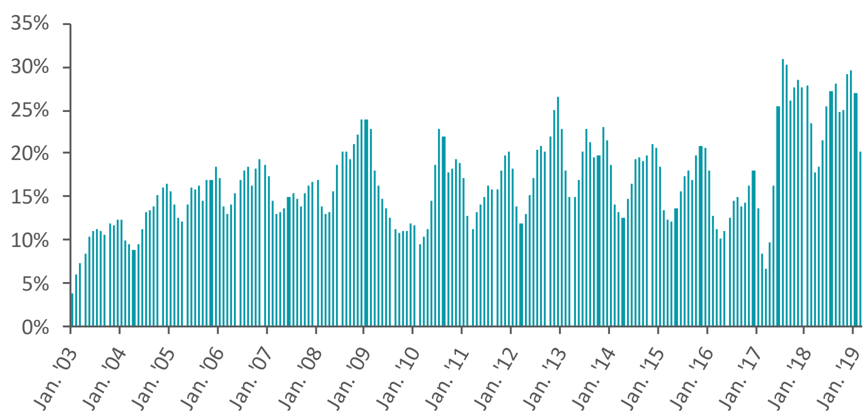
Detailed Analysis of Days on Market Statistics

To date, the statistics contained in TREB's monthly *Market Watch* publication are based on *listings*. This makes sense when we are counting the number of transactions, calculating average or median selling prices, counting new listings or counting active listings. However, there is one statistic that can certainly benefit from analysis deeper than the listing level: Average Days on Market – currently referred to as "Avg. DOM" in *Market Watch*.

Currently, when a listing is reported as sold, the listing's days on market are calculated by taking the difference between the sold date and the contract date. While this intuitively makes sense, this calculation is based on the individual listing and may not take into account the total days the *property* was on the market. This is because some properties may have been listed more than once by the same combination of owner, brokerage and salesperson during the original contract period. For example, the share of sold listings represented by properties listed, terminated and relisted at least once during the original contract period was approximately 20 per cent in February 2019. Chart 1 shows how this share has changed over time since the introduction of Stratus – TREB's MLS® System. The average share has been approximately 16 per cent over this longer time frame.

Chart 1: Share of Sold Listings with One or More List-Terminate-Relist Cycles

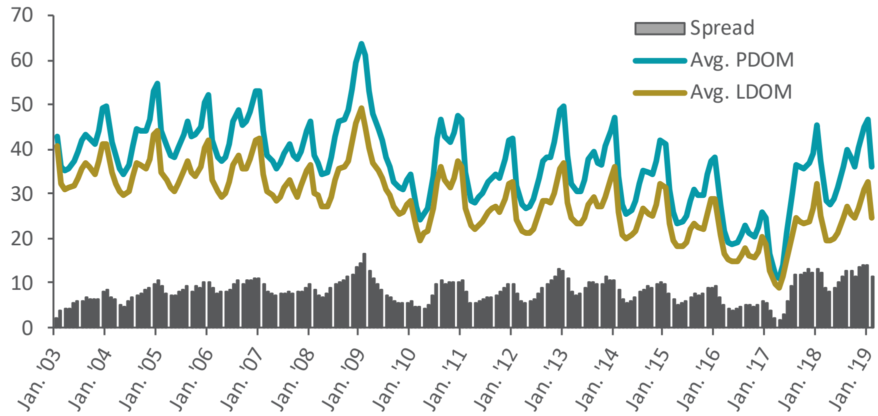


Source: Toronto Real Estate Board

Properties that have had at least one list-terminate-relist cycle before selling have an average days on market substantially higher than properties that were never terminated and relisted.

The days on market calculation for a *listing* obviously undercounts the number of days a *property* was on the market *if* there was one or more list-terminate-relist cycles for the property in question. To provide a more accurate measure of average days on market for a property, TREB has developed a new statistic called Average Property Days on Market, or "Avg. PDOM", which includes all *properties* that have sold through TREB's MLS® System, regardless of whether they have had a list-terminate-relist cycle or not. Chart 2 shows the average Listing Days on Market ("Avg. LDOM") and "Avg. PDOM" on a monthly basis since 2003, along with the difference between the two statistics over time.

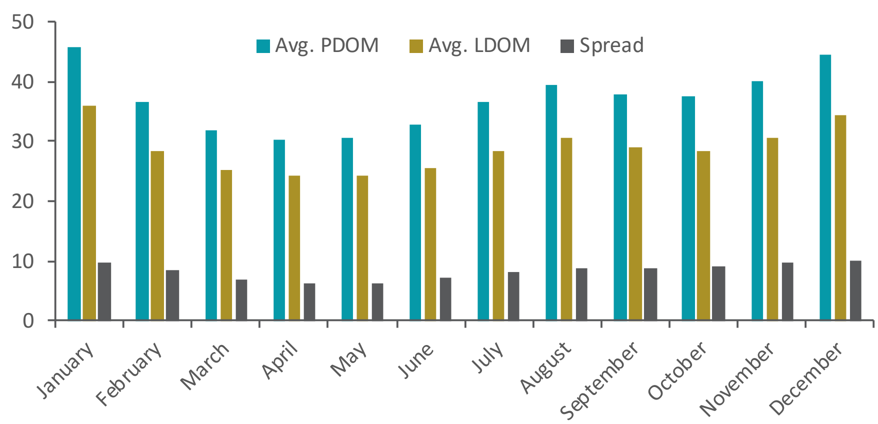
Chart 2: Average Property Days on Market ("Avg. PDOM")
vs. Average Listing Days on Market ("Avg. LDOM")



Source: Toronto Real Estate Board

Since January 2003, the average spread between the “Avg. LDOM” statistic and the new “Avg. PDOM” statistic was approximately eight days. In February 2019, the spread was approximately 11 days. Obviously, this spread has varied over time. First off, the spread is seasonal in nature, along with both days on market statistics generally. As Chart 3 shows, average monthly days on market and the spread between the two DOM statistics have been highest in the winter months and lowest in the spring months.

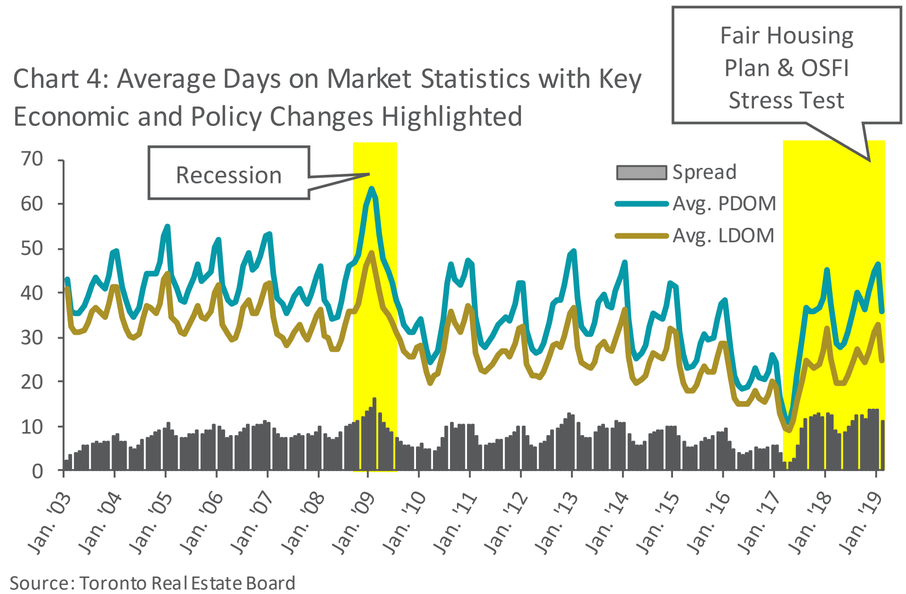
Chart 3: Avg. PDOM, Avg. LDOM and Avg. Spread
by Month of Year - 2003 to 2018



Source: Toronto Real Estate Board

The observed seasonality of the DOM statistics makes sense when we think about how transactions unfold each year, with the strongest months being in the spring. Presumably, this is the period of time when buyers and sellers are most motivated, so the average DOM tends to be lowest. The spread between the two DOM statistics tends to be lowest in the spring as well, likely because the greater number of transactions during this period allows for more in-depth comparative market analyses and more accurate positioning of listings in the market, which means there is less likelihood that a property's listing will be terminated and subsequently relisted to reposition that property in the marketplace.

Changes in economic conditions and government policy changes have also played a role in fluctuations in the DOM statistics and the spread between the two. The labels in Chart 4 highlight the fact that we have seen spikes in both DOM statistics and the spread between the two statistics during times of recession (2008 and 2009) and following significant policy changes, including the announcement of the Ontario Fair Housing Plan in 2017 and the onset of the OSFI-mandated mortgage stress test in 2018. These economic and policy changes ushered in a higher level of uncertainty into the marketplace. So, it stands to reason that this increased uncertainty also translated into more properties being terminated and relisted as property owners and their REALTORS® adjusted to changing market conditions.



It is also interesting to note, from Chart 4, that the average DOM statistics and the spread between the two statistics became very low in the 2016 to early 2017 period. Market conditions during this period were very tight, with homes selling very quickly. The spread between "Avg LDOM" and "Avg. PDOM" was below five days for much of 2016 and the first few months of 2017 and hit a low of approximately two days in April 2017. The share of sold listings with at least one list-terminate-relist cycle also hit a decade low, at 6.8 per cent (refer back to Chart 1) in March 2017.

This analysis points to the fact the "Avg. LDOM" and "Avg. PDOM" tend to follow the same overall trend over time. After taking into account seasonality, average days on market tends to increase during times of uncertainly brought about by changing economic conditions or changes in the policy environment. The spread between "Avg. LDOM" and "Avg. PDOM" speaks to the level of uncertainty, with the spread widening during periods of economic slow-down or policy changes geared to slowing the housing market. The spread widens because more property listings are being terminated and relisted as they are repositioned in the marketplace. Properties with at least one list-terminate-relist cycle tend to have a substantially higher number of days on market before selling.