2015

HOUSING MARKET OUTLOOK REPORT

RE/MAX®

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.

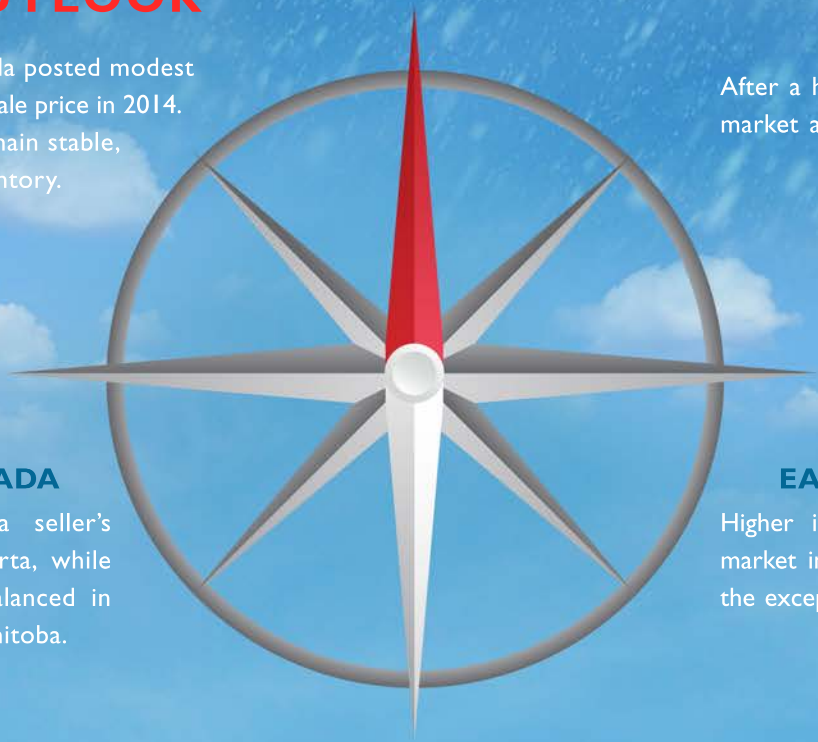
The economic outlook for Canada in 2015 is stable. The Bank of Canada has projected GDP to grow by approximately 2.5 per cent, a rate that is roughly on par with 2014's growth. Small increases in employment rates and wages are anticipated as well. Canada expects to welcome between 260,000 and 285,000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

*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

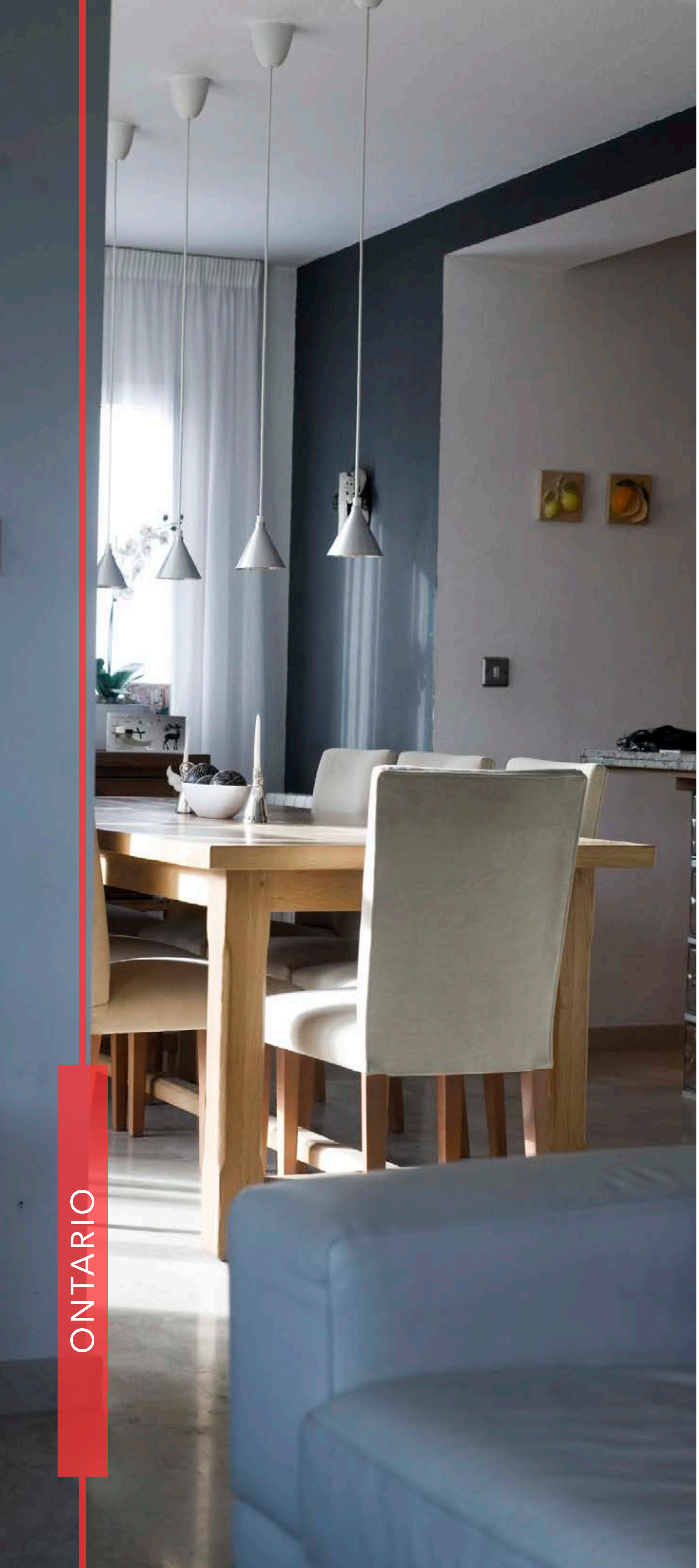
Low interest rates, GDP growth and immigration continue to drive demand.

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



GREATER TORONTO AREA

The residential real estate market in Canada's largest city continued showing healthy market activity in 2014, with both the average residential sale price and the number of transactions showing an increase over the previous year. Inventory continued to be very low among freehold properties and average days on the market fell from 25 the previous year to 23. The average residential sale price is projected to increase four per cent in 2015. With rising prices and limited inventory, potential buyers will need to be well prepared and informed when entering the housing market next year.

In the past, modest, but under-valued, homes sold for hundreds of thousands of dollars above asking price in some areas of the city and the effect was that buyers entered the market with no certainty about what kind of home they could afford. In turn, sellers came to the conclusion that their homes were all of sudden worth more than they actually were.

More realistic pricing in 2014 has inspired confidence among buyers—a trend that is expected to continue in 2015. Toronto should remain a seller's market, although the condominium market is projected to be more balanced as developers release inventory and investors seek to unload their units. Many first-time buyers should continue to look to the condominium market, attracted by affordable options in convenient locations. Downsizers may not play as much of a role in this market as had once been expected, as many buyers in this group have been deterred by unpredictable assessment funds and condo fees.

The recent municipal election has brought a feeling of stability to the city, which generally proves well for local real estate. With political stability and the city set to be showcased by the 2015 Pan AM Games, pent-up demand may result in strong price appreciation in the latter portion of 2015. The luxury market will continue to display strength, as wealthy buyers are comfortable

absorbing any modest price fluctuations. However, as inventory for freehold homes continues to be at historic lows, the city is projected to be poised to have another strong year of price appreciation.

MISSISSAUGA

Mississauga, which borders the City of Toronto on the west, has grown by leaps and bounds over the past several decades. While its growth is typified by suburban developments, the city also boasts leafy neighbourhoods, lakefront properties and a burgeoning downtown. These factors, along with its transit links to downtown Toronto, are driving demand for residential property in Mississauga among a range of buyers.

Mississauga's real estate market picked up in the second half of 2014 following a long and cold winter and historically late start to the market. Typically, the spring buying and selling season begins in February, whereas last year it started in May. Pent-up demand made for a busy summer season and more fall activity than is typical. The average residential price is expected to rise between two and three per cent in 2015 with inventory levels remaining steady.

New luxury homes on leafy lots in neighbourhoods such as Lorne Park and parts of Port Credit are enticing wealthier buyers and bringing a more multicultural character to the area. A regular train service from Port Credit to Toronto and new condominiums in downtown Mississauga are attracting younger buyers to those areas.

In Mississauga's brisk housing market, well-priced homes sold within days in 2014, although properties over $1 million typically had listing periods of between one and two months. A seller's market is expected to continue through to 2015 but soften modestly, especially in the luxury segment where it is moving closer to a balanced market.

OAKVILLE

The market for residential real estate in Oakville, an affluent community situated on the shores of Lake Ontario between Toronto and Hamilton, showed strong growth in 2014. The average residential

*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.

sale price rose 12 per cent over the previous year, to approximately $800,000 in 2014 from $715,000 in 2013. With less inventory on the market than in the previous year, days on the market fell from an average of 32 in 2013 to 27. Oakville's residential real estate market is expected to remain robust in 2015, with the average sale price increasing by an estimated five per cent.

While Oakville remained a seller's market in 2014, it began shifting to a more balanced market in the late summer and fall. Appropriately priced homes moved quickly and with competing offers, while homes priced above their market value were slow to sell. First-time homebuyers play a very marginal role in driving this market, as most properties are comparably expensive.

What would be considered a luxury home in many communities across Canada is typical in Oakville. Entire neighborhoods comprise homes over 3,000 square feet outfitted with premium finishes like walk-in closets and chef's kitchens—and price tags around $1 million. The luxury market is driven by buyers who value the quality of the area's schools, amenities and lakefront.

New Canadians from China are playing a growing role in the market as well, purchasing lakefront properties, some of which exceed $10 million.

All signs point to continued strength in the Oakville market in 2015. While the number of listings is expected to remain consistent, a decrease in inventory is projected to result in an increase in the average residential sale price. New construction in the north end of Oakville and a soon-to-be-completed hospital is expected to play a role in driving demand.

BRAMPTON

The residential real estate market in Brampton, a growing city bordering northwest Toronto, is set to finish 2014 strong and carry momentum into 2015. While low interest rates have positively influenced the market, the arrival of more and more newcomers has also played a role in growing this multicultural community. The market is anticipated to calm to a degree in 2015 and an increase in the average residential sale price of between five and 10 per cent is anticipated.

Brampton is home to many South Asian Canadians, and it is not uncommon for these buyers to prefer large homes to accommodate multi-generational and extended families. However, some seniors, who have come to Canada under family sponsorship, are using their savings as down payments and moving from apartments to condominiums, challenging the notion of what it means to be a first-time homebuyer.

Move-up buyers continued to drive the market in Brampton, with lending conditions favourable enough for buyers to hold on to two properties. The coming year should move from a seller's market to a more balanced market as inventory is projected to increase.

Luxury sales are expected to remain robust in the coming year. Homes in this segment are typically set on one to two-acre lots. Many prospective buyers in this market segment are entrepreneurs who have found success in the tool and die, automotive or trucking industries.

The real estate market in Brampton could suffer if the municipal government were to implement a land transfer tax similar to Toronto. Conversely, any one of a number of factors, such as a new university or the opening of a major plant, could positively impact demand and lead to further price increases.

DURHAM

Located east of Toronto along Highway 401, Durham comprises several communities linked to downtown Toronto by regular commuter train service. In 2014, house prices in Durham Region remained more affordable than in other parts of the GTA—a trend that will continue to drive demand in the area. The average residential sale price in 2014 rose an estimated 9 per cent from the previous year.

Offsetting a longer commute time into Toronto is the fact that a detached house—at $396,300 in October—cost 55 per cent of what one would cost in Toronto. The relative value makes Durham a popular choice for first-time homebuyers. Like the rest of the Greater Toronto Area, the growth Durham is experiencing is in large part driven by the large number of new Canadians who come here each year.

While Durham Region and other outlying areas of the Greater Toronto Area are considered commuter communities by many, Durham's larger municipalities—Ajax, Oshawa, Whitby and Pickering—have been recently revitalized. Local employment has increased as well. Highway 407, a privately-owned toll road, will be extended to run into the north part of Durham Region, increasing demand for housing in the area.

Demand is expected to remain healthy in 2015. First-time homebuyers, immigration and low interest rates were the primary drivers of demand in this market in 2014 and are anticipated to continue drive the market in 2015.