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Your Greater Toronto Real Estate Newsletter

Covid-19 no match for housing market

Average price soars to new record

The average home price in the GTA climbed to an all-time record high of \$1,108,453 in May, which is a 28.4 per cent increase year-over-year. The ongoing tight market conditions are pushing the average selling price up, explains Toronto Regional Real Estate Board (TRREB).

"While sales have trended off the March 2021 peak, so too have new listings. This means that people actively looking to purchase a home continue to face a lot of competition from other buyers, which results in very strong upward pressure on selling prices. This competition is becoming more widespread with tighter market conditions in the condominium apartment segment as well," says TRREB chief market analyst Jason Mercer.

On a year-over-year basis, sales in May 2021 were more than double those of May 2020, but this comparison is to a pandemic month without a vaccination rollout. "There has been strong demand for ownership housing in all parts of the GTA for both ground-oriented home types and condominium apartments. This was fueled by confidence in economic recovery and low borrowing costs. However, in the absence of a normal pace of population growth, we saw a pullback in sales over the past two months relative to the March peak," says TRREB president Lisa Patel.

May is typically the strongest sales month of a year, but this year May bucked the trend. Still, the month's sales exceeded those of the average sales for May in the last nine years. With sales ebbing from the levels reached during the frenzied months of March and April of this year, experts suggest that the GTA market may see some

moderation in activity. They attribute this to a lessening of the pent-up demand, a prospect of stricter mortgage stress test criteria, as well as skyrocketing prices putting the brakes on homebuyers' willingness to participate in a market that's going through the roof.

CIBC economist Benjamin Tal is one of these experts. He explains, "I think that after the madness that we have seen over the past few months, it seems that things are starting to stabilize. I think it's reflecting a few things, and one is the fact that we have been borrowing activity from the future, and maybe the future is arriving. Second is the modest increase in interest rates and, of course, the implementation of increasing the stress test criteria, which led to some acceleration of productivity in March and April." **REU**

GTA BY THE NUMBERS

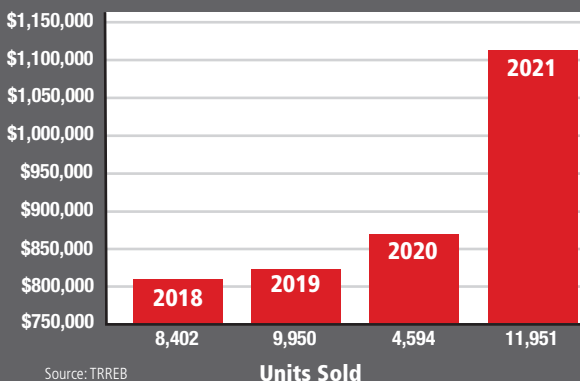
DETACHED
↑37.0%
Avg. Price Yr/Yr

SEMIS
↑22.6%
Avg. Price Yr/Yr

CONDO APTS
↑9.1%
Avg. Price Yr/Yr

Average Home Prices - May

in the Greater Toronto Area



Monthly stats

May average
price by area

416

DETACHED

↑20.5%

YEAR
YEAR

\$1,716,272
Average Price

CONDO APT

↑6.3%

YEAR
YEAR

\$716,976
Average Price

905

DETACHED

↑41.3%

YEAR
YEAR

\$1,331,176
Average Price

CONDO APT

↑21.4%

YEAR
YEAR

\$603,555
Average Price

source: TRREB

Home insurance

Premiums climbing What can you do about it?

With rising home prices, insurance rates have also been climbing for the last couple of years. But, what can a homeowner do to get the best possible deal?

One of the main drivers of rising home insurance rates is climate change. Daniel Goldhar, an insurance broker with Canadian Insurance Brokers Inc., says rates generally increase a bit each year and are always affected by major

weather events that occurred the previous year. We've certainly seen some destructive extreme weather during the last few years. It doesn't matter that you may not live in an area prone to natural disasters (e.g., wildfires in B.C. or floods in Quebec, etc.). Insurance companies spread the risk across their entire customer base.

Furthermore, home insurance isn't based on the market value of a home, but on what it would cost to rebuild it. During the pandemic, with the cost of building materials and labour increasing, it's only to be expected that insurance premiums will reflect some of those costs too, says Peter Karageorgos, director of consumer & industry relations for the Insurance Bureau of Canada. In addition, there has been a renovation boom during the pandemic, since so many people are working from home. Improving homes means the replacement costs will be higher, so, Karageorgos notes, "it stands to reason that premiums would increase."

Different companies have different risk portfolios and offer different rates. Not all insurers will raise their rates at the same level. So shop around to find the best rate. **REU**



Mortgages

New stress test rules Not a game changer

The new mortgage stress rules came into effect on June 1. They set the qualifying rate on uninsured mortgages (mortgages with a down payment of 20 per cent or more) at either two percentage points above the contract rate or 5.25 per cent, whichever is greater. The new criteria is an increase from the previous threshold of 4.79 per cent. The change is aimed at cooling red-hot real estate market. It is expected to cut homebuyers' budgets by about 4 or 5 per cent, says Robert Hogue, senior economist at RBC Economics. "That purchasing power reduction is not for all buyers, only for those who are at the max, at the margins, for the qualifying process."

Experts predict that the stricter mortgage test criteria may push buyers to seek more affordable housing and/or turn

to family for financial help, but don't foresee a major impact. It is the first-time buyers who are struggling to get into the market and are going to feel the impact of this change the most.

CIBC economist Benjamin Tal also does not see the new mortgage stress test as a game changer. Furthermore, Tal underscores that the new rules include flexibility. "I think that the most important issue regarding this stress test, and that's the point that I've been making for years now, is that the stress test has to be flexible.... So the fact that they're telling us they are going to be revisiting the stress test every year is actually a very good thing, because it means that this process will be a function of the level of interest rates, which is exactly the way it should be," says Tal. **REU**



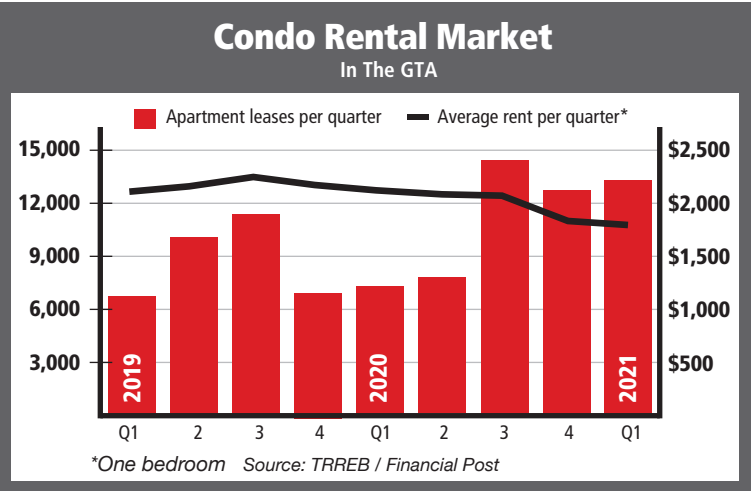
Condo investment

Rising rental demand May put upward pressure on rents

The GTA housing data shows a surge of 13,168 condo apartments leased during the first quarter (Q1) of this year, up 81.6 per cent compared to 7,251 rented in Q1 2020. You might think that this comparison is misleading as March 2020 was the onset of the pandemic restrictions but even when compared to Q1 2019, there is an eye-popping increase of 99 per cent in activity. "This suggests we are accounting for pent-up rental demand from 2020. Strong rental demand is also an indicator of broader economic recovery with people willing to sign rental agreements because they are confident in their future job and income prospects," says Toronto Regional Real Estate Board (TRREB) President Lisa Patel.

However, average rents dropped across all market segments in the GTA. Looking at condo apartments by size, smaller units recorded the highest year-over-year declines. The combination of rising lease transactions and declining rents presents a puzzle, observe Murtaza Haider and Stephen Moranis, two leading experts in the real estate industry. "Demand and supply factors might be at play here. The spike in leases suggests a substantial increase in demand, while a relatively proportionate and sustained increase in supply has helped ease the pressure in rental markets."

Still, according to Haider and Moranis, rental market activity may likely be bolstered by expectations about the economic recovery, demographic shifts and a loosening of mobility and assembly restrictions. "If growth in rental transactions continues to outstrip growth in listings, market conditions will become tighter as we move through 2021 and even more so in 2022 as immigration and non-permanent migration rebound," adds TRREB chief market analyst Jason Mercer. Most new immigrants initially rent when they arrive



in the GTA. If the recent increases in rental demand continue for the rest of the year, it will likely put upward pressure on rents, because the supply of rental units is unlikely to keep pace with such highs in demand, says Haider and Moranis. **REU**



On the internet

Interesting websites

pfistererFARM.com
Farm charm glamping. A farm stay experience like no other. Nestled inside woods in a beautiful emperor bell tent ready for your exclusive private getaway. Queen bed, couch, solar generator, and more.

lastPASS.com
A free password manager that allows you to store multiple passwords in a secure online location.

mint.intuit.com
Mint is a free money management app to create custom budgets, track spending and subscription monitoring.

allergyFOUNDATION.ca
Invests in Canadian research with the goal of preventing, intercepting and curing allergy, asthma and immunologic diseases.

These sites are believed to be reliable but their accuracy cannot be guaranteed.

Mortgages

At June 8, 2021

Mortgage rates are negotiable with individual lenders. Rates are subject to change without notice. OAC E&OE

Prime	2.45%
Variable	1.29%
1-year	1.99%
2-year	1.74%
3-year	1.89%
4-year	1.94%
5-year	2.19%



Roofing perspective

What to expect when re-roofing

It is time to replace your roof. You have done your homework, obtained at least three quotes from contractors, checked their references and hired one of them. Other than paying the roofer when the job is complete, all the difficult stuff is done. Right? Not so fast. Even though replacing a roof is a minor renovation project in the grand scheme of things, you should prepare for what you may have to endure while the work is going on. Roof replacement is noisier, dirtier and more disruptive than most people think. Going into the process with a realistic understanding can make the disturbance easier to bear.

Let's look at a few things that you can expect.

Noise - Removing the existing shingles from your roof will be noisy. Shingles are put on to stay, and it requires some effort to get them off. Your roof surface amplifies the noise; it is like a big drum. As the roofers pound, pull and pry, it will sound like they are tearing your house apart. And once the old shingles are removed, they will need to nail the new ones into place.

Odour - If you have a flat roof, there may be a large kettle of molten asphalt bubbling away all day. Most people find the odour from the asphalt unpleasant.

Dust and dirt - Every thump and bump inevitably generates some dust. It

sneaks out below the baseboards, around the windows and through the light fixtures. Dust is almost magical. It gets into everything.

Nails - When the existing shingles are stripped off, thousands of nails will come out too. Good roofers will collect 99 per cent of them during cleanup, but they are sure to miss a few which you may find in your garden months later.

Mess - You will need to make sure the roofers cover your plants and shrubs to protect them. There will be a big garbage bin that always seems to be in the way. There will be bundles of new shingles and other building materials. While roofers clean up the site daily, the outside of your house is going to look pretty messy while you are in the midst of re-roofing.

Even when roofers have completed the job and cleaned up, you may still have to put up with the loose granular material that a new roof will often shed into the gutters and the flapping plastic strips that stick out from between the shingles. The loose granules are normal and those plastic strips are not a problem. (You don't need to remove them; they will disappear eventually). In the end though, all the trouble will be worth it and you will have the comfort and security of a new roof. You will also have the knowledge that you will not have to put up with any of this again - for another fifteen to twenty years anyway.

The above article is reprinted with the permission of Carson, Dunlop & Associates Ltd., Consulting Engineers – Expert Home Inspections.

The scorching real estate market continues to maintain high home prices fuelled by vaccine roll-out, low mortgage rates and competition amongst buyers. If you have any questions, please do not hesitate to get in touch.

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