



Toronto Real Estate Returns Q2 2017



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Victorian Row Houses
by Jay Woodworth
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Toronto Real Estate Returns Report Q2 2017

About this report

It's 20 years of Toronto **real estate** growth vs. select **stock market indexes**. I don't claim it's a perfect comparison, or that a house is the ultimate investment vehicle (they sure aren't liquid) – it's just for **fun** and to give a nice **rough idea**.

To note:

- Real estate “returns” exclude land transfer taxes, sales commissions, legal fees, etc.
- Stock market “returns” do not account for re-investing of dividends
- When I say “Toronto” I mean strictly the 416 – not the whole GTA or TREB region
- Multi-year returns show the compound annual growth rate (CAGR) – the rate that if applied each year would get you from the starting to ending numbers. Crudely, an “average” annual gain.
- The classic line applies: “past performance is not a guarantee of future results”

Sources:

- Real estate numbers from *Toronto Real Estate Board* (TREB) “Historic Housing Stats,” using average prices from all Q2 transactions (Apr-Jun). The “All Real Estate” figure is essentially a portfolio of all houses and condos from Etobicoke to Scarborough that were bought and sold through the TREB MLS® System during the quarter, much like the stock indexes are a portfolio of major stocks.
- TSX/S&P and S&P 500 numbers from *Yahoo Finance* using June 30 closing figures
- MSCI World Index from *MSCI website* in Canadian dollars using June 30 closing figures



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Toronto RE vs. Markets

Recent Returns Q2 2017

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

	1 YR.	2 YR.	3 YR.	4 YR.
	15.7% ^{2nd}	13.4% ^{1st}	12.0% ^{2nd}	11.3% ^{2nd}
	7.9%	2.1%	0.1%	5.8%
S&P 500	15.5%	8.4%	7.3%	10.8%
	18.2%*	9.3%	12.4%*	15.5%*






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Toronto RE vs. Markets

Long Term Returns Q2 2017

Toronto RE outperformed all indexes in all views of ten years or longer¹. It topped the TSX in all 20 period lengths, the S&P 500 in 16, and the MSCI in 11.

	5 YR.	10 YR.	15 YR.	20 YR.
	9.8% ^{3rd}	7.8% ^{1st}	7.4% ^{1st}	6.9% ^{1st}
	5.5%	0.9%	5.2%	4.4%
S&P 500	12.2%	4.9%	6.2%	5.2%
	16.9% *	6.1%	6.1%	5.2%

1. Except in the 14-year view where MSCI was 7.58% and Toronto real estate was 7.54%



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Toronto Real Estate Recent Returns Q2 2017

Q2 detached house price softening has allowed condo apts to overtake detached in the 1 year view. However, all longer views belong to detached houses (due to supply constraints).

	1 YR.	2 YR.	3 YR.	4 YR.	
	15.7%	13.4%	12.0%	11.3%	ALL TYPES
 30%	18.4%	18.3%	16.8%	14.9%	DETACHED HOUSES
 51%	27.9%	16.7%	13.0%	11.0%	CONDO APTS.

The above two 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 Q2 2017

Detached housing has outperformed condos across all long term periods. The “All types” growth is affected by a changing mix as > 200K condos units have been added to the GTA housing supply in the past 20 years: Condo apts (least expensive type) were 27% of transactions in 1996 but were 51% in 2016. Detached houses (most expensive) have fallen from 47% to 30% in that time.

	5 YR.	10 YR.	15 YR.	20 YR.	
	9.8%	7.8%	7.4%	6.9%	ALL TYPES
	12.9%	9.8%	9.0%	8.4%	DETACHED HOUSES
	9.3%	7.5%	6.6%	6.8%	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 Q2 2017

Highest ever single year Q2 increases for all 3



Current
avg. price

\$897K

1 YR.
increase

\$121K

3 YR.
increase

\$259K

5 YR.
increase

\$334K

10 YR.
increase

\$473K



\$1504K

233K

560K

686K

911K



\$567K

124K

174K

203K

292K

\$233K detached increase was same as avg price of Toronto property in 1997 (\$234K)

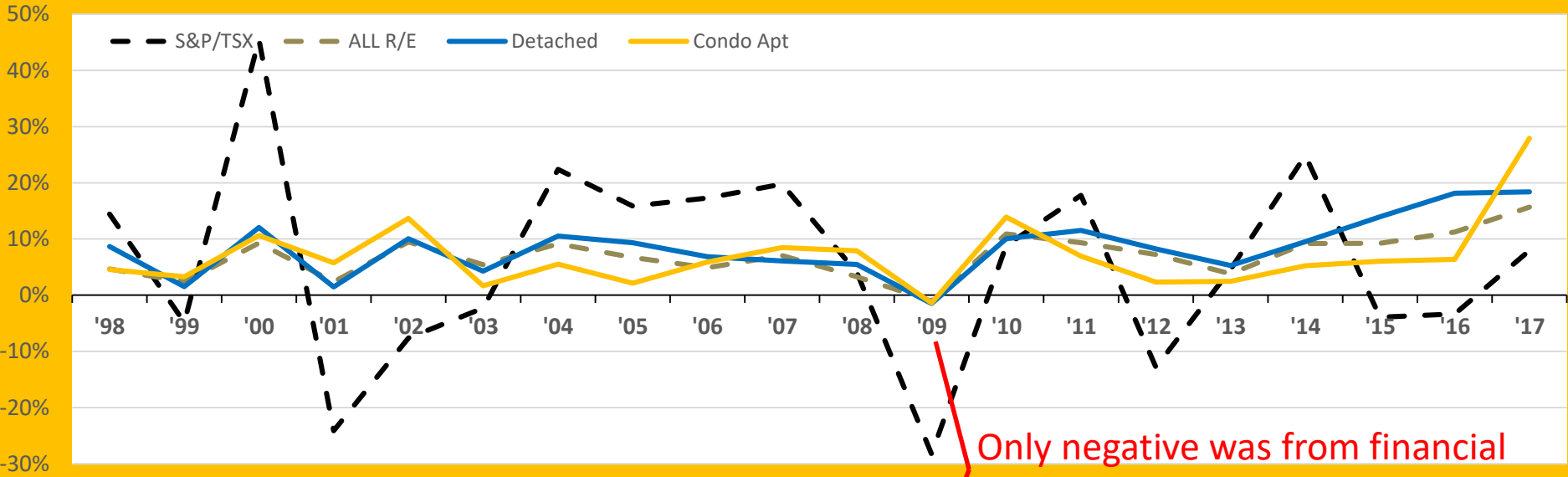
Buyers paying at least \$22K extra in land transfer taxes (Ontario + Toronto) on this increase – and that can't be put on a mortgage



1-Year Returns: 20 Year History

Q2 2017

1-Year Returns (Q2 vs. prior Q2)



Only negative was from financial market meltdown in fall of 2008

Most volatile



Profitable years in last 20

12

19

19

19

Years with highest return

8

2

4

6

Years with lowest return

10

3

1

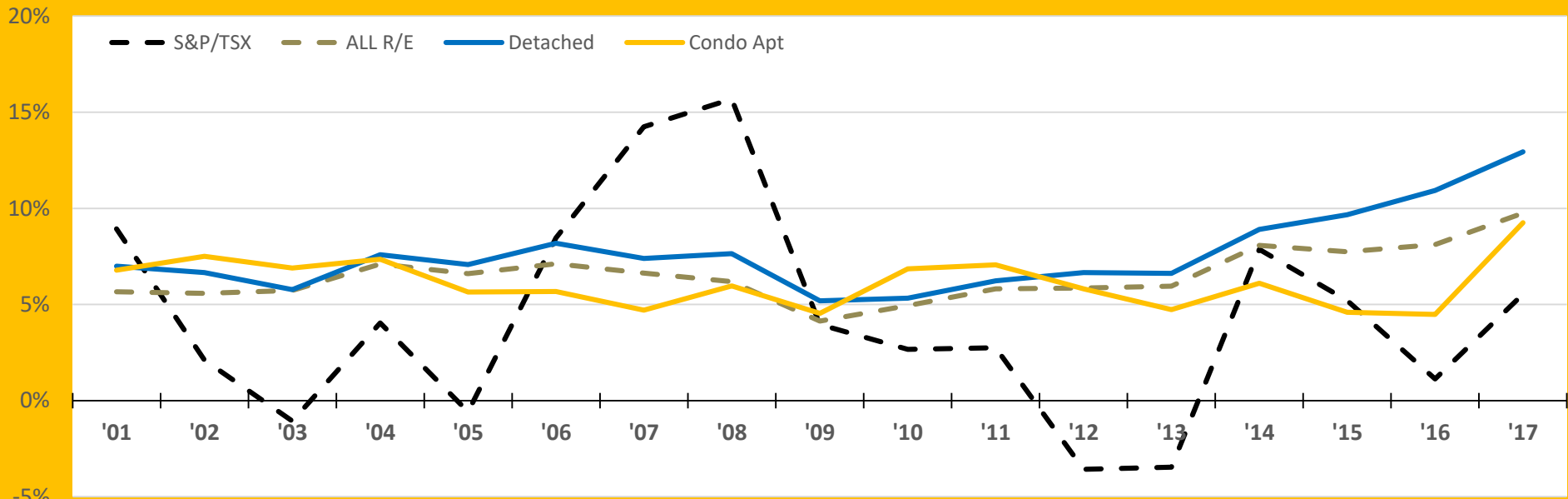
6



5-Year Average Returns

Q2 2017

Rolling 5-Year Returns ending at Q2



End Year



Profitable 5-yr pds in last 17 13
 Years with highest 5-year return 4
 Years with lowest 5-year return 11

17	17	17
0	9	4
1	0	5

RE never negative in a 5-year view

Not since 2008

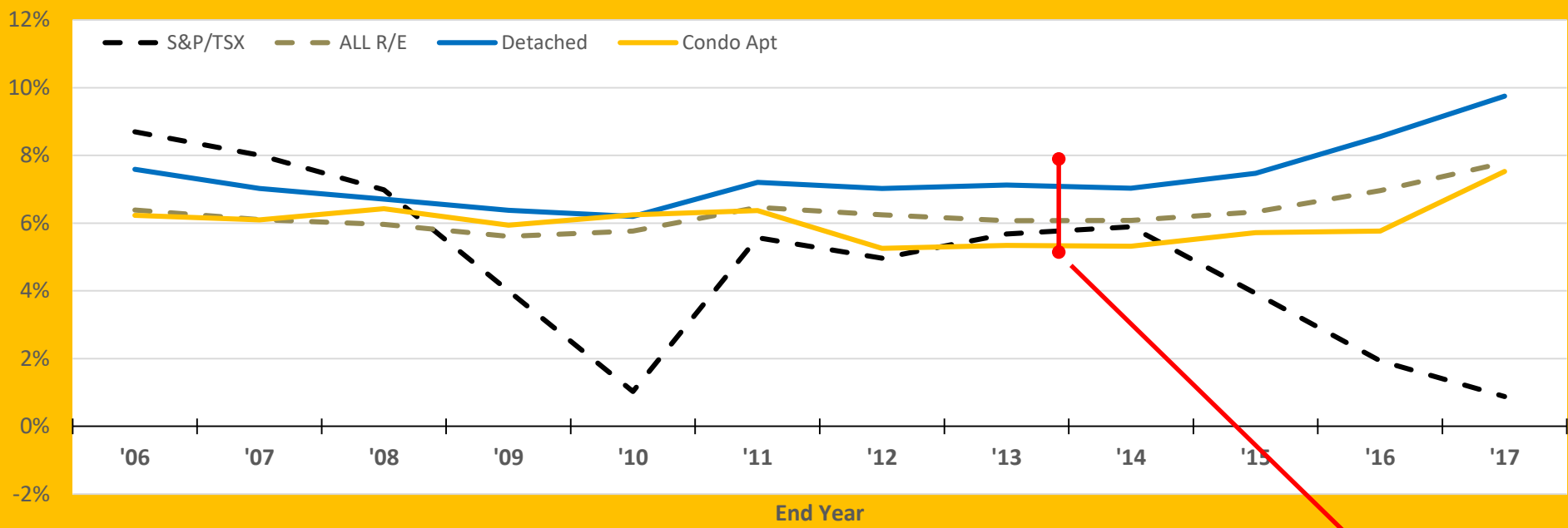
Last 6 periods in a row



10-Year Average Returns

Q2 2017

Rolling 10-Year Returns ending at Q2



Most volatile, and 7.8% spread from best to worst



Profitable 10-yr pds in last 12: 12
 Years with highest 10-yr return: 3
 Years with lowest 10-yr return: 7

12
3
7

12
0
1

12
8
0

12
1
4

Real estate consistently within 5%-8% range

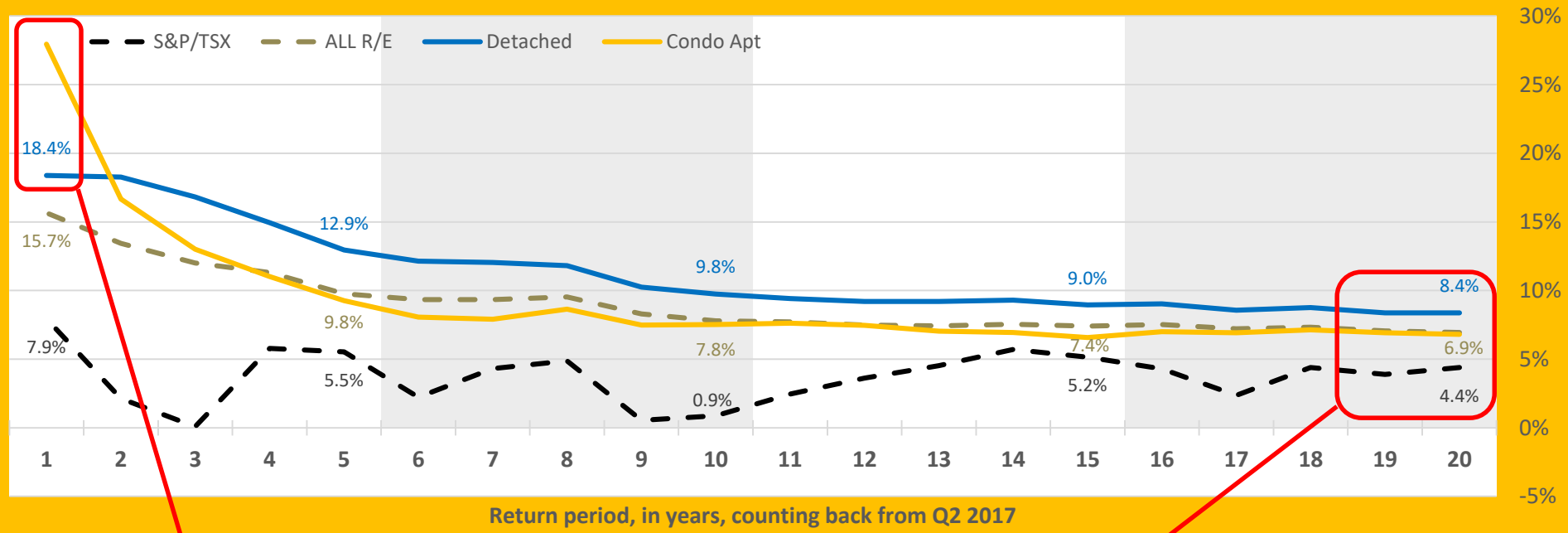
Last 7 in a row



Average Annual Return Timeline

Viewed from Q2 2017

Compound Annual Growth Rate, 1-20 years



Detached houses have best returns in all views except the 1-year, when condo apartments were 27.9%

Lowest detached house CAGR of 8.4% are better than all TSX periods



Your home is the single largest investment you'll make — trust it with an accountant.

I take a “Moneyball” approach to real estate, believing in the importance of both the quantitative and qualitative – especially in this rapidly shifting real estate market. After having built up 20 years of trust as an accountant in Toronto's art and music communities, I now combine my analytical skills and business savvy with my hometown knowledge and passion to help people like you find their next home. I work with the venerable CENTURY 21 brand at the Regal Realty Inc. brokerage on Queen St. West.

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