

# Toronto home prices down 19 per cent from record high in March

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The country's housing market quickly turned in the spring of last year when the Bank of Canada launched its campaign to snuff out inflation by aggressively raising interest rates. Fred Lum/The Globe and Mail

Canada's two largest housing markets closed 2022 with another loss in December, bringing Toronto home prices down 19 per cent and Vancouver 10 per cent from record highs set earlier in the year, as borrowers continued to struggle with higher interest rates.

The Toronto home price index was \$1,081,400 in December, a notch under November levels and 19 per cent below the peak value in March, according to the Toronto Regional Real Estate Board or TRREB. That marked the ninth

straight month of home price drops in the country's largest real estate market.

Compared with December, 2021, when low interest rates fuelled a buying frenzy, the home price index is down 8.9 per cent. (The index excludes sales of extremely expensive homes and is the industry's preferred measure of home prices.)

The country's housing market quickly turned in the spring of last year when the [Bank of Canada](#) launched its campaign to snuff out inflation by aggressively raising [interest rates](#).

The typical five-year mortgage now has an interest rate that tops 5 per cent. That is more than double the going rate a year earlier. The higher borrowing costs have priced many prospective buyers out of the market and reduced competition for properties.

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The number of homes sold in the Toronto region in 2022 was 38 per cent lower than 2021.

The suburbs of Toronto have led the way down after prices nearly doubled over the first two years of the pandemic crisis. In Durham, to the east of the city of Toronto, the home price index dropped 24 per cent from the high in February of 2022. That follows an increase of 88 per cent during the pandemic's real estate boom in 2020 and 2021. Similarly, in the western suburb of Halton and northwestern region of Peel, the home price index fell 24 per cent and 22 per cent, respectively, from the spring to December.

TRREB noted that the home price index is not dropping as quickly as in the spring and summer. One reason could be the lack of inventory as

homeowners hang onto their properties and postpone potential sales. The number of new listings for the year was down 8 per cent compared with 2021.

"This helps explain why selling prices have found some support in recent months," the board's chief market analyst, Jason Mercer, said in a news release.

The real estate industry often points to the [robust levels of immigration in Canada](#) and says the influx of new permanent residents will bring in another group of buyers. The largest share of newcomers typically end up in the Toronto region, and last year was no exception.

However, mortgage rates are expected to remain at the relatively elevated levels and the central bank has said its interest rate hiking cycle is not over yet. Consequently, economists don't expect activity to rebound even with additional residents.

"The outlook for a recovery in the housing market remains limited," National Bank of Canada economists said in a note.

It was a similar story in the Vancouver region, the country's priciest real estate market. Home sales for the year were 34 per cent below 2021 and 13 per cent below the 10-year average. The number of listings were also down.

The home price index was \$1,114,300 in December, a 1.5-per-cent drop from November and 10-per-cent drop over the past six months. Compared to a year earlier, the home price index was down 3.3 per cent.

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