

2015

# HOUSING MARKET OUTLOOK REPORT



**RE/MAX**<sup>®</sup>



## CANADIAN OVERVIEW

Most regions posted modest gains in average residential sale price, despite increased inventory in many of Canada's housing markets. Residential property markets in Toronto, Vancouver and their surrounding areas, as well as Calgary and Edmonton continued to see prices and sales rise. The greater areas of Vancouver and Toronto saw inventory of single-family houses remain at a record low, while demand continued to climb. Prices in these markets are expected to continue to increase in 2015, by approximately three per cent in the Greater Vancouver Area and four per cent in the Greater Toronto Area. Healthy gains are also anticipated in Kelowna (7%), Victoria (4%), Windsor (5%) and Moncton (6%).

Outside of B.C., Alberta and some areas of Southern Ontario, higher inventory levels was a significant trend characterizing much of the Canadian housing market in 2014. In some markets, the long, cold winter and late start to the spring season created a build-up of listings on the market, which continued to have an impact throughout the year, but also resulted in higher than usual activity in the fall as buyers came back to the market. In many cities in Canada, notably St. John's, Quebec City, Ottawa and Halifax, increased construction over the past several years contributed to an increase of inventory. However, with construction of new buildings winding down, inventory levels are expected to balance within the next couple of years without having a notable impact on property prices.

With an increased supply of inventory on the market going into the new year, the average sale price is expected to remain stable or rise modestly in most cities in 2015. Montreal (1%), Quebec City (1.5%), Ottawa (1.6%) and Sudbury (1.6%) are expecting a modest rise in average residential sale price, while little change in prices is expected in Winnipeg, Saskatoon and St. John's.

Condominiums continued to grow their



share of the market in many regions. In Toronto and Vancouver, higher prices and limited inventory for single-family homes mean that condominiums are becoming a practical choice for many young buyers looking to enter the market. In Montreal, Kingston, Burlington, and Victoria, condos are increasingly attracting Baby Boomers looking for affordability and amenities within walking distance.

Many first-time buyers continued to feel the impact of the Canada Mortgage and Housing Corporation's tightened lending criteria, which were revised in 2012. The new mortgage lending regulations have delayed the entry of first-time buyers into the market in many regions, thus slowing down the rest of the market. Regina and Saskatoon were exceptions; well-paying jobs and a good availability of affordable

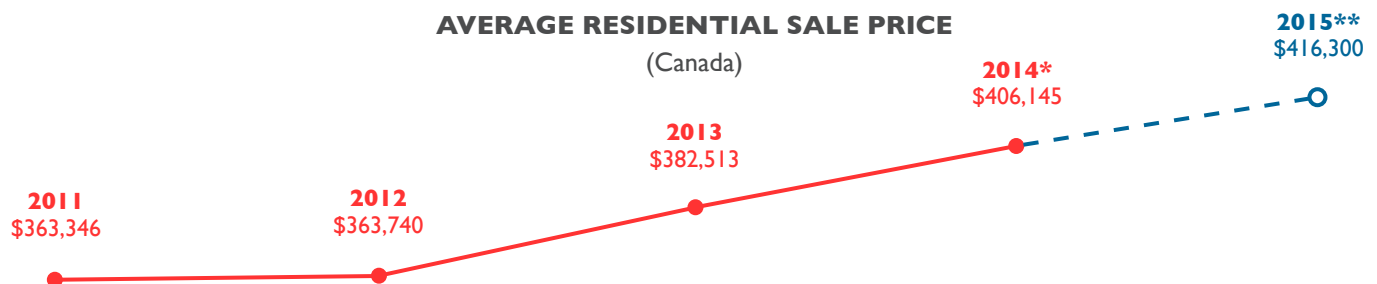
options meant that young buyers were typically able to qualify for a mortgage for their choice of home in these markets. The new mortgage rules will likely have less of an effect in the coming year as buyers adapt to the new regulations and make the necessary changes to meet the criteria.

The historically low interest rates of the past several years have helped sustain demand, and have mitigated the impact of the tightened lending criteria. The Bank of Canada has hinted at a rate increase in late 2015, and some experts have speculated that the increase could come as early as May. An interest rate hike could potentially result in a spike in buying activity, as buyers rush to secure their mortgage before the increase comes into effect. Overall, a rate increase is not

anticipated to have a dramatic effect on the real estate market, as it would likely be minor and rates would continue to be low.

The economic outlook for Canada in 2015 is stable. The Bank of Canada has projected GDP to grow by approximately 2.5 per cent, a rate that is roughly on par with 2014's growth. Small increases in employment rates and wages are anticipated as well. Canada expects to welcome between 260,000 and 285,000 new permanent residents in 2015, which should positively impact the residential real estate market.

### AVERAGE RESIDENTIAL SALE PRICE (Canada)



\*August Year-to-Date \*\*Forecast - Source: Historical values are sourced from CREA or Local Board statistics. Estimates and forecasts are based on the opinion of independent RE/MAX broker/owners and affiliates.

# RE/MAX HOUSING MARKET OUTLOOK

Most regions across Canada posted modest gains in average residential sale price in 2014. Prices are expected to remain stable, despite an increase in inventory.



After a harsh winter and late spring, market activity picked up in the late summer and fall.



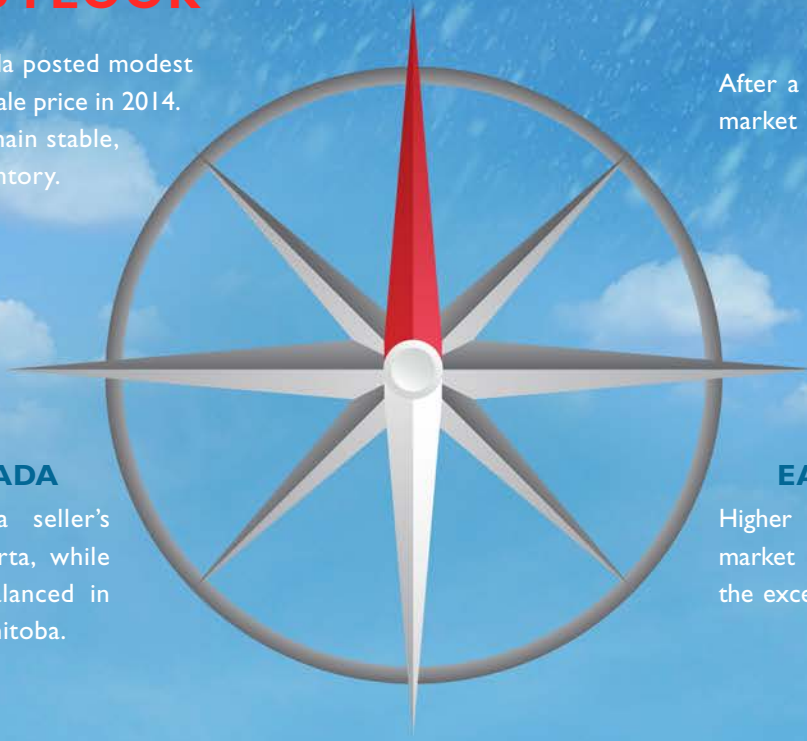
## WESTERN CANADA

High demand created a seller's market in B.C. and Alberta, while the market was more balanced in Saskatchewan and Manitoba.



## EASTERN CANADA

Higher inventory created a buyer's market in many regions. Toronto was the exception with low inventory and high demand.



## ECONOMIC OUTLOOK



Low interest rates, GDP growth and immigration continue to drive demand.



The Bank of Canada has projected GDP to grow by approximately 2.5 per cent, a rate that is roughly on par with 2014's growth.



Canada expects to welcome between 260,000 to 285,000 new permanent residents in 2015.

## PROJECTIONS FOR 2015

Increase in average residential sale price

VANCOUVER  
3%

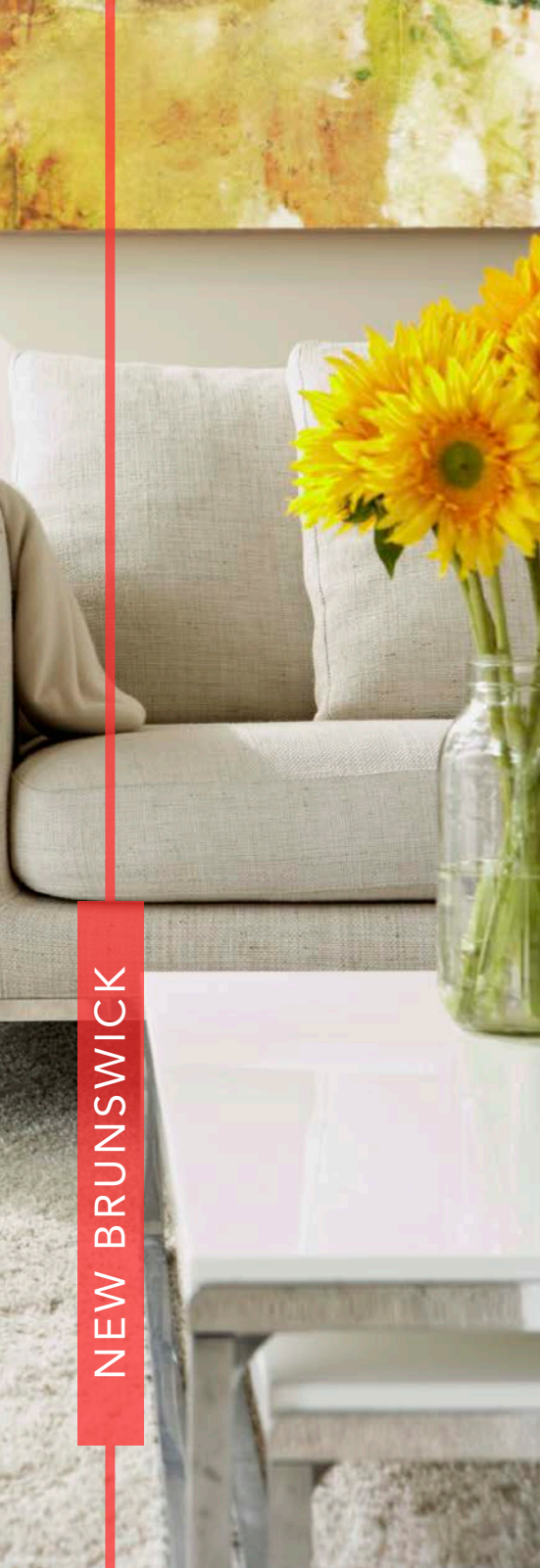
EDMONTON  
4%

CALGARY  
3%

TORONTO  
4%

MONCTON  
6%





# FREDERICTON

The average residential sale price in Fredericton increased modestly last year, to approximately \$183,300 in 2014 from \$179,058 in 2013. Sales were down compared to the previous year, and are expected to remain relatively low in 2015. It is projected that the average residential sale price will decrease by approximately three per cent in the coming year due to a high level of inventory on the market.

2014 was an election year in New Brunswick, which always has a significant impact on the housing market in Fredericton. Elections cause job insecurity for the significant number of workers employed in the public sector, so the market was very slow leading up to the provincial election in September. This insecurity should not be a factor in 2015, though as unemployment remains high, an increase in the number of sales is not expected.

The principal employers in the region are the provincial government, the University of New Brunswick, the nearby military base and the RCMP headquarters. Jobs for younger workers, in particular, are in limited supply, and many young people from New Brunswick are choosing to leave the province.

The first-time homebuyer's market in Fredericton continued to feel the impact of the CMHC's 2012 changes to the mortgage lending regulations. The entry of these buyers in the market has been delayed, which has had a significant impact on the move-up market as well. The new

financing rules are expected to have less of an impact beginning in late 2015 and 2016, as potential buyers adjust and save accordingly.

In 2014, most first-time buyers were couples in their 30s with children, and young families drove the move-up market as well. Properties most in-demand were those priced at \$200,000 and under, while homes in the \$300,000 to \$350,000 range sold well too.

Inventory levels were high, and are expected to increase in 2015. The average number of days on market was 122, and that is anticipated to increase slightly next year as inventory increases. Overall, the Fredericton residential real estate market was a buyer's market, and is expected to remain so through to the end of next year.

Though it won't have an impact on the coming year, the proposed Energy East pipeline project could be significant for the Fredericton job market in the near future, and is keeping many residents optimistic for a brighter economic future.

## AVERAGE RESIDENTIAL SALE PRICE (Fredericton)



\*Estimate \*\*Forecast - Source: Historical values are sourced from CREA or Local Board statistics. Estimates and forecasts are based on the opinion of independent RE/MAX broker/owners and affiliates.



## SAINT JOHN

The long, harsh winter and late spring meant that sales activity in Saint John had a later start than usual. While overall sales volume was down compared to the previous year, most of the decrease was in the first half of the year, and sales picked up significantly between July and October. The average residential sale price in Saint John decreased slightly in 2014, to approximately \$176,800 from \$179,351 the previous year. Both the average residential sale price and sales activity are expected to remain stable in 2015.

A good supply of inventory in the Saint John market created buyer's market conditions in 2014. Though demand was fairly stable compared to the previous year, listings stayed on the market longer.

Sales activity was most active in the

upper-end of the market. In 2014, 82 properties in the price range of \$350,000 and up sold between January and October, and increase from 76 the previous year. The past year saw fewer spec homes in this market than in previous years, and most of the houses that sold in this price range were resale properties. This trend is expected to continue in 2015.

First-time buyers in Saint John are typically native to New Brunswick, and are professionals or tradespeople. With a good variety of affordable properties on the market, these buyers are generally able to secure a mortgage for the home of their choice, despite stricter lending criteria. However, high unemployment in the region has prompted many young workers to leave the province, and the first-time buyer's market was slower in 2014 than in past years. This had an impact on move-up buyers as well, as they had difficulty finding buyers for their homes.

Several projects on the horizon are keeping residents optimistic about the future. If approved, the proposed Energy East pipeline and its spin-off development should bring significant economic benefits to the region. A proposed fertilizer plant and a plan to develop Saint John's waterfront would also create new jobs in the community.

**AVERAGE RESIDENTIAL SALE PRICE**  
(Saint John)



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## MONCTON

Moncton's inventory was higher than normal in 2014, creating a buyer's market. Properties took longer to sell than in previous years, but with Moncton's stable economy and steady demand, this did not put downward pressure on prices. Inventory is expected to stabilize next year as new development slows down.

The average sale price of residential property in Moncton increased modestly last year, to an estimated \$176,900 in 2014 from \$171,000 in 2013. Sales were up as well; at the end of October, there was a five per cent increase in the number of sales compared to the same time the previous year. Both the average residential sale price and the number of sales are expected to increase by approximately six per cent in 2015, as inventory levels off and more people from other parts of the province move to

the city.

Some of the increase in listings can be attributed to the Baby Boomers looking to downsize. Increasingly, recent retirees are choosing to stay in Moncton in order to be near their children and grandchildren. Many of them are looking to downsize to smaller detached houses or newly-built townhouses, but are having trouble finding buyers for their homes, as many first-time and move-up buyers in this market prefer new builds.

Unlike in other markets, tightened lending criteria have had a bigger impact on move-up buyers than first-time buyers. Move-up buyers looking to upgrade from a small semi-detached to a larger detached house can struggle to qualify for a mortgage, while with many affordable options available to them, first-buyers are generally able to enter the market.

Moncton tends to have a very stable economy, as unlike other towns and

cities in Atlantic Canada, it is not tied to a single industry, and no one industry represents more than 25 per cent of the total economy. Moncton's main employers include the city's three universities and two community colleges, two large hospitals, an international airport, and a healthy manufacturing sector. Its central location in Atlantic Canada has made it a hub for the trucking industry as well. The outlook for 2015 is bright, as the economy is expected to continue to grow at a steady pace, and a new civic centre, scheduled to begin construction next year, should add new jobs.

### AVERAGE RESIDENTIAL SALE PRICE (Moncton)



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# HALIFAX-DARTMOUTH

A high level of inventory in Halifax-Dartmouth created a buyer's market in 2014, and that is expected to continue through to the end of 2015. However, there are different sectors in the Halifax-Dartmouth region, and certain property types that continue to sell quickly, at or above their asking price. These are detached houses in move-in condition (often with renovations), in prime locations such as Halifax's North End and other parts of the Peninsula, along with Fairview, and areas of Dartmouth such as the downtown core, Southdale, Manor Park, and Woodlawn. Waterfront properties and high-value income properties, which come on the market only occasionally, continued to sell quickly and increase in price.

Demand in the Halifax-Dartmouth housing market was softer in 2014, and the average residential sale price declined slightly, to approximately \$273,000 in 2014 from \$278,783 in 2013. The average residential sale price is expected to stabilize and begin to recoup in 2015, yielding an increase of approximately one per cent. The average number of days on the market increased from 91 in 2013 to 101 in 2014, and is expected to remain unchanged in 2015.

New construction, which created a lot of the inventory over the past several years, has slowed down considerably. This should stabilize the amount of inventory on the market over time, but is not likely to have much of an effect in the coming year.

Last year saw fewer first-time buyers, as CMHC and financial institutions tightened mortgage lending criteria making it difficult for these buyers to secure a mortgage. This slowed down the market overall, as many move-up purchases are conditional on the buyer selling their current home. Despite this, move-up buyers, typically families purchasing their second or third home, are the primary drivers of the market. The tighter lending criteria are expected to have a lesser effect next year as buyers adapt to the new regulations and make the changes necessary to qualify for a mortgage.

Prices and sales are expected to remain stable in 2015, and the outlook is generally positive. The federal government's relocation of 1,000 employees and the closure of BlackBerry's Halifax offices had an impact on sales in 2014, but are unlikely to affect sales next year. Private-sector projects on the horizon are creating a general atmosphere of optimism. Offshore oil exploration and recent investment in land leases in the Shelburne Basin has been in the billions of dollars with more expected in the next several years. An Irving Shipbuilding contract is projected to ramp up in 2015, creating new jobs in the area.

## AVERAGE RESIDENTIAL SALE PRICE (Halifax-Dartmouth)



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# CHARLOTTETOWN

Sales activity in the Charlottetown residential real estate market is expected to remain fairly stable in 2015, with both the average residential sale price and the number of sales remaining fairly consistent with 2014. Although the region is expecting little change in price in 2015, the average residential sales price may rise as much as two per cent depending on the overall economic conditions on the island.

There was good availability of inventory on the market in 2014 for all product types. First-time homebuyers, move-up buyers, downsizers and luxury buyers all had a number of options available to them. The high level of inventory was an advantage to buyers in 2014. Charlottetown and area is expected to favour the buyers through 2015.

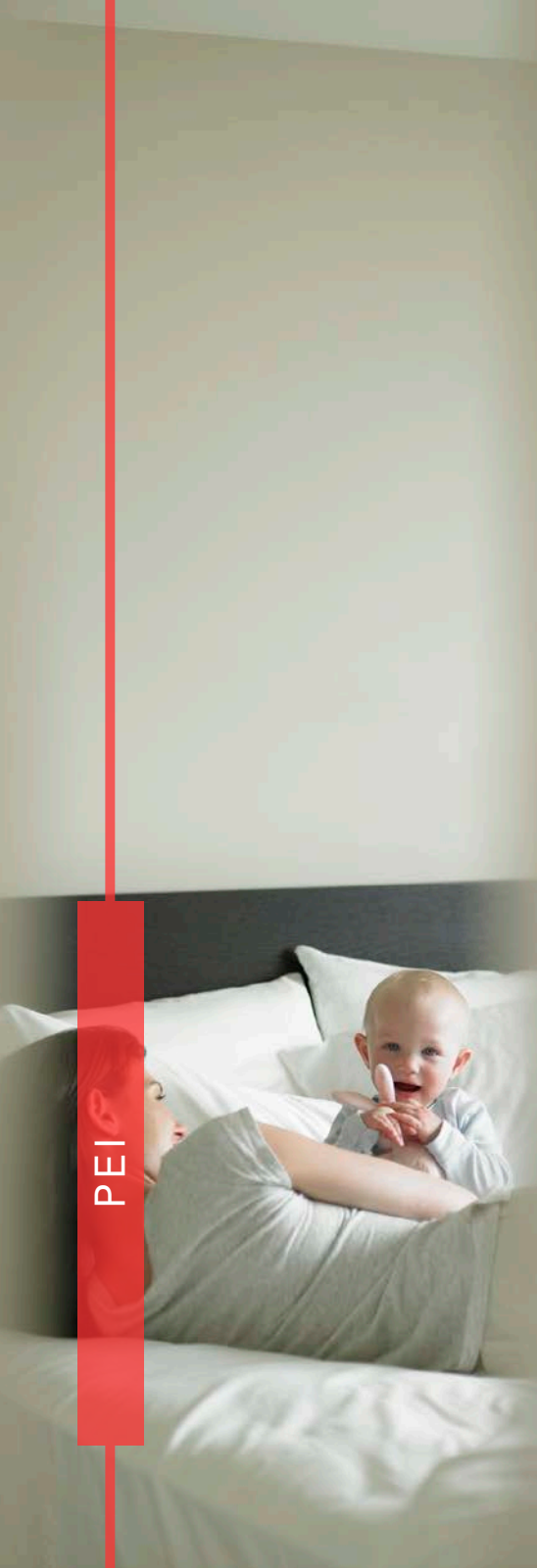
In recent years, natives to the province who moved away for entry-level career opportunities have chosen to move back now that they have more work experience. These buyers are looking to settle down and raise families in their hometown to be close to their families. However, demand from first-time homebuyers in 2015 should continue to be restrained by the limited employment opportunities available to younger workers in Charlottetown and area.

Baby Boomers are increasingly looking to Charlottetown and area as a retirement destination. Its affordability, walkability and proximity to good hospitals and recreation activities makes it an appealing

choice for this demographic.

In the condominium market, there is a good supply of units in newly-built developments on the market. Many of these developments were built for the expected demand from seniors downsizing, but this demographic has not embraced the condo lifestyle.

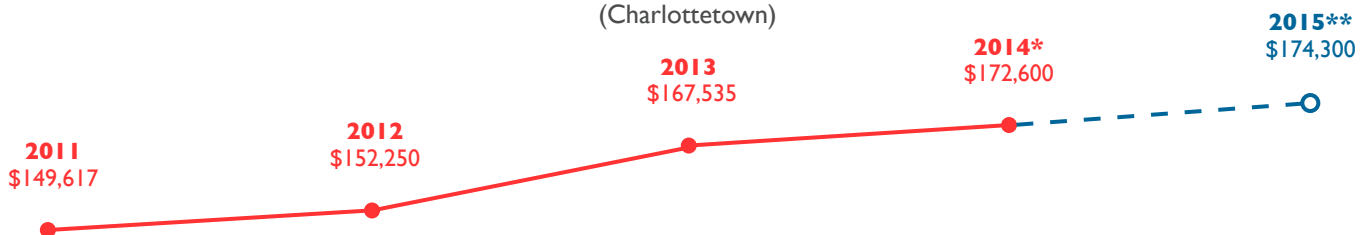
Charlottetown and its surrounding areas are also drawing people who work remotely. These buyers enjoy the affordability, convenience and recreation that the Charlottetown area offers, while using technology to telecommute. This is a fairly new trend, and one that is expected to continue next year.



PEI

## AVERAGE RESIDENTIAL SALE PRICE

(Charlottetown)



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## ST. JOHN'S

In the past year, the St. John's housing market saw an 18.3 per cent increase in listings. This influx in inventory created buyer's market conditions in 2014, and by the end of October, there was enough of a build-up in listings on the market to sustain a buyer's market throughout 2015.

Despite the rise in inventory, properties on the market maintained their price last year, and the average residential sale price in St. John's increased to approximately \$313,000 in 2014 from \$301,000 the previous year. The average residential sale price is expected to remain stable in 2015.

Many of the listings on the market in 2014 were newly built properties, both within St. John's proper and just outside the city. Several new subdivisions were completed in the past few years, and

many of these have been very slow to sell. Because of the downturn in sales for new builds, condo projects that were scheduled to begin construction next year were put on hold.

Many buyers and sellers in the St. John's market are oil and gas or mining workers, who regularly transfer in and out of the city. The university and hospital are big employers as well, and many first-time buyers work in education or health care. The tightened mortgage lending criteria had a significant impact on this group when the new regulations were introduced in 2012, but the impact has lessened as buyers have adapted to the new rules. In 2014, the impact of the lending criteria was mostly felt in the investment property and second home markets. Parents purchasing a house for their children while they were in university and people buying cabins as recreation properties were two buyer categories that decreased significantly in the past few years.

At the upper-end of the market, there was an abundance of selection in the \$400,000 range. Newly built homes priced around \$600,000 sold well, typically to buyers who work in the oil industry and were either moving up within St. John's, or had relocated from outside the province. Resale properties in the upper-end of the market sold well too. In King William Estates, an established high-end area in St. John's East End, on the rare occasion that houses do come on the market, they sell very quickly. The upper-end market is expected to remain stable in 2015, provided the builders continue to delay new development projects.

Overall, St. John's is projected to see stability in 2015. Provided that building slows down, as is expected, inventory should start to diminish, days on market decrease, and average price should remain stable.

### AVERAGE RESIDENTIAL SALE PRICE

(St. John's)



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