

# ROI

## Toronto Real Estate Returns Q2 2019



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Victorian Row Houses  
by Jay Woodworth  
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# Toronto Real Estate Returns Report Q2 2019

## 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 <sup>1</sup>
- 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 does not guarantee 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 Q2 2019

After a tough end to 2018 for the stock markets, they've bounced back. S&P 500 is tops in all these views. Toronto real estate 2 year view compares to height of market in spring 2017.

	1 YR.	2 YR.	3 YR.	4 YR.
	<b>5.9%</b> <sup>2nd</sup>	<b>1.4%</b> <sup>4th</sup>	<b>5.9%</b> <sup>3rd</sup>	<b>7.2%</b> <sup>2nd</sup>
	<b>0.6%</b>	<b>3.9%</b>	<b>5.2%</b>	<b>3.0%</b>
<b>S&amp;P 500</b>	<b>8.2%</b> <sup>*</sup>	<b>10.2%</b> <sup>*</sup>	<b>11.9%</b> <sup>*</sup>	<b>9.3%</b> <sup>*</sup>
	<b>5.6%</b>	<b>9.0%</b>	<b>12.0%</b>	<b>9.2%</b>




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# Toronto RE vs. Markets

## Long Term Returns Q2 2019

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.
	<b>7.6%</b> 3rd	<b>7.8%</b> 3rd	<b>6.6%</b> 2nd	<b>6.7%</b> 1st
	<b>1.6%</b>	<b>4.7%</b>	<b>4.4%</b>	<b>4.3%</b>
<b>S&amp;P 500</b>	<b>8.5%</b>	<b>12.3%*</b>	<b>6.5%</b>	<b>3.9%</b>
	<b>11.1%*</b>	<b>12.0%</b>	<b>6.9%*</b>	<b>4.1%</b>




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# Toronto Real Estate

## Recent Returns Q2 2019

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.	
	<b>5.9%</b>	<b>1.4%</b>	<b>5.9%</b>	<b>7.2%</b>	ALL TYPES *
 31%	0.0%	-5.0%	2.3%	6.0%	DETACHED HOUSES
 48%	5.9%	6.2%	13.0%	11.3%	CONDO APTS.

The above two segments accounted for 79% of Toronto transactions in Q2 2019. The “all types” number looks better due to mix shifting back to detached (Q2 2018 was 28%)

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






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# Toronto Real Estate Long Term Returns Q2 2019

Detached housing has outperformed condos for all views 15 years-plus (was 7 years-plus in last report). 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 31% of transactions in 1998 but were 54% in 2018. Detached houses (most expensive) have fallen from 43% to 27% in that time.

	5 YR.	10 YR.	15 YR.	20 YR.	
	7.6%	7.8%	6.6%	6.7%	ALL TYPES *
	7.6%	8.2%	7.2%	7.3%	DETACHED HOUSES
	10.2%	8.2%	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 Q2 2019



Current  
avg. price

**\$920K**

1 YR.  
increase

**\$51K**

3 YR.  
increase

**\$145K**

5 YR.  
increase

**\$282K**

10 YR.  
increase

**\$487K**



**\$1359K**

1K

89K

416K

743K



**\$639K**

36K


196K

247K

347K

Condo apt Q2 prices haven't decreased YoY since 2009

Detached at Q4 2018 (comparing to 2015) was \$234K. Huge gains were made in 2016.



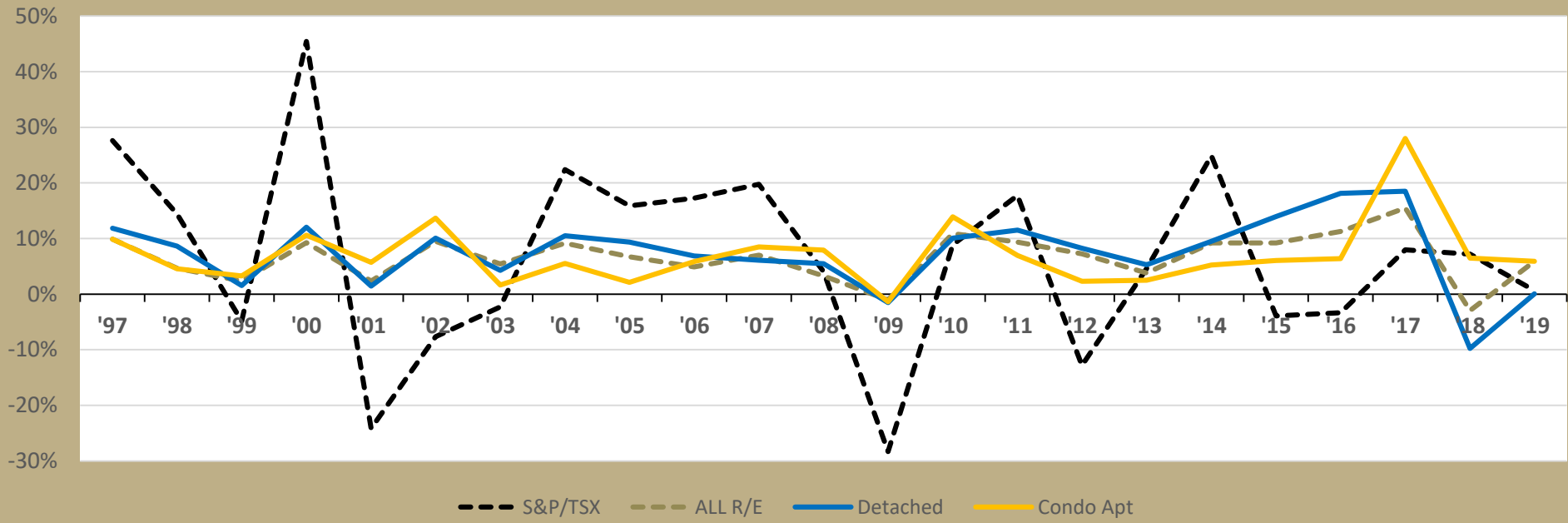
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# 1-Year Returns: 20 Year History

Q2 2019

1-Year Returns (Q2 vs. prior Q2)



Most volatile



Profitable years in last 23

15

21

21

22

Years with highest return

10

2

4

7

Years with lowest return


10

3

3

7





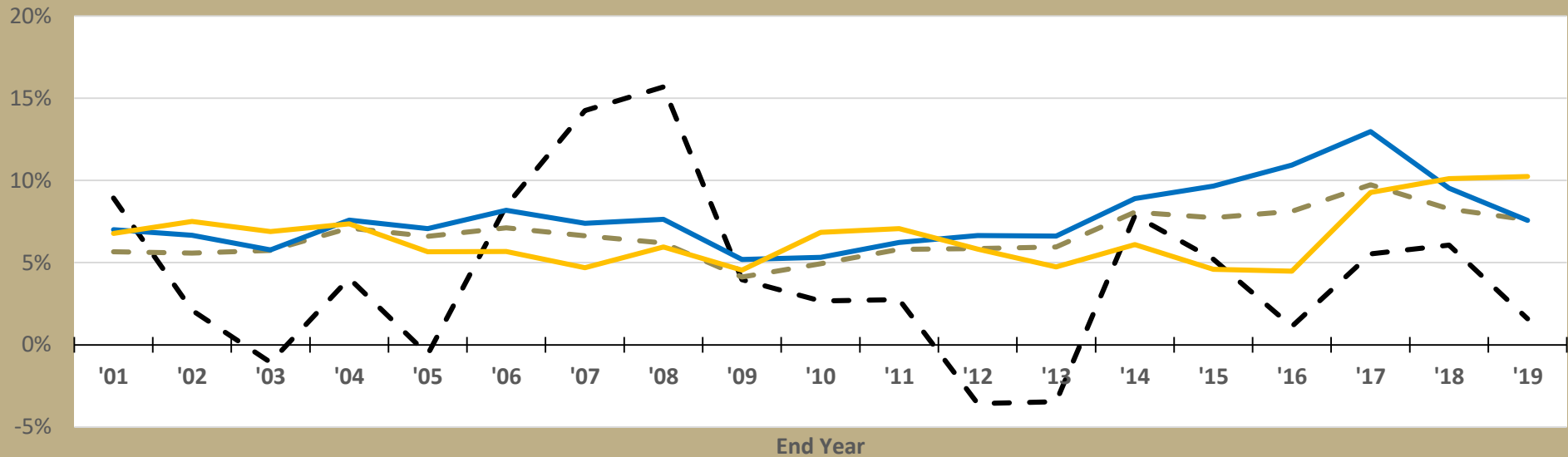
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# 5-Year Average Returns

## Q2 2019

Rolling 5-Year Returns ending at Q2



--- S&P/TSX    - - - ALL R/E    — Detached    — Condo Apt



RE never negative in a 5-year view

Profitable 5-yr pds in last 19      15


Years with highest 5-year return      4

Years with lowest 5-year return      13

Not since 2008

19	19	19
0	9	6
1	0	5

'02-03, '10-11, '18-19



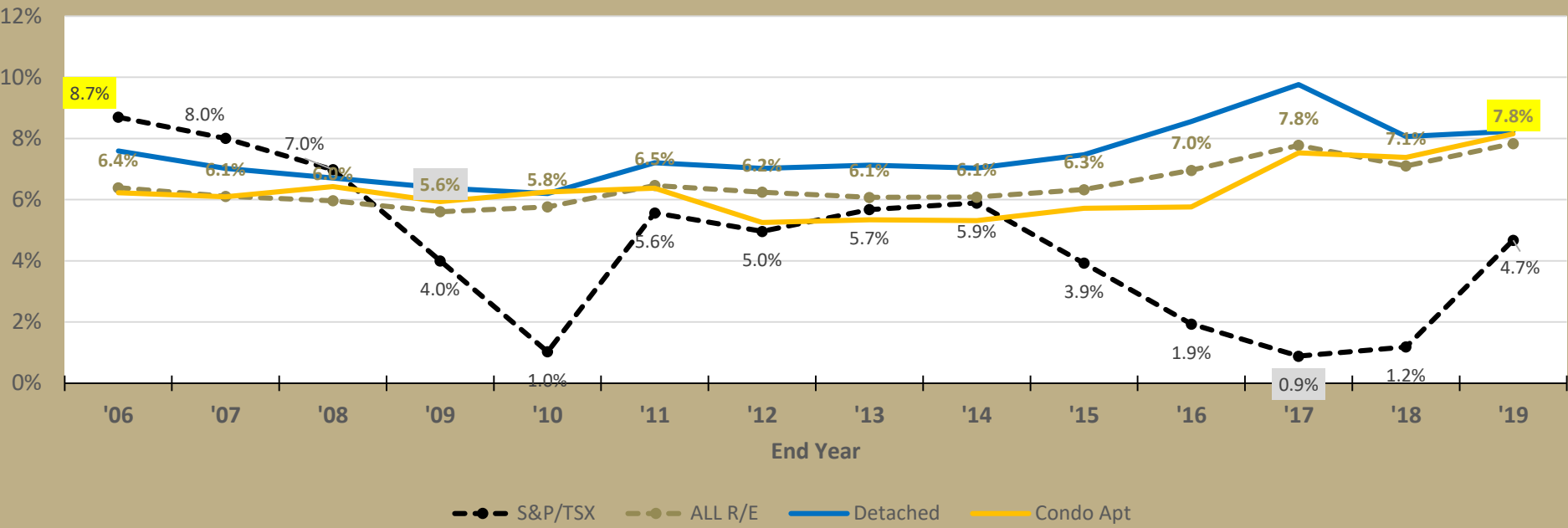
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# 10-Year Average Returns

## Q2 2019

Rolling 10-Year Returns ending at Q2



Most volatile, and 7.8% spread from best to worst

Profitable 10-yr pds in last 14: 14  
 Years with highest 10-yr return: 3  
 Years with lowest 10-yr return: 9

Not since 2008



14

3

9



14

0

0

Range: 5.6%-7.8%



14

10

0

Last 9 in a row



14

1

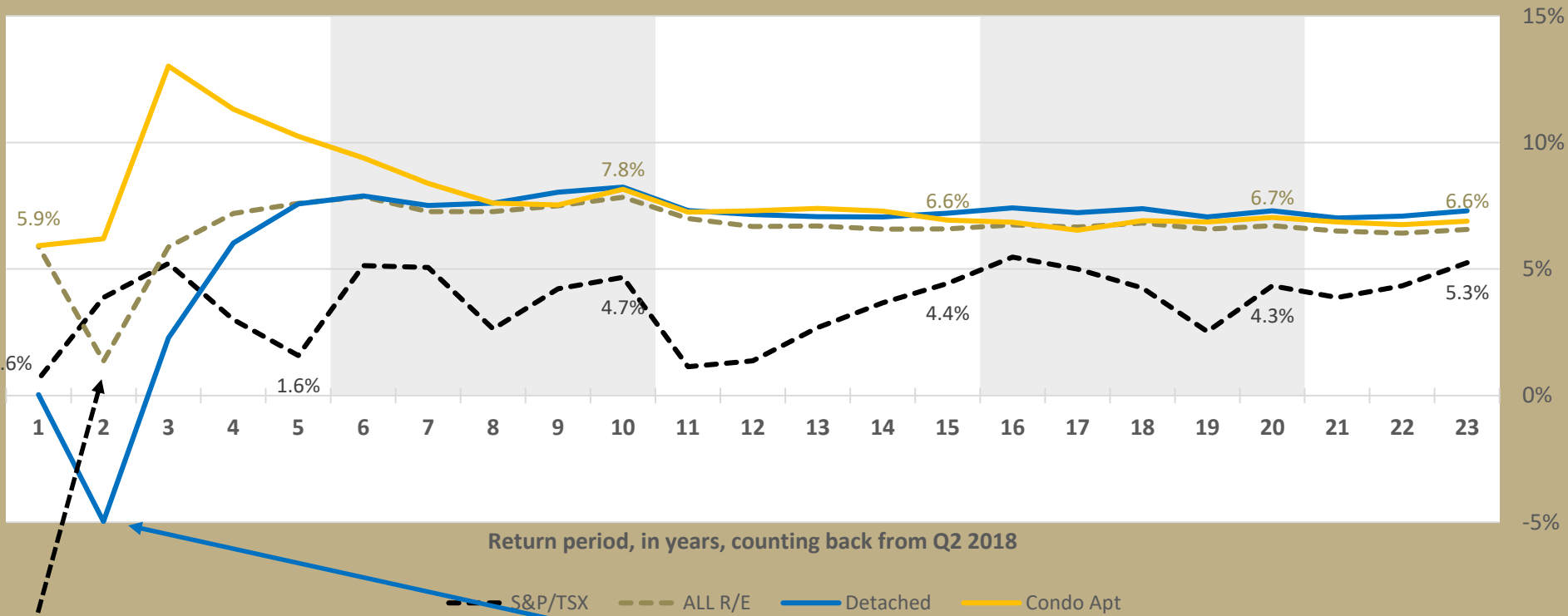
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# Average Annual Return Timeline

Viewed from Q2 2019

## Compound Annual Growth Rate, 1-23 years



The composite Toronto real estate number ("All R/E") has better returns than the TSX in all time horizons except the 2-year view

Despite being negative in the 2 year view, Detached house prices have a 6.0% to 8.0% CAGR over 4 to 23 years



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