

SkyPoint Local Intelligence

Analyzing the current macroeconomic environment is the foundation for all of SkyPoint's research

Toronto Housing Bubble?

With significant appreciation in Toronto's housing market, questions around a housing bubble have drawn much attention. Despite the many housing market bears calling a speculative bubble, Toronto's housing market remains fairly balanced.

Many of these housing market bears argue foreign ownership and low interest rates have falsely inflated housing prices, while completely ignoring the supply side of the equation.

While low interest rates play an important role in price determination, they are only one part of the equation. Easy access to credit, a strong economy, and healthy immigration have also helped create robust demand for housing. On the supply side, provincial government policy restricts the available land for development through legislation known as the Greenbelt Plan.

"Land prices continue to rise, and many believe that provincial government policies are a key factor: greenbelt legislation in Ontario and British Columbia, for example, is limiting land supplies in an effort to promote urban densification. In addition, lengthy approval processes and significant development charges also are limiting supply and driving up costs across the country. And then there are the construction costs themselves, which continue to rise."

PwC Emerging Trends in Real Estate® 2016

Enacted in 2005, the Greenbelt Plan protects 1.8 million acres of environmentally sensitive and agricultural land throughout the Greater Toronto Area (GTA). Since that time, regional urban planning has focused on land intensification, concentrating on building upward rather than outward. As a result, the supply of single-detached homes in the area is severely limited and prices have risen exponentially. In fact, the average price for a single detached home in the GTA is now over \$1 million.

With regional urban planning primarily focused on land intensification, Toronto now has more buildings of 12+ stories than any city in North America except New York. Despite this strong growth in the high-rise condo market, an impressive 92% of the condos/apartments in Toronto were absorbed at completion in 2015. This compares to just 84% for the rest of Canada, providing evidence that the market is in fact not being overbuilt (Figure 1).



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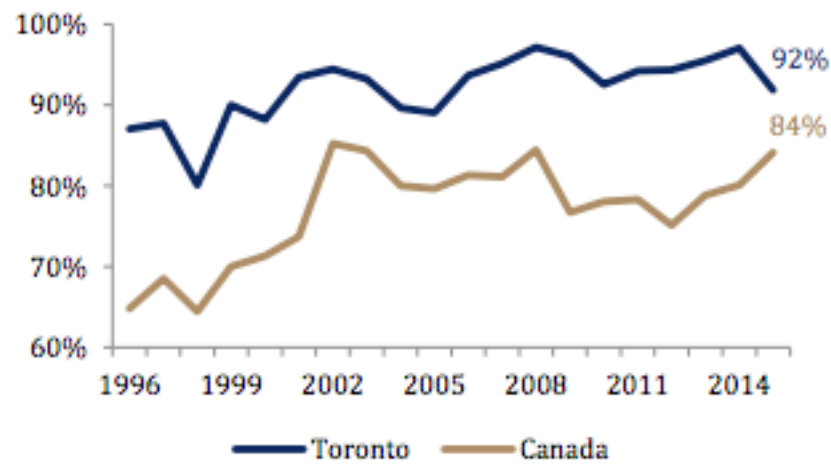
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“Despite the strong rental demand, the supply of rental units in the GTA has only grown by 0.2% in both of the previous two years. In fact, the market supply growth of Toronto is amongst the lowest in all of North America.”

Figure 1: Apartments absorbed at completion



Source: CMHC

The hot housing market has also created a huge demand for rentals throughout the GTA. Vacancy rates have been hovering below 2% for the past few years and rental rates have followed a steady upward trend. Despite the strong rental demand, the supply of rental units in the GTA has only grown by 0.2% in both of the previous two years. In fact, the market supply growth of Toronto rentals is amongst the lowest in all of North America.

Today's housing market in Toronto is very much driven by economic fundamentals, despite the amount of media attention given to the Toronto housing bubble. By ignoring the role that supply plays in price determination, these so called housing market pundits paint a bearish picture of a housing market whose prices are driven by some kind of irrational exuberance.



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Inspired living in the heart of Toronto's Entertainment District

40 Widmer is located in the heart of Toronto's Entertainment District. A vibrant neighbourhood, the Entertainment District is home to some of the nation's most iconic landmarks including the CN Tower, Rogers Centre, Air Canada Centre, Princess of Wales Theatre, TIFF Bell Lightbox and many more. It is the city's cultural centre for sports, dining, nightlife, and the arts.

We're not making concessions by making a more traditional, suburban-type condo.

OpArt Lofts is located in the Kerr Village neighbourhood of Oakville, one of North America's fastest growing regions. OpArt Lofts features a stunningly modern design consisting of two, eight-storey towers atop a two-storey podium. Designed by the acclaimed firm of Teeple Architects, two white towers spangled with black-framed windows in jaunty patterns reflect the eye-popping Op Art painting style of the 1960s.



About SkyPoint

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