Visits by Americans increased in June, helping to lift tourism numbers

Total tourist visits to Ontario increased in June by 2.9 per cent following two months of declines, due to a jump in the number of visitors from the U.S. of 3.6 per cent. Prior to June’s increase, visitors from the U.S. trended down, likely due to higher fuel costs keeping them at home and a weaker U.S. dollar. Visitors from other parts of the world, excluding the U.S., increased as well in June but by a very small margin (387 net visitors or 0.2 per cent increase).

Visitors from Asia or Europe, which together account usually for over 76 per cent of non-U.S. visitors to Ontario, did not contribute much to this month’s tally. Tourists from Europe declined by two per cent, while visitors from Asia increased by only 0.5 per cent. Areas of the world that contributed to tourist visits in Ontario included Africa (22.6 per cent increase) and Oceania (3.1 per cent increase).

Regardless of June’s robust pick-up in U.S. tourists to Ontario, overall tourist numbers still lag last year’s pace for most of the year, with the sole exceptions being early in the year when February and March outpaced last year’s tally. Total tourist visits year-to-date remained two per cent lower, with U.S. tourists lagging by 1.2 per cent and non-U.S. tourists lagging by four per cent.

Even though most currencies have rebounded relative to the Canadian dollar from May to June, over May it takes time for the income effect from a stronger currency to translate to higher consumer spending in the form of travel. The U.S. dollar appreciated two straight months ending in June, and this is sufficient time to start to see a pick-up in U.S. travel to Ontario.

Fewer starts in Toronto pulled down Ontario’s total starts

Ontario’s new homes construction continued to moderate in August, following last month’s robust drop in total starts of 34.2 per cent. August data from the Canada Mortgage and Housing Corporation (CMHC) points to a further 7.9 per cent drop in total starts in Ontario to 60,635 units at seasonally-adjusted annual rate (SAAR). This drop is due to fewer foundations poured for all housing types, with the sole exception of row/townhomes. During the month, 15.4 per cent more row/townhome foundations were poured in Ontario over last month. However, the gains in new construction for this housing type could not offset declines in other housing types, particularly apartments which accounted for nearly half of all new starts in the province.
In the Greater Golden Horseshoe (GGH) region, new housing starts were pulled down by 15.9 per cent in August due to fewer housing starts in Hamilton (26.5 per cent drop) and Toronto (27.1 per cent drop). Markets outside the GGH posted a 16 per cent jump in housing starts in August, due to more foundations poured in Ottawa-Gatineau (73.2 per cent increase), Thunder Bay (78.2 per cent increase) and Windsor (57.7 per cent increase).

Both the seasonally-adjusted average and median price of a new single-detached home in Ontario, based on the contract price, reversed trend in August, increasing by 7.2 and 5.7 per cent respectively.

The backlog of completed and unsold new homes in Ontario are well below the long-term monthly average from January 1990 to August 2018. Builders are not having issues finding buyers for homes they complete. The moderation in new housing starts the province is experiencing right now is due to decreased current demand for new homes, which can be more expensive, and thus households are substituting into existing homes. With credit restraints put on potential buyers by lenders, more households have moved away from new housing. New housing starts are a lagging indicator, so the declines we are seeing now are the effects of policies put in place that are still echoing through the new housing market. The existing homes market seems to have recovered, but it will take some time for the new homes market to show a rebound in the numbers.

**Toronto home sales jumped 8.1 per cent in August**

Toronto’s existing homes market seems to have left the effects of recent policies in the rear-view mirror. In August, sales increased by 8.1 per cent to 7,074 units over July (all figures seasonally-adjusted), but new listings declined 2.1 per cent to 12,840 units. Data from the Toronto Real Estate Board (TREB) show a market that is tightening; over the last four months sales increased each month at a higher rate than the previous one. Supply remains uncertain as it has flip-flopped from periods of increased new listings (month-over-month) and periods of declining new listings the next. Even though sales continued to increase compositional effects, the type of home being bought may be affecting price growth.

The average home price grew by a very anemic 0.3 per cent in August over July, to $812,469. This goes contrary to the growth posted over the previous two months, where month-over-month price increased between three and 3.6 per cent. Benchmark home values, a measure of quality-adjusted prices, increased by 0.9 per cent, only slightly above July (0.7 per cent) and the longer term monthly average from January 2014 to August 2018 (0.8 per cent). By housing type, benchmark prices for higher density housing are increasing at a higher month-over-month rate in August, compared to their long-term averages. Single-detached home benchmark price growth is in line with the long-term average in August, at 0.7 per cent.
Year-to-date, even with the recent increased activity in sales over the last four months, sales remained 19.4 per cent off last year’s pace. New listings and average price also remained significantly off last year’s pace so far, at 8.9 and 11.1 per cent respectively.

Buyers are coming back to the existing homes market in Toronto, but are continuing to buy higher density housing, keeping price growth bottled-up. Lenders continue to act cautiously and are restraining the quantity of credit that borrowers get, thus keeping buyers in the higher-density segment.

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