



5 Unbelievable Facts About the Toronto Real Estate Market

Description

Yesterday, I took a closer look at the insanity of the [Vancouver real estate market](#), which included such tidbits like a neighborhood with a \$3.2 million average price for a home and an average home price of more than \$1 million, even after a slump over the last few months.

For this article, let's move our focus across the country to Canada's largest metro area, Toronto. Here are five unbelievable facts about Toronto's housing market, which moved from crazy to outrageous years ago. And unlike Vancouver, it shows no sign of slowing down.

2,800,000

If a recent study by the Ontario government is right, Canada's largest city is about to get a whole lot bigger.

Ontario projects an additional 2.8 million people will call the Greater Toronto Area home by 2041, which would increase the region's population to more than nine million people. Much of that growth is expected to come from immigrants, who increasingly choose to settle in major cities. It's easy to see why; there are all sorts of opportunities that come with rapid population growth.

131%

It's been a good decade to own real estate in Canada's largest city. The average home price is up more than 57% in the last five years and 131% in the last 10.

Naysayers point to this massive move and declare the Toronto market overvalued, but I'm not sure I agree. Nobody bats an eye when looking at prices in cities like Hong Kong, New York, or London. Why should Toronto be any different? And with that potential wave of population growth, I don't see the supply/demand scenario skewing towards lower prices.

\$788,335

After a somewhat lacklustre month, the Toronto Real Estate Board reported at the end of March the average property in the Greater Toronto Area now costs \$788,335.

Condos are definitely pushing down the average. Condo townhouses in the Greater Toronto Area cost an average of \$530,000, while apartment condos are a little below half a million. Detached homes, meanwhile, are well above \$1 million in desirable neighborhoods.

3.5%

It's a good thing prices are headed ever higher, because landlords aren't making much on rent. In fact, a recent report said Toronto's average cap rate for a condo is approximately 3.5%. This means a landlord is barely making enough to pay the interest on the mortgage, never mind any other expenses.

Some sought-after locations actually offer lower cap rates than 3.5%. This virtually guarantees these landlords are subsidizing these properties out of their own pockets. I thought the whole point of real estate was to make money!

\$22,900,000,000

That's the amount of loans under administration for **Home Capital Group** ([TSX:HCG](#)), which is Canada's largest non-prime mortgage lender. Although the company has been attempting to diversify its loan book for years now, it is still heavily focused on Canada's largest real estate market. 80% of loans are against Ontario houses, with a large percentage of these mortgages located in the Greater Toronto Area.

Bears have long said this focus on Toronto would bring the company down, and it almost happened in 2016 before Home Capital was rescued by Warren Buffett himself. One thing is for certain; a huge decrease in real estate prices in the region would not be good for Home Capital.

But the company has done a nice job since that 2016 scare. It has diversified its funding sources and made the balance sheet more conservative. Underwriting standards have become stricter. And efforts continue to be made to diversify away from Toronto.

The bottom line

Will Toronto's real estate crash? That's the question on everyone's mind today.

I don't believe it'll happen. Sure, we might see a downturn, but I'm a long-term bull on the city. It has truly become a world-class place, and real estate prices are reflecting that. Although, if I planned to move to the city, perhaps I'd rent. A half-million dollars for a condo is a little rich for my blood.

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Author

nelsonpsmith

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