of seven per cent year-over-year. In the 905 regions, the average selling price was \$454,288, up 9.5 per cent.

Given the impact of the mortgage stress test regulations and higher borrowing costs, it makes sense that the condo apartment market has seen strong price growth, says Toronto Real Estate Board (TREB) senior market analyst Jason

Mercer. Market conditions are tight, with the average condo spending 23 days on the market and selling for 99 per cent of its listed price.

A report by Urbanation found that average resale condo prices in the third quarter of 2018 reached \$690 per square foot, an increase of 6.5 per cent year-over-year. The price for a new condo rose to an average of \$745 per square foot.

Millennials and immigrants lead the demand for condos, as they want affordable housing with easy access to public transit. The same demographics also hold true for the rental market. TREB reports that as of the third quarter of 2018, 35.4 per cent of condos were in the rental market. The condo rental vacancy rate was 0.9 per cent in York Region, 0.7 per cent in the City of Toronto and 0.5 per cent in Peel Region, leading to double-digit rent increases year-over-year. REU



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## Mortgages

### At December 5, 2018

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

Prime.....	3.95%
Variable.....	3.05%
1-year.....	3.39%
2-year.....	3.49%
3-year.....	3.54%
4-year.....	3.64%
5-year.....	3.74%

## Financial matters

### RRSP, TFSA or mortgage? Where to put your cash

Imagine this: You have a mortgage with a fixed interest rate, and you're not up for renewal for another two years. The rising interest rates are causing you to worry about whether it's better to pay off your mortgage or invest in a Tax-Free Savings Account (TFSA) or a Registered Retirement Savings Fund (RRSP). The answer to that question depends on your personal circumstances.

Most financial advisors agree that RRSPs are a time-tested option, versus paying down the mortgage. RRSPs provide tax savings that you get as a tax refund. Then, you can use the refund to pay down your mortgage.

But before you take this option you should compare the rate of return on your RRSP to your mortgage interest rate. If your mortgage rate is equal to or greater than your rate of return on the RRSP, it's better to pay off the mortgage first. You can revise this plan if current mortgage rates and expected returns on the RRSP change.

One benefit to paying off your mortgage is that it's an enforced saving and guarantees returns that your RRSP cannot. The ideal situation would be to pay off your credit cards and other high-interest debts before contributing to a RRSP.

When comparing RRSPs or TFSAs, it's important to consider what your Marginal Tax Rate (MTR) is today, and

what it will be when you retire. If your MTR is higher now than it would be at retirement, contributing to an RRSP is a sound decision. This option allows you to save more in tax now than what you would pay when you make withdrawals later.

On the other hand, if your MTR is low now, investing in a TFSA will yield better results. This saves you more taxes in retirement, although you waive a tax cut now.



Both investing in a TFSA and paying down your mortgage provide tax-free rate of return.

When choosing between paying down your mortgage, a RRSP, or a TFSA, the rule of thumb is to consider your personal finances, income tax rates, your appetite for risk, and discipline for saving. REU

## Strategic Plan





## Ice damming Re-thinking solutions

GTA '18 totals

When snow accumulates on your roof, it can lead to water leakage into your house, even if your roof is new. The culprit is ice damming, the insidious snow-melting phenomenon that is all too familiar to many of us.

Ice dams can form on the roof in areas where snow covers the transition between interior and exterior spaces. If there is sufficient heat loss from the heated space to melt the first few inches of snow on the shingles, water will form. The water runs down the roof until it encounters un-melted snow over the unheated space where it stops, and re-freezes. After a while, a dam of ice forms on the roof. The dam can cause the water to form a small pool. Shingle-type roofs cannot stop pooling water, and the water may back up under the edges of the shingles. If left uncorrected, water damage will occur to the ceiling or wall finishes, and at worst, structural rot can occur.

If a house has little insulation, heat loss will cause snow to melt. If the roof can be kept cold, little melting will occur which will avoid ice dams. Luckily, upgrading insulation in attics and roof spaces is often easily done. The goal is to keep the attic cold in winter with good ventilation. However, this does not work in all cases. The reason lies in the often-neglected problem of air leakage or air loss, which is the leaking of warm, moist air from the house into roof spaces. Air loss occurs in every house. Warm air is light and buoyant, so it always rises.

Remember that intact drywall or plaster ceiling is a good air barrier, so the most typical air leak paths are places where the ceiling is discontinuous. Here are some common problem spots that you can address from inside the house:

- Attic access hatch - an attic hatch or door needs to be both insulated and weather-stripped.
- Pot lights and bathroom fans - should be sealed at their boxes.
- HVAC registers in the ceiling - the joint between the ducting and the ceiling should well air-sealed and insulated.

The more difficult air paths to seal are those accessible only from the attic. In these areas, the attic floor is discontinuous. Common problem areas are:

- Plumbing stacks and chimneys - large chases running the entire height of the house, housing smallish pipes...great paths for heat loss.
- Attic mounted ductwork - ductwork in general is usually poorly sealed at joints, and leaks air readily.

Once the warm air is kept inside the rooms where it belongs, the existing level of attic ventilation will often be sufficient to keep the attic and roof spaces cold enough to prevent ice dams from forming.

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Rob LePage, Broker | Jill Stewart, Broker

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### Sales activity of single-family homes

Most recent month, year to date

#### Active listings

November ..... 16,420  
YTD..... N/A

#### New listings

November ..... 10,534  
YTD..... 151,510

#### Sales

November ..... 6,251  
YTD..... 73,677

#### Average price

November .... \$788,345  
YTD..... \$789,217

#### Median price

November .... \$670,000  
YTD..... \$670,000

#### Average days on market

November ..... 27  
YTD..... 24

#### Average percentage of list price

November ..... 98  
YTD..... 99

Source: TREB

### Housing market indicators

#### Single-family dwellings

Source: TREB	Sales	New Listings
Nov '17	7,326	14,260
Nov '18	6,251	10,534
% Change	-14.7%	-26.1%

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