

Toronto and Vancouver: Smoke and Mirrors?

The first signs of slowing home price growth were recorded in both Toronto and Vancouver during March but apparently no one knows it. Toronto price growth gained only 0.23% in March the smallest monthly percentage increase recorded for a March since 2000 while during a price accelerating climate. When Richmond Hill, which was trading its detached homes at more than two times the rate of the Toronto average is removed, March's price actually dropped below that recorded in February.

Vancouver saw its average sale price for the month fall below February's average although it remained only the third month on record exceeding the one million dollar threshold. Just like for Canada where Vancouver and Toronto continue to skew the average upward, an increase in sales in Vancouver's two most priciest neighbourhoods continues to skew Vancouver's average and the national one both higher.

What will it take to slow these markets price growth or reverse it?

-The conclusion of their current Trading Cycles: - both markets are already well into their Contraction Phase and it appears Vancouver has just entered its Exit Phase so as the next cycle nears price growth will turn negative irregardless

-Rebalance of the Sales Mix: - this is inevitable sooner than later as there simply is not enough wealth in these cities to support the sustaining of current sales volumes of homes priced over one million dollars

-Intra-Provincial Migration: - the odds of a sustained exodus of households from Oil producing provinces moving into Vancouver and Toronto prepared to buy homes is very low

-Government Intervention: - these cycles will have ended well before any effective housing policy could be enacted.

Like every Trading Cycle in every real estate market in Canada since 1991 this cycle will end too. The rapid price growth that intensifies as fewer first time buyers enter the market and the multiplicity of sales increases will end as the cycle concludes. The main concern is that for the first time since 1990 the "Price of Entry" into these markets now exceeds the required income levels most first time buyers are earning in either Vancouver or Toronto.

