



Your Greater Toronto Real Estate Newsletter

Sales and prices above last year's levels But momentum stalls by interest rate hike

Greater Toronto Area (GTA) market activity in July grew more robust than during the same month a year ago. Sales in the GTA were up by 7.8 per cent compared to July 2022. New listings rose by an annual rate of 11.5 per cent and the average price increased by 4.2 per cent to \$1,118,374. Still, the Toronto Regional Real Estate Board (TRREB) reported that the sales momentum seen earlier this spring has levelled off, largely due to yet another interest rate hike by the Bank of Canada in June.

With the Bank of Canada signalling that it might raise rates again if the economy is not on the right path, the uncertainty about the immediate future of interest rates has put some buyers on the sidelines. "Home sales continued to be above last year's levels in July, which suggests that many households have adjusted to higher borrowing costs. With that being said, it does appear that the sales momentum that we experienced earlier in the spring has stalled somewhat since the Bank of Canada restarted its rate tightening cycle in June," says TRREB president Paul Baron.

Breaking down the average price by housing categories we can see that a detached home in the City came in at \$1,641,045, up by 8.1 per cent year-over-year; a semi-detached home clicked in at \$1,257,086, up by 0.4 per cent; a townhouse sold for \$1,019,333, up by 5.8 per cent; and a condo apartment went for \$753,120, an improvement of 1.2 per cent year-over-year. In the 905 areas, a detached home came in at \$1,367,718, up by 3.8 per cent year-over-year; a semi-detached home registered at \$1,007,742, up by 4.5 per cent; a townhouse sold

for \$940,113, up by 6.3 per cent; and a condo apartment went for \$697,393, up by 5.7 per cent.

Although mortgage rates are significantly higher than in 2022, the competition for housing has remained strong. A record number of newcomers in need of housing are arriving in Canada as the federal government endeavours to grow the country's population and fill growing labour vacancies.

"Uncertainty surrounding the direction of borrowing costs, jobs and the overall economy has impacted home sales over the last two months. Over the long term, the demand for ownership housing will remain strong on the back of record population growth. However, many homebuyers will continue to be on the sidelines in the short term until the direction of monetary policy and the economy becomes clearer," says TRREB chief market analyst Jason Mercer. *REU*



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GTA BY THE NUMBERS

DETACHED

↑ 4.8%

Avg. Price Yr/Yr

SEMI

↑ 2.8%

Avg. Price Yr/Yr

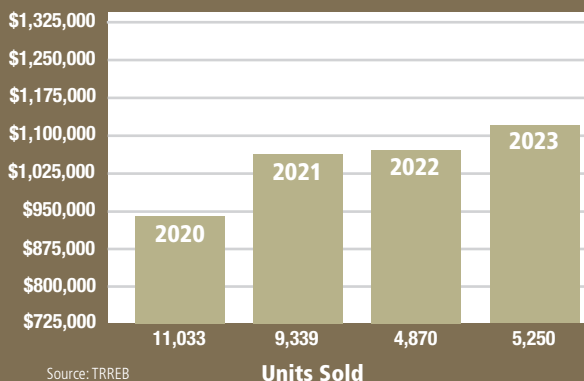
CONDO APT

↑ 2.1%

Avg. Price Yr/Yr

Average Home Prices - July

in the Greater Toronto Area



Source: TRREB

Monthly stats

July average price by area

416

DETACHED

↑8.1%
YEAR
YEAR

\$1,641,045
Average Price

CONDO APT

↑1.2%
YEAR
YEAR

\$753,520
Average Price

905

DETACHED

↑3.8%
YEAR
YEAR

\$1,367,718
Average Price

CONDO APT

↑5.7%
YEAR
YEAR

\$697,393
Average Price

Source: TRREB



Taxing matters

Property tax assessments **Is there a lack of transparency?**

Many Ontarians believe that their property tax assessment is unfair. They believe that lower-priced homes are assessed higher than their market value and higher-priced homes lower than their market value. The troubling consequence here is that owners of lower-priced homes may have a higher tax burden than owners of expensive homes.

This concern persists largely because the agency doing

the assessment, the Municipal Property Assessment Corp. (MPAC), does not fully disclose how they arrive at a home assessment. Some industry experts say that the methods used in their assessment process are skewed. Widely used methods such as regression analysis and machine-learning models are known to often over-predict lower prices and under-predict higher prices.

MPAC states that it most commonly uses the direct comparison approach to assess a residential property, which bases the assessment on recent sales of comparable properties. However, a more detailed explanation of how the value is arrived at is not accessible to the public. For instance, are humans doing the assessment or computer algorithms? Research suggests that human decision-making is prone to bias and not as fair as econometric methods (the application of mathematical and statistical methods to economic data).

Many urban economists specializing in property tax believe MPAC could be more transparent and they recommend that assessments be done on an annual basis, which can help mitigate inequities. In Ontario, the assessments were last done in 2016. *REU*



Condo update

GTA condo rents **Soar at unprecedented rates**

According to the Toronto Regional Real Estate Board (TRREB), the second quarter of 2023 saw the average one-bedroom condo apartment rent climb to \$2,532, up 11.6 per cent compared the same period last year. The average condominium apartment rents continued to well outpace the rate of inflation in the second quarter of 2023, and, despite an increase in the number of units listed for rent, competition between renters remained very strong.

This competition is driving higher rents. "As the population continues to grow at a record pace in the coming years, rental housing will be a key piece of the overall housing puzzle. We have talked a lot in recent years about the persistent lack of housing supply, and this shortage has certainly played itself out in the rental market," says TRREB President Paul Baron.

Market research firm Urbanation found a nearly 32 per cent rise in rent for condominiums over the last two years. "It's alarming as this growth is occurring of record highs from a year ago," says company president Shaun Hildebrand. Urbanation found an even higher spike in rents for micro units under 400 square feet. Micro condos had the highest annual rent growth, of 15 per cent in the second quarter of this year, with an average rent of \$2,121.

Hildebrand blames high rents on a "confluence of factors" including a strong job market, rising interest rates, high home prices that shut out first-time buyers, and immigration. As well, more people are doubling and tripling-up with roommates to be able to afford more. *REU*



Mortgages

As rates rise Borrowers opt for shorter fixed-rate mortgages

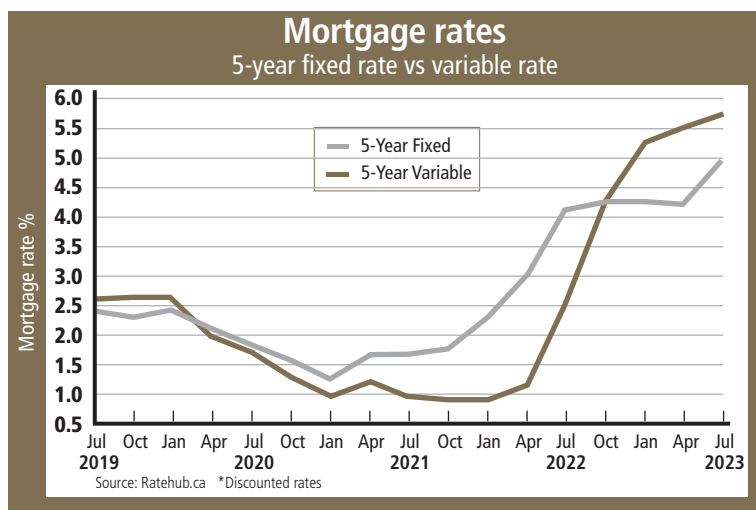
During the pre-Covid and Covid era, most homebuyers opted for variable-rate mortgages. These mortgages typically offer a lower rate than fixed-term mortgages, which hit the bottom during the pandemic when the central bank lowered its policy rate to 0.25 per cent.

In the post-pandemic period, the Bank of Canada has raised interest rates rapidly to fight inflation, which has caused more Canadian homeowners to turn to fixed-rate mortgages. Statistics Canada reported that the percentage of variable mortgages issued by chartered banks fell for the thirteenth straight month in April to just under eight per cent. This is down from 16.7 per cent in January and significantly lower than the recent high of more than 56 per cent in January 2022.

The fixed term trend is also changing in the post-Covid era. The previously preferred five-year mortgage term has been replaced by shorter-term mortgages, often the three-year term, says Victor Tran of Ratesdot.ca. Why? In a nutshell, homeowners want the stability of a fixed mortgage in a time of unpredictability, but don't think this period will last long. They want to be ready to take advantage of the variable-term mortgage benefits when the hikes stop and rates start to go down again. James Laird, president of CanWise mortgage lender says, "Consumers are currently

more interested than usual in short-term fixed rates because many experts are predicting that rates will drop in the coming years. Getting a short-term fixed rate allows borrowers to take advantage of future lower rates sooner."

Many homeowners currently with variable-term mortgages are struggling financially. Even the fixed-payment type of a variable-term mortgage, where the interest rate fluctuates but



the monthly payment doesn't, did not hold well during the rapid Bank of Canada interest rate hikes, according to Sherry Cooper, chief economist at Dominion Lending Centres. In the variable-fixed deal, as rates rise a higher share of the monthly payment goes toward interest instead of the principal amount of the mortgage. As a result, the amortization period (the length of time it would take to pay off the mortgage) increases. *REU*



On the internet

Interesting websites

rom.ON.ca

Lifers at ROM - explore the impact of textiles and fashion on the planet's water quality and what we can do about it, by Canadian visual artist, Noelle Hamlyn. Til February 19, 2024

chat.OPENAI.com

ChatGPT, the AI chatbot developed by OpenAI is set to revolutionize how we use the internet. You can ask about anything and be ready to be surprised by the answers.

aGOODmovieToWATCH.com

This site is a boon to the most picky viewer - a highly curated list of movies and shows.

heartANDstroke.ca

A great source of information about stroke, heart disease, surgeries and treatments.

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

Mortgages

August 8, 2023

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

Prime	7.20%
Variable	6.40%
1-year	6.94%
2-year	6.44%
3-year	6.09%
4-year	6.04%
5-year	5.79%



GTA '23 totals

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

Active listings
July15,371
YTDN/A

New listings
July13,712
YTD84,250

Sales
July5,250
YTD43,908

Average price
July\$1,118,374
YTD\$1,141,260

Median price
July\$974,000
YTD\$986,700

**Average property
days on market**
July24
YTD25

**Average percentage
of list price**
July102
YTD103

Source: TRREB

Housing market indicators

Single-family dwellings

Source: TRREB

	Sales	New Listings
July '22	4,870	12,294
July '23	5,250	13,712
% Change	7.8%	11.5%

Furnaces Heating your home this winter

Furnaces aren't known for being fickle, but there are certain protective measures homeowners should implement to ensure their homes are warm and comfortable this winter.

Furnace Filters

Your furnace filter should be checked monthly to determine if it needs cleaning or changing. Typically located in the air return duct adjacent to the furnace, making sure your furnace filter is in good condition can help improve both comfort and heating costs. You will need to see if you should purchase a cleanable or disposable furnace filter – most homeowners choose to have a disposable filter, for convenience, but both are good choices.

Furnace Humidifiers

While ideal humidity for homes can be as low as 5%, people feel the most comfortable in environments with 60% humidity. Unfortunately, houses can have a hard time coping with this in cold weather. Too little humidity makes people feel uncomfortable. Too much can cause condensation, mold, mildew, and rot in homes as the warm moist air hits cool surfaces. Contrary to popular belief, homeowners actually have to lower the humidistat setting as the weather outside gets colder. The colder it is outside, the easier it is for condensation to form on cool surfaces, like windows. Homeowners can

reduce condensation and the risk of mold by lowering the interior humidity level. The recommended house humidity levels are:

Outside Temperature	Recommended House Humidity
-20°F (-28°C)	15%
-20 °F to -10°F (-28 to -23°C)	20%
-10 ° F to 0°F (-23°C to -18°C)	25%
0°F to +10°F (-18°C to -12°C)	35%
10+° F (above -12°C)	40%
Summer months	Off

Watching for condensation on your windows is another great way to gauge your house humidity level. Lower the humidity when you see condensation. In addition, room temperature and humidity monitors, available at hardware and building supply stores, can help you manage your humidity.

Furnace Efficiency

High efficiency furnaces are complex, and as a result they're often more expensive than conventional furnaces. High efficiency furnaces on average cost about \$1,000 – \$1,500 more than a conventional furnace. If you spend \$1,000 per year heating your house with a conventional furnace, you can save close to \$350 with a high efficiency furnace. A high efficiency furnace may pay for itself in 3 years.

If you're considering a high efficiency furnace for your home, speak with a reliable heating or HVAC contractor to discuss the pros and cons of various models and any estimated increase in furnace maintenance costs.

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Thank you for your trust.”

— Vito

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