

Lisa Patel
President, Toronto Regional Real Estate Board
Remarks to Ontario Standing Committee on Finance and Economic Affairs
Thursday, August 20, 2020

Good afternoon and thank-you for the opportunity to provide our views on the state of Ontario's economy, specifically with regard to the impact of the COVID pandemic on the real estate industry and market.

Before I begin my remarks on those issues, I would like to thank the provincial government, all MPPs, and provincial Ministries for the dedicated work that has gone into bringing the pandemic under control in Ontario. The Toronto Regional Real Estate Board is committed to doing our part to help in any way we can.

I would also like to recognize all of the front-line workers who have selflessly helped our province weather this storm. On behalf of the 57,000 Members of TRREB, thank-you to each and every one of them.

With regard to the issues before us today, I will focus my comments on two key themes:

- the immediate response, by both the government and the real estate industry, to the COVID pandemic, specifically with regard to its impact on home buyers, sellers, and Realtors; and,
- secondly, the impact of the pandemic on the real estate market to date and our expectations going forward.

Like all industries, the pandemic forced Realtors and real estate markets to pivot, literally overnight. With the hindsight of the past five months, I can confidently tell you that Realtors rose to the challenge. Both TRREB and TRREB's Members quickly adjusted to ensure that the interests of home buyers, sellers, and businesses could continue to be served.

With this in mind, I would like to applaud and commend the provincial government for recognizing Realtors as an essential service. This decision recognized the critical role that Realtors and real estate markets play. Numerous real estate transactions were caught mid-stream in the economic shut down. As a designated essential service, our Members helped guide their clients through that challenging time.

The government's decision also recognized the critical role that real estate plays for Ontario's economy. A 2019 study, conducted by the Altus Group, found that every residential real estate transaction in Ontario results in over \$73,000 of spin off spending. By designating Realtors an essential service, the government recognized the important role of our industry in leading Ontario out of a pandemic-induced recession.

/...2

Given these realities, while we hope Ontario's road to recovery continues on a smooth trajectory, we ask that the legislature continue to recognize the essential role that Realtors play, should another pandemic-related shut-down be required.

I would also like to commend the government for prohibiting physical open houses. The safety of the public and our Members was and is TRREB's number one priority. When the pandemic hit, our Members quickly took it upon themselves to call for an immediate pause in traditional physical open houses, and TRREB supported these views, which were reflected in the government's actions with a formal prohibition.

I am proud of the adaptations that TRREB and our members made with regard to open houses. TRREB worked hard and quickly to provide our members with technology to facilitate virtual open houses, and our Members responded by taking advantage of this service for their clients.

Now I would like to move my focus to the impact of the pandemic on the real estate market to date, and what we expect in the future.

Like almost every sector of the economy, the real estate market saw an immediate and pronounced impact following the economic shut-down. For example, sales reported through TRREB's MLS® System were down by approximately two-thirds year-over-year in April and by more than 50 per cent in May.

However, with the help of the quick adaptations made by TRREB and our Members, along with an improvement in labour market conditions and a gradual reopening of the economy, the Greater Toronto Area real estate market began to rebound shortly after with significant improvements in sales and price growth. In June, sales had almost recovered to the 2019 level and in July we set a new record for sales with over 11,000 transactions reported. Sales also increased markedly relative to available listings, especially in the single-family market segments. This resulted in a return to double-digit year-over-year average price growth as competition between buyers increased.

A key factor underpinning the quick turn-around in the demand for residential real estate included the fact that sectors of the economy associated with above-average earnings were also the sectors, in many cases, that experienced fewer job losses. Many of those employed in these sectors were able to transition more easily from the bricks and mortar office environment to the home office. At the same time, we also saw borrowing costs trend to record lows, which obviously had a positive impact on affordability.

Moving forward, TRREB anticipates 80,000 + home sales reported through TRREB's MLS® System in calendar year 2020 – not a record number, but quite strong given the COVID-19 related slow-down experienced through the spring and early summer. TRREB also expects the average selling price for all home types combined to be at or above \$900,000, representing an increase of 10 per cent or potentially higher.

This brings me to TRREB's views and recommendations with regard to government actions intended to assist with Ontario's economic recovery. TRREB has a simple message with regard to potential stimulus targeted at the real estate sector: approach with caution. The key challenge facing our industry continues to be affordability, caused by the supply of housing for sale being outpaced by demand. Any additional demand-side stimulus should be very carefully considered to ensure that it does not exacerbate this circumstance, which could contribute to housing price inflation. As such, we believe that government efforts should continue to focus on the longer-term goal of increasing the supply of housing, especially mid-density housing, instead of demand-side stimulus.

With this in mind, we applaud the provincial government for its recent actions to encourage transit-oriented development, and the City of Toronto for recently moving ahead with plans to allow more housing options in the "yellow-belt", which refers to the 35% of the City designated as "neighbourhoods", of which 70% only allow detached housing.

I hope you have found TRREB's views helpful. Thank-you, once again, and we would be happy to answer any questions that you may have.