Media Release

RE/MAX
ONTARIO-ATLANTIC CANADA INC.

RE/MAX 2018 Luxury Property Report

High-End GTA in focus

While luxury homes sales in the Greater Toronto Area (GTA), Oakville and Hamilton-Burlington have fallen short of last year's record-breaking pace, this segment of the market will still see plenty of move-up activity in 2018. This is according to a report released today by RE/MAX INTEGRA Ontario-Atlantic Region.

The 2018 RE/MAX Luxury Property Report examined trends and developments in the GTA (freehold and condominium properties), Oakville and Hamilton-Burlington for the first two months of the year. The report found 76 freehold and condominium properties sold over the $3-million price point in the GTA between January 1 and February 28, down from 180 sales during the same period in 2017. In the $5-million-plus category, luxury sales fell 46 per cent to 15 transactions in the GTA, compared with 28 one year ago. Oakville reported slower sales in the first two months of the year as well, with six homes selling over $3 million, compared to 15 one year ago. Fifty-nine homes sold over $1 million in Hamilton-Burlington, down from 133 in 2017. Only condominium apartments and townhomes located in Toronto proper bucked the trend, with eight sales over $3 million so far this year, up from five during the same period in 2017.
"Sales of upper-end homes year to date are more in line with 2016 volumes rather than 2017, which should be distinguished as an outlier year for luxury real estate," says Christopher Alexander, Executive Vice

President and Regional Director, RE/MAX INTEGRA Ontario-Atlantic Region. "Any comparison will fall short of 2017 levels throughout much of the spring, but demand for luxury product is likely to improve by early summer and carry through to the remainder of the year."

Although sales were soft in the earliest part of 2018, given consistent demand and limited supply, the core should continue to demonstrate growth. As evidence, two blue-chip neighbourhoods in the 416 area code outperformed last year's hefty sales volume. These include 10 luxury properties sold in Rosedale (C09), of which the most expensive sold for $8.4 million; and four in the Kingsway/Princess Anne Manor area (W08).

The same is true for the GTA's condominium market, with most sales taking place in the city centre and in close proximity to Bloor Street's Mink Mile. This trend is in line with the precedent set by downsizing empty nesters and Baby Boomers. This group will continue to drive luxury condominium apartment and townhome sales in prime neighbourhoods such as Yorkville and the Annex, and will remain a strong segment of the market moving forward.

As the ranks of Canadian millionaires grow, so too should the appeal of bricks and mortar. The Capgemini World Wealth Report for 2017 notes the population of high-net-worth individuals (HNWI) in Canada — the vast majority of whom live in Ontario — rose 11.3 per cent in 2016 to 356,930, while net worth increased 11.7 per cent to $1.1 trillion (US). HNWIs worldwide have also realized substantial gains, with Asia-Pacific, the world's largest HNWI market, reporting a 7.4-per-cent increase in population and an 8.2-per-cent increase in wealth.

From the standpoint of foreign investors, the combination of a strong US dollar and undervaluation from a global perspective, Ontario is ripe for investment. In fact, the GTA and the surrounding areas have stepped into the spotlight in recent years, often dominating the top positions in world rankings, including the best city in the world by The Economist and one of top 10 most innovative cities in the world by the Melbourne-based "Innovation Cities Index."

According to Numbeo, a crowd-sourced property price comparison site, the price per sq. ft. for an apartment in Toronto's city centre hovers at approximately $791.17 — making our world-class city look like a bargain by international standards.

As a result, foreign investors are and will continue to be a major driver of sales at the top end of the GTA housing market. "The accumulation of real estate is an integral component of their overall investment strategy, and as such, the foreign buyer tax is not a deterrent. It is just the cost of doing business in Ontario," explains Alexander.

Given solid economic fundamentals throughout the Golden Horseshoe, the current pause in luxury home-buying activity is enigmatic, he added. "As market conditions stabilize, and uncertainty regarding rising mortgage rates and more stringent lending practices diminishes, home-buying activity in the top-end of the market will resume at a more sustainable pace. Ontario offers world-class real estate at affordable prices, and as such, should see continued growth in both sales volume and values in the years ahead, especially as the province's star rises on the international stage."

GTA Luxury Property: Freehold

After last year's frenzied performance in the top end of the market, sales of luxury homes in the Greater Toronto Area are moving at a pace more in line with healthy 2016 levels. Sixty-eight freehold properties have changed hands over $3 million so far this year. This falls short of record 2017 levels that saw 175 sales between January 1 and February 28, and 79 sales during the same period in 2016. Thirteen sales have occurred in excess of $5 million in 2018, down from 26 during the same period one year ago.

While sales have dropped, there has been a slight upswing reported in average price over the $3-million price point, with values rising to $4,201,873 in the first two months of 2018, compared to $4,100,420 one year ago.

Despite the slight softening in the market, demand for luxury property remains consistent in the Greater Toronto Area, with a shortage of fresh product over $3 million holding back sales to some extent. Most of the luxury homes currently listed for sale are dated, having lingered on the market, with some originally introduced in 2017. Newer product tends to move at an accelerated rate, especially in Toronto proper, with most realizing a list-to-sale-price ratio of 98 to 100 per cent. Multiple offers continue to occur on upscale properties, particularly in the coveted 416 area code.

Of the 68 luxury sales in 2018, 45 occurred in Toronto proper (66 per cent). The rate is up over last year's 60.5 per cent. In the 905, York Region has seen the greatest reduction in luxury sales activity, with eight transactions occurring in 2018 compared to 41 in 2017. Affluent neighbourhoods in the core continue to see steady activity, with Rosedale (C09) and the Kingsway (W08) both bucking the downward trend. Ten sales occurred in Rosedale so far this year, up from nine one year ago, while the Kingsway has jumped to four sales, up from one sale a year ago. Greater inventory levels in these pockets have astute purchasers actively searching for product in the city's most prestigious areas. That said, freehold sales over $3 million represented just 0.07 per cent of total residential sales in the GTA in 2018, falling from 1.3 per cent during the same period in 2017. Luxury sales represented 0.06 per cent of total residential sales during the same period in 2016.

While high-end market activity appears to be heating up, with a conditional double-digit sale in the Bridle Path area expected to firm up in the coming weeks, comparisons of luxury product will continue to fall short during the traditional spring market. As the uncertainty in the marketplace dissipates and more quality inventory comes up stream, there should be an increase in sales with levels more on par with 2017 from June throughout the remainder of the year. By year end, luxury sales over the $3-million price point are expected to be comparable to 2016 levels, with approximately 800 homes changing hands in the Greater Toronto Area.