

# real estate UPDATE

Your Greater Toronto Real Estate Newsletter

## Home sales drop in the GTA But prices continue to climb

**D**emand for housing in the GTA remained strong in July, despite a continuing pause on immigration and summertime pursuits preoccupying most families. The pandemic-related urgency to buy seen since spring of last year has lessened. Home sales in July were down by 14.9 per cent compared to July 2020, which set a record for housing sales in that summer month.

Industry experts say that although there is still competition and multiple offers, there is more of a sense of calm and less of the pandemic-fuelled bustle that started in May 2020. With buyers' FOMO (fear of missing out) eased, but with continuing high prices and low inventory, sales activity slowed during the summer months.

However, slower sales activity did not depress price growth. The average price for all home types combined was \$1,062,256, up 12.6 per cent compared to July 2020. The detached market segment led the way in terms of price growth driven by sales in the suburban regions surrounding Toronto. In July, a detached home in Toronto went for \$1,633,649 on average (up by 5.7 per cent year-over-year), and in the 905 area for \$1,346,186 (up by 27 per cent year-over-year). Price growth was also seen in the townhouse and condominium segments.

"The annual rate of price growth has moderated since the early spring, but has remained in the double digits. This means that many households are still competing very hard to reach a deal on a home. This strong

upward pressure on home prices will be sustained in the absence of more supply, especially as we see a resurgence in population growth moving into 2022," says Toronto Regional Real Estate Board chief market analyst Jason Mercer.

Going forward, the Canada Mortgage and Housing Corporation's forecast is that the pandemic-induced housing boom won't wear off for another two years. And when it does happen, prices will not go down instead they just won't rise as rapidly. With the Canadian economy on an upward trajectory, home affordability should be sustainable. "The economy is expected to grow a solid 6 per cent this year, with most of the strength coming in the second half," says Doug Porter, chief economist at BMO Financial Group. *REU*



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GTA BY THE NUMBERS

**DETACHED**

↑21.7%

Ave. Price Yr/Yr

**SEMIS**

↑12.2%

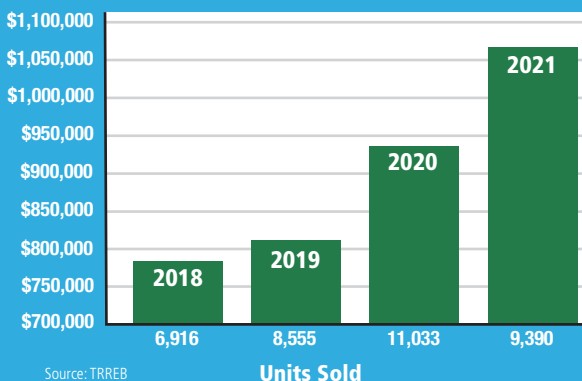
Ave. Price Yr/Yr

**CONDO APTS**

↑6.0%

Ave. Price Yr/Yr

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



## Monthly stats

July average price by area

**416**

**DETACHED**

**↑5.7%**  
YEAR  
YEAR

**\$1,633,649**  
Average Price

**CONDO APT**

**↑4.8%**  
YEAR  
YEAR

**\$715,977**  
Average Price

**905**

**DETACHED**

**↑27.0%**  
YEAR  
YEAR

**\$1,346,186**  
Average Price

**CONDO APT**

**↑11.7%**  
YEAR  
YEAR

**\$589,582**  
Average Price

## Condo update

### City life returns **Condos back in demand**

**Y**ou may have noticed all the media headlines trumpeting a robust return of the condo market in the GTA. Well, it's not just media hype. Many experts concur. Like the deputy chief economist of CIBC, Benjamin Tal, who believes that with much of the country reopening and the anticipated return of workers to the office, the condo market is poised to have a major comeback.

Tal cites economic trends as major drivers of the looming

condo market boom. He believes the Canadian economy is ready for a strong recovery, bringing a return to pre-Covid normalcy. He expects residents to return to urban centres, which will help boost the condo market. "Cities will be back, and that's why I believe the condo space will do extremely well," he says. Tal also believes that with prices for detached homes sky high, the segment is "reaching a resistance level," making the condo segment the only affordable option for homebuyers.

Another signal of the condo market rebound is that rental fees are rising. Apartment rents increased for the first time in a year and a half in the GTA during the second quarter (Q2) of 2021, according to TRREB. The average one-bedroom rent went up by 3.7 per cent in Q2, compared to Q1, while the average two-bedroom rent rose by 5.6 per cent. Furthermore, growth in rental transactions also outstripped growth in the number of units listed.

"It is clear that rental market conditions are tightening and will continue to do so as population growth resumes. This will result in declining vacancy rates and an acceleration in rent growth into 2022," says TRREB Chief Market Analyst Jason Mercer. [REU](#)



## Financial planning

### Thinking about retirement **Should you own your home or rent?**

**I**f you are one of the many Canadians approaching retirement with scant savings, selling the family home and renting may mean more financial freedom to enjoy life and check off a few items on that "bucket list" you've been compiling.

"You can be equity-rich and cash-poor," says Scott Plaskett, a financial planner and CEO of Ironshield Financial Planning. For example, you are worth \$5-million on paper, but you can't pay for the new roof needed on your house because you have no liquidity. It's all about liquidity in retirement, not about your net worth."

However, selling the family home is a tough decision because it's mostly an emotional one. Your home is a place that holds many cherished memories and it's difficult to let it go.

T. Charly Fatal, managing partner of Entrepreneurs Wealth Management advises some clients to consider renting in retirement, but admits it can be an emotionally difficult decision. "It's math versus emotion: Emotions says 'I own a home. It's paid off.' It just feels good. Who wants to be 70 and say, 'I rent.'? It is just the pride and emotion versus the math and if you can get around that and just look at the numbers, most of the time it makes sense."

There are many good reasons to own a home in retirement, but there are also plenty of arguments for renting. Selling a home and renting provides more flexibility and liquidity. Plus, you can invest the money from selling your home in markets for wealth creation and a bigger cash flow. That said, always talk to a financial advisor as every case is unique. [REU](#)

## On the internet

### Interesting websites

#### ROM.ca

Open under comprehensive safety measures. *Unmasking the Pandemic*; Over sixty original facemasks tell the stories of their makers, their cultures, and their communities in this original ROM exhibition. Coming Sept 18

#### greenSAVER.org

This not-for-profit organization provides energy audits, residential energy efficiency services and information on government incentives to reduce your energy bills.

#### furnitureBANK.org

Change someone's life today by donating furniture and household items for distribution to women and children, refugees etc.

#### advantageONTARIO.ca

A community-based, not-for-profit organization dedicated to supporting the best possible aging experience.

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

## Rental income

### Buying a home with a secondary unit? What to consider

**H**ouses with income suites (often called secondary units or in-law suites) that can be rented are a big draw for buyers these days. With prices for detached homes sky high, this feature offers buyers the opportunity to pay their mortgage with the help of rental income.

It's a good plan, if you don't mind giving up some of your privacy and accepting the challenge of finding the right tenant. Still, if your finances are stretched, renting an in-law suite provides extra income and also offers a few other bonuses.

But, first things first. When buying a home with an income suite, check to make sure it's legal and meets zoning and safety requirements. Next, it's important to notify your property insurer that you plan to rent out the in-law suite in your home. David Browne, president of insurance brokers Martin Merry & Reid Ltd., says an insurance

claim could be rejected by your insurance company if you failed to notify them that you have tenants in your home. According to Browne, there is an extra insurance cost if you have tenants, but only a nominal amount. "Maybe 10 per cent, max. It won't cause a lot of pain," says Browne.

If you are worried that renting out your in-law suite will

make you ineligible for the capital gains tax exemption when you sell your home, Aaron Gillespie, a tax partner at KPMG, says there is nothing to worry about as long as the income-earning portion of your home is ancillary to its role as your family home. Keep in mind that in order to be eligible for the principal residence exemption, no depreciation for tax purposes should be deducted in relation to your home.

Generally, the expenses you can claim against income



include mortgage interest, property taxes, insurance, repairs and maintenance, utilities and advertising. These expenses though must be in relation to the rented space only. For instance, if your secondary unit is 20 per cent of your home, you can deduct 20 per cent of your property tax bill. You cannot deduct land-transfer tax or mortgage principal. [REU](#)

## Mortgages

August 8, 2021

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

Prime .....	2.45%
Variable .....	1.39%
1-year .....	1.99%
2-year .....	1.74%
3-year .....	1.89%
4-year .....	2.14%
5-year .....	2.24%







## GTA '21 totals

Sales activity  
of single-family  
homes  
Most recent month,  
year to date

**Active listings**  
July .....9,732  
YTD .....N/A

**New listings**  
July .....12,551  
YTD .....115,510

**Sales**  
July .....9,390  
YTD .....79,469

**Average price**  
July .....\$1,062,256  
YTD .....\$1,074,113

**Median price**  
July .....\$911,500  
YTD .....\$925,000

**Average days  
on market**  
July .....20  
YTD .....17

**Average percentage  
of list price**  
July .....104  
YTD .....106

Source: TRREB

## Housing market indicators

### Single-family dwellings

Source: TRREB

	Sales	New Listings
July '20	11,033	18,119
July '21	9,390	12,551
% Change	- 14.9%	- 30.7%

## Financing options For a cottage or a rental

Lifestyle changes brought on by the pandemic and low interest rates are driving the demand for secondary properties - like a cottage, or a rental property for investment/revenue generating purposes.

Financing availability and terms for a secondary property depend on two factors: your financial situation and the type of property you're buying.

Financing options:

1. You may be able to borrow money secured against your home equity. Usually, interest rates on loans secured against home equity are lower than other types of loans. Keep in mind that interest rates on second mortgages are usually higher than on first mortgages because they are riskier for lenders.
2. You can also finance another property by refinancing your home. You will be able to borrow up to 80 per cent of your home's appraised value, but the balance on your mortgage and any other loans secured against your home must be deducted from that amount.
3. Another option is a home equity line of credit (HELOC), which works much like a regular line of credit secured against your

home. HELOC interest rates are variable.

4. If you are at least 55 years old, there is always the reverse mortgage option which allows you to borrow up to 55 per cent of your home's value.

Financing terms for different property types as explained by Robert McLister founder of RateSpy.com:

1. A property with full insulation and year-round access (i.e., second home or cottage)

This is a property with all the requisite facilities for year-round occupation (insulation, potable water, a kitchen and bathroom and a permanent heat source). Keep in mind that you as the owner or a relative can occupy the property, but if you plan to rent the property, you'll need rental financing, which is a little more expensive.

If you're putting the minimum five per cent down, you'll need to get default insurance. The maximum property value is limited to \$500,000. If your down payment is less than 20 per cent, you can only buy a second property up to \$999,999.99, depending on the location and property type.

2. A property without year-round road access or insulation (a "true" cottage)

In this case, the minimum down payment is between 10 to 20 per cent, with regular interest rates, or up to one per cent above. Putting down less than 20 per cent requires default insurance and the property value may be limited.

3. A rental property (one to four units)

Financing for a non-owner-occupied property for income generation purposes requires a minimum down payment of 20 per cent. The interest rate offered is typically a 0.10 to 0.25 percentage-point premium to regular rates if you qualify. [REU](#)

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*— Vito*

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