

JANUARY 2024: TORONTO AND REGION

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Please note the Market Report Video will resume with the February Report.

This first month of 2024 unfolded as anticipated. As 2023 came to an end, an air of optimism began to spread through the Toronto and Region residential resale market. This optimism was driven by the belief that rate hikes by the Bank of Canada were at an end and rate relief was on its way. This was confirmed in January when the Bank met and held its benchmark rate at 5 percent, but more importantly, and for the first time, indicated that it was already planning for rate cuts – it was just a question of when.

This optimism was reflected in January's resale data. The Toronto Regional Real Estate Board reported 4,223 sales for the month. Although not a stellar month, January's sales were 37 percent higher than the 3,083 properties reported sold last year, and 30 percent higher than the 3,435 reported sold in December. The first month-over-month increase since August of 2023.

The average sale price was practically unchanged year-over-year. Last January, the average sale price came in at \$1,036,925. This January, it was \$1,026,703, a marginal 1 percent decline. The small decline in the average sale price was primarily driven by declining condominium apartment prices in the 905 Region. Year-over-year, they declined by almost 3 percent. Condominium apartment prices in the City of Toronto remained unchanged coming in at \$709,419. The average price for condominium apartments in the 905 Region was \$628,375 in January.

A noticeable difference between January 2023 and January 2024 was the length of time properties took to sell. Last year, all properties (on average) sold in just 29 days. This year, that number jumped to 37 days, a substantial 28 percent increase. Even though more buyers purchased homes this January compared to January 2023, they did so deliberately. What is encouraging is that more buyers managed to overcome the affordability challenges that have been restricting the resale market.

Another positive development in the market was the change in availability – although not as dramatic as the change in average days on market. In January, 8,312 new properties came to market – no doubt many of these were relisted properties. Last year, only 7,836 came to market, 6 percent fewer than this year. At the end of January, there were 10,093 homes of all property types available to buyers, 8.5 percent more than the 9,300 available last year.

YEAR-OVER-YEAR SUMMARY			
	2024	2023	% Change
Sales	4,223	3,083	37.0%
Average Price	\$1,026,703	\$1,036,925	-1.0%
Days On Market	37	29	27.6%
New Listings	8,312	7,836	6.1%
Active Listings	10,093	9,300	8.5%

January's numbers point to improved sales numbers and, no doubt, increasing average sale prices as we move through the year. Buyers took advantage of lower available mortgage interest rates due to lender competition and will become even more active as the economy moves towards Bank of Canada rate cuts, now expected in June. Given the staggering population growth in the Toronto and Region resale marketplace, and the sizeable pent-up demand generated by affordability challenges, all signs point to a very strong resale market for 2024.

It will be interesting to observe what the impact of various legislative changes will have on the City of Toronto's luxury market. Starting in 2024, buyers of high-end real estate will be required to pay egregious land transfer taxes. Buyers of properties having a sale price of over \$5 million will be expected to pay a tax of 5.5 percent of the purchase price, 6.5 percent for properties sold over \$10 million up to \$20 million and 7.5 percent for sales over \$20 million. This tax is in addition to the provincial land transfer tax (approximately 2.5 percent of the sale price). A buyer of a \$10 million home in the City of Toronto will be expected to pay an eye-popping land transfer tax of \$652,950 (\$236,475 provincial and \$416,475 City of Toronto). In addition, the City of Toronto increased its vacant home tax to 3 percent of the assessed value of properties starting in 2024.

The combined effect of these taxes, in addition to a proposed municipal property tax increase of more than 10 percent, makes the City of Toronto's real estate residential market very expensive compared to other jurisdictions, even within Ontario. These politically motivated measures, though well intentioned, will have the opposite of their intended impact. Toronto is becoming less, not more, affordable.