

# Toronto home sales drop, new listings slow as sellers retreat

By Janet McFarland

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Home prices continued to fall across the Toronto region in July as buyers stayed on the sidelines, but the pace of growth of new listings also continued to slow as more owners decided to wait for a better time to sell.

The Toronto Real Estate Board reported the average sale price of all types of homes sold in the Greater Toronto Area hit \$746,218 in July, down 19 per cent from the market's peak in April when house sales averaged \$920,791, and down 6 per cent from June's average selling price of \$793,915.

Average sale price in GTA



THE GLOBE AND MAIL, SOURCE: TREB

The average July sales price was still up 5 per cent compared to July last year, which means the market has still not erased the full amount of price gains recorded in late 2016 and early 2017.

The recent price drop came as the number of homes sold fell 40.4 per cent in July compared to the same month last year, TREB said. The number of detached home sales fell 47.4 per cent during the month, while sales of semi-detached houses fell 38.6 per cent, townhouse sales dropped 36.5 per cent and condo sales slid 30.7 per cent.

"There's nothing positive -- there are no really great signs out there," said realtor John Pasalis, president of Realosophy Realty Inc. in Toronto.

He said some of the areas where average prices are now lower than they were a year ago -- including Richmond Hill and Whitchurch-Stouffville north of Toronto -- are also regions that appeared to have the highest number of speculators and foreign buyers prior to the downturn. Their withdrawal from the market has had a greater impact on prices than in other areas, including more central neighbourhoods in the City of Toronto, Mr. Pasalis said.

Amid the steep decline in sales, the only modest sign of market improvement came from the slowing pace of growth in the number of new homes listed for sale, which rose 5.1 per cent in July compared to last July. New listings surged by 49 per cent in May and 16 per cent in June compared to the same months last year as many home owners rushed into the market to try to sell at the peak, leading to a glut of inventory and falling prices.

Jason Mercer, TREB director of market analysis, said home buyers still had more options to choose from in July than a year ago, and the result was reflected in falling prices. But that could shift this fall if buyers return and new listings stop growing.

"Looking forward, if we do see some would-be home buyers move off the sidelines and back into the market without a similar increase in new listings, we would see some of this newfound choice erode," Mr. Mercer said in a statement.

Royal LePage realtor Shawn Zigelstein, who is based in Richmond Hill, believes August will remain quiet but there will be a significant increase in new listings in September. He predicts sellers will be more "serious" about completing a deal in the fall, while people who are toying with the idea of selling and holding

out for prices above current market levels will leave the market.

“Anybody who’s really kicking tires in the market will come off the market some time in August, and then in September we’ll start to see those serious sellers come back on,” Mr. Zigelstein said. “I think it will be substantially more than what we’re going to see in August.”

TREB said detached houses have led the region’s housing downturn, especially in the suburban 905 area surrounding the City of Toronto.

Detached house prices were up just 2.4 per cent in the 905 region in July compared to a year ago, but are still up 8.5 per cent in the City of Toronto, TREB said. The number of detached houses sold in July dropped 49 per cent in the 905 region and 41.7 per cent in the City of Toronto in July.

Condo prices have held up the most since the market began its downturn in April due to their relatively better affordability for first-time home buyers. TREB said the average condo sale price in the GTA was still up 23 per cent in July compared to a year earlier, while detached and semi-detached house prices were both up about 5 per cent compared to July, 2016.

Mr. Pasalis, however, said he believes condo prices will also begin slide lower given the 30.7 per cent drop in the number of condos sold last month compared to July last year.

“Condo prices can only go so high while freehold [house] prices are declining. It doesn’t

make sense -- price appreciation will level off,” he said.

The Toronto market has seen house sales slide since the Ontario government announced a package of reforms on April 20 aimed at cooling rapid growth in house prices in the region. The centerpiece of the plan was a new 15-per-cent tax on foreigners buying homes in the Toronto area.

TREB president Tim Syrianos said numbers released by the Ontario government in July – which showed foreign buyers accounted for 4.7 per cent of sales in the broad Greater Golden Horseshoe Area surrounding Toronto between April 24 and May 26 – confirmed TREB’s prior research suggesting foreigners represent a small proportion of home buying activity in the region and do not account for the sharp drop in sales since April.

“Clearly the year-over-year decline we experienced in July had more to do with psychology, with would-be home buyers on the sidelines waiting to see how market conditions evolve,” Mr. Syrianos said.

TREB said summer statistics are not the best indicator of market conditions because sales typically slow significantly in July and August, and activity usually picks up in September as sellers and buyers become more active. The result is that the impact of the Ontario government reforms and rising interest rates should become clearer in the fall, TREB said.