

ORES Real Estate Index for April 2008



By **Brian Madigan LL.B.**

I set up the ORES Real Estate Index last year. In many ways it is like the CPI (consumer price index) in the sense that it is designed to track values over a period of time.

The Index commenced 1 January 2004. There was no particular reason for that, other than it was the beginning of a calendar year and I wanted to track at least a four year period of time. Commonly, that is a measurement used by the mutual fund industry.

All related prices were converted to 100, so everything to be compared would have a common starting point.

Single Family Housing in the GTA

When you are looking at house prices for single family homes in the GTA, you will find the following:

132.24 30 April 2008
127.42..... 31 March 2008
127.86..... 29 February 2008
125.63..... 31 January 2008
126.31..... 31 December 2007
130.76..... 30 November 2007
130.98..... 31 October 2007
100.00..... 1 January 2004

This means that the average price for single family homes in the Greater Toronto area has increased 32.24% in 52 months. You will also see that the height of the market was October 2007. After that, the market declined for three months, until it started to strengthen in February 2008. It was off just slightly in March, but reached a new all-time high in April.

Condominium Market in the GTA

Here are the comparable statistics for condominiums throughout the GTA:

122.61.... 30 April 2008
118.79.... 31 March 2008
117.17..... 29 February 2008
114.39..... 31 January 2008
118.04..... 31 December 2007
120.82..... 30 November 2007
123.17..... 31 October 2007
100.00..... 1 January 2004

You will observe that the results are substantially less than the comparative single family home.

Central Condominiums

Let's have a look at the parts of the condo market. The numbers for centrally located condos have stood up quite well. These are the ones in downtown Toronto:

152.99.... 30 April 2008
147.20..... 31 March 2008
140.37..... 29 February 2008
141.90..... 31 January 2008
144.50..... 31 December 2007
151.04..... 30 November 2007
153.06..... 31 October 2007
100.00..... 1 January 2004

You will notice again, that the height of the market was the end of October 2007. You will also see that the downtown Toronto condo market continued to decline until February, but the March numbers are up quite significantly. The April numbers are up once again. There is a clear trend to downtown Toronto condos and that is evidenced by the fact that it demonstrates the best overall performance.

East Condominiums

These are the condos in the eastern areas served by the Toronto real Estate Board. Here's the performance:

130.07.... 30 April 2008
124.80.... 31 March 2008
124.45..... 29 February 2008

123.00..... 31 January 2008
129.11..... 31 December 2007
125.50..... 30 November 2007
121.04..... 31 October 2007
100.00..... 1 January 2004

This market continued to increase until year end, and then declined in January but had a slight resurgence in February 2008, and a slight increase once again in March. The increase in April is quite notable.

North Condominiums

The numbers here are a little different:

111.09.... 30 April 2008
115.11..... 31 March 2008
114.14..... 29 February 2008
108.10..... 31 January 2008
112.33..... 31 December 2007
118.18..... 30 November 2007
125.36..... 31 October 2007
100.00..... 1 January 2004

Here, the height of the market was October, followed by a three month decline and resurgence in February, followed by a slight increase in March. However, with the entire market reaching new heights, this is the only area showing decline.

West Condominiums

The west condominiums fared the best over the last month with an 8.25% increase:

127.50.... 30 April 2008
119.25..... 31 March 2008
124.11..... 29 February 2008
116.24..... 31 January 2008
118.61..... 31 December 2007
116.57..... 30 November 2007
119.39..... 31 October 2007
123.42..... 30 September 2007
100.00..... 1 January 2004

There is a slight aberration here. The height of this market was September 2007 followed by two months of decline, one month of resurgence in December, a further decline in January and like the others, a resurgence in February. However, perhaps the increase in February was a little too much, and part of that

gain was given back in the month of March. So, while technically if you look at the April numbers alone, it may appear that there is a new trend toward west end condos, that analysis would overlook the decline in March.

The point is to look at the overall performance over measured periods of time. One month here or there is not significant.

Market indicators, factors and conclusions

There are a few general conclusions that may be drawn:

- You were better to have a downtown Toronto condominium over the last 4 years (actually 52 months) than other property (152.99)
 - Single family homes provided a reasonable benchmark rate of return (132.24)
 - East and west condominiums performed about the same (130.07 and 127.30)
 - North condominiums were the poor cousin in the market (111.09)
 - All markets turned up in April except north end condos
- The downtown Toronto Condominium market is the best performing residential real estate over the last four years in the GTA

So, basically that's it, the market is performing fairly well. There is no indication of substantially falling housing prices. If the downtown Toronto condo market continues to fall slightly over the next few months, that doesn't mean that it has anything to do with the US sub-prime market, it's just coming off its overheated performance of the last few years.

Other Market Comparisons

Sometimes, it is wise to look at some other market factors. So, I have converted some popular indexes and commodity prices to the ORES format. Basically, that means that all other indexes (and commodity prices) are given a base level 100 starting point as of 1 January 2004. So, that's good for some, not so good for others. I agree that it's arbitrary, but then again, so is every other comparative measurement of performance. However, time will take care of the differences and ameliorate this issue.

Here is the comparison:

238.99..... oil (per barrel)
178.93..... gold (per ounce)
151.65..... TSX
132.24..... ORES Real Estate Index
121.79..... S&P 500
121.58..... Dow Jones Industrial

119.55..... Nasdaq

Over that period of time, you were best to speculate in the price of oil, failing that gold was a good choice (but, not over the last month). Even our own stock market has fared pretty well. At the lower end of performance is the US stock market with all three indices at the bottom of overall performance.

All in all, real estate is about where it should be: not too high and not too low.

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