

# real estate UPDATE

Your Greater Toronto Real Estate Newsletter

## Sales and prices decline from peak But should rebound later in 2023

The housing market in the first month of 2023 performed as expected according to the Toronto Regional Real Estate Board (TRREB). Activity was down in comparison to January 2022 when historically low interest rates implemented to counter the pandemic impact fuelled a buying frenzy, but flat in comparison to December 2022. The average home selling price came in at \$1,038,668, down 16.4 per cent year-over-year but close to December's average price of \$1,051,031.

In the City of Toronto, the average price of a detached home was \$1,486,124, down 21.3 per cent in comparison to January 2022. A semi-detached home came in at \$1,150,506, down 22.1 per cent; a townhouse sold at \$981,187 on average, down 9.1 per cent; and a condo clicked in at \$711,171 showing the lowest year-over-year drop among all housing categories at 6.4 per cent.

In the suburbs, a detached home sold for \$1,298,809 on average, down 23.8 per cent; a semi went for \$949,216, down 23.2 per cent; a townhouse sold for \$866,458, down 20 per cent, and the condo's average price was \$646,715, down 10.3 per cent versus January 2022.

TRREB points out that the decline in both sales and prices in comparison to January 2022 (prior to Bank of Canada (BoC) inflation-fighting interest rate hikes) highlights the impact of higher borrowing costs on home affordability. "Home prices declined over the past year as homebuyers sought to mitigate the impact of substantially higher borrowing costs. While short-term borrowing costs increased again in January, negotiated medium-term

mortgage rates, like the five-year fixed rate, have actually started to trend lower compared to the end of last year. The expectation is that this trend will continue, further helping with affordability as we move through 2023," says Jason Mercer, TRREB's chief market analyst.

Although experts expect a further drop in prices in 2023 and a continuation of a buyer's market, there are signs that the market is fundamentally strong and will bounce back within a year. "Home sales and selling prices appear to have found some support in recent months. This coupled with the Bank of Canada announcement that interest rate hikes are likely on hold for the foreseeable future will prompt some buyers to move off the sidelines in the coming months. Record population growth and tight labour market conditions will continue to support housing demand moving forward," says Paul Baron, TRREB president. *REU*



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GTA BY THE NUMBERS

**DETACHED**

↓ **23.0%**  
Avg. Price Yr/Yr

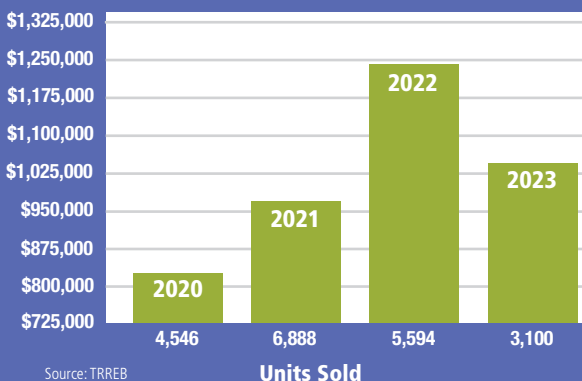
**SEMIS**

↓ **22.3%**  
Avg. Price Yr/Yr

**CONDO APTS**

↓ **8.1%**  
Avg. Price Yr/Yr

**Average Home Prices - January**  
in the Greater Toronto Area



## Monthly stats

January average price by area

**416**

**DETACHED**

↓ **21.3%**  
YEAR  
YEAR

**\$1,486,124**  
Average Price

**CONDO APT**

↓ **6.4%**  
YEAR  
YEAR

**\$711,171**  
Average Price

**905**

**DETACHED**

↓ **23.8%**  
YEAR  
YEAR

**\$1,298,809**  
Average Price

**CONDO APT**

↓ **10.3%**  
YEAR  
YEAR

**\$646,715**  
Average Price

Source: TRREB

## Legalities

### Sellers leaving furnishings behind **Gift or a problem?**

**W**hen homeowners sell their homes and move, they make sure that all their belongings go with them. But sometimes, especially in cases of downsizing, some still usable pieces are left behind in the hope that the new owners will find them useful. This is a real estate *faux pas* that can have legal consequences.

Unless otherwise indicated in the purchase agreement,

the buyer is entitled to receive the property completely empty and clean. Even if the left items are in good condition, it's a mistake to leave them for the new buyers, unless specifically agreed upon in writing. Left-behind items may result in a breach of contract.

On closing, the buyer expects to move their belongings in immediately and/or begin any planned work. The closing date is already a stressful day. The last thing any new owner wants is to deal with disposing of someone else's belongings. If the seller has items that are not included in the purchase agreement, they can be offered to the buyer, through the real estate agent, and the purchase agreement would be amended to reflect this inclusion.

If the buyer declines to accept these items, there are various options for the seller to dispose of them and even earn some money in the process. The seller can hold a content sale, list the items on digital market platforms or contact a consignment shop. You can also donate to a charitable organization. Some organizations will pick up both big and small items in good condition, and re-sell them or give them to those in need. [REU](#)



## Money matters

### Tax credits for seniors **Benefits of being 65+**

**A** homeowner who is 65 or over may be able to take advantage of some tax credits. The Ontario Senior Homeowners' Property Tax Grant offers up to \$500 for Ontario senior homeowners. For singles, with net adjusted family income over \$35,000, the grant given will be reduced by 3.33 per cent for income up to \$50,000. Seniors above that income level do not qualify for the grant. Married or common law couples may qualify for the full amount if their adjusted family net income is \$45,000 or less. The grant is reduced by 3.33 per cent of income over \$45,000. However, if your income as a couple is \$60,000 or more you do not qualify. For further information, call 1-877-627-6645.

Some municipalities, including Toronto, have property tax relief programs for low-income seniors. Contact your municipi-

pality for more information.

The federal government offers the Home Accessibility Tax Credit (HATC), which allows eligible seniors and people with disabilities to receive a non-refundable tax credit, with a maximum credit of \$3,000, for up to \$20,000 of expenditures for qualifying renovations made to a principal residence (either house, condo or cottage).

Qualifying renovations include items such as wheelchair ramps, walk-in bathtubs and grab bars. Canada Revenue Agency states that renovations must "allow the qualifying individual to gain access to, or to be mobile or functional within, the dwelling" or reduce the risk of harm to the individual. You can't claim the credit for regular maintenance, appliances, electronics or security systems. [REU](#)



# Inflation

## Cooling housing market Helps to slow inflation

Canada's cooling real estate market is helping to slow the country's inflation. This may sound like a contradiction, but it's indeed our economic reality.

It all goes into how we gauge the country's inflation. Shelter is a key driver of inflation as it is the largest expense for most households, and makes up a hefty 30 per cent of Canada's Consumer Price Index (CPI). Shelter inflation is calculated through a formula that includes mortgage interest, replacement cost, property taxes and maintenance. Furthermore, this metric captures these costs

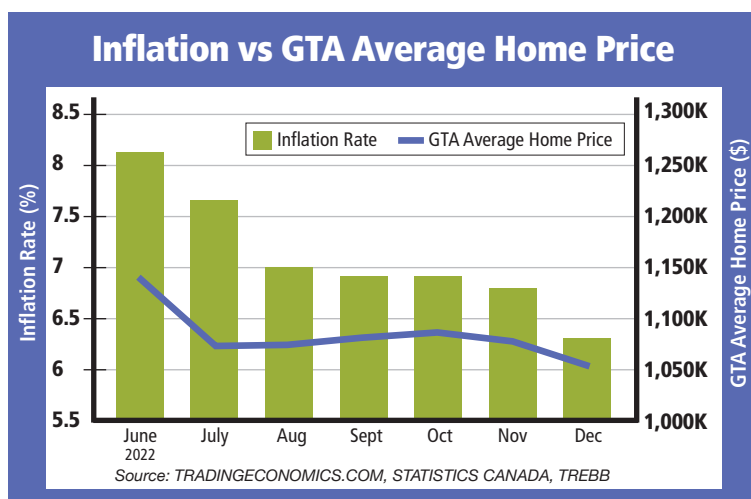
in a way that's sensitive to changes in interest rates and home prices, explains Randy Thanthong-Knight, a financial reporter at Bloomberg. This means that Canada's inflation rate is influenced by "both the rise in mortgage costs as the Bank of Canada aggressively raises rates [upward pressure] and by the resulting slowdown in the housing market [downward pressure]."

Bank of Canada's steep and frequent interest hikes raised home ownership costs and shelter inflation rose from 6.6 per cent in August to 7.2 per cent in November of last year, according to a report from Capital Economics. But going forward, with the expectation that interest rates are now on hold and as lower home prices feed into the inflation calculating formula, the rate of inflation will drop in tandem,

in the next few months.

Stephen Brown, an economist at Capital Economics, forecasts that the shelter component of CPI will edge down to 3.5 per cent by June and to 1.5 per cent by December. This decrease in CPI's shelter component is driven by an expectation that homeowner replacement costs (measure of depreciation linked to new home prices, excluding the cost of land) should soon turn negative, along with other expenses.

Karyne Charbonneau, the executive director of economics



at CIBC Capital Markets, measured Canada's core inflation, excluding energy and food costs and mortgage interest. Her analysis found that the pace of consumer price growth is fading quickly and nearing the Bank of Canada's 2 percent target. *REU*



## On the internet

### Interesting websites

#### harbourFRONTcentre.com

*Torque*, a contemporary dance series, boldly showcasing perspectives on our shared history and the vital need to reconnect. Til May 31

#### smartRENO.com

Get 3 free quotes from qualified and available contractors for your next renovation project.

#### taxTIPS.ca

Canadian income tax, financial investment and real estate information for individuals and businesses.

#### betterHELP.com

Professional private online counseling that is accessible, affordable, and convenient so anyone who struggles with life's challenges can get help.

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

## Mortgages

February 8, 2023

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

Prime .....	6.70%
Variable .....	6.10%
1-year .....	6.24%
2-year .....	5.54%
3-year .....	5.04%
4-year .....	4.89%
5-year .....	4.89%





## Looking to renovate

### The contractor will see you now

As the COVID-19 pandemic seized Canada, ultra-low interest rates, which were designed to boost consumer spending, pushed housing activity sky high and home improvement projects right along with it.

If you were a homeowner who wanted to renovate, you know firsthand how difficult it was to find contractors and trades people. You had a long wait to be slotted in and home renovators could pick and choose the jobs they would do.

Times have certainly changed. Falling home prices, economic uncertainty and the high cost of borrowing have put a chill on the home improvement industry. "For three years during the pandemic, [contractors'] calendars were locked solid. They were booked and had waitlists. All of a sudden, they have holes in their calendars," says Shir Magen, CEO of HomeStars, a home renovation review website. HomeStars surveys its users annually about their renovation plans and found that demand for home renovations based on internet searches is down a "really significant" 10 to 15 per cent compared to last year.

Contractors started to see the wave change in July 2022. That tsunami of requests for full-scale home redos and major remodelling slowed to a trickle with customers looking for smaller jobs and essential upgrades, such as repairs to leaky

basements or accessibility upgrades to bathrooms.

Another industry expert says, "As goes the housing market, so goes the reno business." A downturn in home sales and prices has chased wholesale real estate investors (aka flippers) from the market. Generally speaking, the average real estate investor flips two to seven homes a year, with most of the houses requiring a major overhaul.

The housing market downturn affected home reno affordability. "If your house is worth over \$1 million, spending \$100,000 on a kitchen renovation doesn't seem like a big deal. When your house is worth \$800,000, all of a sudden that \$100,000 kitchen renovation, even if you have the cash, puts it in a different perspective," says Lou Orazem, past chair of the Renovator Executive Committee of the Building Industry and Land Development Association.

While the number of jobs has fallen, Magen says homeowners are still investing in larger projects that expand their living space. People are requiring renovations that will let them stay there longer, and extend the use of their home. We believe that we're going to see more and more extensions, more basement renovations, more of these adaptive renovations that will help them use their space for a longer time." Adding rental units, such as basement and backyard suites, is also a trend Magen expects will grow in the coming year as homeowners look for additional income.

The other trend we see is an adaptation to multigenerational living. Since the pandemic, people are reluctant to place their parents in institutions so they're adding in-law suites or extra living space to accommodate them.

The good news is that these homeowners will now have no problem getting renovators and contractors to look at the job, which was a challenging task throughout much of the COVID-19 pandemic. *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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## GTA '23 totals

### Sales activity of all home types

Most recent month, year to date

#### Active listings

January .....9,299  
YTD .....N/A

#### New listings

January .....7,688  
YTD .....7,688

#### Sales

January .....3,100  
YTD .....3,100

#### Average price

January .....\$1,038,668  
YTD .....\$1,038,668

#### Median price

January .....\$900,000  
YTD .....\$900,000

#### Average property days on market

January .....41  
YTD .....41

#### Average percentage of list price

January .....98  
YTD .....98

Source: TRREB

## Housing market indicators

### Single-family dwellings

Source: TRREB

	Sales	New Listings
Jan '22	5,594	7,983
Jan '23	3,100	7,688
% Change	-44.6	-3.7%