

Real Estate Market Economic Recovery Initiatives



**Toronto Regional
Real Estate Board**

Professionals connecting people,
property and communities.

About Us

The Toronto Regional Real Estate Board (TRREB) represents over 56,000 REALTORS® from across the Greater Toronto Area. As North America's largest association of REALTORS®, TRREB is uniquely positioned to comment on real estate markets. Our Members provide real estate services for residential, commercial, and industrial clients, and serve home buyers, home-owners, renters, and businesses.

APPROACH WITH CAUTION

Pandemic-related economic recovery policies should consider initiatives targeted at assisting real estate markets (residential and commercial, ownership and rental); however, markets should be monitored closely, and governments should proceed with caution on any stimulus as there is the potential for high levels of pent-up demand to be realized as the economic recovery progresses, which could contribute to housing price inflation.

The State of the GTA Real Estate Market

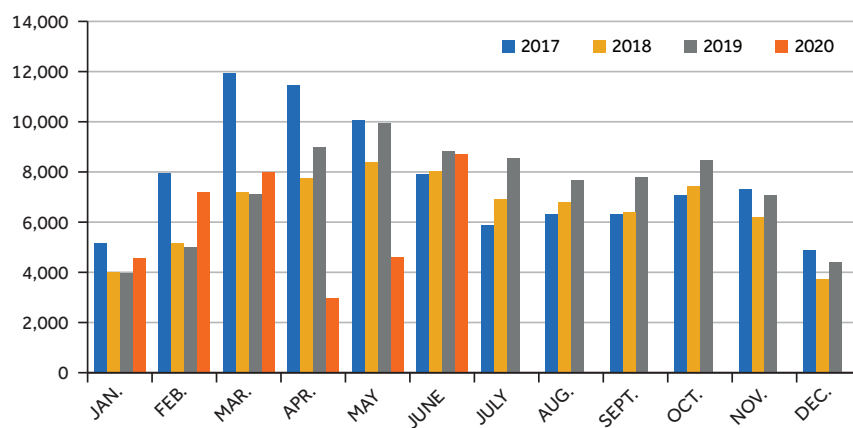
Sales and Price

Like most sectors of the economy, real estate markets were dramatically impacted by the public health response to contain the spread of COVID-19. In January and February of 2020, GTA residential real estate market activity was on pace for a record-setting year. This trend reversed dramatically in March as pandemic-related economic shutdowns began.

In analysing the current state of the GTA real estate market, and the effect of the pandemic on it, two factors should be noted:

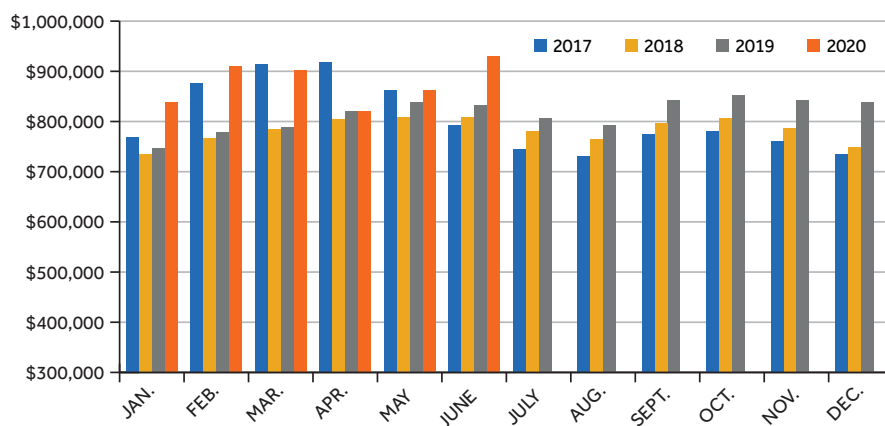
- while sales have dropped (67.1% for April 2020 over April 2019; 53.7% for May 2020 over May 2019; and only 1.4% for June 2020 over June 2019), prices have remained relatively stable because the number of listings has dropped in unison with the number of buyers; and,
- month-over-month sales figures indicate improving conditions, with May 2020 sales up 55.2% over April 2020 sales and June 2020 sales up 89% over May 2020 sales.

TRREB MLS® System Sales



Source: Toronto Regional Real Estate Board

TRREB MLS® System Average Price



Source: Toronto Regional Real Estate Board

The State of the GTA Real Estate Market (continued)

Buying and Selling Intentions

The trends demonstrated by TRREB market statistics are supported by recent research conducted by IPSOS Public Affairs, on behalf of TRREB. The research of GTA residents was conducted between May 25 and May 31, 2020, and is considered accurate to within +/- 3.9%. The results suggest that

- while COVID-19 has temporarily impacted home sales and listings in the GTA, home buying intentions have remained quite stable, suggesting that many people will be looking to satisfy pent-up demand for ownership housing once the recovery starts to take hold.
- the supply of listings, which was a concern before pandemic shutdowns began, will continue to be an issue as the economy and housing market recovers.

Risks Going Forward

Based on recent market activity and consumer intentions, TRREB expects that consumer confidence will improve, as people gradually return to work, and a growing number of people will look to take advantage of current very low borrowing costs to purchase a home.

It should be noted, however, that this expectation is premised on uncertain factors, such as continued success in containing the spread of COVID-19, and generally improving economic conditions and employment. Like all sectors of the economy, real estate markets remain susceptible to new or unforeseen economic shocks/prolonged recession, and/or increasing spread of COVID-19 that could require new or additional shutdowns. In such cases, a more aggressive approach to government stimulus may be needed.

Potential Stimulus Measures

The following are TRREB’s recommendations for cautious consideration as potential measures to assist economic recovery. We reiterate that real estate markets should be monitored closely while considering the implementation of these measures.

Research Results

Are you likely* to purchase a home in the next 12 months?



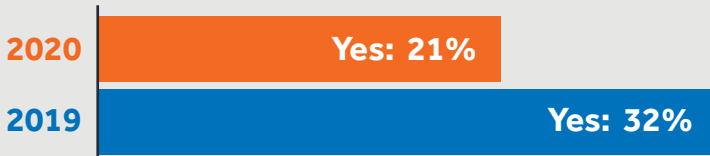
GTA-wide, 27 per cent of survey respondents said they were likely* to purchase a home in the next 12 months. While buying intentions were down compared to spring 2019, they remained relatively in line with the five-year trend, especially after taking into account survey credibility intervals.

Why do you not intend to purchase a home in the next 12 months?



Similar to previous surveys, the most common reason for not intending to purchase over the next 12 months was that they liked their current home. General affordability issues were also a common response.

Are you likely* to list your home for sale over the next 12 months?



At 21 per cent, listing intentions of homeowners were down markedly compared to spring 2019.

Why do you not intend to list your home in the next 12 months?



A very large proportion of respondents indicated that they simply liked the home in which they are currently living.

* very likely or somewhat likely

Potential Stimulus Measures (continued)

Housing Supply Should Be Priority

Well before any pandemic-related economic impacts began, policy makers acknowledged that there is a lack of a diverse housing supply in the GTA. While the supply issue has understandably taken a back seat to COVID-related issues in the short term, it should again be top-of-mind once the recovery takes hold. Adequate and diverse housing supply remains the key to ensuring long-term affordability in the GTA, and should be the key consideration for municipal, provincial, and federal initiatives.

 POTENTIAL MUNICIPAL ACTIONS	 POTENTIAL PROVINCIAL ACTIONS	 POTENTIAL FEDERAL ACTIONS
Streamline approvals and processes • Real estate related – Zoning, Committee of Adjustment & Ancillary suite approvals. • Business related – expedite business licensing processes. Municipal Land Transfer Tax (Toronto) • Consider potential holiday/deferral. • Adjust first-time buyer rebate to reflect current average prices. • Adjustments of tax rate brackets so that higher rates are not imposed on below average-priced properties. Property taxes • Continue deferrals for at risk owners. • Consider deferral of CVA-related adjustments. Vacancy Tax (Toronto) • Postpone consideration of Vacancy Tax implementation. "Yellow Belt" Review • Review residential zoning that restricts housing types to detached or semi-detached and consider opportunities for rezoning to allow mid-density housing.	Provincial Land Transfer Tax: • Consider potential holiday/deferral. • Adjust first-time buyer rebate to reflect current average prices. • Adjustments of tax rate brackets so that higher rates are not imposed on below average-priced properties. Landlord and Tenant Board • Expedite Hearings to help optimize supply of rental housing. The Trust in Real Estate Services Act • Expedite the development of regulations and its implementation to allow for efficient delivery of real estate services and real estate transactions.	Mortgage Stress Test • Consider adjustments to the B-20 Guideline of the Office of the Superintendent of Financial Institutions (Mortgage Stress Test) to allow for greater flexibility. • Allow 30-year amortizations for insured mortgages. RRSP Home Buyers' Plan • Consider various options for increasing flexibility in use (e.g., increase withdrawal limits, based on the MLS® HPI Composite Benchmark; expand first-time buyer eligibility; allow cross-generational use, such as parents using RRSP funds to assist children with their home purchase).

Public Opinion

Research conducted by IPSOS



increased/more flexible access to RRSPs through the Home Buyers' Plan.



relief from municipal and/or provincial land transfer taxes.



relief from municipal property taxes.



mortgage insurance relaxation to allow the option of qualifying with smaller down payments.



relaxation of the federal mortgage "stress test."