

## ORES Real Estate Index for June 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:

131.53..... 30 June 2008  
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 31.53% in 54 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. This trend has continued into June, but the market generally softens up in June. Generally, this is an indication of price stability.

## **Condominium Market in the GTA**

Here are the comparable statistics for condominiums throughout the GTA:

119.71.... 30 June 2008  
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

You will notice that the performance is considerably less than the comparative single family home. There was a slight increase monthly overall, but the height of the market was reached in April.

## **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:

151.75..... 30 June 2008  
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. There is some volatility in the marketplace. There was a substantial drop in May, but much of that loss was regained in June. Those buyers were certainly not reading the newspapers.

## **East Condominiums**

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

129.42.... 30 June 2008  
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 dropped slightly over the month but generally has performed quite well. The performance is almost the same as that of single family homes. However, the market here reached its high in May. In fact, that's the usual high water mark for real estate values.

### **North Condominiums**

The numbers here continue to demonstrate poor performance:

111.85.... 30 June 2008  
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

There was a slight downward trend in the month, and the overall performance has been dismal over the last four years. You will note that there has been a rather substantial decline since last Fall.

### **West Condominiums**

The west condominiums declined rather abruptly over the month. The height of the market was reached in May and overall performance was approaching the east condos and the single family homes. However, no longer! It now seems to be rather vulnerable.

117.61.... 30 June 2008  
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 54 months) than other property (151.75)
- Single family homes provided a reasonable benchmark rate of return (131.53)
- East condominiums performed reasonably (129.42)
- North condominiums continue to be the poor cousin in the market (111.85), and west condos are now rather close (117.61)
- 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 in May, followed by a significant recovery in June.

## **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. To illustrate the current trend, the May numbers follow in brackets. Here is the comparison:

260.92..... (251.00)..... oil (per barrel)  
185.77..... (180.75)..... gold (per ounce)  
155.58..... (157.22)..... TSX  
131.53..... (132.11)..... ORES Real Estate Index  
114.89..... (124.12)..... Nasdaq  
114.22..... (122.89)..... S&P 500  
109.96..... (120.22)..... Dow Jones Industrial

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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