



Toronto Real Estate Returns Q4 2017



Scott Ingram
CPA, CA, MBA
REALTOR®

Victorian Row Houses
by Jay Woodworth
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Regal Realty Inc., Brokerage
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Scott Ingram CPA, CA, MBA
Salesperson

Toronto Real Estate Returns Report Q4 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, etc. (which are significant)
- 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 Q4 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 (\$CAD) and S&P 500 (\$USD) numbers from *Yahoo Finance* using Dec 31 closing figures
- MSCI World Index from *MSCI website* in Canadian dollars using Dec 31 closing figures



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Toronto RE vs. Markets

Recent Returns Q4 2017

After a wild year, Toronto real estate ends the year 3rd or 4th in these shorter timeframes, only outperforming the TSX.

	1 YR.	2 YR.	3 YR.	4 YR.
	3.9% ^{4th}	10.1% ^{3rd}	8.9% ^{3rd}	8.1% ^{3rd}
	6.0%	11.6%	3.5%	4.4%
S&P 500	19.4%	14.4% [*]	9.1%	9.7%
	14.4% [*]	8.9%	12.2% [*]	12.7% [*]






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Toronto RE vs. Markets

Long Term Returns Q4 2017

Toronto RE outperformed all indexes in all views from 16 to 20 years. It topped the TSX in 18 of 20 views (all except 1 and 2 years), is 10 of 20 with the S&P 500, and only 6 of 20 vs. the MSCI.

	5 YR.	10 YR.	15 YR.	20 YR.
	8.8% ^{3rd}	6.3% ^{2nd}	6.6% ^{3rd}	6.5% ^{1st}
	5.4%	1.6%	6.2%	4.5%
S&P 500	13.4%	6.2%	7.7%*	5.2%
	16.9%*	7.6%*	7.2%	5.3%






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Toronto Real Estate Recent Returns Q4 2017

The decline of detached house prices from Q2 peaks has allowed condo apts to overtake detached in the 1 to 3 year views.

	1 YR.	2 YR.	3 YR.	4 YR.	
	3.9%	10.1%	8.9%	8.1%	ALL TYPES
 27%	-2.9%	10.5%	10.7%	10.2%	DETACHED HOUSES
 55%	18.0%	16.1%	12.0%	9.6%	CONDO APTS.

The above two segments accounted for 82% of Toronto transactions in 2017.




"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 Q4 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 28% of transactions in 1997 but were 55% in 2017. Detached houses (most expensive) have fallen from 46% to 27% in that time.

	5 YR.	10 YR.	15 YR.	20 YR.	
	8.8%	6.3%	6.6%	6.5%	ALL TYPES
	11.2%	7.5%	7.9%	7.7%	DETACHED HOUSES
	9.3%	6.3%	6.4%	6.7%	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 Q4 2017

	Current avg. price	1 YR. increase	3 YR. increase	5 YR. increase	10 YR. increase
	\$793K	\$29K	\$179K	\$273K	\$361K
	\$1277K	-39K	335K	525K	659K
	\$549K	84K	158K	198K	252K

Detached was 1st
decrease since 2008

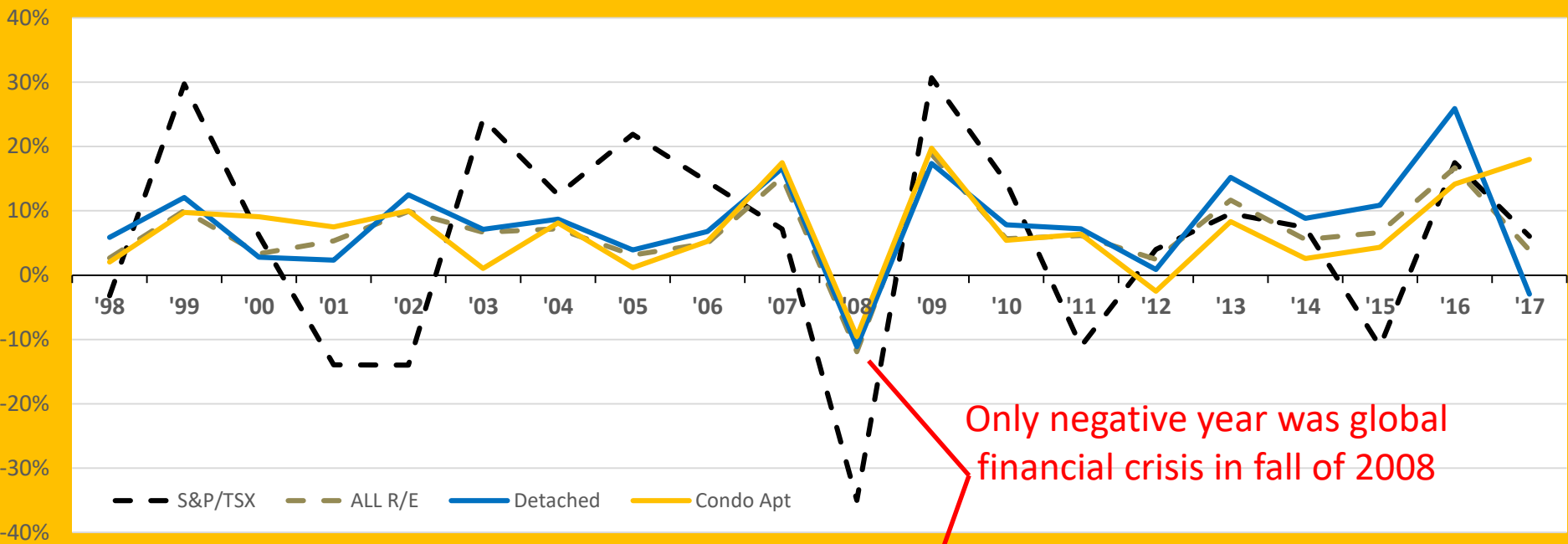
Condo Apt was
largest increase ever



1-Year Returns: 20 Year History

Q4 2017

1-Year Returns (Q4 vs. prior Q4)



Only negative year was global financial crisis in fall of 2008

Most volatile



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

14
 8
 7

19
 0
 2

18
 7
 3

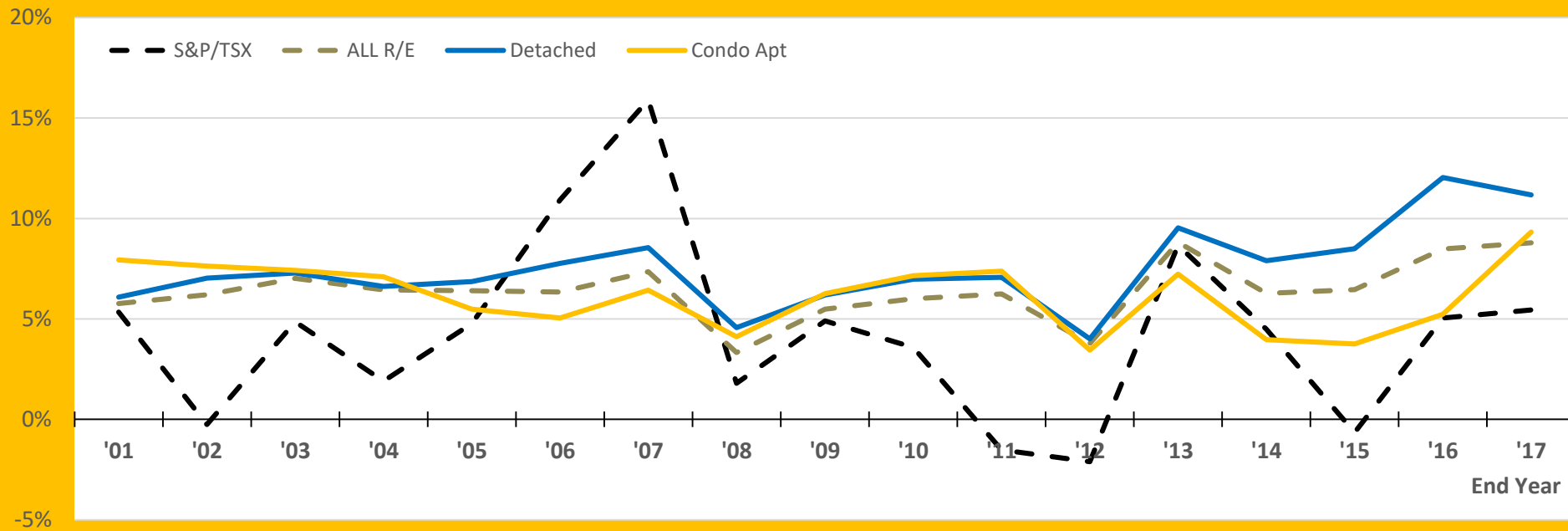
18
 5
 6



5-Year Average Returns

Q4 2017

Rolling 5-Year Average Returns ending at Q4



Profitable 5-yr pds in last 17 13
 Years with highest 5-year return 2
 Years with lowest 5-year return 13

2006 and 2007

17	17	17
0	8	7
0	0	4

Last 6 periods in a row

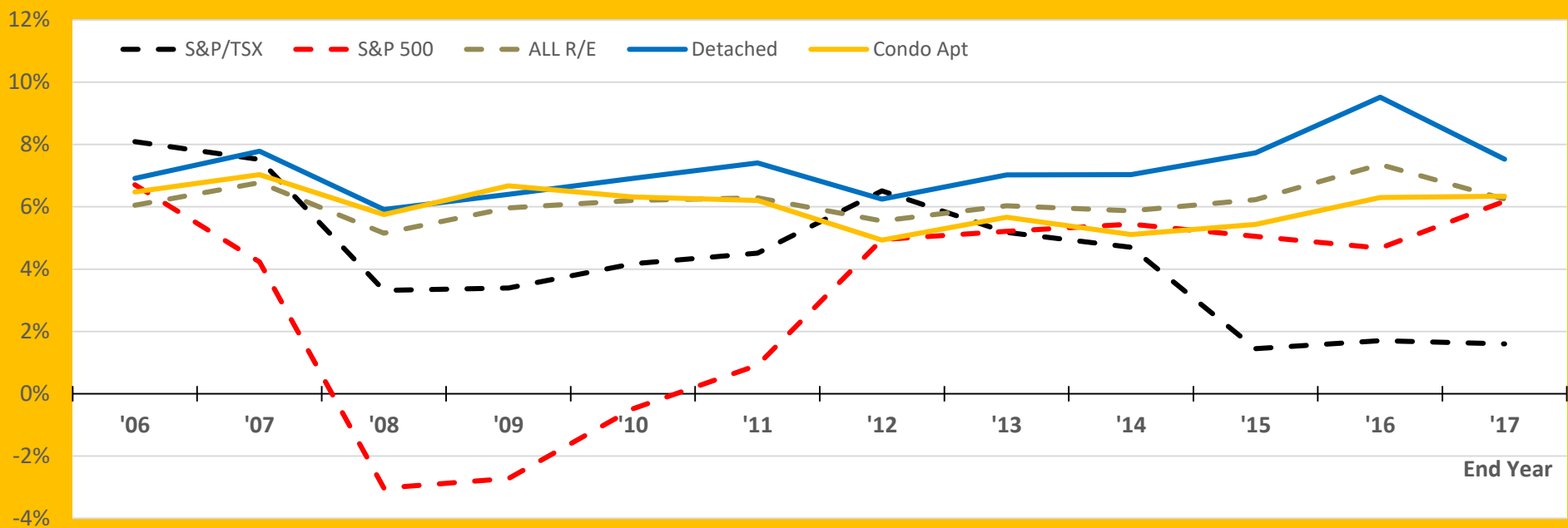
RE never negative in a 5-year view



10-Year Average Returns

Q4 2017

Rolling 10-Year Average Returns ending at Q4



Most volatile, and 6.7% spread from best to worst

Profitable 10-yr pds in last 12: 12
 Years with highest 10-yr return: 2
 Years with lowest 10-yr return: 9



12
2
9



12
0
2



12
9
0



12
1
1

Range: 5.2%-7.4%

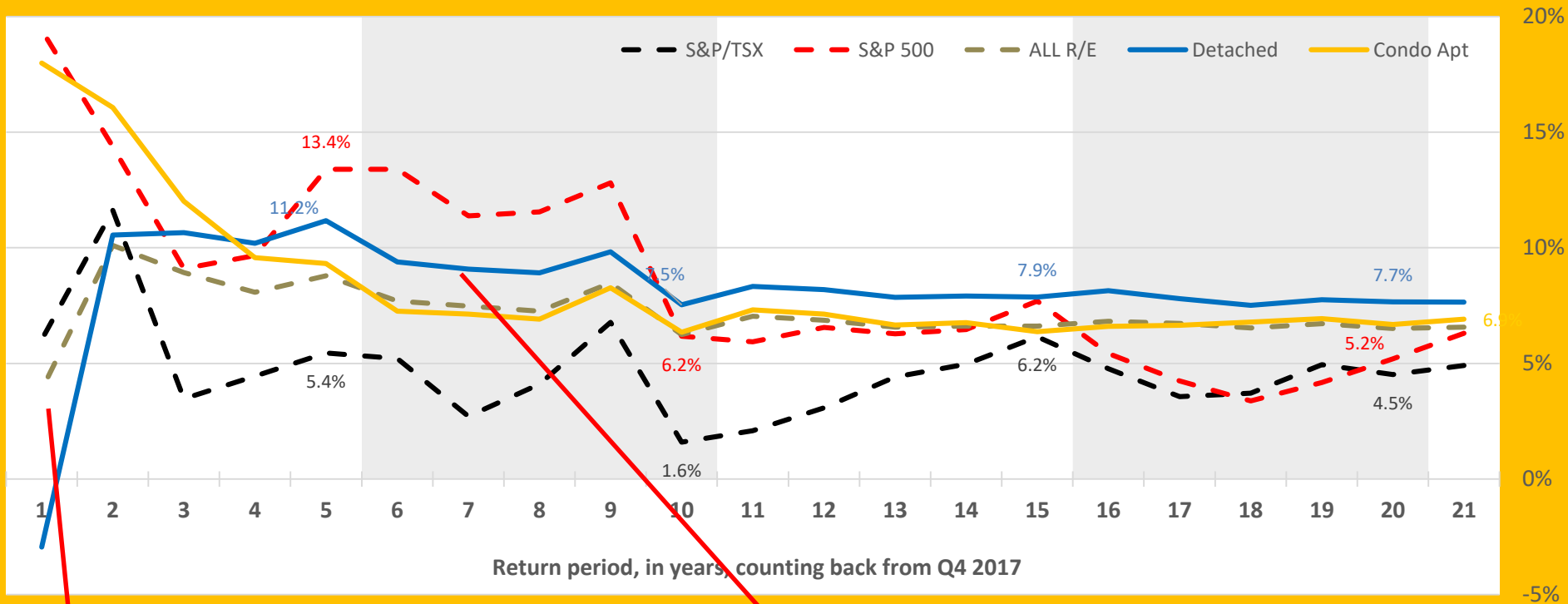
Last 5 in a row



Average Annual Return Timeline

Viewed from Q4 2017

Compound Annual Growth Rate, 1-21 years



The composite Toronto real estate number has better returns than the TSX in all time horizons except the last 1 to 2 years

Despite being negative last year, Detached house prices still have a 9% to 11% CAGR in the 2 to 9 year views



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