

### Highlights

- Ontario home sales slid by 13.7 per cent in 2018, price growth also down by 2.7 per cent
- Prices increased 2.3 per cent in December

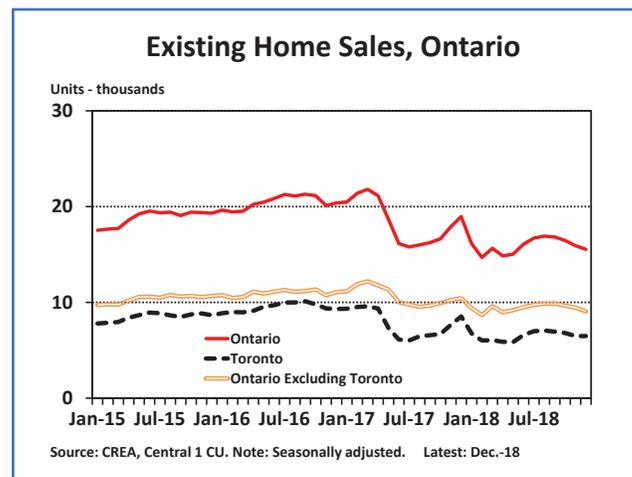
### Existing home sales close out 2018 with another slide in December

The Canadian Real Estate Association (CREA) released its December figures this week, which revealed that the Ontario existing homes market did not improve with the final month's data. Ontario MLS® seasonally-adjusted sales and new listings continued to slide in December posting 2.4 per cent and 1.6 per cent declines respectively month-over-month. Furthermore, December's decreased sales and new listings followed a period of several months' of declines for both metrics.

Throughout 2018, sales were flat and declined year-over-year all months except between July to September. Total sales for the year came in 13.7 per cent lower compared to 2017 at 190,830 units.

With sluggish sales numbers, Ontario's seasonally-adjusted average price continued to grow modestly posting a further 1.6 per cent increase in December over November to \$602,161. After posting a 4.4 per cent month-over-month price gain in June—the highest of 2018—the province was unable to replicate or surpass that rate at any time during the remainder of the year. From July to December seasonally-adjusted month-over-month price growth averaged 1.1 per cent. Furthermore, the average price over the first five months of 2018 lagged 2017's average price significantly, by an average of ten per cent. This price volatility skewed downward pushing the average price down 2.7 per cent to \$569,336 in 2018 compared to the previous year.

The federal mortgage stress test, higher mortgage rates and economic uncertainty throughout 2018, combined to shift demand to higher-density housing for those willing and able to buy a home thus the anemic price growth in 2018. Moreover, not only the shift from ground-oriented housing to high-density housing



pulled down prices but also fewer sales as potential buyers remained on the sidelines

By specific real estate boards, all boards—except for Ottawa-Carleton—posted lower home sales in 2018 compared to last year. Among the larger boards, Toronto led the way with a 16.4 per cent decline, Hamilton with a 17.7 per cent decline and the York Region with a 20.4 per cent decline. Together, these boards made up over 53 per cent of market activity in 2018. Below is a table that depicts the change in sales from 2017 to 2018 by board.

CREA, Ontario Home Sales			
Real Estate Board	2017	2018	Growth
Barrie	5,051	4,270	-15.5%
Brantford	2,589	2,019	-22.0%
Cambridge	2,393	1,946	-18.7%
Durham	10,745	8,572	-20.2%
Guelph	3,338	2,852	-14.6%
Hamilton	14,304	11,769	-17.7%
Kingston	4,081	3,681	-9.8%
Kitchener-Waterloo	6,573	5,839	-11.2%
London-St Thomas	11,246	9,747	-13.3%
Mississauga	9,341	7,790	-16.6%
Oakville-Milton	4,539	3,567	-21.4%
Ottawa-Carleton	17,326	17,713	2.2%
Peterborough	2,723	2,314	-15.0%
Sarnia-Lambton	1,871	1,687	-9.8%
Niagara	3,075	2,527	-17.8%
Thunder Bay	2,269	2,202	-3.0%
Toronto	93,158	77,909	-16.4%
Windsor	7,367	6,643	-9.8%
York Region	15,549	12,380	-20.4%
Ontario, all regions	221,111	190,830	-13.7%

We expect Ontario MLS® sales to decline further in 2019. Potential buyers will continue to contend with range-bound economic growth and an increase in mortgage rates late in 2019 will affect their savings for a down payment. Sales will come in five per cent lower in 2019 from 2018 at 181,289 units. Undoubtedly, fewer sales will pull down price growth in 2019 but also a changing mix of sales. Buyers still willing and able to purchase a home will continue to purchase higher-density housing. In 2019, Ontario's MLS® average price will give back two per cent and settle at \$557,949.

## Semi-durable goods and services price gains helped lift Ontario prices in December

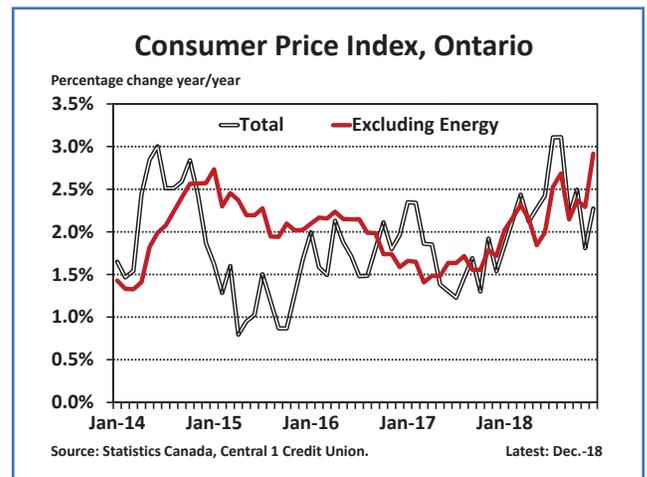
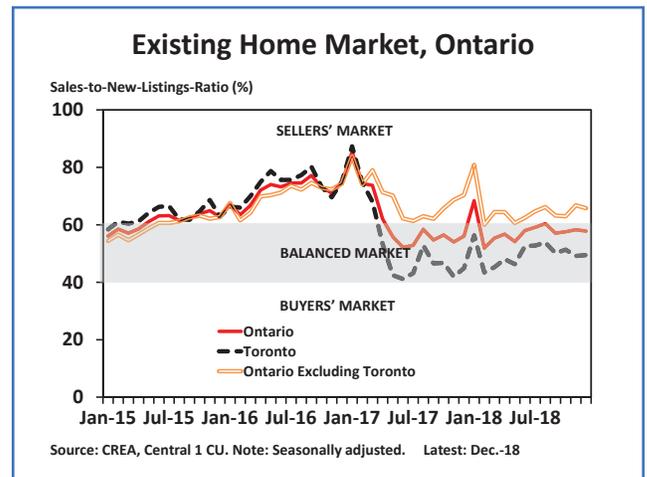
Headline inflation increased in December by 2.3 per cent up from 1.8 per cent in November (all figures year-over-year growth rates unless otherwise stated). The jump in inflation in December was due to price growth in other goods and services, excluding energy. Excluding energy prices—which have declined over the last two months—inflation increased by 2.9 per cent in December up from 2.3 per cent the previous month.

In 2018, inflation inched up 2.4 per cent over 2017 (average price growth comparing all of 2017 to all of 2018). Energy prices, particularly gasoline price appreciation helped lift prices for most of the year with gasoline prices jumping 11.1 per cent from 2017. Other areas that contributed to the overall pace of price growth included services (three per cent jump) and non-durable goods (2.2 per cent jump)

In December, goods and services prices moved up 2.3 per cent due to price growth to semi-durable goods (0.7 per cent growth) and services (3.9 per cent growth). Meanwhile, prices of durable and non-durable goods decreased by 0.3 and 0.1 per cent respectively.

Costs continued to climb for the following services and semi-durable goods:

- Food purchased from stores (3.3 per cent growth)
- Food purchased from restaurants (5.8 per cent growth)
- Clothing (1.2 per cent growth)
- Public transportation (17.5 per cent growth)
- Personal care (3.0 per cent growth)
- Alcohol beverages and tobacco products (6.1 per cent growth)



- Recreation, education, and reading (1.6 per cent growth)

In December, gains to electricity and water prices, which jumped respectively by 0.6 and 4.6 per cent, could not offset declines in other energy prices such as gasoline (13.5 per cent drop) and natural gas (3.3 per cent drop). The average price of regular fuel at self-serve gas stations declined significantly in Ottawa-Gatineau (17.3 per cent drop to 99.7 cents per litre) and Toronto (12.8 per cent drop to 105.5 cents per litre). In Thunder Bay, gasoline prices declined by a modest two per cent margin to 124.5 cents per litre.

Prices continued to climb in Ontario's metro markets due to gains in the above-mentioned areas as well as shelter costs. The growth in shelter costs was due to increased demand, increased utilities costs and increased financing costs from increased mortgage rates. Overall, Toronto and Ottawa-Gatineau prices increased 2.6 and 2.5 per cent respectively, while Thunder Bay prices increased 2.1 per cent.

With the holiday season in full swing, public transportation costs increased as people travelled to holiday parties or visited friends and family in other regions.

Moreover, holiday parties and family gatherings contributed to increased consumption of food purchased in restaurants and from stores, as well as alcoholic beverages and tobacco products.

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