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New listings up, sales down as high interest rates freeze out first-time homebuyers, say new TRREB numbers

The October report from the Toronto Regional Real Estate Board found average house prices edged up 3.5 per cent from last October, to about \$1.26 million

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TRREB's October report found average house prices edged up 3.5 per cent from last October, to about \$1.26 million. Lance McMillan / Toronto Star file photo

New listings are up and sales are down as high interest rates push many first-time home buyers to the sidelines, according to new October numbers from the Toronto Regional Real Estate Board.

“Record population growth and a relatively resilient GTA economy have kept the overall demand for housing strong,” said TRREB President Paul Baron in a statement that accompanied release of the numbers Thursday.

“However, more of that demand has been pointed at the rental market, as high borrowing costs and uncertainty on the direction of interest rates has seen many would-be home buyers remain on the sidelines in the short term.”

The report found average house prices edged up 3.5 per cent from last October, to about \$1.26 million.

But condo prices across the GTA were down slightly by about one per cent to \$708,780.

There were 4,646 sales across the region in October, down about six per cent since October 2022. Sales were also down compared to last month, on a seasonally-adjusted basis.

Meanwhile new listings were up 38 per cent to 14,397, compared to last October (10,433) but 2022 saw a 12-year low in homes for sale, TRREB reported.

The gains were less dramatic compared to the 10-year average.

“Competition between buyers remained strong enough to keep the average selling price above last year’s level in October and above the cyclical lows experienced in the first quarter of this year,” said Jason Mercer, TRREB’s chief market analyst, in a statement.

“However, home prices remain well below their record peak reached at the beginning of 2022, so lower home prices have mitigated the impact of higher borrowing costs to a certain degree.”

Condos made up about 28 per cent of the 4,646 sales that were reported to TRREB in October.

The seasonally adjusted sales-to-new-listings ratio across the GTA edged lower to 34.5 per cent, from September, when it hit a low not seen since the 2008 financial crisis, of 35.8 per cent. The lower this is, the more inventory is on the market and less competition for buyers

Though the Bank of Canada decided to hold interest rates at five per cent in its most recent announcement late last month, rates are still much higher than the historic lows seen during the pandemic, making it much harder for buyers to qualify for mortgages.

Baron said in his statement he believes home sales “will pick up quickly” when mortgage rates fall.

TRREB CEO John DiMichele added it’s “disappointing” that uninsured mortgage holders coming up for renewal are “still forced to unrealistically qualify at rates approaching eight per cent,” under the stress test, if they want to shop around for a more competitive rate.

He believes the rule should be eliminated for people renewing their mortgages with a different institution.

Over the next three years, mortgages worth more than \$900 billion are coming up for renewal, according to a new report from RBC, with some payments rising by half for some borrowers.

Correction — Nov. 2, 2023: *A previous version of this story erroneously compared the sales-to-new-listings ratio trend for October to the seasonally adjusted sales-to-new-listings ratio for September.*