

# MARKET INSIGHTS

THE CANADIAN SOURCE FOR HOUSING INFORMATION

SEPTEMBER 2017

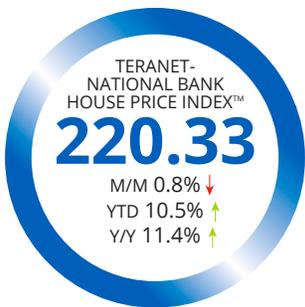
It is our pleasure to share with you the inaugural edition of the Teranet Market Insights report.

## A Message From Teranet

Published monthly, this report will deliver comprehensive analysis and new insights on the real estate market in Canada. It includes compiled data from the Ontario & Manitoba land registries and other provincial jurisdictions across Canada.

In this edition, we focus on Ontario price & volume dynamics while taking a closer look at changes in the Ontario Mortgage market over the last 3 years.

Please enjoy and share the report. Visit [www.teranet.ca](http://www.teranet.ca) for access to regular updates on our market reports!



## Toronto Is No Longer The Price Growth Leader

Although unsmoothed\* indices continue to soften in some markets, further analysis of the new 26 Census Metropolitan Area Indices across Canada continue to show strong growth year to date, specifically in the Ontario Greenbelt. While the NRST (foreign buyers tax) applies to all of the Golden Horseshoe, it did not have the same immediate effect in regions outside Toronto. Brantford, London & Peterborough have seen close to 20% growth year to date. But now, surrounding regions such as Barrie and Oshawa are also showing similar cooling trends to Toronto as they have declined by 12.8% and 9.2% respectively since their peak in June. Opinion: Market conditions on Toronto's home resale market do however appear to be stabilizing. If that is the case, a large part of the price correction to be seen in the Toronto home resale market may be behind us. As supply remains a concern in high-density pockets of the GTA, property values in the Greenbelt and surrounding areas are likely to continue to appreciate faster than Toronto.

### Top YTD Unsmoothed CMA Index Growth

Unsmoothed CMA Index	YTD Growth	Change Since Peak
Brantford	23.1% ↑	-5.2%
London	19.8% ↑	-3.2%
St. Catharines	19.0% ↑	-0.5%
Peterborough	18.2% ↑	-2.3%
Guelph	16.9% ↑	-0.3%
Kitchener / WTL	15.0% ↑	-6.4%
Hamilton	13.6% ↑	-5.4%
Windsor	13.1% ↑	0.0%
Oshawa	9.9% ↑	-9.2%
Toronto	9.2% ↑	-7.5%
Barrie	8.7% ↑	-12.8%

\*The indices of the 11 metropolitan markets comprising the Teranet-National Bank Composite House Price Index™ are smoothed. Each month, the (unsmoothed) estimated indices for each of the last three months are averaged to produce that month's index. This procedure allows to incorporate late data and evens out month-to-month fluctuations.

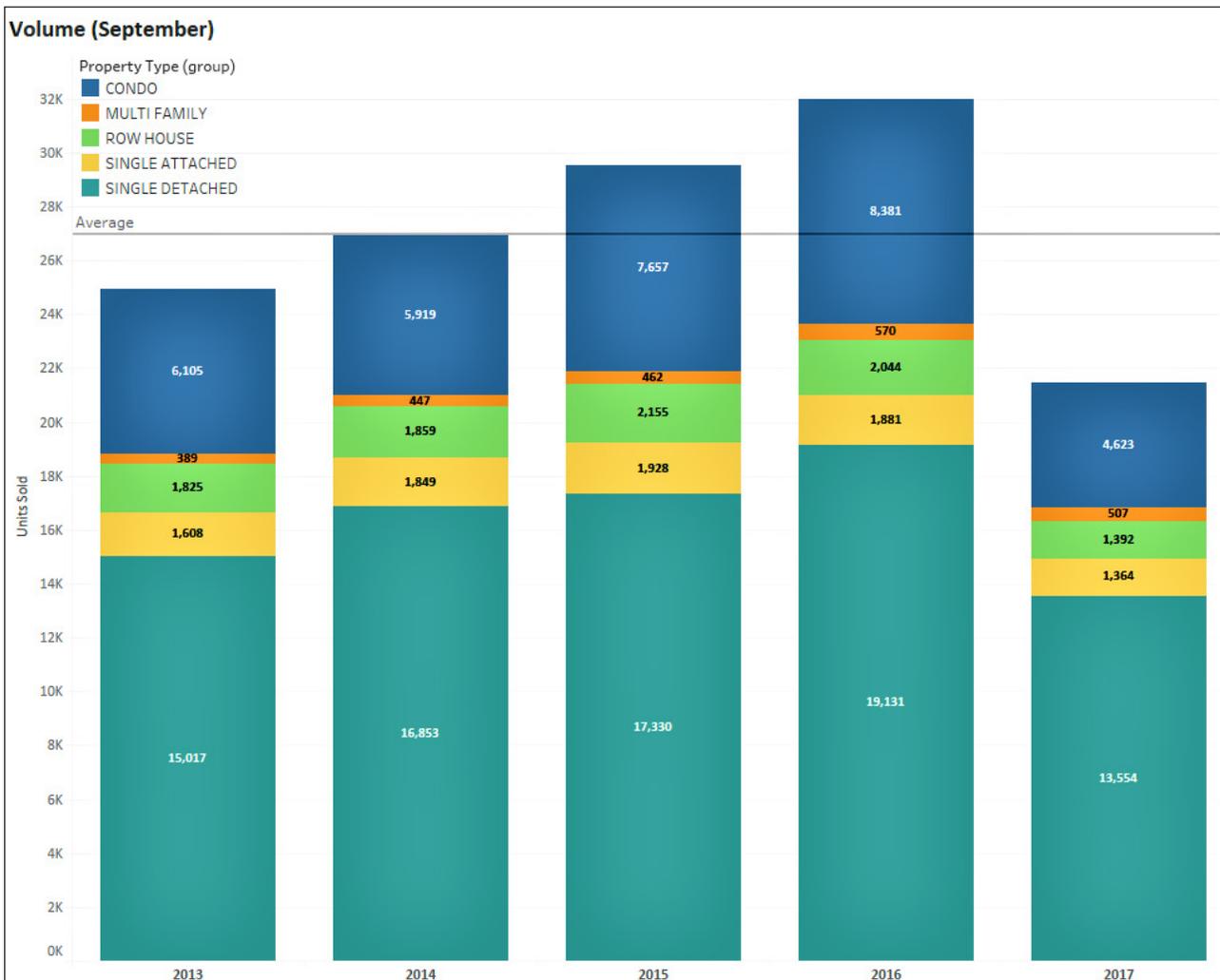
## Ontario Sales Volumes Hit 5 Year Low in September

While September typically witnesses a decline in month over month volume activity, this year residential sales volumes in Ontario has hit a five-year low with a 33.5% drop in activity. This has also broken the five-year trend of year over year growth in sales in September. All housing types (i.e. Condo, Row Houses, Single-A, Single-D and Multi-Family houses) are now at five-year lows for the month.

YTD volume activity is down too across most property types. Row houses, single attached and single detached homes in Ontario decreased by 16.3%, 13.9% and 14.6%

respectively. Condos and multi-family properties were the only two property types who maintained positive growth in YTD volume at 0.8% and 6.6% respectively.

The downward trend is also consistent with YTD price growth as most residential property types are showing lower prices – except for condos and duplex housing, which are up 8.9% and 4.8% respectively. YTD price growth for other residential properties remains down in single-detached (1.3%), row house (2.3%) and single-attached (4.6%).

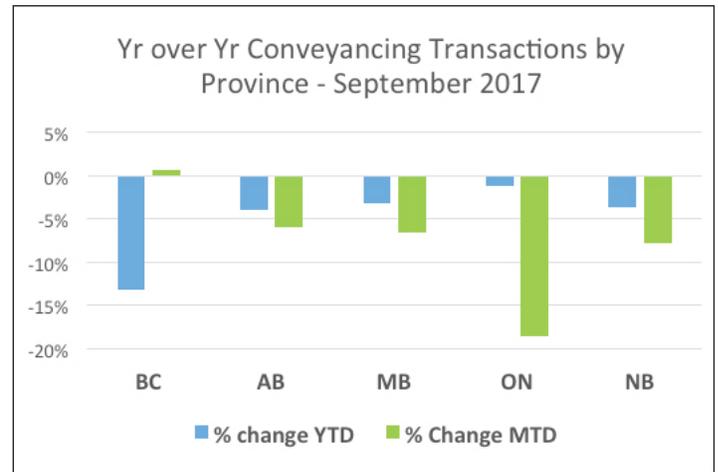


## Lawyers Feel the Volume Decline Too

On the heels of last October's mortgage rule changes, it would appear the goal to cool the housing market has come to fruition. As of the end of September, YTD real estate conveyancing transactions are trending down at -3.4% from 2016 to 2017. Over the last 4 months, Ontario conveyancing has continued to slow and has now posted its first negative YTD decline (-1.2%) compared to this time last year and is not yet showing signs of a rebound.

BC continues to produce the largest YTD declines (-13.1%) however with Ontario posting its first YTD decline and low month over month activity (-18.5%), we could see a similar trend emerge in Ontario that has been witnessed in BC.

Even with the initial surge of activity earlier this year, 2017 is showing continued signs of decline. And where does that leave Canadian borrowers? Waiting on the sidelines as they witness growing interest rates and an increasing cost of borrowing.



\*The provincial snapshot contains only Purchase, Sale and Mortgage transactions.  
Source: Do Process Software

## A Rapid Increase In the Total Value of Ontario Mortgages

When it comes to mortgage by value, Ontario residential mortgages (<\$10M) have seen a rapid increase over the last three years. Total mortgage value of \$154.8 Billion in 2014 increased to \$219.9 Billion in 2016 and is on track to have another strong growth year in 2017 with total mortgage value already exceeding \$183.9 Billion at the end of September (almost equivalent to total volume in 2015). And this might surprise you: the number of mortgage transactions remained fairly constant throughout the given time periods.

The average amount of each mortgage transaction has been continuously rising over the last 3 years. When you review the trends over the same period for different mortgage amount buckets, two categories stand for mortgage transactions and amounts.

- 1. Mortgage value between \$500k – \$1.0M** – At the start of 2014, this represented only about 11.7% of the total mortgage transactions. Now, it has rapidly increased to 24% as of September 2017 (a slight decrease from its maximum share ever of 26.3% in July 2017).
- 2. Mortgage value between \$1.0M – \$2.0M** – This has almost tripled from a 1.5% contribution in January 2014 to a 4.3% contribution by mortgage transaction in September 2017. And the mortgage amount share for this bucket has more than doubled from 6.5% in January 2014 to 13.4% in September 2017.

Considering the fact that the total mortgage space itself has expanded during the period these two categories have outgrown all the others by at least some distance. The volume and transaction number for categories below \$500k (i.e. < \$100k, \$100-200k, \$200k-350k and \$350k-500k) have declined, signifying a trend towards high mortgage value transactions taking precedence.

## What the Big 5 Accomplished with Mortgage Value Market Share in Ontario

As expected, in 5 main categories (Big 5, Credit Unions, Other Banks, Private Lenders, Trust Companies) the big 5 banks dominate the Mortgage **Value and Volume** with 72.9% and 67.2% market share respectively. What's interesting is that their share has gone up by almost 4.7 percentage points over the last year and is in line with the market share lost by trust companies.

When evaluating mortgage transactions for each lender category with respect to the mortgage amount bucket, we see an increase in the portfolio for all lender categories in the \$500k – 1M range.

### Market Share by Lender Category (Volume)

Lender Category	2012	2013	2014	2015	2016	2017
<b>BIG 5</b>	69.43%	68.11%	67.04%	67.99%	68.15%	72.89%
<b>Credit Union</b>	3.67%	4.12%	4.25%	4.12%	4.51%	4.47%
<b>Other Banks</b>	8.76%	7.17%	7.16%	7.52%	6.79%	7.05%
<b>Private Lenders</b>	5.05%	5.34%	5.50%	5.22%	5.59%	5.10%
<b>Trust Company</b>	13.09%	15.27%	16.04%	15.15%	14.96%	10.49%

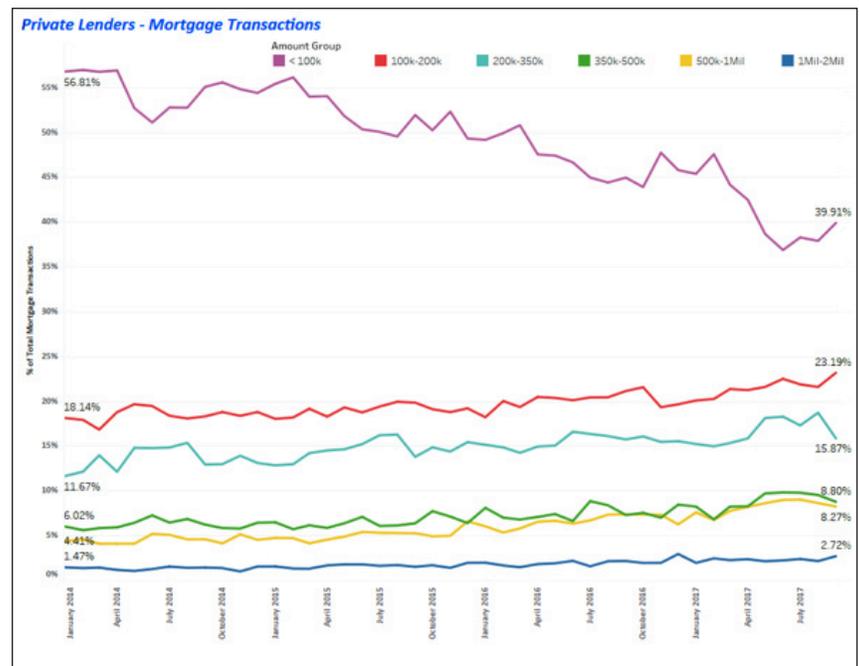
This value range contributes to more than 30% of their respective mortgage volume ratios – except private lenders where it stands at 20.4% (still the largest by volume for them).

*\*Source: Ontario Land Registry Data*

## Private Lenders: A Trend Towards Higher Value Mortgages

Private lenders in Ontario almost doubled their respective mortgage transaction ratios for the \$500k – 1M bucket over the last 3 years. In the same time period, they also witnessed the lowest growth in this bucket for mortgage transactions: 4.4% in January 2014 to 9.0% in July 2017 (22.8% of the total mortgage volume lent in July 2017). As house prices continue to appreciate in price, private lenders are underwriting more mortgages at higher dollar values.

In the value range 'below \$100k', there is a significant drop in the portfolio for private lenders, and yet all other ranges witnessed growth during the period.



To learn more about Teranet Market Insights, please contact us at **1-866-237-5937**