

Royal LePage: National home prices rise sharply in second quarter as housing supply struggles to keep up with surge in demand

Balance expected to return to market in second half of the year

- Two-storey house prices outpace condos as home-bound Canadians place premium on space
- Ontario posts Canada's highest home price increases, with Mississauga in top spot at 13.5% year-over-year
- Royal LePage revises Canadian home price forecast upwards to 2.3% by year end 2020, as low rates and pent-up demand face limited housing supply

TORONTO, July 9, 2020 –According to the Royal LePage House Price Survey and Market Survey Forecast released today, the aggregate^[1] price of a home in Canada increased 6.8 per cent year-over-year to \$673,072, in the second quarter. Once provinces allowed regular real estate activity to resume, demand surged in many markets. Inventory levels, already constrained pre-pandemic, have failed to keep pace.



“Home prices shot up in the second quarter as a crush of buyers entered the market, attracted by extremely low interest rates and the perception of bargains to-be-had,” said Phil Soper, president and CEO of Royal LePage. “Across Ontario and Quebec in particular, the demand for housing outpaced the growth in supply, especially in the early weeks post-lockdown. The surge in the number of first-time buyers was felt acutely, as these housing consumers soaked up supply without contributing to it.”

Soper continued, “We are now seeing sellers return to the market in key supply-constrained regions in numbers sufficient to meet demand. Home buyers should enjoy more reasonable conditions with stable prices and improved selection in the second half of the year.”

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 standard two-storey home rose 8.0 per cent year-over-year to \$794,392, while the median price of a bungalow increased 3.9 per cent to \$550,289. The median price of a condominium increased 5.3 per cent year-over-year to \$503,983.

“COVID-19 shaped the real estate market during the second quarter in every possible way,” said Soper. “As consumers and Realtors^[2] complied with April’s shelter-at-home directives and only urgent housing needs were serviced, sales volumes plummeted to one-third of normal in our largest cities. As the reality of extended and potentially permanent work-from-home employment sunk in, people pondered both the location and size of their homes. Simply put, larger homes in smaller communities have become more fashionable. As competition for these properties heats up, bidding wars are more common in what were our quieter cities and towns.”

Across Canada, the 11 regions to post the highest year-over-year gains in median home price were in Ontario. In order, Mississauga (13.5%), Windsor (12.2%), Markham (11.9%), Ottawa (11.7%), Niagara/St.Catharines (11.3%), London (10.5%), Brampton (10.4%), Toronto (10.2%)/Greater Toronto Area (10.0%), Guelph (9.9%), Kitchener/Waterloo/Cambridge (9.8%), and Milton (9.7%).

Immigration

Immigration has been disrupted by pandemic travel restrictions, with the impact to real estate markets varying across regions and housing segments. Royal LePage’s 2019 Newcomer study showed that upon arriving in Canada, only 15 per cent of newcomers purchase their first home. The average time period after which newcomers will purchase a property is three years after arriving in Canada.^[3]

“Our research shows that many of the newcomers to our nation who intended to buy a home this year have already been living in Canada for three or more years,” said Soper. “A short-term drop in the number of new immigrants and international students will not directly impact home sales in the current year, as most newcomers will rent their first home. We may feel the impact of fewer new Canadians in our residential investment market with less demand for rental units. Mitigating the impact of this trend is a surge in first-time buyer interest. Some landlords may choose to sell to eager millennial families if rental demand softens.”

Lengthy Economic Recovery and Revised Royal LePage Forecast

As home sellers return to the market, inventory levels are expected to rise, relieving the acute upward pressure on home prices that characterized the supply-constrained second quarter of 2020. Uncertainty clouds Canada’s real estate outlook as a lengthy recovery for the Canadian and world economies is expected. The negative impact on home prices should be muted by the balanced nature of Canadian housing, as chronic housing supply shortages offset dampened medium-term demand.

Royal LePage has revised its forecast slightly upward, with the national aggregate price expected to end 2020 up 2.3 per cent to \$663,000 in the fourth quarter compared the same period in 2019.

REGIONAL SUMMARIES

Greater Toronto Area

Pent-up demand coupled with a lack of supply in the Greater Toronto Area (GTA) resulted in significant price appreciation in the second quarter. The aggregate price of a home in the GTA increased 10.0 per cent year-over-year to \$899,001 in the second quarter of 2020. When broken down by housing type, the median price of a standard two-storey home increased 10.7 per cent year-over-year to \$1,050,323 and the price of a bungalow rose 6.4 per cent year-over-year to \$852,260. During the same period, condominiums in the region continued to see strong price appreciation, with the median price rising 9.3 per cent year-over-year to \$599,235.

“Prior to the market disruption caused by the pandemic, the GTA was on track for double-digit price growth in 2020. While the first half of the second quarter saw market activity severely curtailed, as soon as the market woke up in late May, sales quickly accelerated,” said Kevin Somers, chief operating officer, Royal LePage Real Estate Services Limited. “However, with listings not keeping pace and buyer competition high, we are again seeing double-digit price appreciation in the region.”

Royal LePage is forecasting that the aggregate price of a home in the Greater Toronto Area will increase 4.0 per cent to \$882,000 in the fourth quarter of 2020 compared to the same quarter last year.

“While buyer demand outstripping inventory has been typical of the Toronto market, the return of buyers before sellers in the second half of the quarter amplified price growth,” said Somers. “Sellers are now returning and while buyers should not expect bargains, they may find the second half of the year more reasonable for inventory and price appreciation.”

Greater Montreal Area

The Greater Montreal Area aggregate home price rose 7.7 per cent year-over-year to \$449,996, in the second quarter of 2020.

With the resumption of real estate brokerage activities on May 11, after being shut down for more than a month, all property categories in the region saw significant price appreciation. The jump in appreciation was largely due to substantial pent-up demand from buyers who had to put their activity on hold during the shut down.

Looking at prices by property type, the median price of a standard two-storey home in the Greater Montreal Area saw a strong increase of 8.7 per cent this quarter, compared to the second quarter of

2019, reaching \$566,874. The median price of a bungalow rose 7.2 per cent year-over-year to \$351,015, during the same period. Despite an increase of new listings in June, the median price of a condominium increased by 5.6 per cent year-over-year to \$351,889.

“While we were experiencing unprecedented demand for real estate prior to the pandemic, the suspension of transactions during the lockdown has widened the gap between supply and demand,” said Dominic St-Pierre, vice president and general manager, Royal LePage for the Quebec region. “In my 18-year career, I have never seen such a tight ratio between the number of active listings and sales, reaching a new high in this sellers market, despite the fact that the Montreal region has been hit the hardest by the pandemic and lockdown in Canada.”

As a result, Royal LePage is forecasting the aggregate price of a home in the Greater Montreal Area will increase 3.5 per cent to \$452,000 in the fourth quarter of 2020 compared to the same quarter last year.

Greater Vancouver

The aggregate price of a home in Greater Vancouver increased 1.9 per cent year-over-year to \$1,109,069 in the second quarter of 2020. Broken out by housing type, the median price of a standard two-storey home in Greater Vancouver increased 3.7 per cent year-over-year to \$1,455,027 in the second quarter. During the same period, the median price of a condominium in the region remained relatively flat, decreasing 0.4 per cent year-over-year to \$638,242, while the median price of a bungalow decreased 1.1 per cent to \$1,189,692.

“The Greater Vancouver real estate market is continuing its recovery that began in 2019. While the pandemic caused a significant disruption in early spring sales, continued low inventory has maintained prices,” said Randy Ryalls, general manager, Royal LePage Sterling Realty.

Real estate in the city of Vancouver posted healthy year-over-year gains in the second quarter. The median price of a two-story home rose 7.6 per cent to \$2,088,932 compared to the same period in the previous year. During the second quarter, the median price of a bungalow rose 2.6 per cent year-over-year to \$1,434,738, while the median price of a condominium decreased 2.0 per cent to \$738,128.

“Stronger price appreciation for two-storey homes compared to condominiums reflects buyers’ preference for larger properties and less shared areas, a trend that has evolved as a result of the pandemic,” said Ryalls. “This has opened up excellent opportunities for those seeking city-centre condos.”

Royal LePage is forecasting that the aggregate price of a home in Greater Vancouver will increase modestly by 0.5 per cent to \$1,087,000 in the fourth quarter of 2020 compared to the same quarter

last year.

Ottawa

Ottawa's aggregate home price rose significantly during the second quarter, rising 11.7 per cent year-over-year to \$527,290. The median price of a standard two-storey home increased 10.6 per cent year-over-year to \$552,429, while the median price of a bungalow saw a strong 14.4 per cent year-over-year increase to \$538,409. During the same period, the median price of a condominium saw an increase of 14.5 per cent year-over-year to \$370,425.

"Buyers have returned more quickly to the market than sellers resulting in fewer listings, increased competition and double-digit price gains over last year," said Jason Ralph, managing partner, Royal LePage Team Realty. "The good news is that the number of listings is starting to grow and buyers can expect to have more selection in the second half of the year. However, Ottawa is expected to remain a seller's market."

Ralph added that Ottawa remains an attractive city to first-time buyers, especially those from the Greater Toronto Area. The city-centre remains the most popular choice, but towns within a reasonable drive to Ottawa such as Carp and even as far as Arnprior are attracting more interest.

Royal LePage is forecasting that the aggregate price of a home in Ottawa will increase 4.0 per cent in the fourth quarter of 2020 to \$514,000 compared to the same quarter last year.

Calgary

The aggregate price of a home in Calgary remained relatively flat year-over-year, decreasing 0.2 per cent to \$465,273 in the second quarter of 2020. Broken out by housing type, the median price of a standard two-storey home increased 1.1 per cent year-over-year to \$509,918, while the median price of a bungalow remained relatively flat, decreasing 0.1 per cent year-over-year to \$488,838. Due to high inventory in the condominium segment, the median price of a condominium decreased 9.7 per cent year-over-year to \$252,308.

"While sales are down year-to-date, activity in June was comparable with last year. Buyers have returned to the market more quickly than sellers; inventory has not kept pace," said Corinne Lyall, broker and owner, Royal LePage Benchmark. "With the exception of the condominium market, Calgary real estate continues to shift towards a balanced market."

Lyall added that first-time home buyers are driving sales in the region, which has increased competition and depleted inventory for listings within the \$300,000 to \$500,000 price range.

Royal LePage is forecasting that the aggregate price of a home in Calgary will decrease 1.5 per cent to \$463,000 in the fourth quarter of 2020 compared to the same quarter last year.

Edmonton

The aggregate price of a home in Edmonton remained relatively flat, decreasing 0.6 per cent year-over-year to \$371,902 in the second quarter of 2020. Broken out by housing type, the median price of a standard two-storey home increased 2.8 per cent year-over-year to \$436,221 and the median price of a bungalow decreased 5.4 per cent to \$349,676. In the same period, the median price of a condominium decreased 7.7 per cent year-over-year to \$205,005.

“Overall, Edmonton’s house prices have held their value despite the pandemic’s economic shock and resulting decline in sales,” said Tom Shearer, broker and owner, Royal LePage Noralta Real Estate. “Growing inventory of resale and new build condos has resulted in softened prices and excellent selection. Buyers are finding exactly what they are looking for.”

Shearer added that the market is being driven by young families. Houses priced under \$450,000 in neighbourhoods popular with families are selling quickly.

Royal LePage is forecasting that the aggregate price of a home in Edmonton will decrease 1.0 per cent to \$371,000 in the fourth quarter of 2020 compared to the same quarter last year.

Halifax

The aggregate price of a home in Halifax increased 2.2 per cent year-over-year to \$333,954 in the second quarter. Broken out by housing type, the median price of a standard two-storey home increased 3.8 per cent year-over-year to \$359,185. The median price of a bungalow was flat, decreasing 0.3 per cent year-over-year to \$272,625, while the median price of a condominium saw a decrease of 8.3 per cent year-over-year to \$296,738.

“Buyer competition is exceptionally high in downtown Halifax. Inventory is low and a good listing may last only a day or two on the market while drawing multiple offers,” said Matt Honsberger, broker and owner, Royal LePage Atlantic. “There has also been an increase in the number of exclusive transactions where the listing is sold before even making it to the market.”

Honsberger added that Nova Scotia’s rural and recreational real estate market has been very active.

“A common trend we are seeing is that buyers, after spending a lot of time home-bound and saving money, are deciding they want more from their home. They want more space. For some that means

moving out of the city while others are staying in the city and upgrading,” said Honsberger.

Royal LePage is forecasting that the aggregate price of a home in Halifax will remain flat at \$317,000 in the fourth quarter of 2020 compared to the same quarter last year.

Winnipeg

The aggregate price of a home in Winnipeg decreased 1.4 per cent year-over-year to \$302,399 in the second quarter of 2020. During the same period, the median price of a bungalow decreased 0.8 per cent year-over-year to \$287,715 and the median price of a condominium decreased 4.1 per cent year-over-year to \$231,036. The median price of a standard two-storey home decreased 1.5 per cent year-over-year to \$330,995.

“Winnipeg’s real estate market has proven to be extremely resilient and we are seeing signs of a ‘U’ shape recovery. While COVID-19 certainly pulled the market downwards for the first half of the second quarter, June sales are higher than last year. The market is energized and consumer confidence is back,” said Michael Froese, managing partner, Royal LePage Prime Real Estate.

Froese added that year-over-year sales activity in Winnipeg’s surrounding area is outperforming the city-centre.

“Communities outside of the city are growing in popularity, leading to price appreciation gains in those areas,” said Froese. “For many, remote work started as a necessity this spring but it is growing in popularity and employer acceptance. Buyers are now looking for larger properties with home offices. With less commuting, moving away from the city-centre to more affordable properties is appealing.”

Royal LePage is forecasting that the aggregate price of a home in Winnipeg will remain flat at \$311,000 in the fourth quarter of 2020 compared to the same quarter last year.

Regina

The aggregate home price in Regina remained relatively flat in the second quarter, increasing 0.1 per cent year-over-year to \$321,389. Broken out by housing type, the median price of a standard two-storey home increased 6.2 per cent year-over-year, rising to \$402,716, while the median price of a bungalow decreased 3.3 per cent to \$289,307. During the same period, the median price of a condominium decreased 13.0 per cent year-over-year to \$194,936.

“From entry-level homes to the luxury segment, Regina’s real estate market awakened in June and is very active,” said Mike Duggleby, managing partner, Royal LePage Regina Realty. “We are seeing

multiple offers and appropriately priced homes can sell within a week.”

Duggleby noted that sellers are returning to the market, which is expected to improve inventory over the summer.

“Sellers who had pulled their listing off the market and those who were not marketing their listing properly were watching the parade go by,” added Duggleby. “Seeing buyer demand grow over the quarter has encouraged sellers to come back.”

Royal LePage is forecasting that the aggregate price of a home in Regina will increase 1.0 per cent to \$321,000 in the fourth quarter of 2020 compared to the same quarter last year.

Royal LePage Home Price Data and Forecasts:

Royal LePage House Price Survey Chart (Canada’s largest 64 housing markets): rlp.ca/Q2-2020-house-prices <<http://rlp.ca/q2-2020-house-prices>>

Royal LePage Market Survey Forecast Chart: rlp.ca/Q2-2020-market-forecast <<http://rlp.ca/q2-2020-market-forecast>>

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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.

About Royal LePage

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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.

[2] The trademarks REALTOR®, REALTORS® and the REALTOR® logo are controlled by The Canadian Real Estate Association (CREA) and identify real estate professionals who are members of CREA.

[3] Royal LePage Canada, October 2019: One in five homes purchased by Canadian newcomers

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