

## CANADIAN REAL ESTATE MARKET OVERVIEW



This overview is provided courtesy of Coldwell Banker Affiliates of Canada. For more information on the Canadian real estate market, visit [www.coldwellbanker.ca](http://www.coldwellbanker.ca).

The Canadian residential resale market has generally been strong and stable for some years, driven by high demand and near historic low interest rates, although recent government legislation affecting foreign investors in Canada's most active markets is having some impact.

### Many Markets Reach Record Heights in the First Half of 2017

High sales activity and record, or near record, prices were seen in many markets in the first half of 2017 reaching a peak in March, amid a shortage of single family homes in the provinces of British Columbia (BC) and Ontario. This was particularly true in BC's Lower Mainland as well as in the Greater Toronto Area (GTA) and surrounding area of Southern Ontario bordering Lake Ontario, known as the Golden Horseshoe.

Efforts by various provincial and municipal governments to cool the demand for housing in Canada's most active and expensive markets through new legislation—first in Greater Vancouver in August of last year, and this April in the GTA—had some impact on sales activity. Yet, there are already signs that the effect of those measures may be relatively short-lived, as some markets are already regaining ground. The long-term effects cannot be fully known at this early stage.

### Housing market trends continue to diverge considerably among regions.

According to the latest quarterly forecast issued by The Canadian Real Estate Association (CREA), housing market trends continue to diverge considerably among four distinct regions: British Columbia; southern Ontario's Greater Golden Horseshoe region (including

Toronto); oil and natural resource dependent provinces (Alberta, Saskatchewan and Newfoundland & Labrador); and the remainder of Canada.

On the regional front:

- Some areas of BC are showing signs of recovering from last year's correction (after the August 2016 introduction of a 15% foreign buyer tax in 22 Vancouver markets). This suggests home buying sentiment in BC may already be starting to improve.
- In Ontario, the sales activity has cooled following housing measures introduced by the provincial government in April, including a 15% foreign buyer tax in the Greater Golden Horseshoe region.
- In natural resource intensive provinces, sales activity is running at lower levels and supply remains elevated.
- In other markets of Canada, rising sales have drawn down previously elevated levels of supply. As of May 2017, balanced market conditions remain in these markets.



## CANADIAN REAL ESTATE MARKET OVERVIEW

### Interest Rates Rise for the First Time in Seven Years

On July 12, 2017, The Bank of Canada, Canada's federal bank, raised interest rates by a quarter percent in the first central bank increase seen in seven years. Canada's five big banks soon announced an increase in the prime lending rate to 2.95% from the previous 2.7%.

*Canada's economic growth is forecast to be the fastest in the developed world.*

*"The recent interest rate increase had been widely anticipated," said Andy Puthon, president of Coldwell Banker Canada, "and many Canadians continue to enjoy near historic low interest rates. Meanwhile, Canada's economic growth is forecast to*

*be the fastest in the developed world, and strong fundamentals remain in place to support the housing market, such as high levels of immigration, and they all need housing."*

### Highlights of the 2017 CREA National Forecast

- National sales activity is forecast to decline by 1.5% to 527,400 units in 2017.
- Although little changed from the national total previously forecast, the update reflects an upward revision in BC's forecast, offset by a downward revision in Ontario.
- The national average price is forecast to rise by 7.4% to \$526,600, led by Ontario.

### Highlights of the 2018 CREA National Forecast

- National sales are forecast to further decline by a modest 0.8% to 523,200 units in 2018.
- The decline reflects fewer sales expected in BC and Ontario, following interest rate increases.
- The national average price is forecast to rise by 1.8% to \$535,400.
- An expected 5% price gain in Ontario is expected to be offset by an almost 4% decline in BC.

### July 2017 MLS® Statistics

According to recent monthly statistics released by The Canadian Real Estate Association (CREA), national home sales declined a further 2.1% in July 2017, the fourth consecutive monthly decline in transaction activity from an all-time record set in March. Meanwhile, pricing changed very little, still at record and near record levels in many markets, although pricing varies dramatically by region.

### Monthly MLS® Highlights:

- National home sales fell 2.1% in July versus the previous month.
- Month-to-month sales were down in almost two-thirds of local markets, led by the Greater Toronto Area (GTA) and nearby markets in the Golden Horseshoe.
- The number of newly listed homes edged back by 1.8% from June to July.
- The sales-to-new-listings ratio was little changed from a well-balanced 53.5%, a marked contrast to the high 60% range seen in the first quarter of 2017.
- There were 5.2 months of national inventory in July, the highest level since January of 2016, and more than a full month higher than where it stood in March.
- The actual average price for MLS® home sales in July was \$478,696, down just 0.3% from a year ago.
- Excluding Canada's two most expensive markets, Greater Vancouver and the GTA, the average MLS® home price is a more modest \$381,297.

### Market Conditions Vary Greatly

Although it's interesting to note trends in the national picture, the Canadian market has been increasingly characterized by regional disparities in recent years. These regional disparities underscore the importance of dealing with a local real estate professional.

*"Market conditions can vary dramatically from city to city, or between neighbourhoods, and even on the same street," confirms Puthon. "Rapidly-changing economic news, regional market disparities and changes in legislation make it all the more important to consult a local real estate professional, who can help you evaluate your choices to make an informed decision."*

