

CANADIAN REAL ESTATE MARKET OVERVIEW



The following is an update on the Canadian housing market prepared by Andy Puthon, President of Coldwell Banker Canada Operations ULC.

Canada has been enjoying a strong, stable real estate market for some years, with nearly historic low interest rates, and balanced market conditions in most major markets across the country.

On a national level, industry forecasts about the Canadian real estate scene are generally positive for this year and are also expected to further improve in 2016.

According to the Canadian Real Estate Association's (CREA) latest unit sales forecast:

- The national sales forecast for 2015 is similar to last year's, with 475,000 sales expected.
- A dramatic decline in oil prices has slowed sales and led to a rapid shift in market balance in Alberta and, to a lesser extent, in Saskatchewan.
- Annual sales in these provinces are expected to come in well below the elevated levels they posted last year.
- There is a notable disparity of forecasts for markets across the country, although the majority of provinces are forecasting gains.
- The lower Canadian dollar, declining mortgage rates and stronger U.S. economy are expected to spur economic and job growth in Canada.

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The number of unit sales has remained relatively constant across Canada in recent years, but that has definitely not been the case with prices, which have climbed to record or near-record levels in most major markets across the country. According to CREA's 2015 forecast for home prices:

- Average residential home prices are expected to increase nationally by 2% in 2015, despite regional disparities.
- The average national MLS home price is forecast to be \$416,200 this year.

So, your next question is likely to be, how do these industry forecasts relate to what economists and the media are saying about the impact of the oil shock on Canada's housing market? According to industry accounts, its impact will be geographically divergent. Regions like Alberta, and also Saskatchewan—which are highly sensitive to the energy sector—have seen more of an impact than in other provinces. Meanwhile, most regions of Canada are expected to be positively impacted by low interest rates.

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Of course, news can turn on a dime. In March, the Bank of Canada held interest rates steady, citing that the surprise cut of six weeks before had already "delivered the monetary stimulus to counter the hit from lower oil prices." We've also seen some very strong sales stats coming out of Toronto and Vancouver, so the national outlook is good overall, but disparity in economic and market conditions currently exists across the country.



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The news for next year is increasingly positive, with sales expected to rebound according to CREA's latest forecast for 2016:

- National sales are expected to rebound by 1.7% next year, to reach 482,700 units.
- A sales recovery is expected in previously hard-hit Alberta and Saskatchewan.
- Strengthening economic conditions are expected to result in improving sales.
- The average national price is forecast to rise a further 1.9% next year.
- The average MLS price nationally is expected to be \$424,100 in 2016.
- The short supply of single family homes, particularly in the Greater Toronto area, is expected to result in strongest price gains in Ontario (+2.5%) and Alberta.
- Price gains in the rebounding Alberta market are expected to exceed the national average, increasing by 2.4% in 2016.

So although no one has a crystal ball, industry forecasts are positive, and strong fundamentals are in place that will likely continue to support the housing market. Canada has the highest per capita immigration rate in the world, and in 2015, we expect to welcome a near-record number of immigrants: more than 266,000 people. And they all need housing.

A local real estate professional can help you evaluate your choices to make an informed decision.

Most important to bear in mind is that although real estate activity is forecast nationally, it is transacted locally. Market conditions can vary dramatically from city to city, or between neighbourhoods—and even on the same street. Rapidly changing economic news and regional market disparities make it even more important to consult a local real estate professional, who can help you evaluate your choices to make an informed decision.



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