



Market moderates

Prices dip from last month, but up 9.4% from last year

A shift to a more balanced housing market in the GTA continued in May. Home sales were down on a monthly and annual basis, active listings were up and the average price slipped down from April, but showed growth in comparison to May 2021. Market conditions remained tight enough to support an overall average selling price of \$1,212,806, representing an annual growth rate of 9.4 per cent.

In the City of Toronto, the average price of a detached home was \$1,914,890, up by 11.5 per cent in comparison to May 2021; a semi-detached home came in at \$1,426,273, up by 7.5 per cent; a townhouse sold at \$1,045,874, up by 10.4 per cent; and a condo clicked in at \$793,124, up by 10.5 per cent.

In the suburbs, a detached home sold for \$1,432,951, up by 7.8 per cent versus May 2021; a semi went for \$1,044,443, up by 14.1 per cent; a townhouse sold for \$958,558, up by 13.8 per cent; and a condo's average price was \$722,778, up by 19.7 per cent.

Sales slowed down for a third consecutive month, dropping by 38.8 per cent across the GTA on a year-over-year basis. The Toronto Regional Real Estate Board (TRREB) attributed the slowdown to interest rate increases, but sees a turnaround after the summer. "Bank of Canada rate hikes, including the 50-basis point hike on June 1, are impacting homebuyers in the short term. There is now a psychological aspect where potential buyers are waiting for a bottom in price. This will likely continue through the summer. However, as homebuyers adjust to higher borrowing costs, housing demand will be supported

by extremely low unemployment, high job vacancies, rising incomes and record immigration," says TRREB president Kevin Crigger.

Those skyrocketing home prices seen at the beginning of the year, driven by manic demand, bidding and low supply are waning. The average GTA home price in February was \$1,344,544, but in April it slipped to \$1,254,436 and in May to \$1,212,806.

Many experts view the changing market as a return to more balanced conditions. The market overheated in January and February, and it's now settling down to more normal activity. While the slowdown in activity is more evident in the 905 areas, a combination of strong demand and tight supply in the central 416 areas continue to buoy prices. *REU*



Vito Vessio

Sales Representative/Buyer & Seniors Real Estate Specialist

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Dir: 416.820.0949

vito@vito vessio.com
www.VitoVessio.com

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GTA BY THE NUMBERS

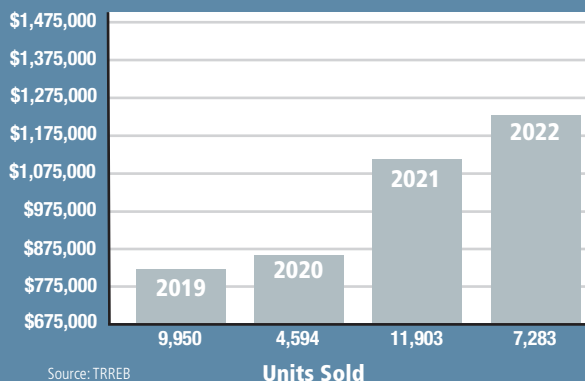
DETACHED
↑ 9.5%
Avg. Price Yr/Yr

SEMIS
↑ 13.2%
Avg. Price Yr/Yr

CONDO APTS
↑ 12.9%
Avg. Price Yr/Yr

Average Home Prices - May

in the Greater Toronto Area



Monthly stats

May average price by area

416

DETACHED

↑11.5%
YEAR
YEAR

\$1,914,890
Average Price

CONDO APT

↑10.5%
YEAR
YEAR

\$793,124
Average Price

905

DETACHED

↑7.8%
YEAR
YEAR

\$1,432,951
Average Price

CONDO APT

↑19.7%
YEAR
YEAR

\$722,778
Average Price

source: TRREB

Home improvements

Tips for a smooth renovation **All about the planning**

Most people who buy a home are eager to make some changes to make it their own. Whether it's a new paint job or undertaking major work such as a full kitchen or bathroom remodel, the key to a successful renovation is planning.

Many people underestimate renovation costs, so it's

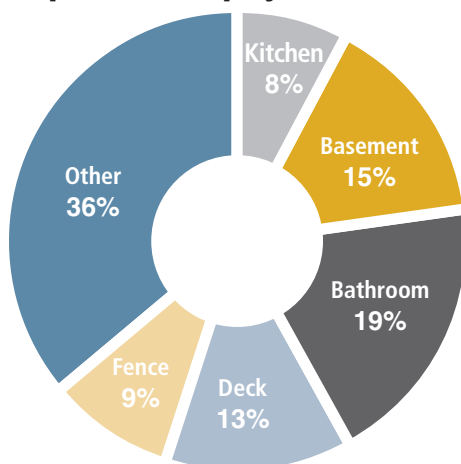
important to develop a realistic budget. Determine how much you want to spend and then add about 10 per cent to that estimate. If it's a big job and will require a loan, talk to your financial institution before starting so you know what you can afford and what loan product is best for you.

Next, figure out whether you are over-renovating or not. Once you start renovating it's easy to get carried away and add extra elements to the job. Decide what you truly need and want to accomplish. If you are renovating with your home's resale in mind, kitchen and bathroom upgrades offer good returns. Adding living space in the basement or building a backyard deck are also helpful when you sell your property.

Many homeowners believe that the only way to increase the value of their home is to spend a lot of money. But home renovations rarely offer a dollar for dollar return. In fact, sometimes the simplest updates give the best returns.

Always get multiple quotes before settling on one contractor. Ask what the contract covers and how potential problems will be dealt with. [REU](#)

Top renovation projects in Canada



Source: Money Sense

Mortgages

Stress test threshold **May be eased**

With interest rates rising, many prospective home buyers are concerned about being able to qualify for a mortgage. But there is some good news on the horizon. There is a possibility that OSFI (Office of the Superintendent of Financial Institutions), Canada's banking regulator, may ease the mortgage stress test threshold.

In May, the OSFI Deputy Superintendent of Supervision Ben Gully stated to reporters that in view of the changed borrowing climate, the banking regulator might consider reviewing the stress test's criteria, sooner rather than later. This qualifying rate is reviewed every December, with the next set for December 15th, 2022. But that may change. "We're continually reviewing it, their applicability and, if

conditions warrant, we would obviously move off cycle to address them," says Gully.

The current stress test requires that all new mortgage borrowers either qualify at a five-year fixed rate of 5.25 per cent, or their contract rate plus 2 per cent, whichever is higher. However, borrowing costs have been rising and consequently, most borrowers are well exceeding that 5.25 per cent threshold, and facing a stress test of close to 7 per cent.

James Laird, COO of mortgage brokerage Ratehub.ca says that inflation growth and the rate hikes are driving the OSFI decision. "The stress test really came from a place of ultra low rates and concern that people were overextending themselves and borrowing too much ..." says Laird. "We don't have that concern as much anymore..." [REU](#)



Rising mortgage rates

Homeownership

Is it a good time to buy?

Bank of Canada has already raised interest rates three time this year in its efforts to cool inflation, taking a bite out of housing demand and cooling the GTA housing market. In view of the market change, many potential homebuyers are wondering if it is better to buy now or wait hoping that prices go even lower?

Experts say, look at your financial capacity and housing needs? Homebuyers already in the market with substantial equity and high-income earners won't be impacted that much by the higher interest rates, "... it's those lowest on the real estate ladder who are being most affected," says Clarrie Feinstein, at the Toronto Star. "That means first-time homebuyers, new immigrants and those with less savings to break into the market, ... will be the most impacted as they need to borrow more from the lender and are much more sensitive to rate increases," says Robert Hogue, an RBC senior economist.

Are you financially insulated from rate hikes? Do you have enough saved for a down payment? Is your job stable? Are you currently renting or living at home? If the answer is yes to all of these questions, then some experts think it's better to buy now while interest rates are still relatively low and there is less competition pushing prices up.

But, "for those who have less income it isn't the best time to buy property," says Murtaza Haider, professor of data science and real estate management at Toronto Metropolitan University. "If home prices drop further, when it comes time to the closing date, appraisals can come back tens or hundreds of thousands of dollars short, leaving people scrambling to pay the difference or risk losing their deposit."



Home prices are not likely to drop dramatically this year. "...the root cause of the housing affordability crisis isn't interest rates. It's limited supply and outsized demand," says Robert Kavcic, senior economist and director of economics at BMO. This lack of housing supply will continue to buoy the value of homes. *REU*



On the internet

Interesting websites

beachJAZZ.com

Toronto's international arts festival dedicated to performance, visual art, music, theatre and dance. Jun 2-24

tedTALKS.com

TED Talks are influential videos from expert speakers on education, business, science, tech and creativity.

obsi.ca

OBSI is Canada's trusted independent dispute-resolution service for banking services and investment complaints.

diabetes.ca

Supports people affected by diabetes by providing information, research, education, service, and advocacy.

These sites are believed to be reliable but their accuracy cannot be guaranteed.

Mortgages

June 8, 2022

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

| | |
|----------------|-------|
| Prime | 3.70% |
| Variable | 3.09% |
| 1-year | 3.84% |
| 2-year | 4.14% |
| 3-year | 4.39% |
| 4-year | 4.49% |
| 5-year | 4.39% |



GTA '22 totals

Sales activity of all home types
Most recent month, year to date

Active listings
May15,433
YTDN/A

New listings
May18,679
YTD79,296

Sales
May7,283
YTD40,845

Average price
May\$1,212,806
YTD\$1,274,869

Median price
May\$1,050,000
YTD\$1,125,100

Average property days on market
May18
YTD14

Average percentage of list price
May103
YTD111

Source: TRREB

Housing market indicators

Single-family dwellings

| Source: TRREB | Sales | New Listings |
|---------------|--------|--------------|
| May '21 | 11,903 | 18,593 |
| May '22 | 7,283 | 18,679 |
| % Change | -38.8% | 0.5% |

Reverse mortgages Seeing surprising gains among seniors

Business activity at Canada's reverse mortgage lenders is humming. More and more seniors are tapping into their home equity to fund their retirement and stay in their family home. As with many recent lifestyle changes, the pandemic is at the root of this trend.

A quick primer on the reverse mortgage: Reverse mortgages typically function like home equity lines of credit and allow Canadians to put up the equity in their home in exchange for a lump sum of cash or a consistent flow of payments. If you are 55 or older, you can borrow as much as 55 per cent of your home's value. Principal and compound interest do not have to be paid back until you sell the home or die. You do not have to make any regular mortgage payments and you can repay the loan at any time.

Ultra-low interest rates and a desire to have more space during the pandemic pushed home prices sky high which made homeowners rich with equity. At the same time, horror stories from retirement and long-term care homes during the pandemic made many seniors more determined to age in their homes.

"[COVID is] making it less desirable to live in congregate situations and people prefer to stay in their homes," says Andrew Moor, president and chief executive officer at Equitable Bank, a lender specializing in reverse mortgages. Reverse mortgages are gaining steam. Equitable Bank reported a 262 per cent year-over-year surge in reverse mortgages in their 2022 first quarter earnings.

Is this a positive trend? The Office of the Superintendent of Financial Institutions (OSFI) has stated that it is keeping an eye on this rapid run-up in reverse mortgages, cautioning that there are risks involved in this type of loan and calling for more oversight.

What are some of the risks for the reverse mortgage borrower? Firstly, reverse mortgages are more costly than other loans or mortgages as the interest rates are higher and are compounded. There are also start-up costs (application fee, home appraisal fee, etc.) which are deducted from the principal received. Depending on the amount borrowed, your interest rate and the number of years you live, there may not be much equity left for your heirs to inherit.

The only way to get out of a reverse mortgage is by selling the house or dying. There is a penalty if you sell the home or pass away within three years of taking out the reverse mortgage. If you die, the amount you borrowed plus interest must be repaid within a limited period of time. As you borrow more and more equity, interest starts to accumulate faster and faster.

Taking out one of these loans can be a big decision, so it's smart to seek out professional advice from a mortgage specialist to help you evaluate the pros and cons. [REU](#)

"The highest compliment my clients can give me is the referral of their friends, family and neighbours."

Thank you for your trust."

— Vito

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vito@vito vessio.com
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