



Toronto Real Estate Returns Q4 2016



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Victorian Row Houses
by Jay Woodworth
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Toronto Real Estate Returns Report

Q4 2016

Introduction

The report compares Toronto how real estate has performed against select stock market indexes over a range of time periods. It also breaks out house and condo performance. Real estate has more than held its own, especially detached houses.

To note:

- Throughout the report "Toronto" refers to strictly the 416 and not the whole GTA.
- Returns use the compound annual growth rate (CAGR), the growth rate that if applied each year would get you from the starting to ending numbers. Basically, a smoothed annual gain.
- Real estate "returns" exclude land transfer taxes, commissions, legal fees, etc.
- The classic line applies: "past performance is not an indicator of future results"

Sources:

- Real estate numbers from *Toronto Real Estate Board* (TREB) "Historic Housing Stats," using average prices from all Q4 transactions (Oct-Dec), not just the December average as one month can have a large fluctuation. Think of the "All Real Estate" numbers as a portfolio of all houses and condos from Etobicoke to Scarborough that were bought and sold through the TREB MLS® System during the quarter.
- TSX/S&P and S&P 500 numbers from *Yahoo Finance* using December 31 closing figures
- MSCI World Index from MSCI website in Canadian dollars using December 31 closing figures



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Toronto RE vs. Markets

Recent returns

Q4 2016

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Toronto real estate has outperformed the TSX in recent years, and ranks well versus other major market indexes.

	1 year	2 year	3 year	4 year
	16.7% ^{2nd}	11.6% ^{1st}	9.5% ^{2nd}	10.1% ^{3rd}
	17.5% [*]	2.2%	3.9%	5.3%
	9.5%	4.3%	6.6%	11.9%
	3.8%	11.1%	12.2% [*]	17.5% [*]



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Toronto RE vs. Markets

Long term returns

Q4 2016

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Toronto RE outperformed all indexes in the longer term views¹. It topped the TSX in 19 of 20 periods, the S&P 500 in 14, and the MSCI in 13.

5 year

10 year

15 year

20 year



8.5%^{3rd}

7.4%^{1st}

7.0%^{1st}

6.7%^{1st}



5.0%

1.7%

4.7%

4.9%

S&P 500 12.2%

4.7%

4.6%

5.7%



16.7%^{*}

5.3%

4.6%

5.6%

1 – Except in the 14-year view where S&P 500 was 6.90% and Toronto real estate was 6.82%



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Toronto Real Estate Recent returns

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Detached housing, with its fairly fixed supply and less commodification than Condos, has had sharper price rises in recent years.

	1 year	2 year	3 year	4 year
	16.7%	11.6%	9.5%	10.1% All types
 30%	26.0%	18.2%	15.0%	15.0% Detached Houses
 51%	14.1%	9.1%	6.9%	7.2% Condo Apts

These 2 segments accounted for
81% of Toronto transactions in 2016

All types includes attached houses, condo townhouses, and "other" on top of detached houses and condo apartments



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Toronto Real Estate Long term returns

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Detached housing has also outperformed Condos across all long term periods. The “All types” is affected by a changing mix as thousands of condos units have been constructed in the past two decades: Condo apartments were 27% of transactions in 1996 but were 51% in 2016. Detached houses have fallen from 47% to 30% in that time.

	5 year	10 year	15 year	20 year	
	8.5%	7.4%	7.0%	6.7%	All types
	12.0%	9.5%	8.9%	8.2%	Detached Houses
	5.2%	6.3%	5.9%	6.4%	Condo Apts

All types includes attached houses, condo townhouses, and “other” on top of detached houses and condo apartments



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Toronto Real Estate Dollar increases

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Highest ever single year increases for all 3

	current avg. price	1 year increase	3 year increase	5 year increase	10 year increase
	\$764K	\$110K	\$183K	\$256K	\$389K
	\$1316K	271K	450K	571K	786K
	\$465K	58K	84K	105K	213K

\$271K increase was same as price of Detached in 1996, and more than Condo apts have grown in last 15 years

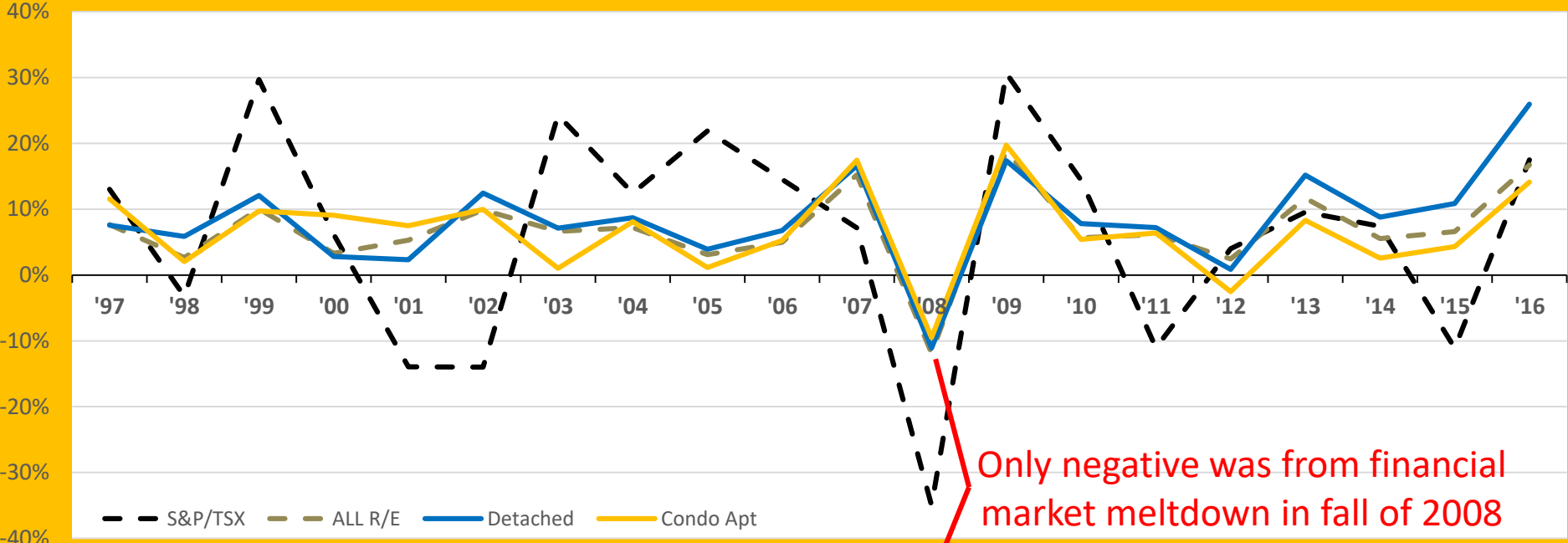
Buyers are paying an extra \$18K in land transfer taxes (combined Ontario and Toronto) on this increase – and that amount can't be put on a mortgage



1-Year Returns: 20 Year History

Q4 2016

1-Year Returns (Q4 vs. prior Q4)



Only negative was from financial market meltdown in fall of 2008

Most volatile



Profitable years in last 20
 Years with highest return
 Years with lowest return

14
 9
 7

19
 0
 2

19
 7
 3

18
 4
 8

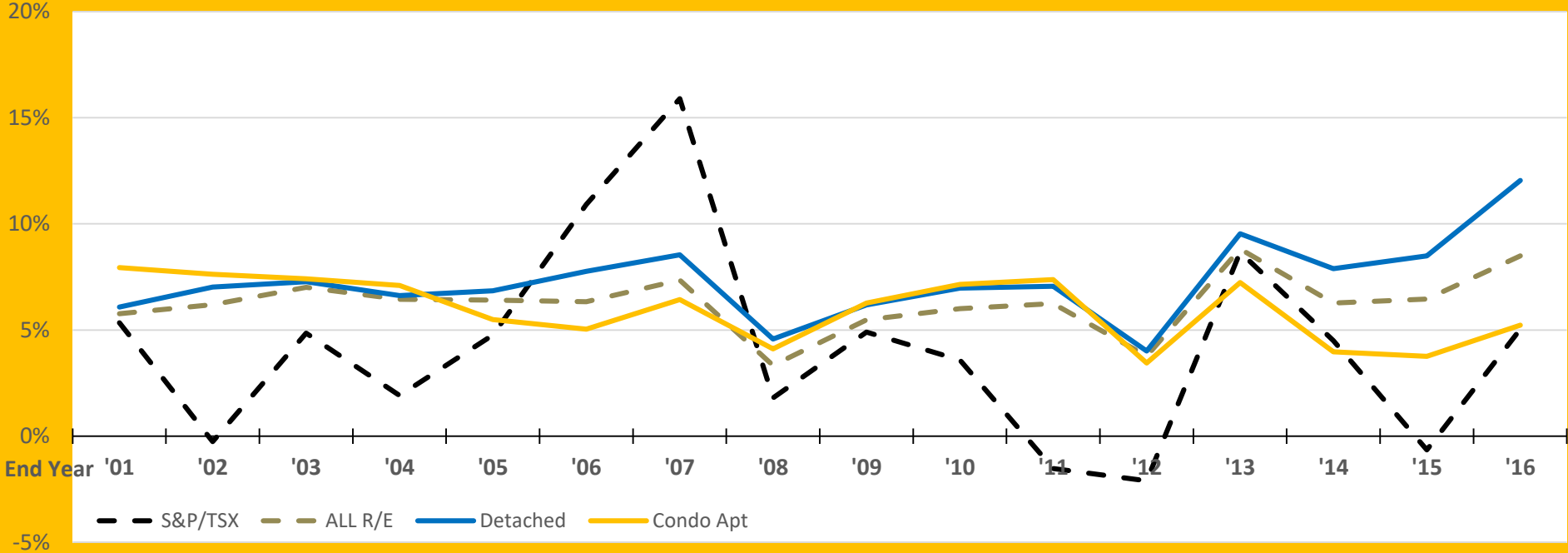
Strongest



5-Year Average Returns

Q4 2016

Rolling 5-Year Returns ending at Q4



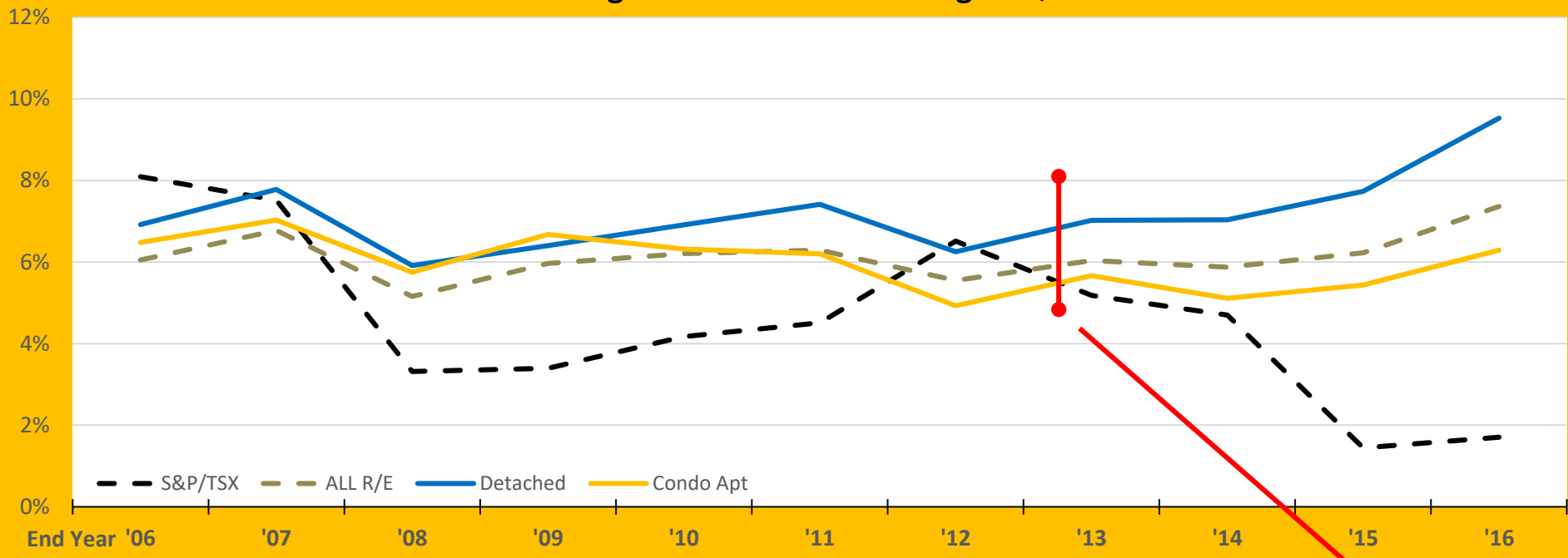
	TSX				
Profitable 5-yr pds in last 16	12	16	16	16	RE never negative in a 5-year view
Years with highest 5-year return	2	0	7	7	
Years with lowest 5-year return	12	0	0	4	
		Last 5 periods in a row		First 4 periods	



10-Year Average Returns

Q4 2016

Rolling 10-Year Returns ending at Q4



Most volatile, and 6.7% spread from best to worst



Profitable 10-yr pds in last 11

11

11

11

11

Years with highest 10-yr return

2

0

8

1

Years with lowest 10-yr return

8

1

0

2

Strongest

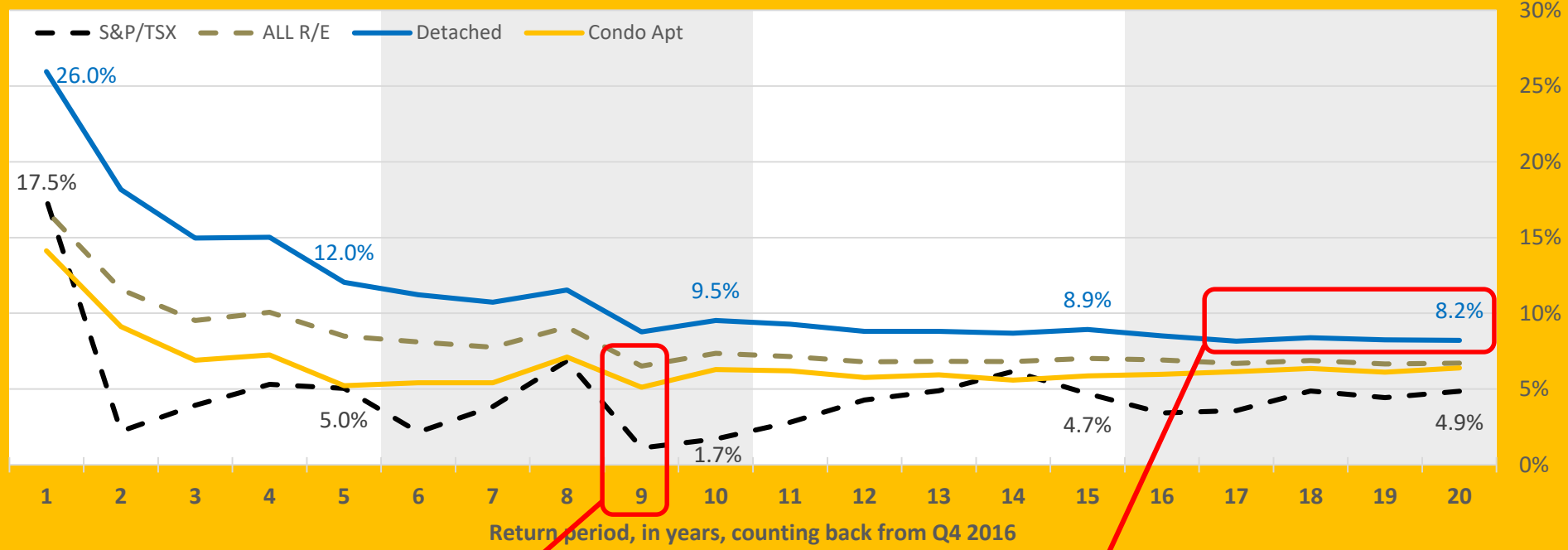
Real estate consistently within 5%-8% range



Average Annual Return Timeline

Viewed from Q4 2016

Compound Annual Growth Rate, 1-20 years



Least profitable timeframe for most is 9-year, comparing back to Q4 2007 before the markets crashed. (TSX at 1.1%, Condo Apt at 5.1% ALL at 6.5%)

Lowest Detached house timeframes of 8.2% are better than all but the 1-year TSX view



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Having built up 20 years of trust as an accountant in Toronto's art and music communities, Scott combines his professional skills and business savvy with his hometown knowledge and passion to help artists and professionals alike find their next home or sell their current one. Scott works with the instantly recognizable CENTURY 21 brand at the Regal Realty Inc. brokerage on Queen St. West.

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