

ROI

Toronto Real Estate Returns Q4 2021



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Victorian Row Houses
by Jay Woodworth
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Toronto Real Estate Returns Report Q4 2021

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
 - 2018 S&P 500 had -6.24% return but -4.42% with dividends re-invested (30-year avg 2.38%)¹
- When I say “Toronto” I mean strictly the 416 – not the whole GTA or CMA or TRREB 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 Regional Real Estate Board* (TRREB) “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 TRREB's 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 2021

With the pandemic, interest rates were lowered and cheap money led to asset inflation, to the benefit of stock market investors and property owners. Toronto RE lags in these short-term views.

	1 YR.	2 YR.	3 YR.	4 YR.
	11.9% 4th	9.3% 4th	9.2% 4th	8.2% 3rd
	21.7%	11.5%	14.0%	7.0%
S&P 500	26.9% *	21.5% *	23.9% *	15.5% *
	20.8%	17.3%	18.6%	13.5%






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Toronto RE vs. Markets

Long Term Returns Q4 2021

Toronto RE outperformed the TSX in all views longer than 3 years. In a change from prior reports, the S&P 500 outperforms Toronto RE in all views now, and MSCI outperforms in 1-19 year views. However Toronto detached outperforms the stock indexes in several views 15 years or longer.

	5 YR.	10 YR.	15 YR.	20 YR.
	7.3% 3rd	7.9% 3rd	7.4% 3rd	7.1% 2nd
	6.8%	5.9%	3.4%	5.2%
S&P 500	16.3% *	14.3%	8.4% *	7.4%
	13.7%	15.2% *	8.0%	6.8%




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Toronto Real Estate Recent Returns Q4 2021

Condo apts had strong price growth in 2021 but 2020 prices did poorly due to the pandemic's affect on the rental market, and in turn, condo investors, many of which liquidated some units.

	1 YR.	2 YR.	3 YR.	4 YR.	
	11.9%	9.3%	9.2%	8.2%	ALL TYPES *
 26%	20.2%	14.9%	11.6%	8.6%	DETACHED HOUSES
 53%	14.8%	5.8%	7.3%	7.7%	CONDO APTS.

The above two segments accounted for 80% of Toronto transactions in 2021 (rounding).

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



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Toronto Real Estate Long Term Returns Q4 2021

Detached housing has outperformed condo apts from 1 year to 25 years except for the 5-7 years views. The “All types” growth is brought down by a changing mix as > 200K condos units have been added to the GTA housing supply in the past 20-ish years. Condo apts (least expensive type) were 35% of transactions in 2001 but were 53% in 2021. Detached houses (most expensive) have fallen from 40% to 26% in that time.

	5 YR.	10 YR.	15 YR.	20 YR.	
	7.3%	7.9%	7.4%	7.1%	ALL TYPES *
	6.2%	9.1%	8.4%	8.2%	DETACHED HOUSES
	9.7%	7.4%	7.4%	6.8%	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 2021

	Current avg. price	1 YR. increase	3 YR. increase	5 YR. increase	10 YR. increase
	\$1089K	\$116K	\$252K	\$325K	\$580K
	\$1774K	298K	499K	459K	1029K
	\$740K	95K	141K	274K	379K

1-year increase records for all three of these categories

Detached prices were slightly negative for two years after large 2016 increases



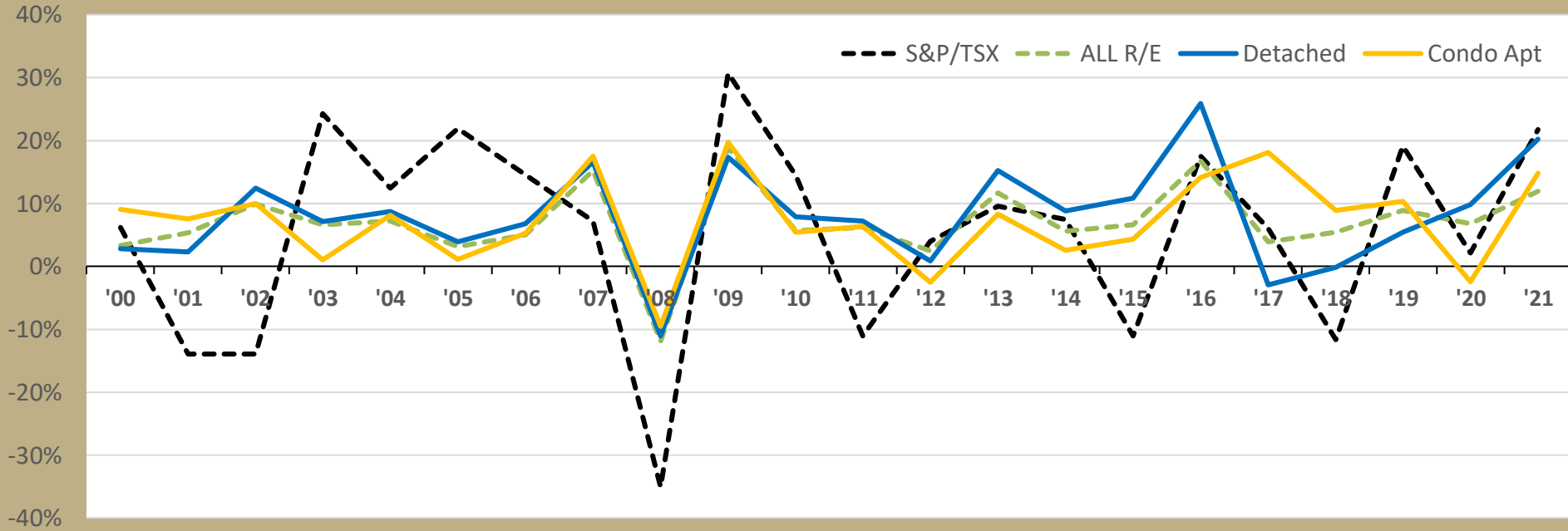
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1-Year Returns: 20 Year History

Q4 2021

1-Year Returns (Q4 vs. prior Q4)



Most volatile



Profitable years in last 25

18

24

22

23

Years with highest return

11

0

8

6


Years with lowest return

8

3

5

9



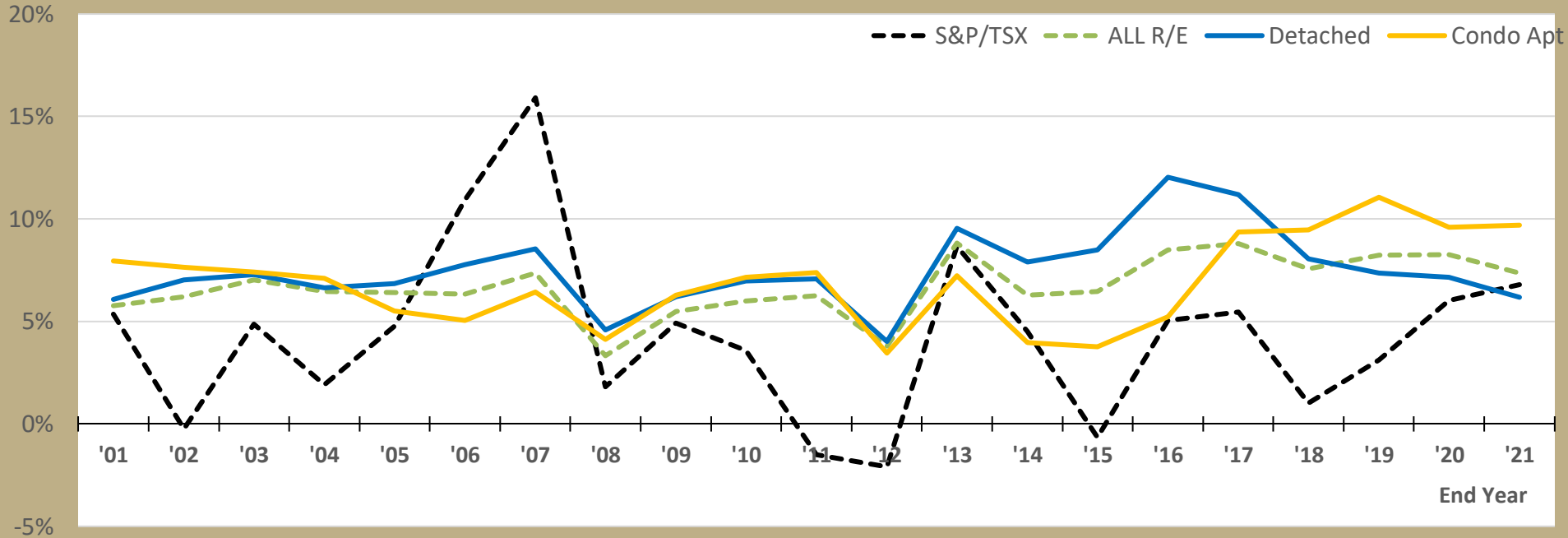
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5-Year Average Returns

Q4 2021

Rolling 5-Year Average Returns ending at Q4



Profitable 5-yr pds in last 21 17

Years with highest 5-year return 4

Years with lowest 5-year return 14

Not since 2007

21	21	21
0	9	8
1	1	5

'02-03, '10-11, '18-21

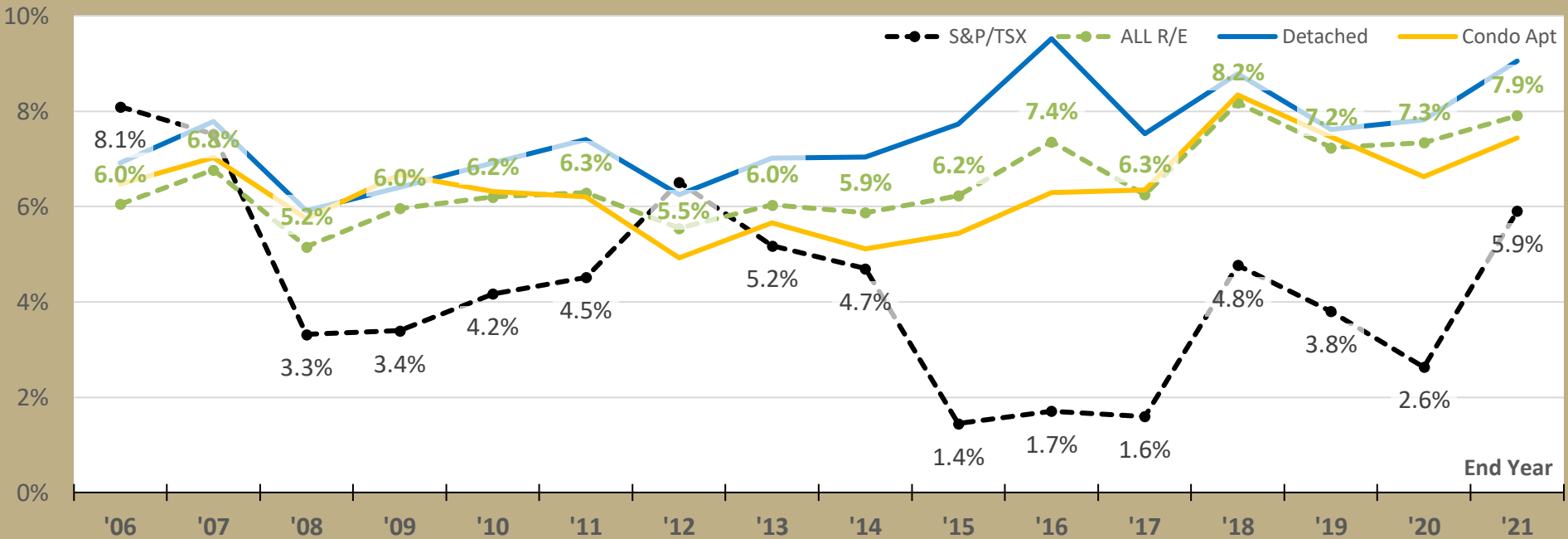
RE never negative in a 5-year view



10-Year Average Returns

Q4 2021

Rolling 10-Year Returns ending at Q4



Most volatile, and 6.7% spread from best to worst

	TSX	SOLD	House	Condo
Profitable 10-yr pds in last 16	16	16	16	16
Years with highest 10-yr return	2	0	13	1
Years with lowest 10-yr return	13	2	0	1

Not since 2012

Range: 5.2%-8.2%

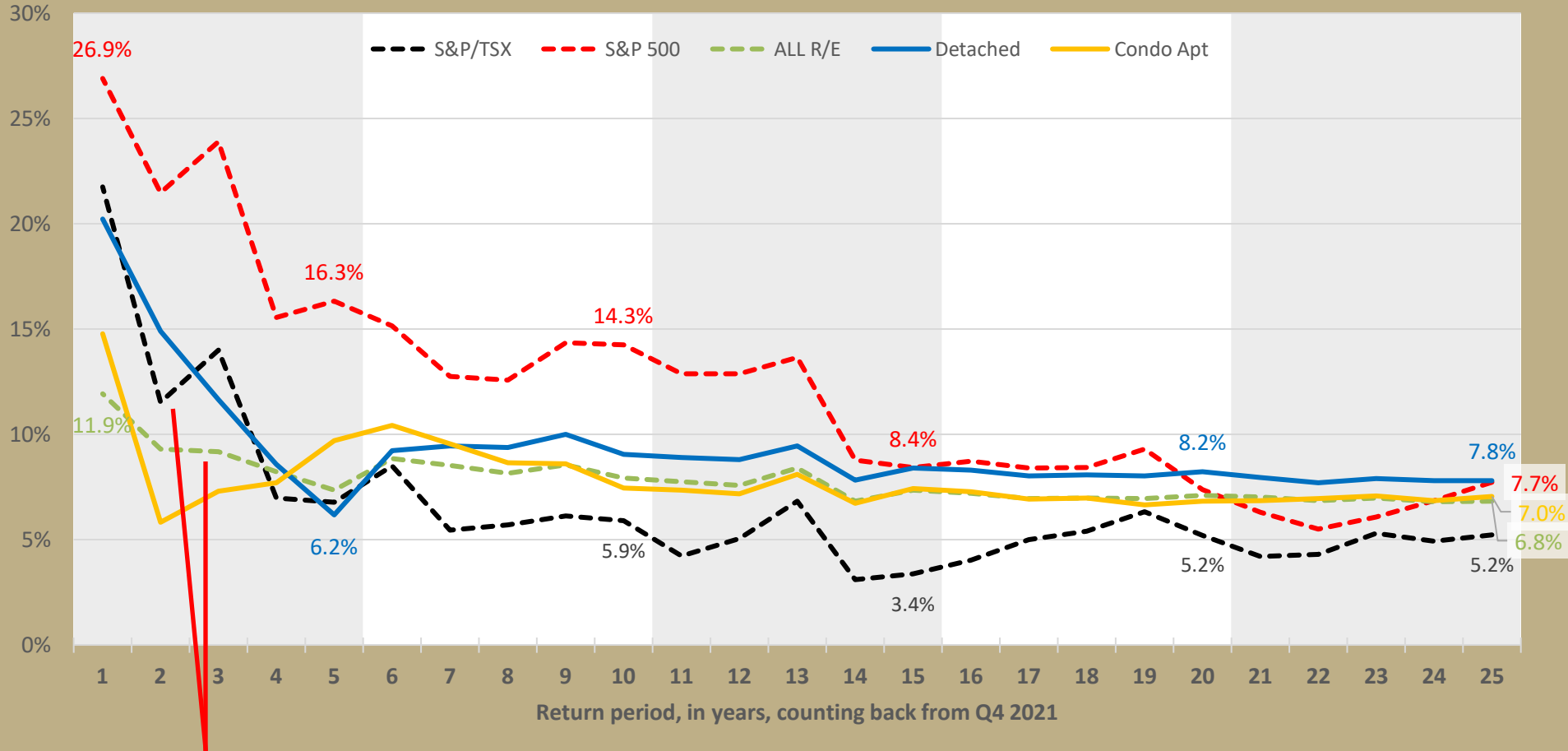
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Average Annual Return Timeline

Viewed from Q4 2021

Compound Annual Growth Rate, 1-25 years



The composite Toronto real estate number ("All R/E") has better returns than the TSX in all time horizons beyond the 3-year view



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