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Toronto Real Estate Board joins calls for Ottawa to modify mortgage stress test amid falling home sales

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A pedestrian passes a home for sale in Toronto's Cabbagetown neighbourhood on Jan. 15, 2019.

Fred Lum

The association representing Toronto real estate agents has added its voice to calls for the federal government to modify its new mortgage qualification rule as home sales fell in February from an already weak level last year.

The Toronto Real Estate Board (TREB) said home sales fell by 2.4 per cent in the Greater Toronto Area in February compared with the same month last year. The drop is especially notable because sales were tumbling last February after the introduction of a new mortgage stress test rule on Jan. 1, 2018.

The weakness last month came on the heels of almost flat sales in January, and raises questions about whether Toronto's market will have the sales rebound that some had anticipated for 2019. TREB predicted last month that the volume of GTA home sales will grow by 7.3 per cent in 2019 after falling 16.1 per cent in 2018 and 18.3 per cent in 2017.

TREB president Garry Bhaura said the mortgage stress test introduced by Canada's bank regulator, the Office of the Superintendent of Financial Institutions (OSFI), is still leaving some buyers on the sidelines as they struggle to qualify for a mortgage for the type of house they want to buy.

The test requires banks to ensure that borrowers can afford their mortgages even if interest rates were two percentage points higher than the level they negotiated.

"The stress test should be reviewed, and consideration should be given to bringing back 30-year amortizations for federally insured mortgages," Mr. Bhaura said in a statement.

"There is a federal budget and election on the horizon. It will be interesting to see what policy measures are announced to help with home ownership affordability."

Many groups working in the mortgage sector have urged the federal government to give first-time homebuyers the option to repay their mortgages over 30 years instead of 25 years to lower their monthly payments and make it easier to get into the market.

Jason Mercer, TREB's director of market analysis, said the drop in home sales in the GTA has drained billions of dollars from the local economy, including spinoff expenditures by homebuyers.

"This hit has also translated into lower government revenues and, if sustained, could impact the employment picture as well," he warned.

TREB reported that the average sale price for all types of homes climbed by 1.6 per cent in February to \$780,387, driven largely by increases in condominium prices over the past year.

The average condominium sold for \$562,161 in the GTA in February, up 6.1 per cent over last February, even as the total number of condo sales fell by 5.7 per cent last month.

The average detached home price fell 2.1 per cent to \$980,914 in February, due largely to declining prices in the suburban 905 region. TREB said the average detached house in the City of Toronto sold for \$1,294,936 last month, up 0.8 per cent compared with a year ago, while detached houses in the 905 region sold for an average of \$894,147, down 1.9 per cent over last year.