

# Six stunning numbers about Toronto real estate and your personal finances

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From a personal finance point of view, Toronto real estate makes your head spin. Monthly price increases for resale houses in the city are amazing enough in their own right.

But when you look at them in the context of household incomes and budgets, they can blow your mind. Here are six numbers that stand out.

## 33.2 per cent

This is the amount of the year-over-year increase in the average resale home price in the Greater Toronto Area last month. Inflation numbers for March are not in yet, but the February increase in the cost of living came in at 2 per cent.

They used to say that owning a house is a hedge against inflation. Now, houses in Toronto are the foremost example of inflation.

What else in the economy has gone up 33 per cent? The short answer is nothing. Economic output as of the most recent monthly reading was up 2.3 per cent on an annualized basis, which was considered a big victory after months of sluggish growth. Union contracts signed in February produced average wage increases of 1.9 per cent.

The year-over-year change in hourly wages in February was 1.7 per cent for people aged 25 to 54. The Canadian stock market was up 21 per cent in all of 2016 – an exceptional year's work.

## \$916,567

The average price of a home in the Greater Toronto Area in March. For that much, you could pretty much get an average-priced house in Halifax, one in Montreal and another one in Winnipeg. The March, 2016, average price in Toronto was \$688,011, while March, 2015,

came in at \$613,933. You can see how price momentum is building.

It's worth noting that the latest average price includes condos and townhouses both in and beyond the city of Toronto. A detached home in the city averaged \$1.6-million in March.

## \$3,847

This is the monthly payment on a mortgage for a Toronto home purchased at the average March price using a 25-year mortgage with a fixed five-year rate of 2.65 per cent and a 10-per-cent down payment. Want to drive an Audi? Earlier this week, Kijiji had a 2004 A4 Quattro for sale in Toronto for \$3,800, more or less the same price being charged for a 2006 Honda Civic, a 2008 Mazda3 GT hatchback and a 2003 BMW 540i with the M package.

Over a year in the Toronto market, that monthly payment could buy you eight more vehicles like this.

It's worth noting that this payment is based on interest rates that are near generational lows. Bump up the rate by just half a percentage point and you get a monthly payment of \$4,063.

## \$78,667

Here, we have the median total income for Toronto families in 2017. This is an estimate based on 2014 numbers from Statistics Canada adjusted to current levels using the Bank of Canada's inflation calculator. Toronto is Canada's financial centre, but wealth on a median household level trails most other major Canadian cities. Edmonton, Calgary and Ottawa all come in above \$100,000.

Punch a household income of \$78,667 into an online house affordability calculator and you

hit a wall in one way or another in the Toronto market. One bank's calculator said this income may qualify you to buy a house priced at as much \$466,000, assuming a \$50,000 down payment.

Another bank's online affordability tool figured that \$362,775 was the maximum purchase price.

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### **\$197,000**

This is the household income that one particular bank's affordability calculator projects as the household income needed to buy the average-priced home in Toronto with 10 per cent down. If two spouses gross \$98,500 a year and put 10 per cent down, they're good.

This level of income is two and a half times the estimated median household income in Toronto.

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### **11.7**

Based on the March average price, a house in Toronto cost 11.7 times the median total family income. Back in the day, it was said that a house was affordable when it cost three times your income. You can still pull this off in some parts of Canada, notably in the Atlantic provinces. In St. John's, the average house sold for \$262,296 in February, and the median family income was an estimated \$98,304.

Ottawa, just 4.5 hours away by car from Toronto, has a much higher median family income and much cheaper housing. Vancouver is king of unaffordable housing with a ratio of average house price to income of 12.5 to one.