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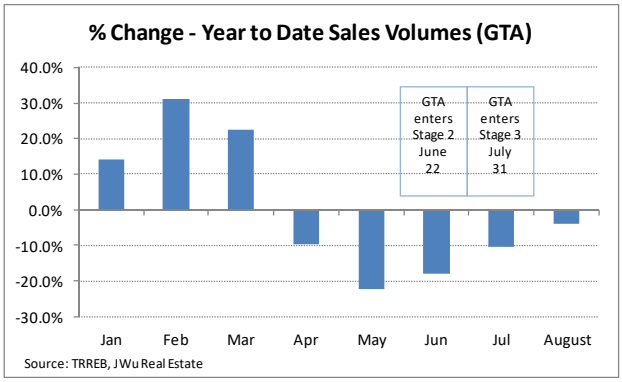
September 21, 2020

Real Metrics - September 2020 Edition [1]

The GTA real estate market reports a record sales month in August on pent-up demand

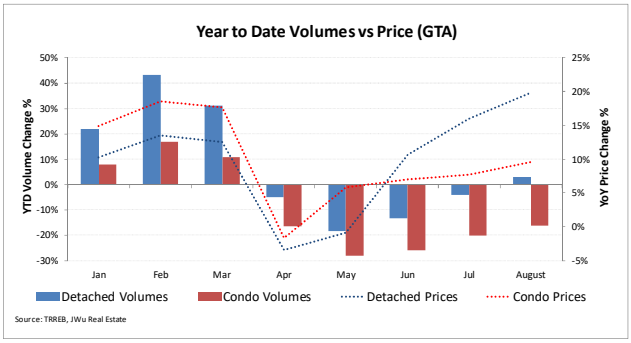
The Toronto real estate market had another robust sales month continuing the trend in July. Summer - particularly August - is typically a slower period for the industry due to holidays. However, the normally strong Spring market never appeared due to the COVID shutdowns. So some of this strength was a function of pent-up demand from the Spring. On a year to date basis, sales volumes in the GTA are about 4% below 2019, which is quite a recovery from May when year to date volumes were down 22% - see Exhibit 1.

Exhibit 1: Year to date sales in the GTA are nearly flat vs 2019 after being down 22% at the end of May



In Exhibit 2, we differentiate volumes between condos and detached homes and compare them with price trends. Condo sales volumes have been particularly weak while detached home sales volumes have been notably better in comparison. As one would expect, pricing trends typically follow volume. That is, price action for detached homes are also comparatively better than condos. To be sure, these are trends that had been developing pre-COVID, but have accelerated since.

Exhibit 2: Sales vs Volume trends since January



It has been well-documented that many are moving away from densely populated areas like the downtown core. As the work from home trend for many office employees has been extended for many into late 2020 and beyond, the need for additional space and geenspace, and a desire for better quality of life, many buyers are looking to neighbourhoods further from the more densely populated city core.

We expect condo price growth to slow significantly due to increased inventory. This has been driven by very weak condo rental markets (particularly in the downtown core), changes in short term rental rules, newly constructed condo units hitting the market, and lower immigration and foreign student populations, resulting in many condo investors selling their units.

As of this writing, there were some 1,816 condos available for sale in C01 (downtown west) which is a record high and 296% increase from the end of March. To put this in perspective, 331 condos have sold in C01 in the past 30 days, which implies inventory is currently at 5.5 months of sales in this neighbourhood. Just a short five months ago, inventory was 1.3 months of supply. As we outlined in past writings, the condo market has

August 2020- Quick Facts[1]

TRREB (incl. City of Toronto, Dufferin, Durham, Halton, Peel, Simcoe, York Regions)

Average Transaction Price	
Detached Homes	Condo Apartments
$1,172,880	**$629,643**
+19.8%	**+9.6%**
Number of Transactions	
5,429	**2,286**
+50.1%	**+10.6%**
Average Days on the Market	
17	**20**
-41.4%	**-13.0%**
Total Homes for Sale (Active Listings)	
7,395	**6,302**
-25.4%	**+103.6%**
Ratio - Sales to Listings	
62%	**62%**

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August 2020 Quick Facts [1]

City of Toronto

Average Transaction Price	Detached Homes	Condo Apartments
	$1,505,100	$673,174
	+20.8%	+8.7%
Number of Transactions		
	1,099	1,536
	+64.3%	+8.9%
Average Days on the Market		
	16	18
	-40.7%	-18.2%
Total Homes for Sale (Active Listings)		
	1,675	4,564
	-6.3%	+115.6%
Ratio - Sales to Listings		
	61%	62%

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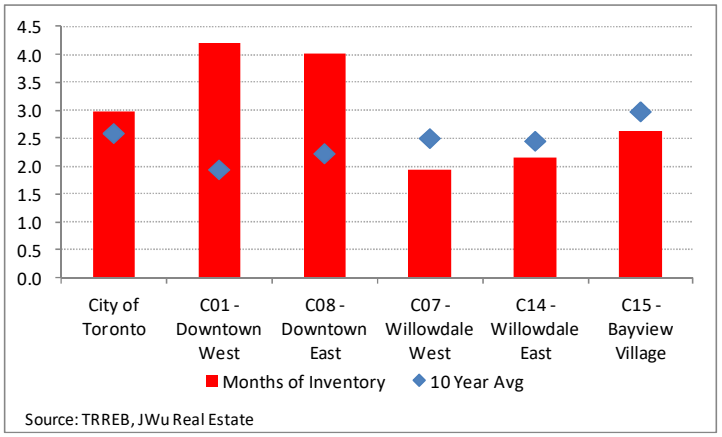
been hard hit due to high vacancy rates in downtown condos which has hurt the returns for many investors. Changing rules on short term rentals, combined with low immigration and student populations, and migration to outlying neighbourhoods have been the main causes for the high vacancy levels. Many investors that are unable to find tenants but continue to bear carrying costs (mortgage, maintenance fees, etc.) are looking to off-load their condo investments. We suspect that some investors may have applied for mortgage deferrals (up to six months) that were offered by their lenders. The end of the deferral period is approaching, and payments will have to be resumed. For those without tenants it's a foreseeable possibility that some of these units will go into default.

Certain other condo markets such as in areas of North York have actually been quite stable and balanced. C07, C14 and C15 are still showing stable fundamentals with months of inventory inline with historical averages - see Exhibit 3. We suspect that the reasons for the stark difference is multifold: 1) there were fewer short term rental units in North York vs. downtown, 2) there are more families living in North York which is a more stable demographic, 3) there is higher demand for neighbourhoods outside of the downtown core, and 4) fewer newly built condos that have hit the market.

As we've said before, we see some short to mid-term pain in the condo markets (particularly downtown) but anticipate things will eventually balance themselves out when immigration and travel resumes, which will be highly dependent on when COVID gets under control (via vaccine or otherwise). In our opinion, Toronto remains a world class destination for many due to its diversity, and relative stability. The long term fundamentals of the city remain sound. For would be buyers, the next 12 months could be the opportune time.

Exhibit 3: Condo Market in North York is much more balanced vs downtown - end of August 2020



Source: TRREB, JWu Real Estate

Exhibit 4: Summary of Activity by Region and Property Type -August 2020*

Neighbourhood-Region	Avg Price	% Change Y/Y	% Change vs Last Month	Units Sold	% Change Y/Y	Active Listings	% Change Y/Y	New Listings	% Change Y/Y
GTA									
Single family detached	$1,172,880	8%	2%	5,429	50%	7,395	-25%	8,301	34%
Condo apartment	$629,643	9%	-1%	2,286	11%	6,302	104%	5,599	104%
City of Toronto									
Single family detached	$1,505,100	12%	-2%	1,099	64%	1,675	-6%	1,862	64%
Condo apartment	$673,174	9%	-1%	1,536	9%	4,564	116%	4,153	117%
York Region									
Single family detached	$1,308,430	7%	1%	1,144	44%	2,379	-20%	2,085	33%
Condo apartment	$592,683	11%	4%	236	22%	700	93%	499	96%

*Source: TREB, * City of Toronto includes Scarborough and Etobicoke. Note: % change can vary greatly from one period to the next depending on the numbe transactions. Also note, Y/Y % Price Change is based on 12-month average prices to smooth out monthly variations.*

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August 2020- Quick Facts [1]

York Region (Markham, Richmond Hill, Vaughan)

Average Transaction Price

Detached Homes	Condo Apartments
$1,308,430	$592,683
+6.6%	+15.9%

Number of Transactions

1,144	236
+43.5%	+21.6%

Average Days on the Market

22	23
-35.3%	-23.3%

Total Homes for Sale (Active Listings)

2,379	700
-20.1%	+93.4%

Ratio - Sales to Listings

54%	63%

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Exhibit 5: Summary of Activity: August 2020 - Detached Homes*

Neighbourhood-Region	Avg Price	% Change Y/Y	% Change vs Last Month	Units Sold	% Change Y/Y	% Change vs Last Month	Active Listings	% Change Y/Y	New Listings	% Change Y/Y
GTA	$1,172,880	8%	2%	5,429	50%	-4%	7,395	-25%	8,301	34%
City of Toronto	$1,505,100	12%	-2%	1,099	64%	0%	1,675	-6%	1,862	64%
C01 Downtown West	$2,433,806	-4%	24%	9	200%	0%	21	62%	20	100%
C02 Annex-Casa Loma	$2,769,910	16%	-24%	12	50%	-20%	29	53%	30	200%
C03 Forest Hill South-Cedarvale	$1,835,901	15%	-2%	28	133%	-20%	51	28%	51	200%
C04 Forest Hill North-Lawrence Park	$2,301,216	6%	-13%	57	185%	2%	111	5%	110	116%
C06 Bathurst Manor-Clanton Park	$1,757,675	12%	23%	20	18%	-9%	35	17%	37	106%
C07 Willowdale/Newtonbrook West	$1,529,585	5%	-29%	30	20%	-3%	119	-17%	100	61%
C09 Rosedale-Moore Park	$4,739,295	-4%	16%	12	300%	-14%	15	50%	11	175%
C10 Mount Pleasant	$2,013,510	3%	-2%	10	150%	67%	20	54%	18	100%
C11 Leaside-Thorncliff Park	$2,224,552	11%	8%	13	117%	-43%	11	-8%	15	67%
C12 St. Andrew Windfields-Bridlepath	$4,966,158	5%	25%	24	71%	20%	119	-28%	52	21%
C13 Banbury-Parkwoods-Donalda	$2,100,144	3%	20%	31	107%	3%	56	-5%	42	68%
C14 Willowdale East-Newtonbrook	$2,280,750	6%	4%	24	14%	-4%	111	-6%	53	-4%
C15 Bayview Village/Woods	$1,532,913	13%	-11%	23	35%	-15%	66	-27%	53	29%
E02 Beaches-East Danforth	$1,637,581	17%	2%	28	133%	-18%	30	200%	46	207%
York Region	$1,308,430	7%	1%	1,144	44%	1%	2,379	-20%	2,085	33%
Markham	$1,465,417	9%	4%	237	33%	9%	429	-15%	425	35%
Richmond Hill	$1,563,718	4%	2%	163	23%	4%	533	-13%	382	34%
Vaughan	$1,389,040	9%	0%	229	48%	-12%	504	-3%	467	69%
Durham Region	$813,740	22%	4%	1,032	40%	-5%	797	-48%	1,271	11%
Pickering	$973,291	5%	-7%	111	56%	4%	115	-32%	150	30%
Ajax	$862,454	8%	5%	146	35%	3%	85	-53%	180	12%
Peel Region (Mississauga, Brampton)	$1,112,634	10%	0%	1,127	49%	-7%	1,358	-16%	1,818	39%
City of Toronto (416 Area Code)	$1,505,100	12%	-2%	1,099	64%	0%	1,675	-6%	1,862	64%
905 Area Code	$1,088,559	19%	3%	4,330	47%	-4%	5,720	-30%	6,439	27%

*Source: TREB, * City of Toronto includes Scarborough and Etobicoke. Note: % change can vary greatly from one period to the next depending on the number of transactions. Also note, Y/Y % Price Change is based on 12-month average prices to smooth out monthly variations.*

Exhibit 6: Summary of Activity: August 2020 - Condo Apartments*

Avg Price	Avg Price	% Change Y/Y	% Change vs Last Month	Units Sold	% Change Y/Y	% Change vs Last Month	Active Listings	% Change Y/Y	New Listings	% Change Y/Y
GTA	$629,643	9%	-1%	2,286	11%	-6%	6,302	104%	5,599	104%
City of Toronto	$673,174	9%	-1%	1,536	9%	-9%	4,564	116%	4,153	117%
C01 Downtown West	$759,830	9%	3%	342	1%	-16%	1,436	162%	1,178	135%
C02 Annex-Casa Loma	$1,167,774	3%	-12%	40	18%	-5%	206	154%	144	177%
C03 Forest Hill South-Cedarvale	$984,075	3%	13%	12	33%	-20%	42	180%	31	158%
C04 Forest Hill North-Lawrence Park	$738,502	1%	-9%	8	0%	-33%	27	0%	22	29%
C06 Bathurst Manor-Clanton Park	$738,502	14%	23%	8	-27%	-64%	27	29%	22	38%
C07 Willowdale/Newtonbrook West	$639,531	8%	-4%	59	16%	40%	114	15%	121	38%
C08 St. James-Moss Park	$719,257	9%	-1%	170	22%	-14%	684	242%	609	244%
C09 Rosedale-Moore Park	$1,319,194	-6%	-6%	15	88%	150%	45	105%	37	118%
C10 Mount Pleasant	$689,588	2%	1%	34	3%	-42%	159	246%	157	265%
C11 Leaside-Thorncliff Park	$540,067	12%	-7%	26	53%	-21%	47	236%	50	213%
C12 St. Andrew Windfields-Bridlepath	$1,013,667	32%	-56%	6	20%	-33%	21	50%	15	67%
C13 Banbury-Parkwoods-Donalda	$772,884	11%	41%	28	0%	-22%	77	79%	79	103%
C14 Willowdale East-Newtonbrook	$661,577	8%	5%	91	-17%	20%	196	42%	198	68%
C15 Bayview Village/Woods	$610,247	12%	25%	85	-21%	2%	224	84%	216	85%
E02 Beaches-East Danforth	$1,090,556	12%	-5%	16	700%	-24%	28	155%	42	367%
York Region	$592,683	11%	4%	236	22%	25%	700	93%	499	96%
Markham	$598,859	12%	6%	89	27%	25%	205	59%	163	75%
Richmond Hill	$553,664	12%	2%	51	-12%	46%	173	122%	140	122%
Vaughan	$600,128	8%	-2%	73	30%	14%	262	126%	167	104%
Durham Region	$435,633	4%	3%	75	53%	-10%	86	10%	89	51%
Pickering	$538,164	13%	8%	14	-13%	-33%	24	20%	25	25%
Ajax	$431,973	2%	0%	11	120%	175%	10	150%	16	300%
City of Toronto (416 Area Code)	$673,174	9%	-1%	1,536	9%	-9%	4,564	116%	4,153	117%
905 Area Code	$540,492	13%	28%	750	14%	2%	1,738	78%	1,446	75%

*Source: TREB, * City of Toronto includes Scarborough and Etobicoke. Note: % change can vary greatly from one period to the next depending on the number o transactions. Also note, Y/Y % Price Change is based on 12-month average prices to smooth out monthly variations.*

As always, feel free to contact us if you have any questions regarding the contents of this update or about the market in general.

Best Regards,

Jenny & Justin Wu
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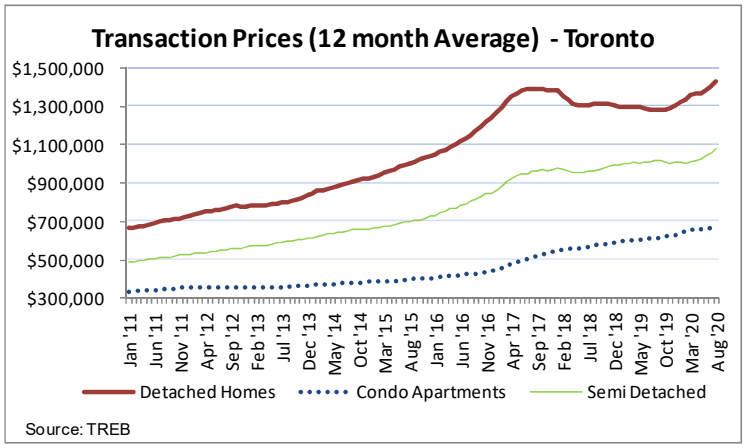
Exhibit 7: Average transaction prices continue to rise despite COVID



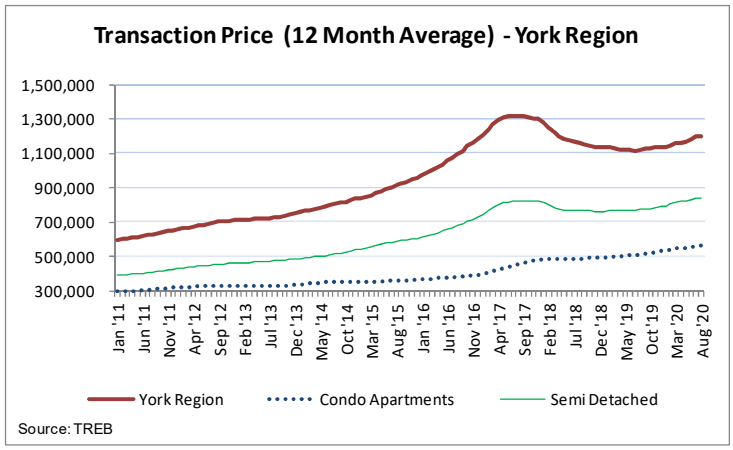
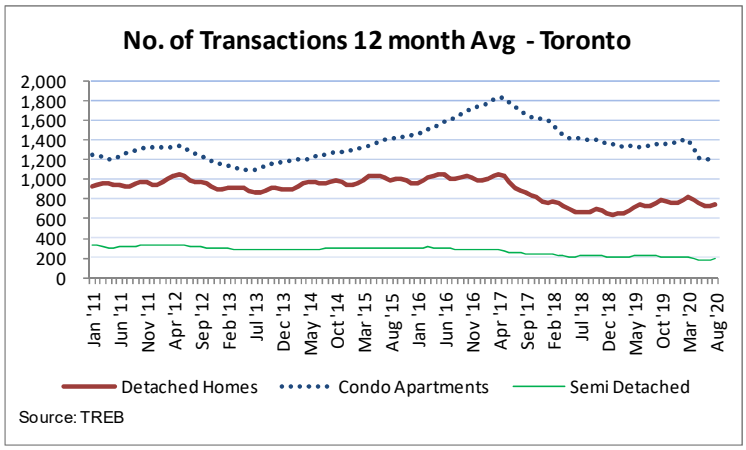


Exhibit 8: Overall sales volumes higher year over year in August driven by pent-up demand



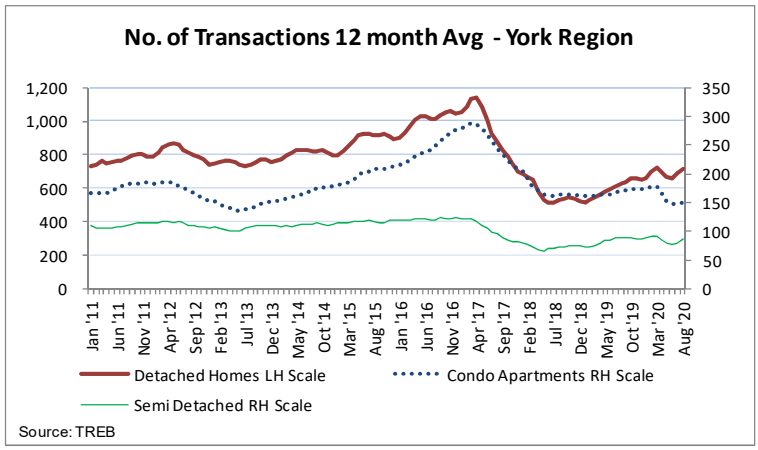
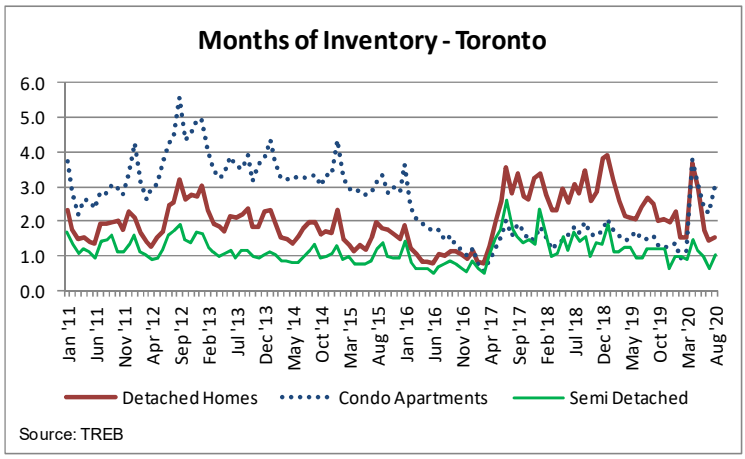
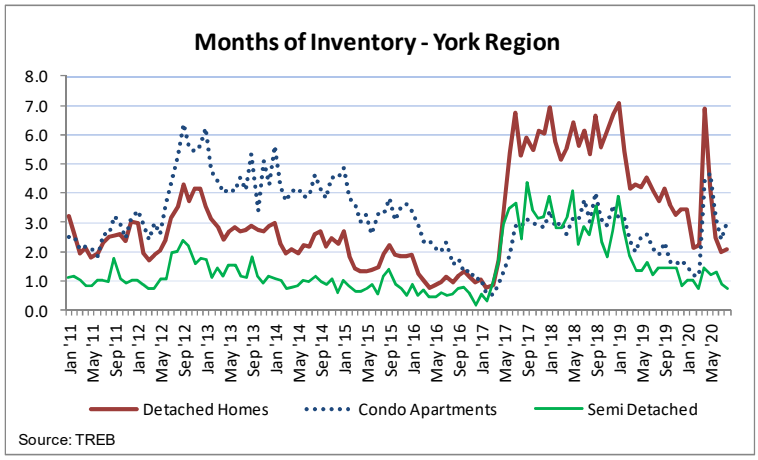


Exhibit 9: Condo inventory as measured by months of inventory continues to rise





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