

ROI

Toronto Real Estate Returns Q4 2018



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Victorian Row Houses
by Jay Woodworth
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Toronto Real Estate Returns Report Q4 2018

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 to give a nice **rough idea**, out of **curiosity**.

To note:

- Real estate “returns” exclude land transfer taxes, sales commissions, etc. (which are significant)
- Stock market “returns” do not account for commissions, fees, taxes or re-investing of dividends
 - For the S&P 500 for 2018 the return was -6.24%, but -4.42% with dividends re-invested ¹
- When I say “Toronto” I mean strictly the 416 – not the whole GTA or CMA 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 (Oct-Dec). 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. The stock indexes are a portfolio of major stocks.
- TSX/S&P (\$CAD) and S&P 500 (converted to \$CAD) from *Yahoo Finance* using Dec 31 closing
- MSCI World Index from *MSCI website* in \$CAD dollars using Dec 31 closing figures



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Toronto RE vs. Markets

Recent Returns Q4 2018

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.
	5.6% ^{1st}	4.7% ^{3rd}	8.6% ^{1st}	8.1% ^{2nd}
TSX	-11.6%	-3.2%	3.3%	-0.5%
S&P 500	-6.2%	5.8%	7.0%	5.0%
MSCI  World Index	-0.5%	6.7%*	5.7%	8.9%*




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Toronto RE vs. Markets

Long Term Returns Q4 2018

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.
	7.6% ^{2nd}	8.2% ^{3rd}	6.5% ^{2nd}	6.7% ^{1st}
	1.0%	4.8%	3.8%	4.0%
S&P 500	6.3%	10.7%	5.6%	3.6%
	9.9% [*]	10.8% [*]	6.6% [*]	3.8%






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Toronto Real Estate

Recent Returns Q4 2018

The flatness of **detached house** prices in the past year and a half and continued rise of **condo apartments** has allowed the condos to overtake detached in all views less than 7 years.

	1 YR.	2 YR.	3 YR.	4 YR.	
	5.6%	4.7%	8.6%	8.1%	ALL TYPES
 23%	0.1%	-1.4%	7.0%	7.9%	DETACHED HOUSES
 55%	8.9%	13.4%	13.7%	11.2%	CONDO APTS.

The above two segments accounted for 78% of Toronto transactions in 2018 (it was 82% in 2017 as detached shrunk from 27% to 23%).

"All types" adds in attached freeholds (semis and rowhouses), condo townhouses, and "other"






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Toronto Real Estate Long Term Returns Q4 2018

Detached housing has outperformed condos for all views 7 years-plus. 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.	
	7.6%	8.2%	6.5%	6.7%	ALL TYPES
	8.1%	8.8%	7.4%	7.4%	DETACHED HOUSES
	9.5%	8.3%	6.9%	7.0%	CONDO APTS.

“All types” adds in attached freeholds (semis and rowhouses), condo townhouses, and “other”



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Toronto Real Estate Dollar Increases Q4 2018



Current
avg. price

\$838K

1 YR.
increase

\$45K

3 YR.
increase

\$184K

5 YR.
increase

\$257K

10 YR.
increase

\$457K



\$1279K

1K

234K

413K

729K



\$599K

49K

191K

218K

330K

Condo apt Q4 prices haven't
decreased YoY since 2008

Detached still large on 3 year basis
despite being -\$37K over 2 years



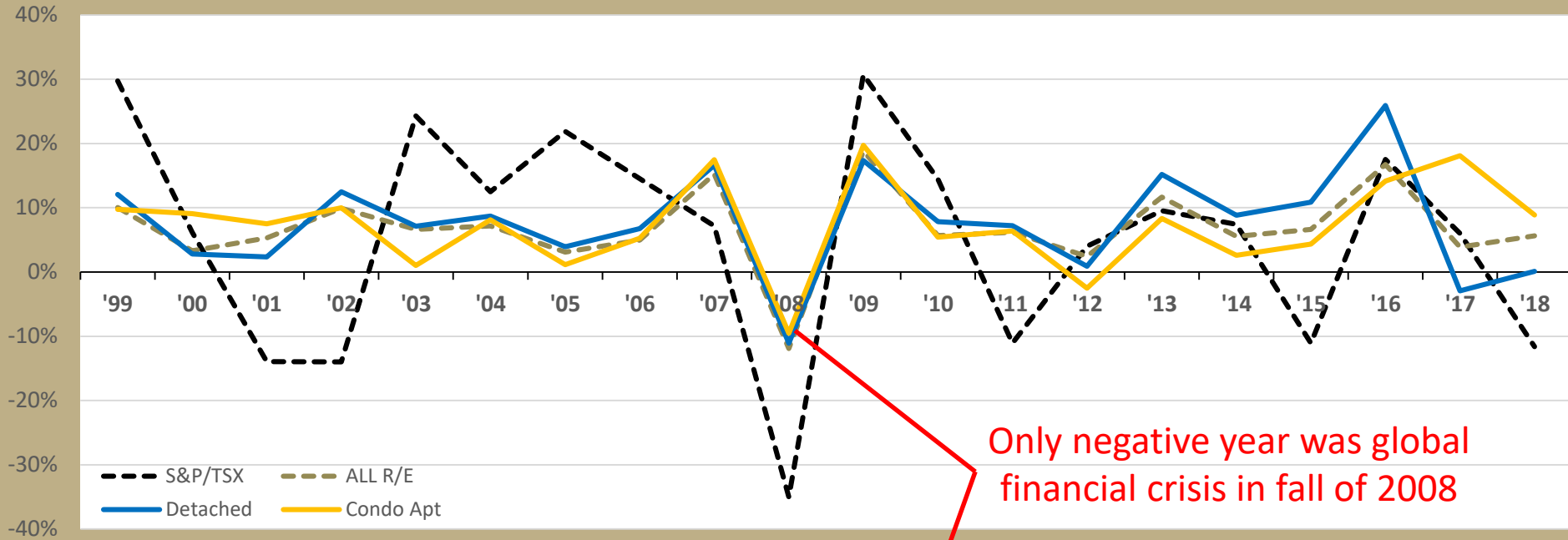
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1-Year Returns: 20 Year History

Q4 2018

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

14

19

18

18

Years with highest return

8

0

6

6

Years with lowest return

7

2

3

8



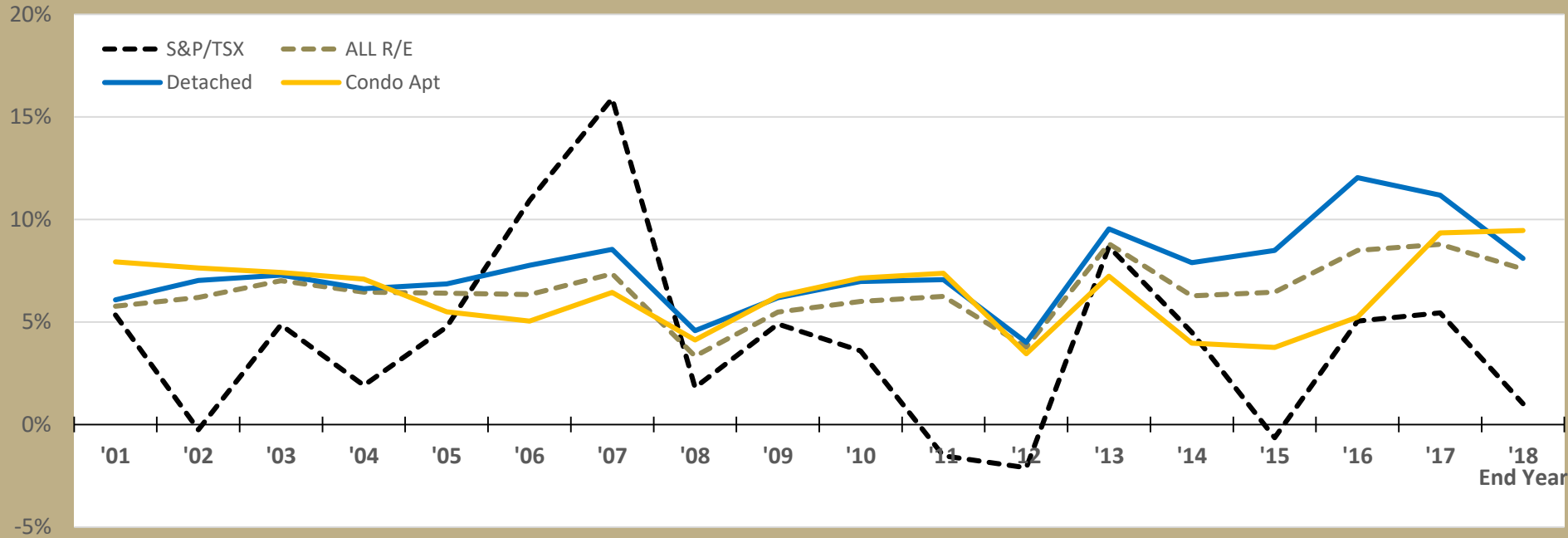
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5-Year Average Returns

Q4 2018

Rolling 5-Year Average Returns ending at Q4



Profitable 5-yr pds in last 18 14

Years with highest 5-year return 2


Years with lowest 5-year return 14

2006 and 2007

18	18	18
0	8	8
0	0	4

Broke streak of 6 in a row for detached

RE never negative in a 5-year view



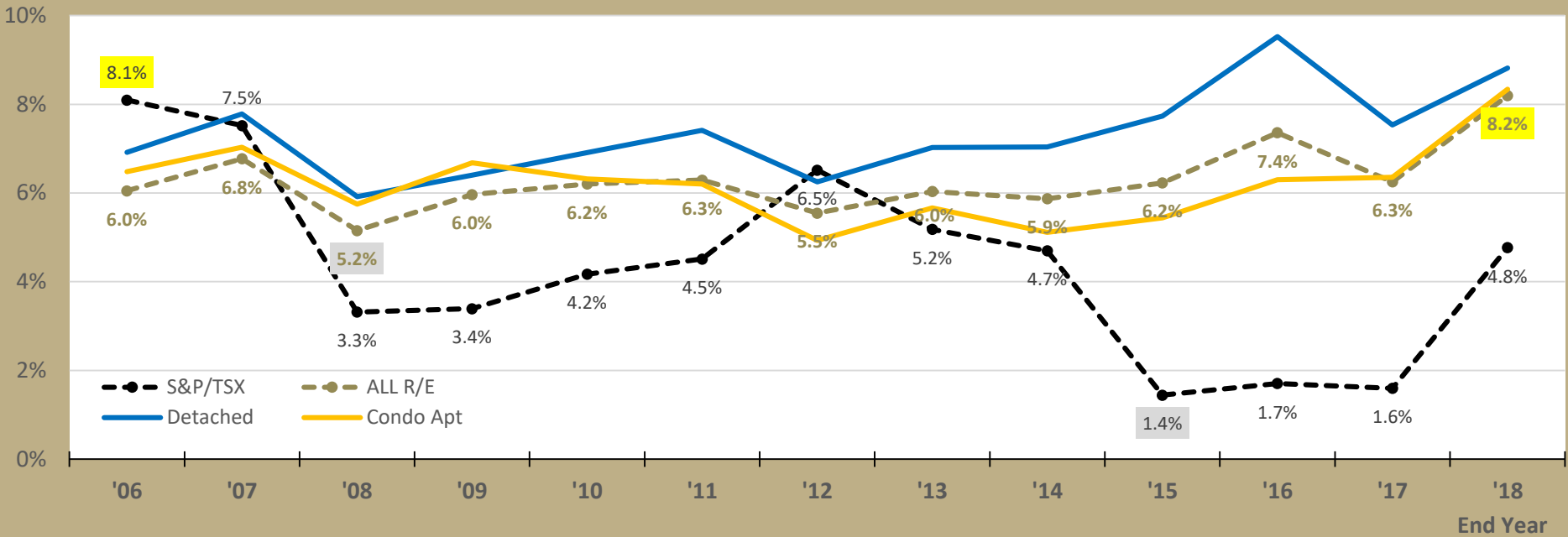
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10-Year Average Returns

Q4 2018

Rolling 10-Year Returns ending at Q4



Most volatile, and 6.7% spread from best to worst



Profitable 10-yr pds in last 13

13

13

13

13

Years with highest 10-yr return

2

0

10

1

Years with lowest 10-yr return

10

2

0

1

Range:

5.2%-8.2%

Last 6 in a row



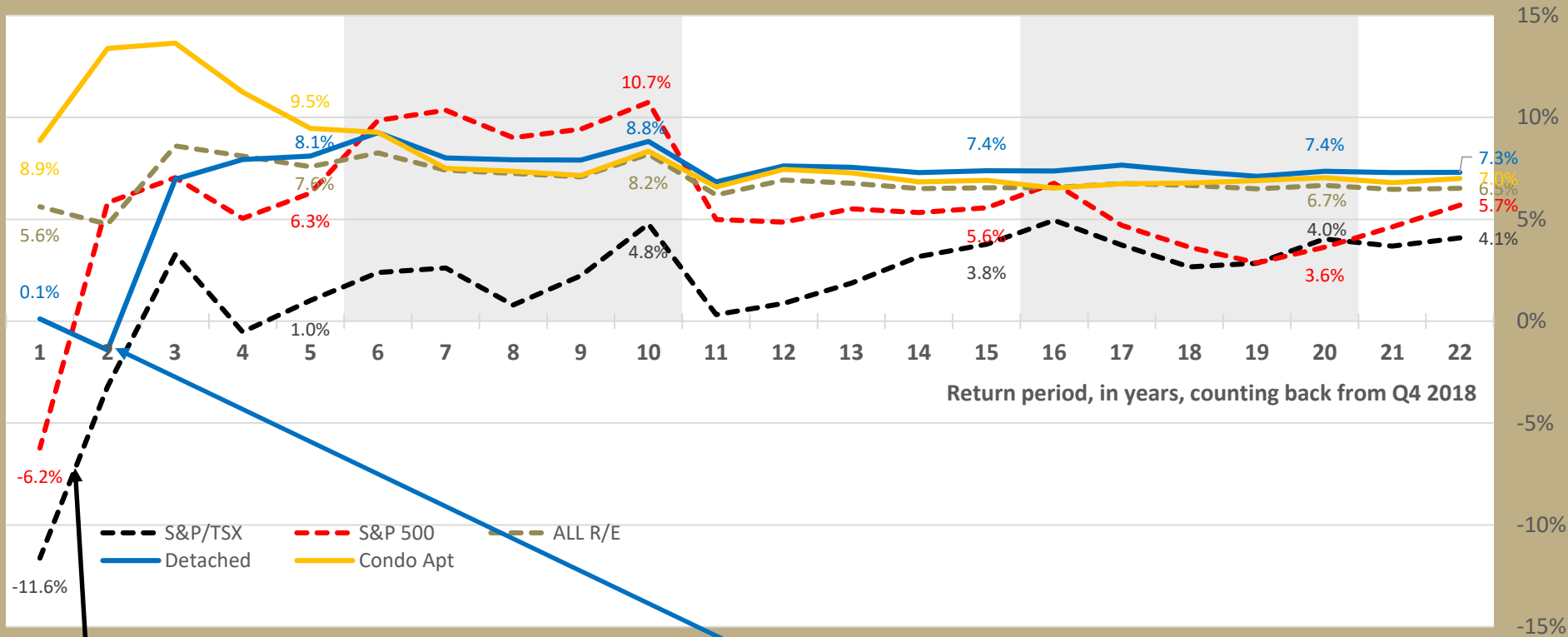
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Average Annual Return Timeline

Viewed from Q4 2018

Compound Annual Growth Rate, 1-22 years



The composite Toronto real estate number ("All R/E") has better returns than the TSX in all time horizons

Despite being negative in the 2 year view, Detached house prices have a 7% to 9% CAGR over 3 to 22 years



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