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Toronto's housing market will boom in 2025, Royal LePage head says — making it the most expensive market in Canada

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JARED LINDZON || NOVEMBER 18, 2024

Royal LePage president and CEO Phil Soper says the housing crisis in Canada is a real issue. "We've been underbuilding relative to organic needs — let alone immigration-driven needs — for years." Richard Lautens/Toronto Star

Toronto's high-priced real estate market isn't going the way of Manhattan — though it could surpass Vancouver in the coming months.

That's according to Royal LePage president and CEO Phil Soper, who says that, despite recent challenges, the fundamentals that drive real estate markets are solidly established in the city.

As declining interest rates begin to spur activity elsewhere in Canada, Soper believes Toronto's real estate industry is poised for a booming 2025.

"Toronto is still one heck of a deal compared to Greater New York, let alone Manhattan; it is tough, it is expensive, we had a really unusual period in the Canadian housing market over the last 26 months, but home prices weren't rising, while wages, salaries and savings were," he says. "In places like Halifax, Montreal and Calgary, the recovery started months ago, and the last markets to recover from this post-pandemic downturn are going to be Toronto and Vancouver."

In the short-term, Soper says declining interest rates will kick off Toronto's next housing market boom; one that will see the city take the crown from Vancouver as the country's most expensive market.

In the long term, Soper says relatively high incomes, immigration, and interest in home ownership will allow Canada to maintain top home ownership rates among the G20, even if some are priced out of Toronto.

Soper, who describes his childhood in Calgary as filled with niche interests, credits luck for transforming those hobbies into professional opportunities. His athletic abilities landed him a spot on the University of Alberta's track and field team, his passion for early computing inspired him to pursue a degree that combined business and technology, which landed him a job with IBM soon after graduating. His background in both technology and sales put him in a leadership position as the global technology firm pivoted from hardware to business services.

Five years after moving to Toronto, rather than relocate his family again, the then-single father decided to leave his position at IBM after 17 years and accept a role with Royal LePage, just weeks before the dot-com crash of 2000.

"IT in the late '80s and the '90s was absolute magic, but the 2000s were really tough; my successor at IBM had to lay off hundreds of people," he says. "Over the 24 years since I switched into real estate it's been one of the strongest industries in the entire country."

Soper has been president and CEO of 111-year-old Royal LePage for the last 22 years. The real estate company headquartered in Toronto is one of the country's largest, employing 20,500 realtors — 90 per cent of whom are franchise partners — and another 3,000 administrative staff.

Soper recently spoke with the Star from his home in Toronto about why he believes ownership remains an attainable goal, why the Toronto condo market is poised for a comeback, and why 2025 will see the city become Canada's most expensive market.

What has kept you at Royal LePage for the last 24 years?

I've made great friends here. My senior team, most of them have been with me almost all that time, so we're very close. During my tenure I've had opportunities to be very entrepreneurial as we expanded the business, and establish the Royal LePage Shelter Foundation, the country's largest charity in Canada focused on eradicating violence in our communities. It's also been a very exciting period for the industry.

Why was Canada's real estate market in a boom for so long?

At its core, what you need for a real estate industry to succeed is growing demand and the ability of people to pay for it. For example, South Korea has a successful economy, but their birth rate is 0.7, so the population is in decline, and they don't have a functioning immigration system.

Our birth rate fell to 1.26 last year, which isn't bad for an advanced economy, but we had this gangbusters of an immigration system, and 60 per cent plus are economic immigrants — they're coming with skills or because they're entrepreneurs with capital — compared with about 25% in the United States.

I know Canada recently pulled back on its immigration targets, but whoever's in Ottawa will be back on the immigration bandwagon in a few years because we have an aging population and because we've got the cultural and governmental infrastructure to make it work.

Why does the housing market feel broken?

Well, partially because it is. The housing crisis in Canada is the same as those in the United States, Australia, Germany, and advanced nations around the world. We've been underbuilding relative to organic needs — let alone immigration-driven needs — for years, but there are other subtleties that complicate the picture.

For example, in my grandparents' day, the average detached home in Canada had six people; when I was a kid, it was four, and today its 2.1, and one of the fastest growing subsegments in the housing industry is the single homeowner in their 20s. That means we should have doubled the number of units for one or two people compared with the '60s, but planners never saw that coming.

We're also building slower to accommodate much needed environmental assessments, density targets, transportation needs, etc. In 2022 it took on average 650 days to get approval for a 500-unit condo, which is a long time, but it also took an average of 500 days to get approval on a three to 500-unit condo. In 1995, it took 10 months to build a single-detached home and in 2024 it took 25 months. The cost to build that home also went up 110% since 2018 in Toronto.

Where does that leave us?

We're behind the curve on the housing we need, but demand has been masked by the post-pandemic slowdown. It'll come roaring back next year, and we'll be talking about uncomfortably large home price increases again.

The last two-and-a-half-years has been a much-needed breather, but most of that slowdown was in the lower mainland of Vancouver and the GTA; the rest of the country has remained steady.

Is Toronto's condo market crashing?

It's been one of the slowest markets in the country of any property type for the last couple of years for very specific reasons. The biggest element is the sharp rise in the cost of borrowing, which has kept first-time buyers on the sidelines.

First time homebuyers borrow almost all the money they need to buy that home, and they make up a large proportion of condo buyers in a typical market. If you're a first-time homebuyer and you have somewhere to live it's worth waiting another six weeks for rates to lower, as we just saw with the latest cut, but that's going to change when prices start rising; even if rates go down, overall costs will be higher.

The second major category is independent investors. Most are willing to be cash negative if they believe the asset will appreciate, but interest rates have been high and values have been falling, which means they have no incentive to hold a property. At the same time condo values were only down 2.4 per cent this year, so we're not talking about anything close to a crash.

Canadians also have about seven per cent in household savings right now, and usually that's closer to two per cent, so the cash is there. Falling rates will bring more first-time buyers, which will begin to edge up condo values probably by the first quarter of 2025, and then investors will get back in, because they see low vacancy rates and rising rents.

Are young people giving up on home ownership?

We still have one of the highest home ownership rates in the world — 66.5 per cent in 2021 — and when we ask young people, 84 per cent still believe in home ownership, and young people are better informed about real estate thanks to social media.

The first time buyer age is creeping up, but it crept up with millennials too — and we believe that a big part of that is people are staying in school longer, or living at home longer — but 54 per cent of those in their 30s said they believe home ownership is an achievable goal, and 26 per cent said they're not sure, but that would give us about the same home ownership rate as Gen Xers and Baby Boomers.

Will the average Torontonian be able to afford a home in the future?

I won't minimize the distress young families feel about owning a home. It is stressful, and it's been stressful for previous generations, but it's more stressful now. If you go back 20 years, a home in Vancouver was 50 per cent more expensive than Toronto, but sometime — likely in 2025 — Toronto is going to pull even with Vancouver.

The home ownership rate in Vancouver remains high relative to global averages, but below other Canadian cities, and that's what I forecast for Toronto; it'll be lower than Montreal, but I don't see it falling below 60 per cent, and governments at all levels are working to keep it that way. There's more they can do, predominately on the supply side, but they're helping bridge the gap.

It's also worth noting that we've never had net-out migration from the GTA into places like Atlantic Canada, or Calgary, or Montreal, but that's a reality now. People will relocate to afford housing, and that acts as a safety valve; when the market overheats, people shuffle around the country.

We're also filling in our Golden Horseshoe, especially now with hybrid work. People are more willing to commute from places like Orangeville, Burlington or Bowmanville for just two or three days a week.

It's an expensive, vibrant city, but the market will find solutions for people; I believe that because I've seen it happen over and over.