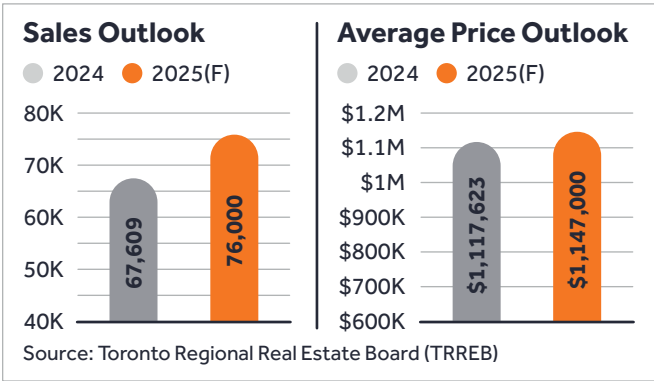


MARKET OUTLOOK & CONSUMER INTENTIONS



There will be 76,000 home sales in the Greater Toronto Area (GTA) in 2025, under TRREB's baseline scenario. Lower borrowing costs will see more homebuyers moving off the sidelines. However, the uptick in transactions could be muted somewhat by the impact of trade disputes on the broader economy and consumer confidence.



A well-supplied market will keep average annual home price growth at the rate of inflation over the course of the year. Expect the average selling price to increase moderately to \$1,147,000 – a 2.6 per cent increase compared to 2024. Price growth will be more evident in the single-family market segments, including detached and semi-detached houses and townhouses.

LOWER BORROWING COSTS WILL RESULT IN INCREASED SALES

The story for the 2024 housing market was high borrowing costs and finally interest rate relief. By the end of 2024 we benefitted from cumulative Bank of Canada rate cuts of 175 basis points, including two back-to-back 50 basis point cuts, as concerns about stagnant economic growth per capita prompted more aggressive action on the part of the Bank.

FAST FACT

The average household income in the GTA is currently estimated to be \$155,000.

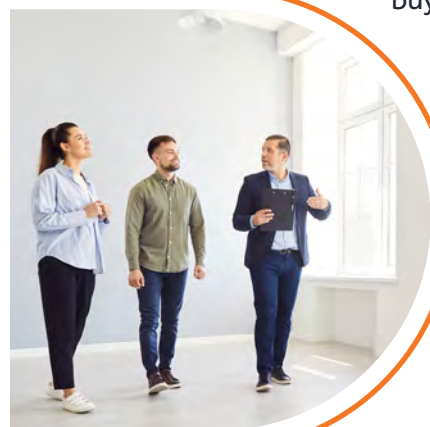
 **\$155,000**

Source: TRREB Estimates Based on Stats Canada and BoC Data

MARKET OUTLOOK & CONSUMER INTENTIONS

Interest rate cuts did have a positive impact on affordability, and as a result, home sales started to trend upward at the end of 2024.

Looking ahead, more interest rate cuts will be required before average homebuying households can comfortably afford monthly mortgage payments. In the most recent Ipsos Home Buyers Survey completed for TRREB in the fall of 2024, many respondents continued to point to high borrowing costs as a key reason for not purchasing a home.



Many would-be homebuyers suggested they still needed further interest rate cuts amounting to at least 200 basis points before they would entertain the purchase of a home. The monthly payment associated with the

purchase of a \$1 million dollar home was approximately \$4,800 at the end of 2024. An affordable monthly payment would have been approximately \$4,150 for an average GTA household. This underpins the need for further rate cuts before the pace

FAST FACT

To afford a home worth \$1M, the average GTA family needs to earn \$180,000 annually, or see the BoC's policy rate fall by 150 basis points (1.5%).*

Avg. Household Income (\$155K) —————> \$180K



2024 Rate Cuts (-1.75%) —————> -1.5%=1.75%

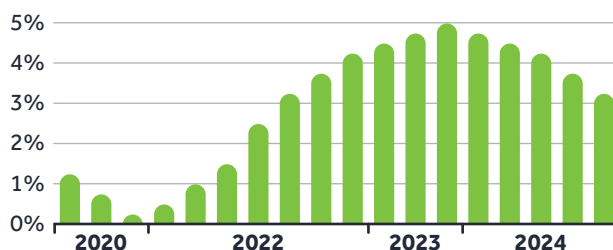


*Assuming 20% down with an average variable rate mortgage.

Source: TRREB Estimates Based on Stats Canada and BoC Data

of sales picks up. The good news is that the Bank of Canada is expected to continue to cut its Target for the Overnight Lending Rate through the spring of 2025. Home sales will trend upward, as households' affordability situation improves. In the second half of this year, home sales are expected to be trending close to 100,000 on an annualized monthly basis.

Target for the Overnight Lending Rate



Source: Bank of Canada

ECONOMIC UNCERTAINTY COULD BE A DRAG ON CONSUMER CONFIDENCE

While lower borrowing costs will certainly be important in kickstarting GTA home sales in 2025, homebuyers must also feel confident in their ability to make their mortgage payments in the months ahead. In order to pay their mortgage, homeowners need a job paying a sustained (and hopefully increasing) income over time. The GTA labour market has been somewhat resilient in the face of higher borrowing costs and their impact on consumer spending. However, since the election of Donald Trump as President of the United States of America on November 5, 2024, the outlook for the Canadian economy and labour market has been less certain, with the threat of substantial tariffs on Canadian goods and services exported into the U.S.

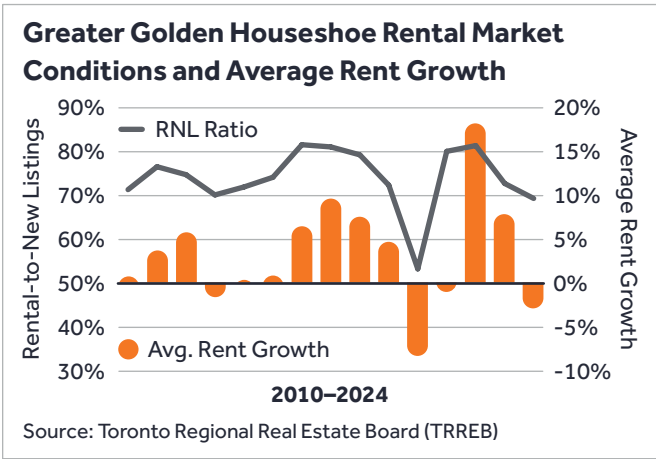
U.S. tariffs on Canadian exports would markedly reduce the demand for a wide variety of goods and services south of the border. Reduced demand for a sustained period could prompt some Canadian businesses to cut costs by laying off workers, at least temporarily. Layoffs on a large scale would reduce consumer confidence and spending, includ-

MARKET OUTLOOK & CONSUMER INTENTIONS

ing on large ticket purchases like a home. This would act as a counter force on the positive impact of lower borrowing costs on the housing market. The exact impact of tariffs on the GTA economy will also depend on the fiscal and monetary responses from different levels of government. For example, direct financial aid to affected sectors could preclude some layoffs. More aggressive interest rate cuts from the Bank of Canada could provide more support for consumer and business spending.

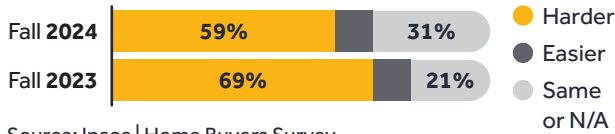
STRONG RENTAL DEMAND IN 2025

The Ipsos Home Buyers Survey also found that approximately two-thirds of renters would not tolerate any further rent increases before seriously considering the purchase of a home. With borrowing costs dropping and condo prices expected to remain well-below their historic peak this year, it makes sense that many renters are comparing their current rent to average monthly mortgage payments and are deciding to make their first long-term investment in the housing market.



The transition of renters into homeownership, coupled with investors listing their condominium apartments for rent, will add to the supply of available units in the GTA condo rental market. This will sustain a high level of rental inventory, which will see average rents remain below their recent peak, albeit still high from a historic perspective.

Ease of Finding a New Rental Unit at Preferred Price Point in the Past 6 Months



The demand for rental accommodation in the GTA will remain strong for the foreseeable future. Despite federal policy changes regarding immigration targets, the regional population will continue to grow at a brisk pace. Historically, newcomers tend to rent first before moving into homeownership. However, Ipsos polling has also found that newcomers tend to move from rental into homeownership more quickly than those born in Canada.

The pipeline for rental supply in the secondary (condominium) rental market will be robust in the short to medium term as completions of investor-held units will remain high. Over the longer term, however, it will be important for policymakers to promote the development of a sustainable, purpose-built rental supply.

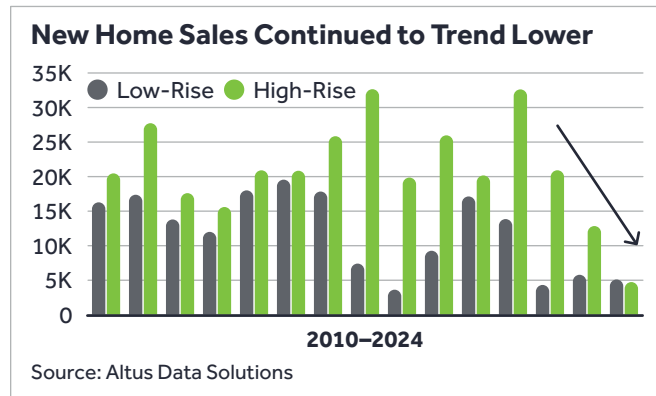
ELEVATED LISTINGS WILL KEEP LID ON PRICE GROWTH

Homebuyers will continue to benefit from a relatively well-supplied market in 2025, especially first-time buyers looking to purchase a condominium apartment. With a lot of choice from a historic perspective, buyers will have strong negotiating power, which will keep a lid on condo price growth through much of this year.

The rate of home price growth will vary across market segments. With a finite supply of low-rise home types like detached and semi-detached homes, expect these segments to experience above-inflation price growth. Conversely, the condominium apartment segment will remain very well-supplied, resulting in a flat-to-downward price trend, which will be beneficial to first-time buyers.

NEW HOMES MARKET

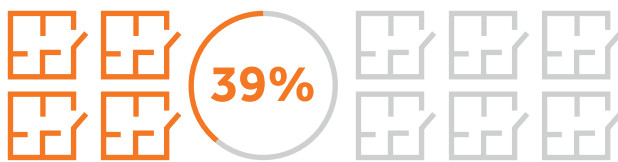
There has been a strong historic relationship between resale housing market conditions and new home sales and price growth. In particular, the relationship between sales and listings in the condominium apartment resale market has correlated strongly with pre-construction sales activity.



When there is a lot of resale choice, and therefore negotiating power on price, there is little incentive for an end user to purchase a new home off of plans for delivery often years down the road. Similarly, investors, who generally account for a large proportion of pre-construction sales, have had little incentive to purchase over the last two years.

FAST FACT

Nearly 4/10 (39%) of likely buyers plan to purchase pre-construction or a new home directly from the builder.



Source: Ipsos | Home Buyers Survey

Very high resale condo inventory levels meant that the odds of price appreciation during the construction period have been low, thereby reducing the potential returns for investors. In addition, investors looking to purchase a condo to rent out upon completion have been dissuaded by softening GTA rental market conditions. An increase in rental unit inventory has resulted in downward trending aver-

age rents, calling into question the ability to make an acceptable return on investment.

According to Altus Group, there were 9,816 total GTA pre-construction sales last year – down 47 per cent from 18,609 sales in 2023. The dip was largely driven by the high-rise segment, with sales dropping by 63 per cent year-over-year to 4,720. The average annual high-rise sales for the previous 10 years was approximately 23,000.

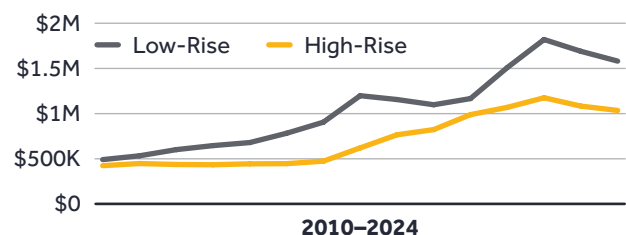
It will take some time for resale market conditions to tighten and new condo sales to return to normal levels. According to CMHC, there were approximately 70,000 condo units under construction in the GTA at the end of 2024. Some of these units will complete in 2025, main-

taining a high level of resale choice, thereby keeping a lid on price growth.

Over the medium to long term, strong population growth will see excess standing resale market inventory absorbed. Policymakers must continue to promote the construction of a greater diversity of home types in the GTA, so we benefit from balanced market conditions on a sustained basis.

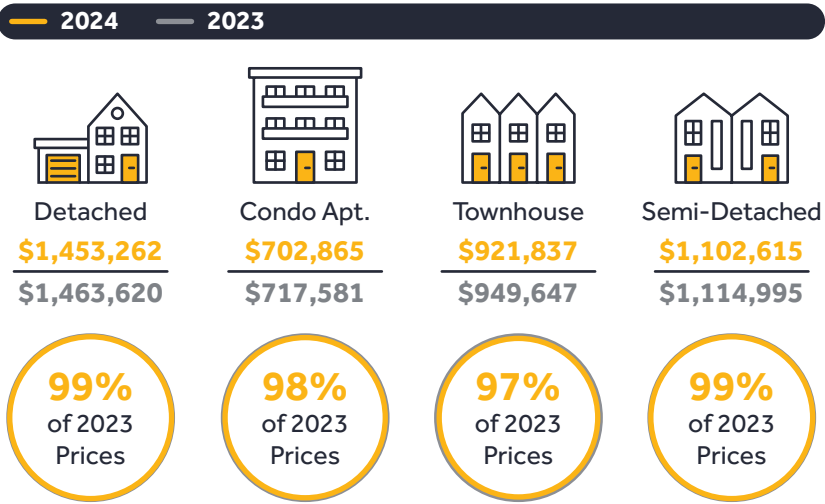


Average New Home Benchmark Prices Have Trended Lower

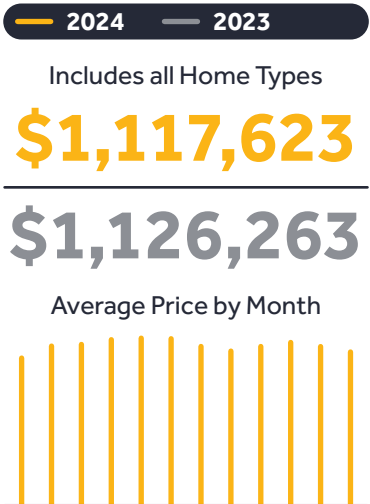


2024 YEAR IN REVIEW

AVERAGE PRICE BY HOME TYPE



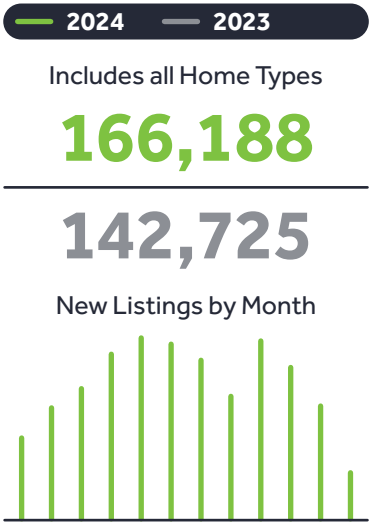
AVERAGE PRICE



NEW LISTINGS BY HOME TYPE

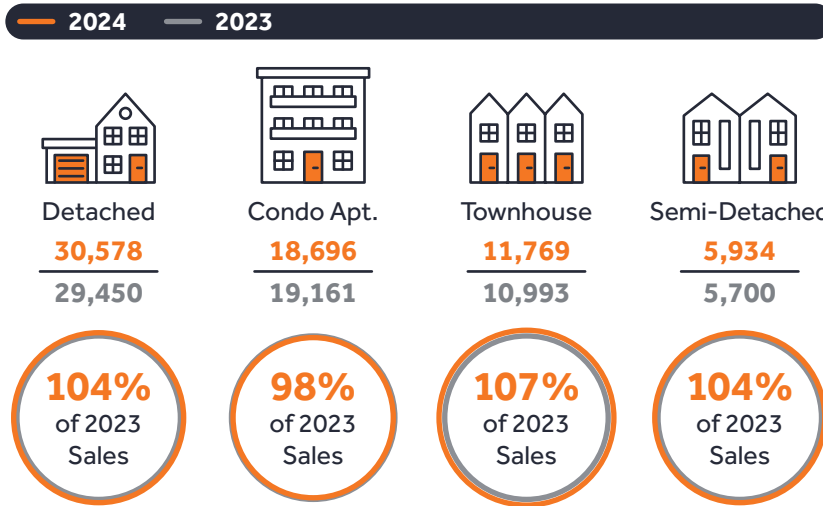


TOTAL NEW LISTINGS

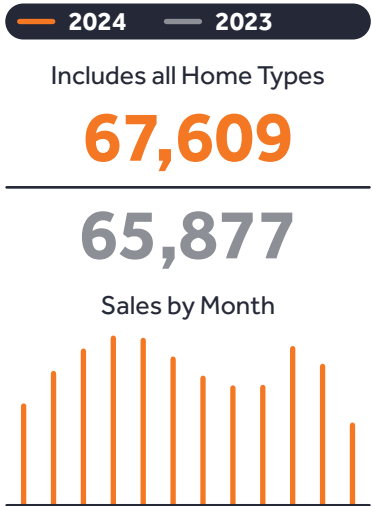


2024 YEAR IN REVIEW

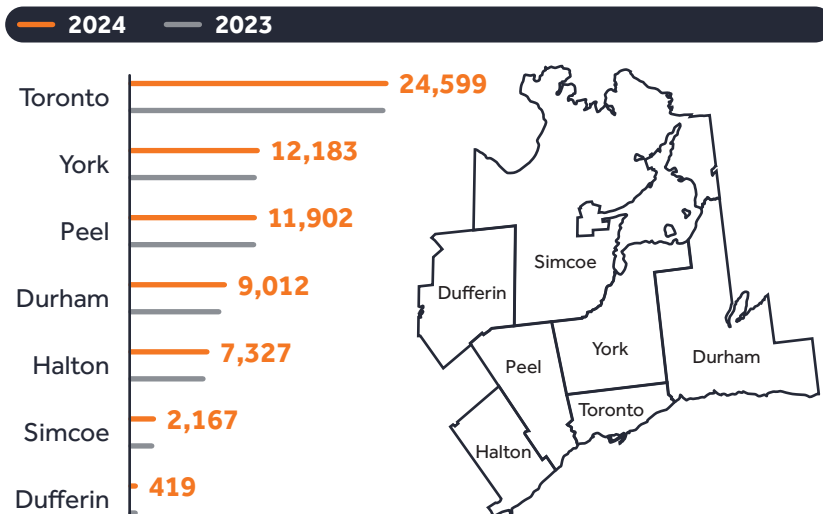
SALES BY HOME TYPE



TOTAL SALES



SALES BY GTA REGIONS



INTEREST RATES*

