



August auspicious for home sales

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE NATIONAL POST

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I am excited to be writing about the Toronto Real Estate Board's recently released results for August. With August sales at 8,035, last month marked the third straight month with annual sales increases in excess of 27 per cent. The average home price, at \$387,921, continued on the upward trend as well, growing by six per cent in comparison to August 2008. What's more, after a tough start in 2009 the resale home market in the GTA has improved to the point where both sales and average price through the first eight months of the year are above levels experienced during the same period in 2008.

I asked Jason Mercer, TREB's Senior Manager of Market Analysis if he could point to some factors responsible for the quick turn-around in market conditions this spring and summer. He said "home buyers have been benefitting from historic or near historic lows in borrowing costs this year which resulted from monetary stimulus from the Bank of Canada. Low borrowing costs improved affordability for first-time buyers and existing home owners who wanted to trade up in the market."

Home sales were indeed diverse last month. Sales rose for all housing types and for the great majority of price ranges as well, including high-end properties listed for over one million dollars. This suggests to me the improvement we have experienced over the past few months is well grounded. Those people who have been confident in their employment outlook have continued to view home ownership as a quality long-term investment.

All of these home sales have been followed by a return to healthy increases in the average GTA home price. As sales have recovered, listings have remained lower than last year's levels. In my experience, when the supply of listings has been tight in a period of

sales growth, upward pressure on prices has been the result. It is likely that listings will increase as we move into the fall. Existing home owners who have been thinking about making a move will react positively to the strong sales and price growth seen in the summer.

As we have seen home sales and prices pick up over the past few months, some people continue to look at this resurgence with caution. These people point to the fact that the Canadian and US economies are still facing challenges, with the unemployment rate continuing to creep up in both countries. So, does it make sense that home sales started to turn around in advance of a general economic recovery? Jason Mercer provided me his opinion:

"A healthy housing market is a driver of economic recovery. As people move into the homes they agreed to purchase this spring and summer, they will purchase housing-related goods and services. These purchases will benefit other sectors of the economy, including finance, insurance, renovation construction and retail sales. The Canadian Real Estate Association estimates that each resale transaction in Ontario results in an additional \$47,500 of spending."

While we are not officially out of a recession, I am happy to say that the housing sector has played an important role in spurring economic recovery. This wouldn't have happened without consumers continuing to view housing in a positive light.

Tom Lebour is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.