Lisa Patel
President, Toronto Regional Real Estate Board
Remarks to Ontario Standing Committee on Finance and Economic Affairs
Thursday, August 20, 2020

Good afternoon and thank-you for the opportunity to provide our views on the state of Ontario's economy, specifically with regard to the impact of the COVID pandemic on the real estate industry and market.

Before I begin my remarks on those issues, I would like to thank the provincial government, all MPPs, and provincial Ministries for the dedicated work that has gone into bringing the pandemic under control in Ontario. The Toronto Regional Real Estate Board is committed to doing our part to help in any way we can.

I would also like to recognize all of the front-line workers who have selflessly helped our province weather this storm. On behalf of the 57,000 Members of TRREB, thank-you to each and every one of them.

With regard to the issues before us today, I will focus my comments on two key themes:

- the immediate response, by both the government and the real estate industry, to the COVID pandemic, specifically with regard to its impact on home buyers, sellers, and Realtors; and,
- secondly, the impact of the pandemic on the real estate market to date and our expectations going forward.

Like all industries, the pandemic forced Realtors and real estate markets to pivot, literally overnight. With the hindsight of the past five months, I can confidently tell you that Realtors rose to the challenge. Both TRREB and TRREB's Members quickly adjusted to ensure that the interests of home buyers, sellers, and businesses could continue to be served.

With this in mind, I would like to applaud and commend the provincial government for recognizing Realtors as an essential service. This decision recognized the critical role that Realtors and real estate markets play. Numerous real estate transactions were caught mid-stream in the economic shut down. As a designated essential service, our Members helped guide their clients through that challenging time.

The government's decision also recognized the critical role that real estate plays for Ontario's economy. A 2019 study, conducted by the Altus Group, found that every residential real estate transaction in Ontario results in over $73,000 of spin off spending. By designating Realtors an essential service, the government recognized the important role of our industry in leading Ontario out of a pandemic-induced recession.

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Given these realities, while we hope Ontario's road to recovery continues on a smooth trajectory, we ask that the legislature continue to recognize the essential role that Realtors play, should another pandemic-related shut-down be required.

I would also like to commend the government for prohibiting physical open houses. The safety of the public and our Members was and is TRREB's number one priority. When the pandemic hit, our Members quickly took it upon themselves to call for an immediate pause in traditional physical open houses, and TRREB supported these views, which were reflected in the government's actions with a formal prohibition.

I am proud of the adaptations that TRREB and our members made with regard to open houses. TRREB worked hard and quickly to provide our members with technology to facilitate virtual open houses, and our Members responded by taking advantage of this service for their clients.

Now I would like to move my focus to the impact of the pandemic on the real estate market to date, and what we expect in the future.

Like almost every sector of the economy, the real estate market saw an immediate and pronounced impact following the economic shut-down. For example, sales reported through TRREB's MLS® System were down by approximately two-thirds year-over-year in April and by more than 50 per cent in May.

However, with the help of the quick adaptations made by TRREB and our Members, along with an improvement in labour market conditions and a gradual reopening of the economy, the Greater Toronto Area real estate market began to rebound shortly after with significant improvements in sales and price growth. In June, sales had almost recovered to the 2019 level and in July we set a new record for sales with over 11,000 transactions reported. Sales also increased markedly relative to available listings, especially in the single-family market segments. This resulted in a return to double-digit year-over-year average price growth as competition between buyers increased.

A key factor underpinning the quick turn-around in the demand for residential real estate included the fact that sectors of the economy associated with above-average earnings were also the sectors, in many cases, that experienced fewer job losses. Many of those employed in these sectors were able to transition more easily from the bricks and mortar office environment to the home office. At the same time, we also saw borrowing costs trend to record lows, which obviously had a positive impact on affordability.

Moving forward, TRREB anticipates 80,000 + home sales reported through TRREB's MLS® System in calendar year 2020 – not a record number, but quite strong given the COVID-19 related slow-down experienced through the spring and early summer. TRREB also expects the average selling price for all home types combined to be at or above $900,000, representing an increase of 10 per cent or potentially higher.

This brings me to TRREB's views and recommendations with regard to government actions intended to assist with Ontario's economic recovery. TRREB has a simple message with regard to potential stimulus targeted at the real estate sector: approach with caution. The key challenge facing our industry continues to be affordability, caused by the supply of housing for sale being outpaced by demand. Any additional demand-side stimulus should be very carefully considered to ensure that it does not exacerbate this circumstance, which could contribute to housing price inflation. As such, we believe that government efforts should continue to focus on the longer-term goal of increasing the supply of housing, especially mid-density housing, instead of demand-side stimulus.

With this in mind, we applaud the provincial government for its recent actions to encourage transit-oriented development, and the City of Toronto for recently moving ahead with plans to allow more housing options in the "yellow-belt", which refers to the 35% of the City designated as "neighbourhoods", of which 70% only allow detached housing.

I hope you have found TRREB's views helpful. Thank-you, once again, and we would be happy to answer any questions that you may have.

Real Estate Market

Economic Recovery Initiatives

Toronto Regional Real Estate Board

Professionals connecting people, property and communities.

ACH WITH CAUTION APPROACH WITH CAUTION APPROACH WITH CAUTION

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.

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

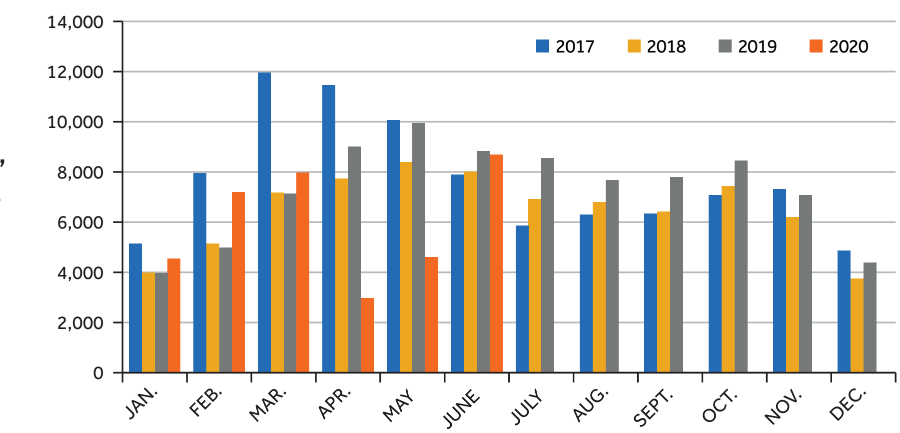
Sales and Price

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:

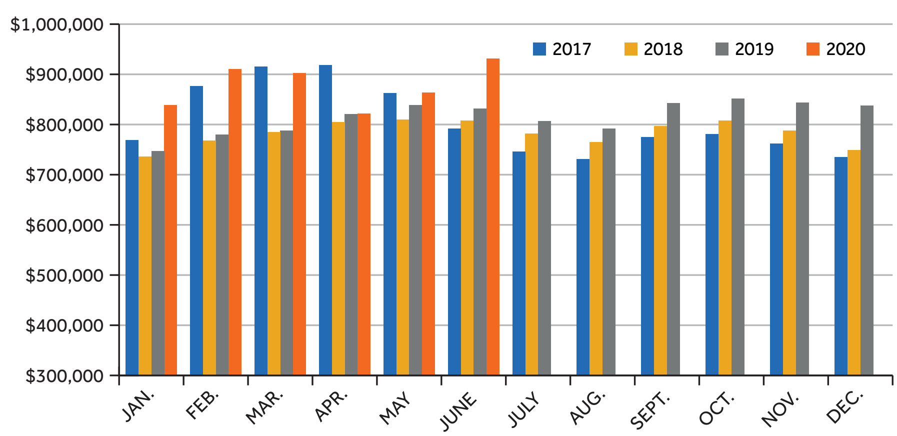
- while sales have dropped (67.1% for April 2020 over April 2019; 53.7% for May 2020 over May 2019; and only 1.4% for June 2020 over June 2019), prices have remained relatively stable because the number of listings has dropped in unison with the number of buyers; and,
- month-over-month sales figures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

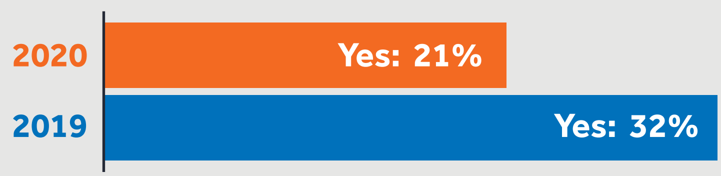
Are you likely* to purchase a home in the next 12 months?

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

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.

POTENTIAL PROVINCIAL ACTIONS

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.

POTENTIAL FEDERAL ACTIONS

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."