

## ORES Real Estate Index for October 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:

120.38.....31 October 2008  
124.60.....30 September 2008  
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 20.38% in 58 months. So, this is 0.35% per month or 4.22% per year. You will also see that the height of the market was reached in April. Usually, it should be May. This year the peak was reached early and the numbers have settled back since that time.

There were several remarkable factors that occurred in the month of October:

- Worldwide stock market crash
- Worldwide liquidity crisis

- Commodity price declines in every sector
- Expectation of a worldwide recession
- expectation of numerous bank failures

These factors were very unusual, with media reports noting comparisons to the Great Depression in the early 1930's. So, all of these numbers have to be viewed in the context of the world markets and the international media in the month of October.

## **Condominium Market in the GTA**

Here are the comparable statistics for condominiums throughout the GTA:

114.97.....31 October 2008  
 120.63.....30 September 2008  
 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 less than the comparative single family home. The condo prices fell quicker during the month than single family homes. This may be due in part to the fact that a number of condominiums were owned by investors who are faster to liquidate in a declining market environment.

## **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:

142.88.....31 October 2008  
 149.60.....30 September 2008  
 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 was a substantial drop in May, but much of that loss was regained in June. Now, we are back to the May numbers. It is noteworthy that this particular market is so strong. This is also the location of the greatest number of new projects, so one might expect a decline in prices due to the increase in supply, but not so far.

### **East Condominiums**

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

126.40.....31 October 2008  
132.67.....30 September 2008  
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 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:

103.65.....31 October 2008  
110.50.....30 September 2008  
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 significant 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 slightly over the month. The height of the market was reached in May and overall performance was approaching the east condos and exceeded the single family homes.

124.10.....31 October 2008  
126.10.....30 September 2008  
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 58 months) than other property (142.88)
- Single family homes provided a reasonable benchmark rate of return (120.38)
- East condominiums performed reasonably (126.40)
- North condominiums continue to be the poor cousin in the market (103.65)
- west condos are now exceed the performance of single family homes (124.10)

The downtown Toronto Condominium market is the best performing residential real estate over the last four years in the GTA. By comparison, it rates particularly well in relationship to other financial and economic benchmarks.

## 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 September 2008 numbers follow in brackets. Here is the comparison:

197.02..... (227.70)..... oil (per barrel)  
164.67..... (181.63)..... gold (per ounce)  
120.38..... (124.60)..... ORES Real Estate Index  
118.79..... (135.45)..... TSX  
88.54..... (105.38)..... Nasdaq  
88.34..... (104.91)..... S&P 500  
91.66..... (105.46)..... 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. However, there have been significant declines recently, and in particular throughout the month of October.

The real estate index is moving up. As an asset class, it is now third, whereas a month earlier, it would have been fourth. This fact reinforces that real estate is a good long term performer.

Our own stock market has fared pretty well compared to the substantial declines in the US. At the lower end of performance is the US stock market with all three indices at the bottom of overall performance scale. Our market is up 18% but the US markets are down about 10% compared to a 1 January 2004 starting point.

Real estate seems to be about where it should be: not too high and not too low.

*Brian Madigan LL.B., Realtor is an author and commentator on real estate matters, Coldwell Banker Innovators Realty  
905-796-8888  
[www.OntarioRealEstateSource.com](http://www.OntarioRealEstateSource.com)*