

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

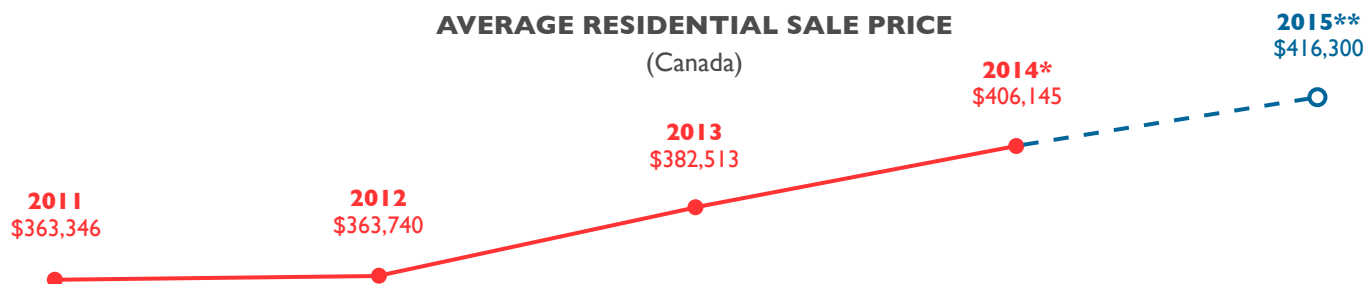
options meant that young buyers were typically able to qualify for a mortgage for their choice of home in these markets. The new mortgage rules will likely have less of an effect in the coming year as buyers adapt to the new regulations and make the necessary changes to meet the criteria.

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.



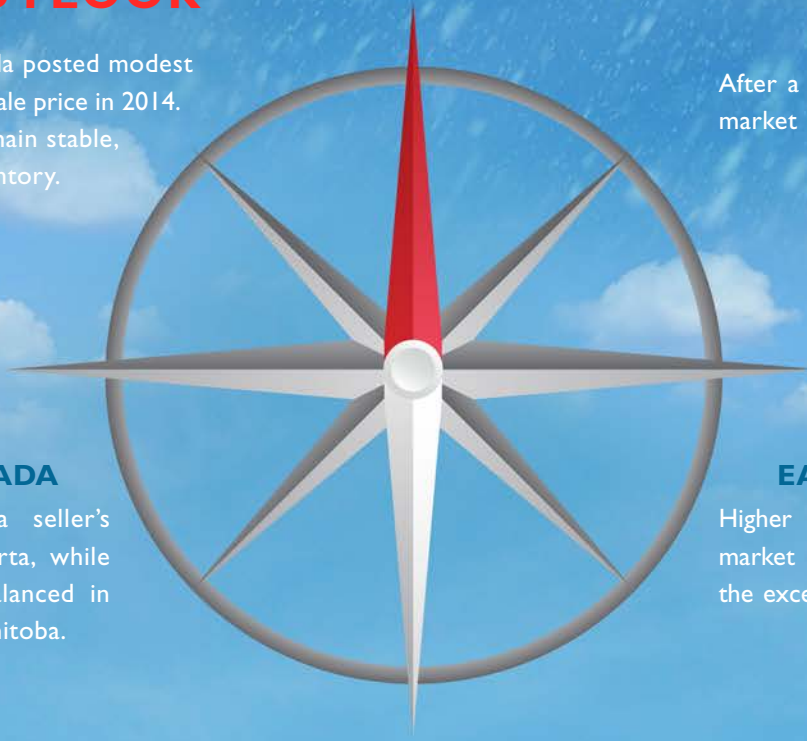
## WESTERN CANADA

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%

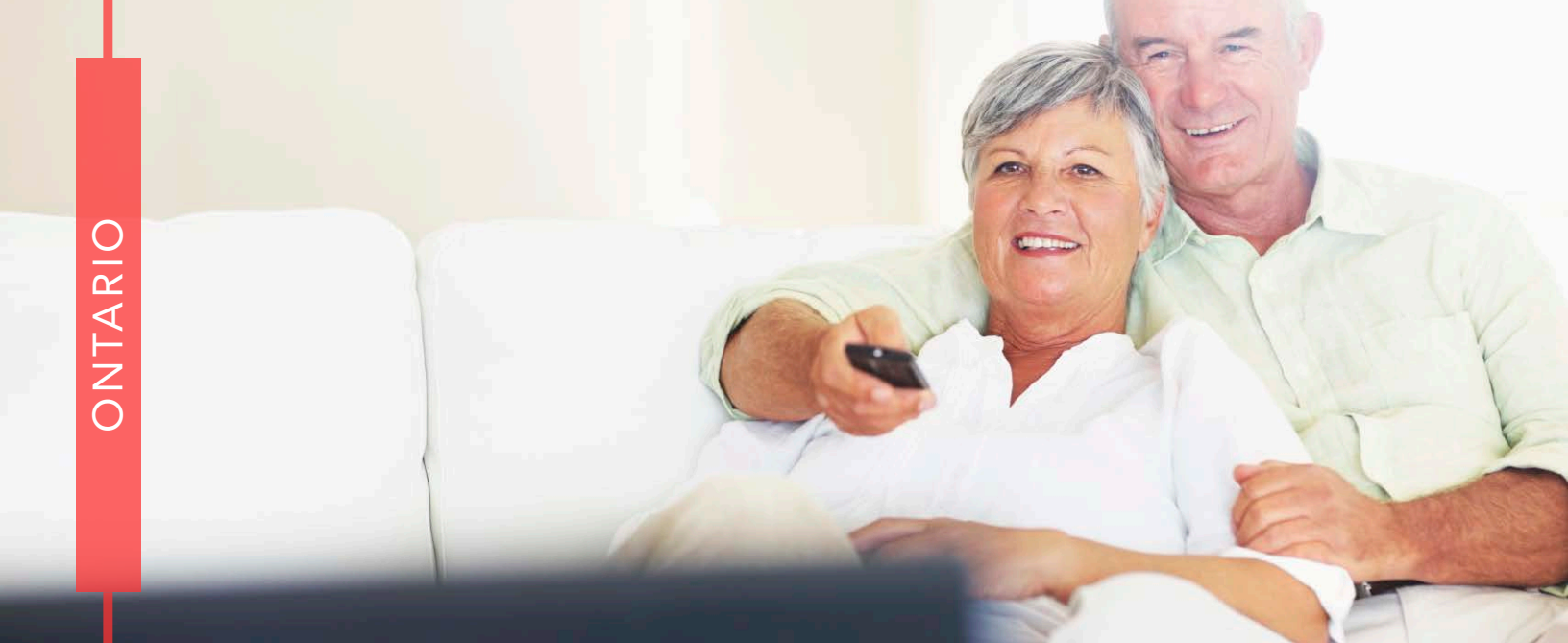
CALGARY  
3%

TORONTO  
4%

MONCTON  
6%







## KINGSTON

After experiencing lower than typical sales from January through the summer, Kingston's housing market recovered from its slow start to the year. An estimated four per cent decrease in sales over 2013 led to an inventory increase of six per cent in 2014. Many potential sellers held back their listing hoping to enter the market during a more competitive spring. Despite the higher volume of inventory, the average residential sale price increased by approximately two per cent, to approximately \$292,700 in 2014 from \$287,567 in 2013.

Kingston is one of Canada's fastest growing retirement communities and this demographic represents the single largest influence on the housing market. Retirees from major city centres such as Toronto, Montreal and Ottawa are

attracted to residential properties near Kingston's illustrious waterfront. This has coincided with an increase in condos in the heart of Kingston. While the number of condominiums did not rapidly expand in the past year, condos continue to represent a growing share of the market. Market demand for Kingston condominiums continues to rise. In Kingston's upper-end market, demand outstrips supply. In the rare case that an upper-end property becomes available it quickly exchanges hands to awaiting buyers. These properties tend to be located in Kingston's downtown core near Queen's University and Kingston General Hospital.

Kingston and the surrounding area is home to several post-secondary institutions, hospitals, correctional facilities and a military base. Each institution has a unique influence on the housing market and provides various employment opportunities, a major draw to the region. In 2014, Kingston's military

base, for example, saw a sharp decline in military transfers (down nearly 60 per cent). This resulted in significantly fewer military personnel moving laterally or vertically in the housing market of Kingston's east side. This decrease contributed to the drop in sales in 2014 and is expected to continue to be a factor through 2015.

Looking to 2015, low interest rates are expected to maintain a balanced market, potentially leaning towards a buyer's market, and a modest increase in average sale price is expected. This increase is expected to remain consistent with year-over-year price increases Kingston and the surrounding area has recently experienced. Additionally, the construction of an Ontario Power Generation plant in Bath and the move of Strathcona Solar's head office to Nappanee are projected to improve local employment and demand in the housing market.

### AVERAGE RESIDENTIAL SALE PRICE (Kingston)



\*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.



## OTTAWA

October was a record month for property transactions in Ottawa, helping the market recover from a slower spring as a result of a long winter. Year-over-year sales remained stable and consistent in 2014. The market is expected to reach 13,300 sales before year end, which is just slightly less than typical for this region.

In the past year, sellers were sometimes too optimistic with pricing. They often overvalued their properties, which resulted in them remaining on the market longer than expected. As such, average days on the market increased from 47 in 2013 to 51 in 2014. Property values increased slightly but less than expected, making an almost two per cent gain

in average sale price to approximately \$359,500 in 2014 from \$353,881 in 2013. With six months of inventory sitting on the market, Ottawa can be characterized as a buyer's market.

Sellers have recently been turning to the rental market as they wait for demand to improve. Although the rental market has been slow, it has remained consistent with previous years. First-time buyers have excellent selection in condominiums as an abundant supply has been released on the market. However, with ongoing attractive interest rates, potential home buyers are motivated to pursue freehold homes. As such, the greatest demand for properties is for single-family homes.

The housing market in 2015 is expected to remain stable and consistent with

previous years. The average residential sales price is expected to increase at a similar rate to 2014. Historically, Ottawa's housing market experiences small and gradual periods of growth. This is expected to continue through 2015. Market activity is expected to be strong throughout the beginning of 2015 as more serious players approach a market characterized by less competition in the winter months.

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