



Toronto Residential: Did Prices Recover Their Lost Ground Since Last Peak?

By Stephen Chung

The simple answer is "yes but". First, not all neighborhoods have recovered in prices (and beyond) but most have. Second, the rates of recovery differ from neighborhood to neighborhood. To recap, and as with some markets in the USA, Toronto had had a very hot (residential) real estate market back in around the late 1980s and then it sank. The bottom occurred sometime during the early part of 1990s. Unlike some markets in the USA, Toronto overall has had a slower recovery in terms of prices. Here we are curious to know how each neighborhood has done in terms of whether the current prices have (more than) recovered the ground lost during the last recession in the late 80s and early 90s. We have searched for some published data and information and we intend to share some of the findings with readers:

- a) Data and Information = these come from sources such as the Toronto Real Estate Board (TREB) and other websites, and as such, probably most have to do with the secondary transactions i.e. sales and purchases between individual vendors and buyers. Also, the figures used are roughed to the closest C\$5,000 and are either average or median prices, thus there could be a certain degree of skew. Also, no allowances have been made for the fluctuations in / exchange rates of the Canadian dollars i.e. the prices used are nominal and have not been adjusted. The real estate districts / neighborhoods as divided by TREB are adopted here as well, and please note there is a possibility that certain price changes may be due more to a particular type of house form e.g. detached, semi-detached, townhouse, high-rise condominium etc becoming more dominant than to an actual price rise or drop. Also, the peaks and bottoms may not synchronize exactly in time.
- b) Drop More Rise More Does Not Hold True = some investors may be tempted to think that the more acute the drop in prices, the more acute they will spike up again. This does not seem to be the case as the correlation between the % drop and rise is weak.
- c) Rise More Does Enhance the Chance to Exceed the Previous Peak = using median figures, there does seem to be some link between a higher price rise and its chance to exceed the earlier peak price level. But then again, just some link but not a very strong one.
- d) Previous Pricier Neighborhoods Tend to be Pricier Still (but not always) = especially when one looks at the average last peak, last bottom, and current prices, though by no means do neighborhoods remain static all the time in their previous price categories. The latter seems to apply to new neighborhoods in particular, some of which seem to have risen above the crowd.
- e) Previous Pricier Neighborhoods Tend to Drop A Bit More in terms of % = there is a relatively significant correlation that the pricier the homes in a neighborhood, the higher the % drop they are likely to have. Perhaps this reflects the fact that good neighborhoods tend to be sought after even more in good times thus further contributing to a higher than typical rise that in turn leads to a higher than typical drop in subsequent adjustments.
- f) Average and Median Prices Synchronize Well = except for a few cases maybe, the average and median prices correlate quite positively i.e. it seems the data contains few cases if any where an exceptionally high (or low) priced transaction exerts influence that is out of proportions.

Simply based on the average / median prices during the peak, bottom, and current periods, one may have the following observations (district-neighborhood codes are those of TREB):

- 1) Districts and Neighborhoods That Have NOT Reached Their Previous Peaks & See Major Differences Still = E21 (Scugog), C14 (around Yonge & Sheppard), and W17 (Mississauga). Please note this in itself does not necessarily imply a lack of price recovery, as it may be due to the emerging dominance / increased popularity of a particular house-form formerly less seen between the last peak and current periods, or just that coincidentally a certain price range being transacted more in the period.
- 2) Districts and Neighborhoods That Have Seen Significant Increases Between the Last Peak and Current Periods = N13 (around Davis Drive), W13 (West of Credit River), and W25 (Burlington). Likewise, the note that applies to (1) above applies here as well.



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3) Most Traditional Districts and Neighborhoods Keep To Their Usual Self, in particular those traditional well-off ones with the highest average or median home prices around = for instance, C3 / C4 (North and South of Eglinton Avenue), C9 / C10 (Bayview), and C12 (the prominent Bridle Path Area). The point is traditional prominent / well-off neighborhoods are not easily replaced or substituted, and will still be pricey despite the formation of similar neighborhoods in newer areas.

For investors, one may note that districts-neighborhoods that have not recovered in any significant way or have the higher price rises are all relatively newer areas, thus conforming to a hypothesis that such (less proven) areas give a higher return possibility albeit for a higher level of risk too. Conservative investors may wish to go for the more steady traditional areas.

Overall, the Toronto market has recovered the lost ground via having a current average price of C\$290,000 versus the last peak level in 1989 of C\$275,000, between which there had been a bottom level of C\$195,000 during the 1990s.

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