

ORES Real Estate Index for May 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. 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:

132.11.....31 May 2008
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 32.11% in 53 months. You will also see that the height of the market was reached in April. Usually, it should be May. The May numbers have tipped over a bit. Demand is clearly softening.

Condominium Market in the GTA

Here are the comparable statistics for condominiums throughout the GTA:

119.66....31 May 2008
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

Here the performance is considerably 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:

142.41.....31 May 2008
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

The trend to downtown centrally located condos is evident over the last four years. However, there must be some speculation in the marketplace, because the prices dropped significantly (6.92%) in just one month.

East Condominiums

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

130.76.....31 May 2008
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 has continued to rebound. The performance is almost the same as that of single family homes.

North Condominiums

The numbers here continue to demonstrate poor performance:

114.69....31 May 2008
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

While there was a slight upward trend in the month, overall the general performance has been dismal over the last four years.

West Condominiums

The west condominiums fared reasonably well. There is a small increase this past month and they are approaching the east condos and the single family homes.

127.64....31 May 2008
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

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 53months) than other property (142.41)
- Single family homes provided a reasonable benchmark rate of return (132.11)
- East and west condominiums performed about the same (130.76 and 127.64)
- North condominiums continue to be the poor cousin in the market (114.69)
- the single family housing market stayed relatively steady

The downtown Toronto Condominium market is the best performing residential real estate over the last four years in the GTA. However, it also saw the largest one month decline.

Last month, I predicted that the downtown condo market would decrease slightly from its overheated level of activity. That has now occurred and you might see saw increase in demand. However, the supply side is increasing at a record pace. So, that particular market remains vulnerable

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. Here is the comparison:

251.00..... oil (per barrel)
180.75..... gold (per ounce)
157.22..... TSX
132.11..... ORES Real Estate Index
122.89..... S&P 500
120.22..... Dow Jones Industrial
124.12..... Nasdaq

Over that period of time, you were best to speculate in the price of oil, failing that gold was a good choice. 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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