

Toronto Real Estate: Performance Anxiety



By Brian Madigan LL.B.

If things are going reasonably well, why try to fix it, and why worry about it?

Well, that's exactly what is happening to the Toronto market now. Most of the reported news is "bad news", because right now, bad news is popular.

So, let's have a look at some of the numbers. If we go back 4 years, you will see that the total number of reported **annual sales** are as follows:

2004..... 83,501
2005..... 84,145
2006..... 83,084
2007..... 83,264

You know, that looks pretty consistent to me. There were significant variables in terms of interest rates and many reasons why one year might be much better than others. But, really, that didn't happen. All the numbers are very close.

Maybe we should look at the **first half** of the year, that is, January to June:

2004..... 47,028
2005..... 45,424
2006..... 46,575
2007..... 51,512

Again, the numbers are fairly consistent. The one possible exception might be 2007. There was an increased level of activity in the Spring. You might remember that rumours about the Toronto Land Transfer Tax were circulating, and although it didn't become law until the Fall, and it wasn't effective until January 2008, quite possibly some prospective purchasers were encouraged to do business a little earlier than they might have otherwise planned.

Let's look at the **last six months**, July to June:

2004..... 36,375
2005..... 38,721
2006..... 36,508
2007..... 31,752

Here, the numbers are once again quite consistent. The only one down a bit, is 2007, but you have to remember that was the same year with the high Spring numbers. Overall, the figures for 2007 are just about the same as any other year.

How about the **first quarter** numbers, January to April:

2004..... 28,560
2005..... 27,062
2006..... 28,411
2007..... 29,915
2008..... 26,483

What does this mean? It hardly suggests that the sky is falling. In fact, 2008 is just 579 sales short of 2005, which as you will recall was the best overall year in recent history.

Combined with the fact that the **highest average price** ever achieved for a single family home was reached in **April 2008**, this hardly suggests bad news. Could those 579 missing purchasers have thought to save money, avoid the Toronto Land Transfer Tax, and do business in 2007? You might think so! Certainly, that explanation is as good as any.

What do you think real estate gurus would say if the average price dropped by \$20,000, and the transactions were 13,000 in the first quarter? Now, higher prices and some minor missing sales does not lead you to the conclusion that the Toronto real estate market is in any kind of recession. Let's wait until we have some further numbers to work with.

And, one interesting point. Last year, the market did drop by \$21,897 and as far as I can determine no one (other than myself) said anything. You might have followed it in the **ORES Index** which dropped from 127.64 in May to 122.13 in August (\$382,787 to \$361,890).

You might recall that last summer, rising markets and good news was the order of the day. That was what sold newspapers. The \$21,897 drop was just not worth mentioning. It was a fact that would just get in the way of a good story. What has changed?

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