

Canadians can expect a vibrant spring real estate market, with home prices rising modestly

Royal LePage recommends a regional approach to mortgage stress test if federal government goes ahead with changes in 2020

- *Home prices increase 2.2 per cent in Q4 as buyers continue to move off the sidelines*
- *Greater Toronto Area home prices heat up as demand outstrips supply*
- *Greater Montreal Area sees strongest appreciation rate in almost a decade*
- *For what is believed to be the last time this business cycle, Greater Vancouver home prices decline year-over-year – and stabilize on quarterly basis*

TORONTO, January 9, 2020 – According to the Royal LePage House Price Survey released today, the aggregate^[1] price of a home in Canada increased 2.2 per cent year-over-year to \$648,544 in the fourth quarter of 2019. Similar to the third quarter, potential buyers are continuing to come back to the real estate market. In the first half of 2019, buyers had remained largely at the sidelines waiting to gauge the potential impact of the federal mortgage stress test.



“We have successfully navigated the first significant national housing market correction since the Great Recession a decade ago,” said Phil Soper, president and CEO, Royal LePage. “While the drop in the number of properties bought and sold during the 2018-19 downturn was large, the value of homes in Canada held up remarkably well, with only minor, single-digit declines in the areas of Ontario and B.C. that had experienced the most aggressive price inflation in recent years, and of course those regions still suffering from a downturn in the oil and gas sector.

“The federal government has signaled that changes could come to the mortgage stress test mechanism in 2020,” said Soper. “The stress test pushed people out of real estate markets across Canada temporarily. For the most part, buyers have adjusted, yet it still represents a significant hurdle as families pursue the dream of owning their own home.”

Soper added that the impact of the regulations-driven drop in demand is felt very differently in different parts of the country.

“We believe policy makers have the necessary experience to modify the tool to meet the reality of today’s Canada – that we have very different and varied economies, and by extension housing policy needs, from region to region,” said Soper.

The Royal LePage National House Price Composite is compiled from proprietary property data in 64 of the nation’s largest real estate markets. When broken out by housing type, the median price of a two-storey home rose 2.3 per cent year-over-year to \$761,817, while the median price of a bungalow increased modestly by 0.7 per cent to \$537,622. Data analyzed contains both resale and new build transactions, provided by Royal LePage’s sister company, RPS Real Property Solutions.

Across Canada, condominiums remained the fastest appreciating housing type, with the median price rising 3.3 per cent year-over-year to \$487,525. Largely, condominium data is weighted towards the country’s largest urban centres where the majority of them are found. The median price of a condominium rose 7.8 per cent year-over-year to \$565,919 in the Greater Toronto Area and 4.4 per cent year-over-year in the Greater Montreal Area to \$338,148 during the fourth quarter. However, national price gains were offset by year-over-year declines in Greater Vancouver’s real estate market where the median price of a condominium decreased 3.4 per cent to \$645,607. Nationally, after significant price gains in recent years in the condominium segment, double digit gains have become more rare as the price of a detached home is now more attractive as the gap between the two segments tightens, especially for millennials looking for more space for their growing families.

According to the Royal LePage Market Survey Forecast, released in December 2019, the aggregate price of a home in Canada is expected to increase 3.2 per cent year-over-year in 2020, rising to \$669,800. The company’s 2020 forecast is dependent on consistent economic conditions, assuming no new housing policy changes. **[Royal LePage’s 2020 forecast](https://docs.rlpnetwork.com/rlp.ca/PressReleases/National_Royal_LePage_2020_Forecast.pdf)** **[<https://docs.rlpnetwork.com/rlp.ca/PressReleases/National_Royal_LePage_2020_Forecast.pdf>](https://docs.rlpnetwork.com/rlp.ca/PressReleases/National_Royal_LePage_2020_Forecast.pdf)** includes regional aggregate and housing type forecasts.

MARKET SUMMARIES

Greater Toronto Area

Low supply, population growth and increased consumer confidence continued to fuel home prices in the Greater Toronto Area. In the fourth quarter, the aggregate price of a home in the region increased 4.8 per cent year-over-year, rising to \$843,609. During the same period, the median price of a standard two-storey home and bungalow increased 4.4 and 2.4 per cent to \$982,944 and \$806,977 while condominiums rose 7.8 per cent to \$565,919.

“The Greater Toronto Area is at a pivot point where we are seeing signs that prices could begin to rapidly increase,” said Kevin Somers, Chief Operating Officer, Royal LePage Real Estate Services

Limited. “The region has a very low supply of listings while we are seeing more potential buyers trying to enter the market.”

Home price growth varied significantly across the region. While some areas showed stabilizing prices and healthy price growth, many regions, including the city centre, showed the potential for rapidly accelerating appreciation rates driven by high demand and low inventory. Significant price gains were seen in Pickering and Mississauga, where the aggregate price increased 9.7 per cent and 7.9 per cent year-over-year, respectively. The aggregate price of a home in the City of Toronto increased 6.6 per cent year-over-year.

The cities of Ajax and Oshawa were the only two areas to show a year-over-year decline in aggregate price. The aggregate price of a home in Ajax and Oshawa decreased 1.2 per cent and 1.8 per cent to \$661,049 and \$524,423, respectively.

Greater Montreal Area

In the fourth quarter of 2019, the aggregate price of a home in the Greater Montreal Area increased 6.3 per cent year-over-year to \$433,993, the highest rate of appreciation since the fourth quarter of 2010. High demand coupled with low inventory fueled two-storey and bungalow home prices as their median prices rose 7.2 per cent and 5.9 per cent respectively to \$548,374 and \$336,981. The median price of a condominium in the region increased 4.4 per cent year-over-year to \$338,148, posting the lowest increase among the three property types surveyed in the fourth quarter.

“The fourth quarter is historically the least active, but demand remained intact until the end of the year in the Greater Montreal Area,” explained Dominic St-Pierre, vice-president and general manager of Royal LePage for the Quebec region. “This increased competition has not only reduced inventory, it has changed seller behaviour. Sellers are more likely to wait until they find their next home before listing their current home. At this point, the seller is experiencing the same frustration as the buyer with little selection to choose from and escalating prices. This exacerbates the inventory problem.”

St-Pierre added that the upward trend in price appreciation over the past three years in the region stems from the continued good economic performance driving growth in demand across all buyer segments.

“We are currently in a ‘perfect storm’ for an exceptionally competitive spring market: interest rates are low; employment rates are healthy; listing inventory is limited; and, all buyer segments are active, including first-time buyers, baby boomers, newcomers and foreign buyers,” said St-Pierre.

Greater Vancouver

While Greater Vancouver continued to show a year-over-year decline in home prices, the fourth quarter showed signs of a market moving towards recovery. The aggregate price of a home in Greater Vancouver decreased 4.8 per cent year-over-year to \$1,107,719 in the fourth quarter of 2019. In comparison, in the third quarter of 2019, the aggregate price of a home in the region had decreased 5.2 per cent compared to the same period in the previous year.

Broken out by housing type, the median price of a standard two-storey home and bungalow in Greater Vancouver decreased 4.7 per cent (-4.2% in Q3) and 6.7 per cent (-7.6% in Q3) year-over-year to \$1,443,918 and \$1,195,003, respectively, while the median price of a condominium in the region decreased 3.4 per cent (-5.9% in Q3) year-over-year to \$645,607.

“Sales volume is up and inventory is decreasing. This is a good sign of a recovery on the horizon,” said Randy Ryalls, general manager, Royal LePage Sterling Realty. “We’re likely to see some moderate price growth after last year’s decline in prices. The window of opportunity for buyers to get a deal is closing quickly for most typical buyers. There remain some excellent opportunities in the luxury market.”

Ryalls added that Greater Vancouver’s real estate market was fairly balanced in the fourth quarter.

“Sellers were able to purchase a new home and then sell their current property in a pretty short window,” said Ryalls. “It was a healthy market for both buyers and sellers.”

Ottawa

Low inventory and a tight rental market continue to put upward pressure on Ottawa home prices. The aggregate price of a home in Ottawa had a healthy year-over-year increase of 5.3 per cent in the fourth quarter of 2019, rising to \$493,947. The median price of a two-storey home increased 4.4 per cent year-over-year to \$521,524 while the median price of a bungalow saw a strong increase, rising 10.1 per cent year-over-year to \$501,195. During the same quarter, the median price of a condominium saw an increase of 2.1 per cent year-over-year to \$329,828.

“Ottawa’s real estate market saw healthy sales activity through December,” said Kent Browne, broker and owner, Royal LePage TEAM Realty. “If demand continues to outstrip supply, we expect to see further price growth this spring.”

Browne added that Ottawa’s strong local economy, supported by good employment, entices Canadians from other regions looking to move.

Calgary

While the recovery of Calgary's real estate market has been slow, quarter-over-quarter price trends have been encouraging for homeowners. The aggregate home price in Calgary decreased 2.3 per cent year-over-year to \$469,916 in the fourth quarter of 2019. However, in the last six months of 2019, the aggregate price of a home in Calgary increased 2.1 per cent, from \$460,089 in the second quarter of 2019.

Broken out by housing type, the median price of a two-storey home decreased 1.0 per cent year-over-year to \$514,139, while the median price of a bungalow decreased 4.1 per cent year-over-year to \$488,521. Meanwhile, the median price of a condominium decreased 6.9 per cent year-over-year to \$265,488.

"Sales have improved and inventory has gone down in both detached houses and townhomes. Buyers are taking advantage of reduced prices, primarily in the single-family home segment," said Corinne Lyall, broker and owner, Royal LePage Benchmark. "There is still a surplus of condos available offering excellent choice for buyers looking at turnkey properties with little maintenance."

Edmonton

Home prices in Edmonton were relatively flat in the fourth quarter. The aggregate price of a home in Edmonton decreased 0.7 per cent year-over-year to \$379,426. Broken out by housing type, the median price of a standard two-storey home increased 1.2 per cent year-over-year to \$435,426 and the median price of a condominium remained relatively flat, increasing 0.3 per cent to \$230,969. During the same period, the median price of a bungalow decreased 5.1 per cent year-over-year to \$361,943.

"Home buyers in Edmonton have adjusted to the mortgage stress test and sellers are making appropriate compromises," said Tom Shearer, broker and owner, Royal LePage Noralta Real Estate. "Sellers are optimistic when meeting buyers that they are ready to make a purchase."

Shearer added that he expects to see moderate growth in home sales this spring but price growth will be modest in 2020.

Halifax

The aggregate price of a home in Halifax remained relatively flat in the fourth quarter of 2019, decreasing 0.6 per cent year-over-year to \$318,768. The median price of a two-storey home increased 0.4 per cent year-over-year to \$336,353. The median price of a bungalow was flat with a decrease of 0.2 per cent year-over-year to \$267,036, while the median price of a condominium saw a decrease of 3.7 per cent year-over-year to \$319,897.

“Momentum and consumer confidence is building in Halifax,” said Matt Honsberger, broker and owner, Royal LePage Atlantic. “Rental inventory is tight, and inventory among homes listed for sale is a little over half what it would have been last year. That’s the formula for price growth in the spring when demand escalates.”

Winnipeg

Winnipeg home prices saw strong gains in the fourth quarter. The aggregate home price in the region rose 7.4 per cent year-over-year to \$321,346. During the same period the median price of a bungalow rose 5.3 per cent year-over-year and the median price of a condominium rose 1.1 per cent year-over-year to \$306,293 and \$232,875, respectively. The median price of a standard two-storey home increased 10.2 per cent year-over-year to \$353,536.

“Sales are up across the detached home market, and sales of homes above \$800,000 have been especially brisk,” said Michael Froese, managing partner, Royal LePage Prime Real Estate. “While demand has been strong, there is ample inventory, providing buyers choice and maintaining affordability.”

Regina

The aggregate home price in Regina decreased 2.8 per cent year-over-year to \$314,937 in the fourth quarter. The median price of a two-storey home increased 1.2 per cent and the median price of a bungalow decreased by 4.6 per cent year-over-year, to \$387,892 and \$286,402, respectively. The median price of a condominium decreased 15.0 per cent year-over-year to \$200,261.

“Resale two-storey homes were struggling to compete against new build homes in 2018 as builders reduced prices to encourage sales,” said Mike Duggleby, managing partner, Royal LePage Regina Realty. “Now that the oversupply of new build homes is under control, resale homes are beginning to regain some of those price concessions.”

For more regional analysis, visit Royal LePage’s **[media room](https://www.royallepage.ca/en/realestate/about-us/media-room/)** **[<https://www.royallepage.ca/en/realestate/about-us/media-room/>](https://www.royallepage.ca/en/realestate/about-us/media-room/)** to find **[city-specific releases](https://www.royallepage.ca/en/realestate/info-and-advice/market-reports-and-surveys/regional-market-updates/)** **[<https://www.royallepage.ca/en/realestate/info-and-advice/market-reports-and-surveys/regional-market-updates/>](https://www.royallepage.ca/en/realestate/info-and-advice/market-reports-and-surveys/regional-market-updates/)**. The media room also contains **[royalty-free assets](https://www.royallepage.ca/en/realestate/about-us/media-room/media-assets/)** **[<https://www.royallepage.ca/en/realestate/about-us/media-room/media-assets/>](https://www.royallepage.ca/en/realestate/about-us/media-room/media-assets/)**, such as images and b-roll, that are free for media use.

[Royal LePage National House Price Composite in the Fourth Quarter of 2019](https://docs.rlpnetwork.com/rlp.ca/hps/Royal_LePage_HPS_Composite_Q4_2019.pdf)

https://docs.rlpnetwork.com/rlp.ca/hps/Royal_LePage_HPS_Composite_Q4_2019.pdf (.PDF)

About the Royal LePage House Price Survey

The Royal LePage House Price Survey provides information on the three most common types of housing in Canada, in 64 of the nation's largest real estate markets. Housing values in the Royal LePage House Price Survey are based on the Royal LePage Canadian Real Estate Market Composite, produced quarterly through the use of company data in addition to data and analytics from its sister company, RPS Real Property Solutions, the trusted source for residential real estate intelligence and analytics in Canada. Commentary on housing and forecast values are provided by Royal LePage residential real estate experts, based on their opinions and market knowledge.

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[1] Royal LePage's aggregate home price is based on a weighted model using median prices and includes all housing types.

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