

MARKET INSIGHTS

THE CANADIAN SOURCE FOR HOUSING INFORMATION | December 2019

We are pleased to share with you the seventh edition of the Teranet Market Insight Report. This report delivers a comprehensive analysis and new insights on the real estate market in Ontario and includes data compiled by our data scientists.

This edition will be the first part in a two-part feature focusing on the importance of the data that is available on title reports. Part 1 will have a specific focus on second charges registered on title. This report will explore trends relating to the volume and dollar amount of second charges that have been registered in Ontario since 2010. We will look at data from the past nine years and analyze property types with second charges and geographic information to gain further insight into title activity across the province.

Teranet's history with title data

Historically, searching titles in Ontario was a time consuming activity, as each search required a visit to a Land Registry Office to view paper indexes, original documents and plans. However, in 1985 the Government of Ontario initiated the Province of Ontario Land Registration Information System (POLARIS) project to start the automation of paper-based records. Teranet converted all qualified properties from the Registry System in Ontario to the Land Titles System and automated existing paper Land Titles parcels, all of which are now housed and processed on POLARIS.

The importance of a title report and title data

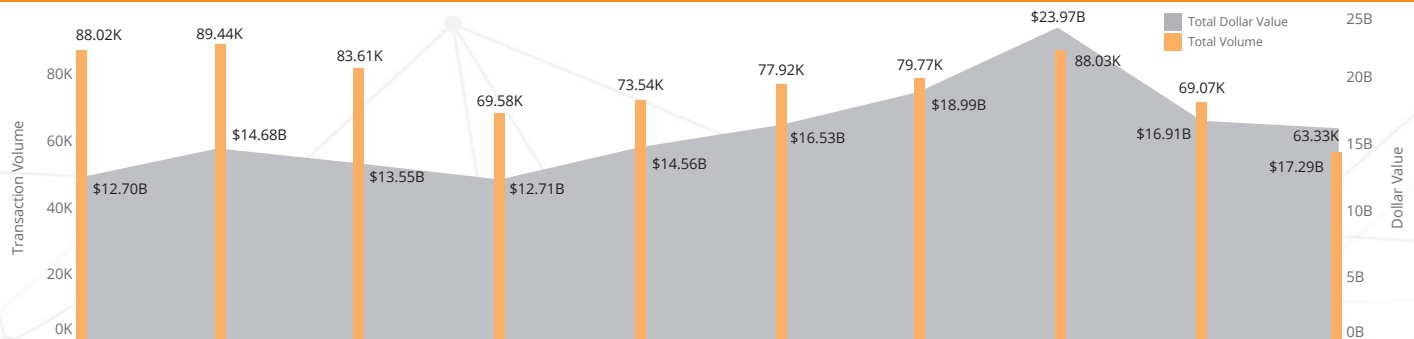
When Teranet customers pull title reports from POLARIS they are accessing the official land registration data from the

province of Ontario. These reports contain legal descriptions of the property, information about the legal homeowners, a history of transfers of ownership as well as any registrations or discharges of mortgages and liens. The data contained in a title report provides insights into property details and the risk associated with any single property. Teranet data provides insight into individual properties, but also into trends that are occurring at the provincial, municipal and even neighbourhood levels.

Second charges on title

Overall, the number of second charges registered on residential properties have had peaks and dips since 2010. However, the dollar amount of second charges since 2010 has continued to increase, with a peak in 2017. In 2010, 88,020 second charges were registered on title with a dollar value of \$12.70 billion. In 2017, the number of second charges were

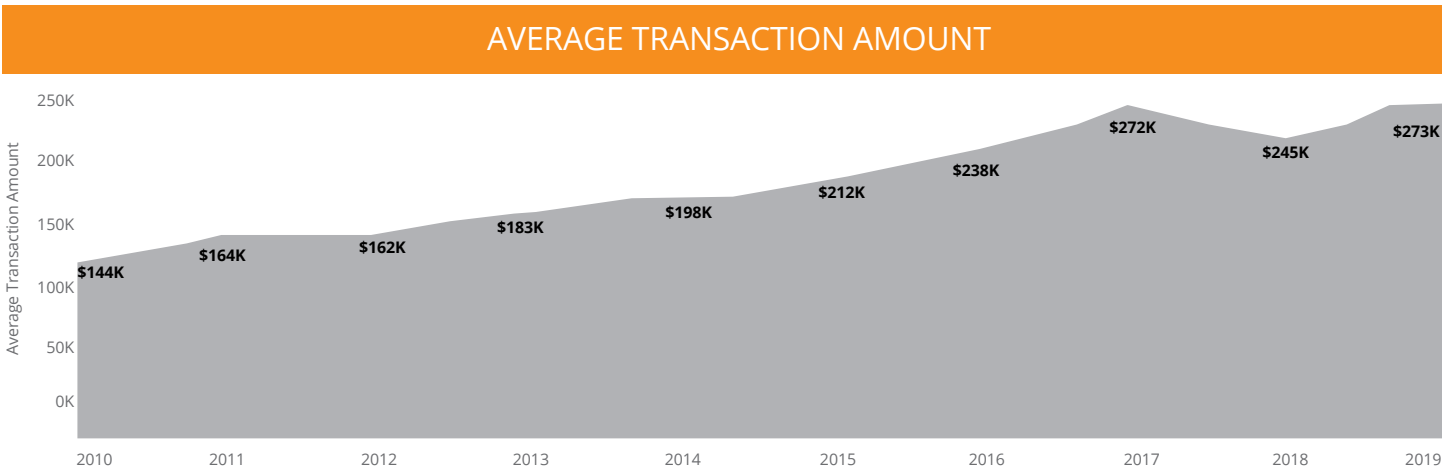
TOTAL VOLUME AND DOLLAR VALUE OF SECOND CHARGES



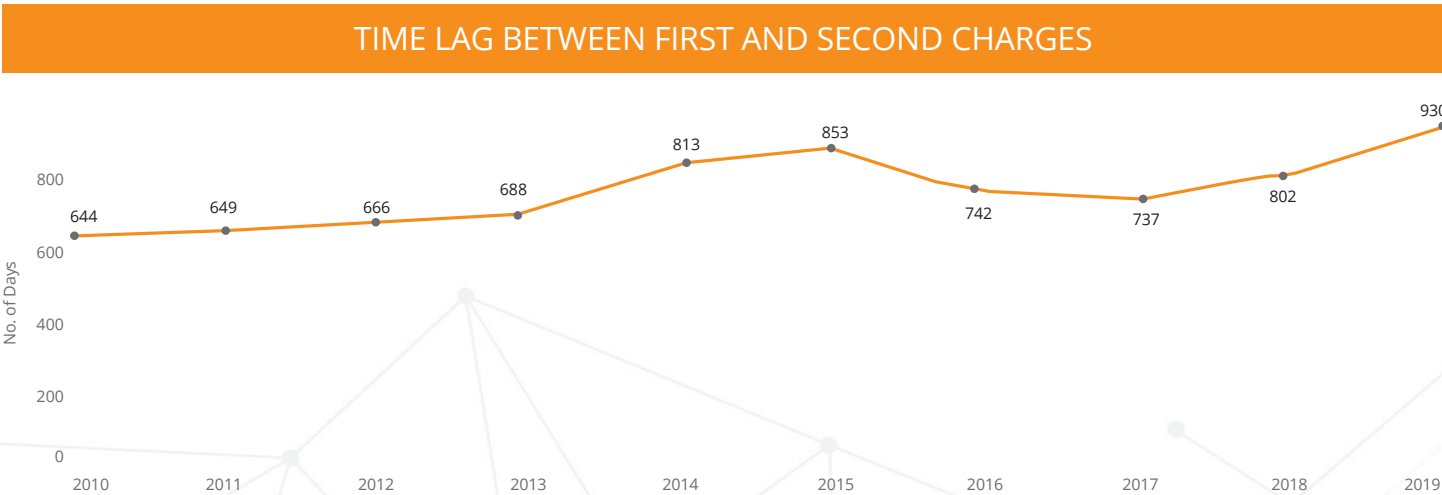
Source: Teranet

almost at the same level at 88,030, but the dollar amount of these charges was almost double at \$23.97 billion. 2011 had the highest number of second charges registered with 89,440, but the dollar amount of \$14.68 billion was much lower than that of 2017, which signifies that Ontario borrowers have to register larger second charges to keep up with high house prices. In fact, we can see that the average amount for a second charge on a property increased over \$100,000 from 2010 to 2019. In 2010, the average amount for a second charge was \$144,000 but in 2018, the amount had increased to \$245,000. As of October 2019, this amount increased again to \$273,000, which is higher than the previous peak in 2017 of \$272,000.

We can also see that homeowners are extending the length of time between their first and second charges by almost a full year. In 2010, the average length of time between a first and second charge was 644 days. In 2010, the average length of time between a first and second charge was 644 days. In 2018, this period increased to 802 days, and as of October 2019, the time lag between first and second charges lengthened to 930 days, highlighting that borrowers are waiting longer before applying for a second charge.



Source: Teranet



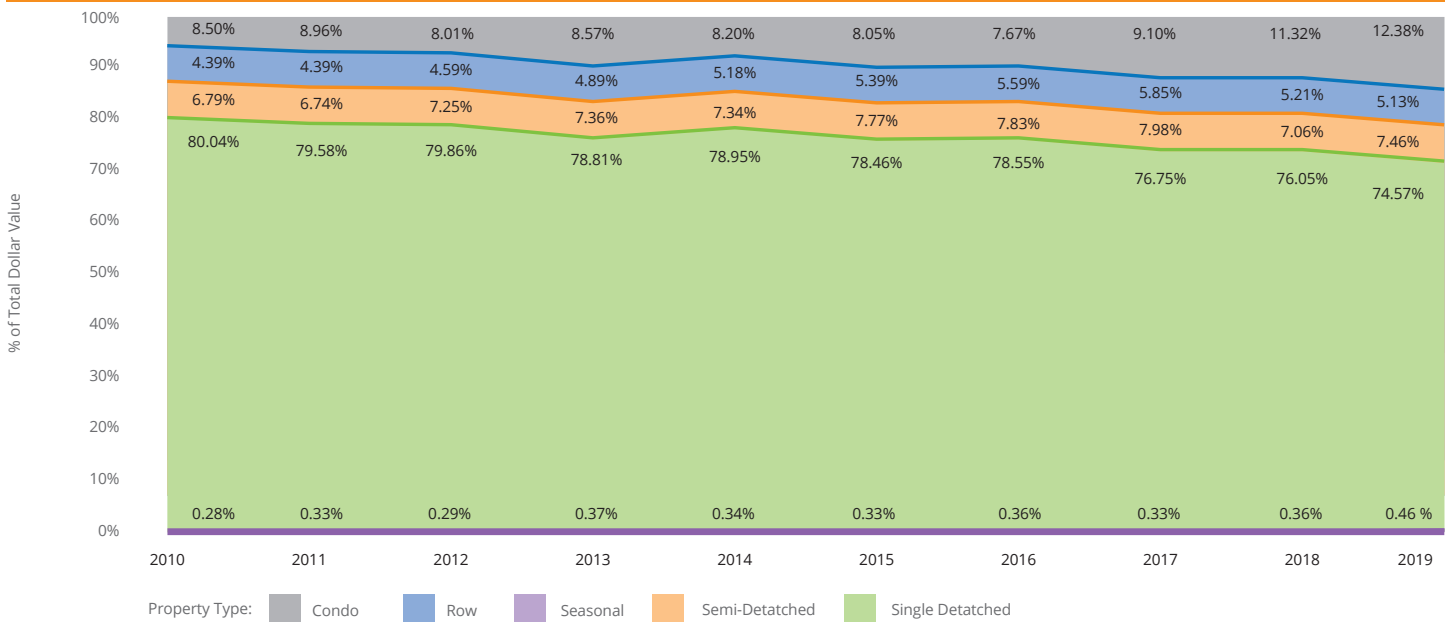
Source: Teranet

Second charges by property type

In addition to understanding how many second charges have been registered in the past nine years, we can dig deeper into the types of properties these charges are registered against. Amongst condos, row houses, semi-detached homes, single detached homes and seasonal properties, it's clear that the majority of second charges are registered in relation to single detached homes, which may be due to the fact that these properties have the highest asset value amongst the other kinds of properties.

While single detached homes represent the majority of properties with second charges, they have experienced a decline from 80.04% in 2010 to 74.57% as of October 2019. While the percentage of second charges registered on single detached homes has declined, we can see an increase in second charges on condos since 2016. Over the past four years, condos have experienced an increase of second charge registrations from 7.67% to 12.38%. Seasonal properties, while a minimal share of the second charges registered, have also experienced an increase since 2017 from 0.33% to 0.46%.

SECOND CHARGES BY PROPERTY TYPE

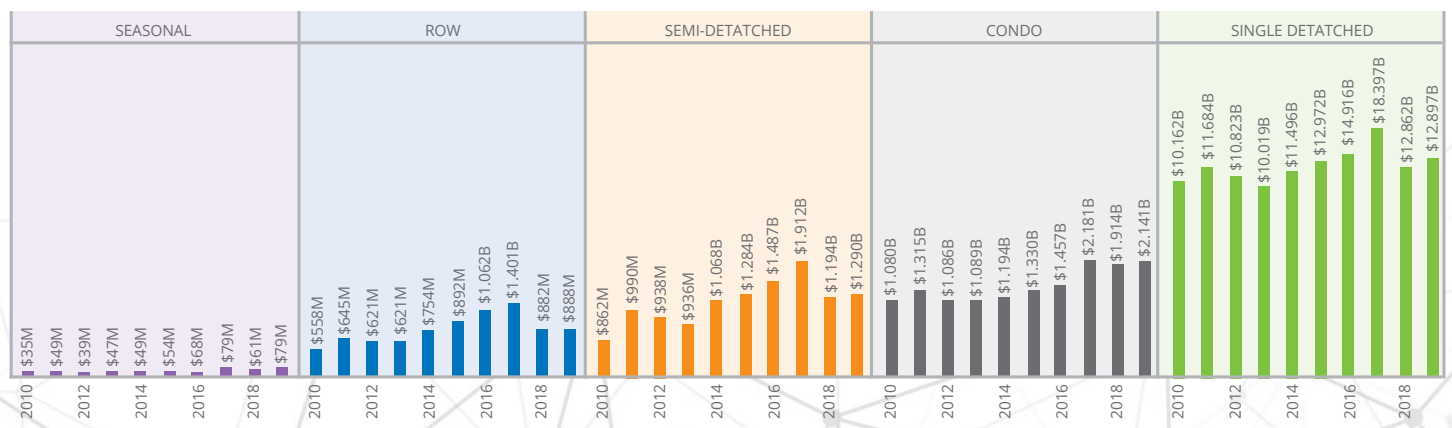


Source: Teranet

When we dig deeper into the number of transactions and dollar amounts of second charges associated with each property type we can see that while the number of second charges registered has decreased, the amounts have increased. In 2010, 66,652 single detached homes had second charges

registered, representing \$10.17 billion. The number of second charges dropped to 49,640 in 2018 and 44,771 as of October 2019, but the dollar amounts have increased to \$12.87 billion and \$12.89 billion respectively.

TOTAL DOLLAR VALUE BY PROPERTY TYPE

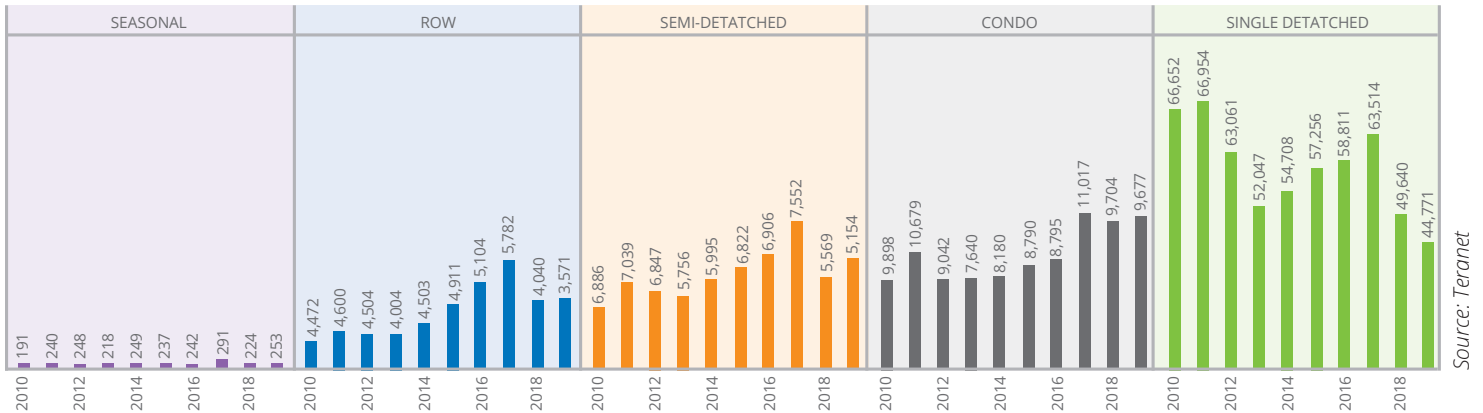


Source: Teranet

Across all property types the peak dollar amount of second mortgages registered occurred in 2017 when second mortgages represented \$18.40 billion in the single detached home space, \$1.91 billion in the semi-detached home space, \$1.4 billion in the row house space and \$2.18 billion in the

condo space. It is interesting to note that in the condo space, 2017 was also the peak for the volume of second charges registered, which highlights that the dollar amount for second charges registered in this space isn't as high as the single detached, semi-detached and row house spaces.

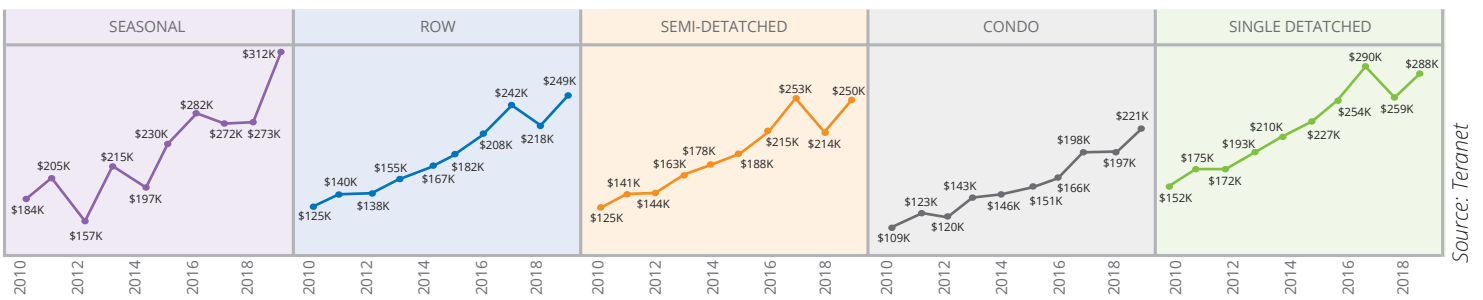
TOTAL VOLUME BY PROPERTY TYPE



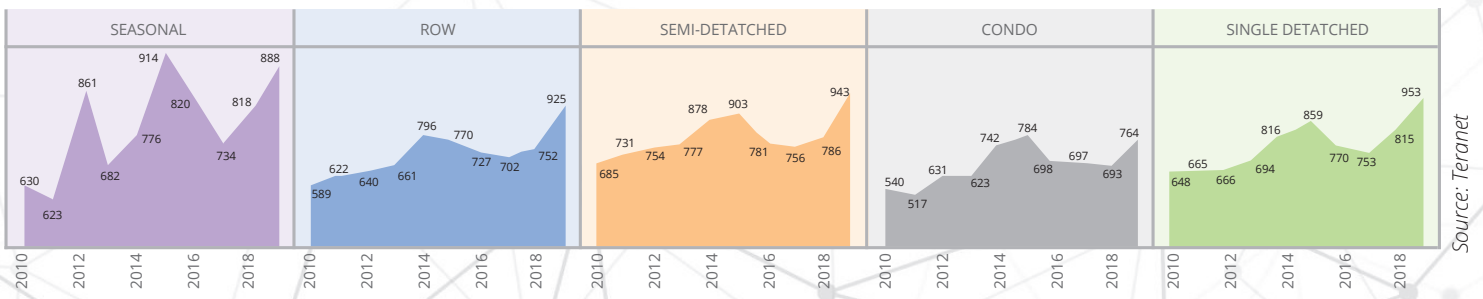
In fact, the average second charge in the condo space has consistently been at least \$50,000 less than second charges in the single detached space since 2010. As of October 2019, the average second charge reached a peak in all spaces except semi-detached, with \$312,000 in seasonal properties, \$288,000 in single detached properties, \$249,000 in row house properties and \$221,000 in condo properties. Since 2010, the average second charge has increased by at least double amongst seasonal, condo and semi-detached properties, and has almost doubled in the row house and single detached space. The average transaction amount has increased every year with an exception in both 2012 and 2017.

Similar to the average transaction amount, the time between the registration of first charges and second charges has increased across all property types since 2010. The only property types that didn't experience a peak in 2019 were condos and seasonal properties, which saw a peak of 784 days and 914 days respectively between the first and second charges in 2015. Row house properties experienced the most significant increase from 589 days in 2010 to 925 days in October of 2019, while the biggest time delay between first and second charges can be seen in the single detached space with a period of 953 days.

AVERAGE TRANSACTION AMOUNT BY PROPERTY TYPE



AVERAGE TIME LAG BY PROPERTY TYPE

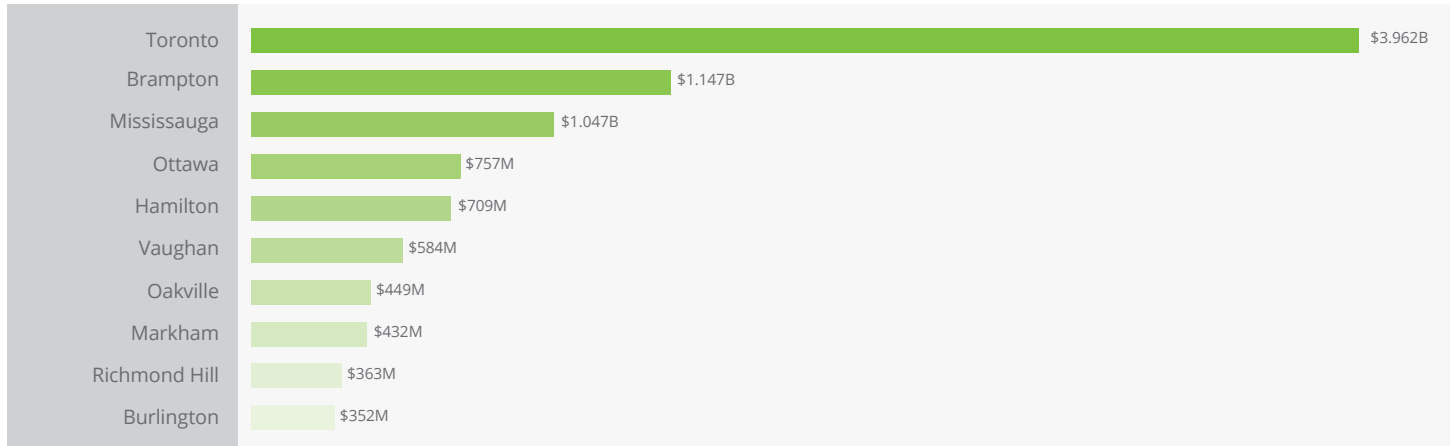


Second charges by municipality

When we look at the geographic breakdown of second charges in Ontario, it's not surprising that out of the top ten municipalities with the highest amount of second charges, Toronto, with the highest house prices and largest population,

is first with \$3.93 billion in 2019. The top four municipalities after Toronto are Brampton, Mississauga, Ottawa and Hamilton with \$1.15 billion, \$1.0 billion, \$757 million and \$709 million respectively.

ONTARIO TOP 10 MUNICIPALITIES: 2019 YTD



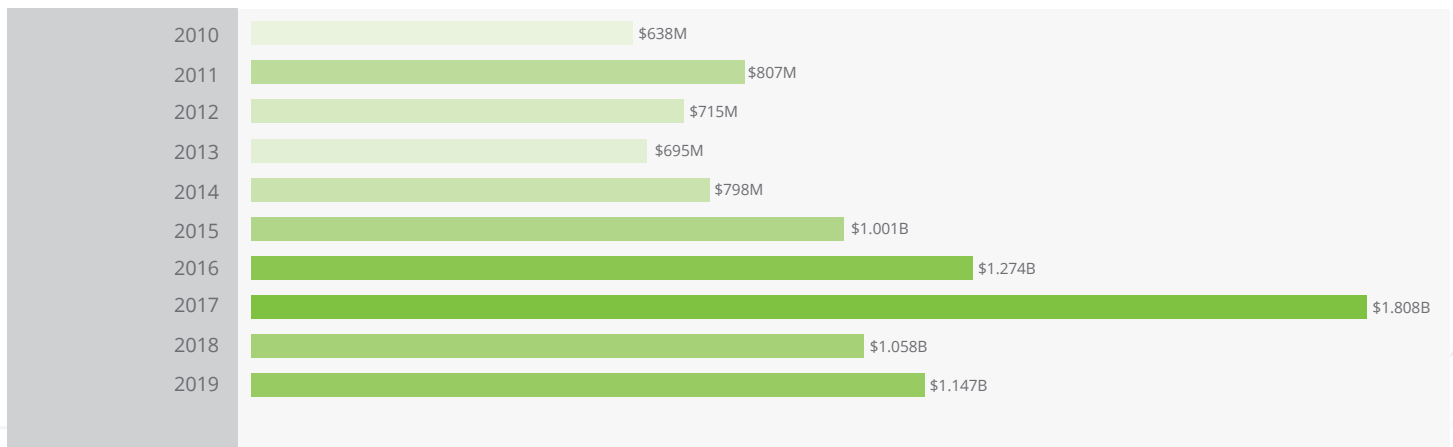
Source: Teranet

A spotlight on second charges in Brampton

While Toronto has consistently had the highest amount of second charges in Ontario, Brampton has experienced significant increases since 2010. Brampton's peak amount of second charges registered occurred in 2017 with \$1.81 billion, which was an almost three times increase from 2010

with \$638 million second charges registered. Although the total dollar value of second charges decreased after 2017, the amount has remained over \$1 billion since 2015 and increased from 2018 to 2019.

BRAMPTON: SECOND CHARGES BY YEAR

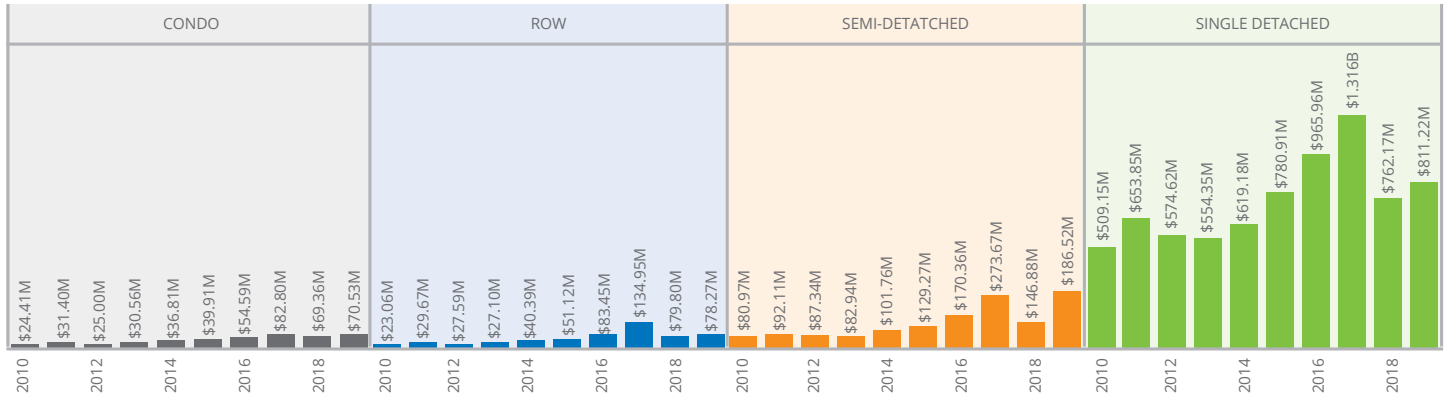


Source: Teranet

Single detached properties in Brampton account for the largest amount of second charges registered, which follows a similar trend to that of the province of Ontario as a whole. Across all property types the peak for the total dollar value of second charges registered occurred in 2017 with \$1.31 billion in single detached properties,

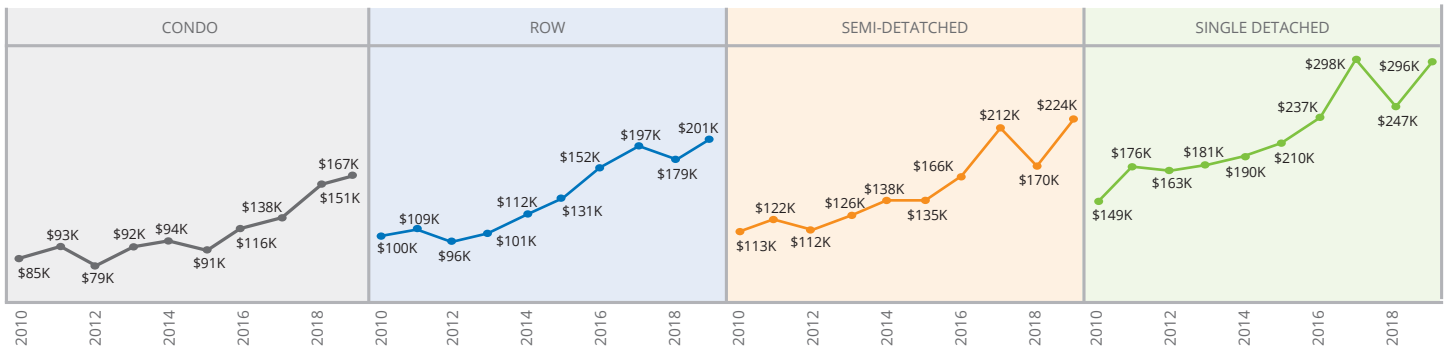
\$273 million in semi-detached properties, \$135 million in row house properties and \$82.80 million in condos. Single detached, semi-detached and condo properties experienced a dip from 2017 to 2018, which then increased in 2019, while row houses saw a further decrease in 2019 from \$79.80 million to \$78.27 million.

BRAMPTON: TOTAL DOLLAR VALUE BY PROPERTY



Source: Teranet

BRAMPTON: AVERAGE TRANSACTION AMOUNT BY PROPERTY



Source: Teranet

When we look at the average transaction amount we can see that all property types excluding single detached homes have reached a peak, and in some cases a significant peak, in 2019. The peak for single detached homes occurred in 2017 with an average transaction amount of \$298,000. Both row and semi-detached properties also saw significant jumps in 2017 from \$152,000 to \$197,000 and \$166,000 to \$212,000 respectively. Condo are the only property type that have experienced a year over year increase since 2015 when the average transaction amount was \$91,000 and as of October 2019 was at \$167,000.

Overall, all property types have experienced significant increases in the average transaction amount of second mortgages.

If you need more information about second charges, or other title trends, the Teranet Data Science Lab can help you dig deeper. Our data scientists will work closely with you to answer your questions with insights from our proprietary databases. Contact your Teranet Account Manager or Kan Zhu at kan.zhu@teranet.ca if you'd like to learn more.

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