

Canadian real estate market to appreciate 3.2% in 2020 reflecting similar price growth in both condo and detached segments

- Low supply in the Greater Toronto Area expected to fuel home price growth in 2020
- Greater Montreal Area forecast to see highest appreciation rate in 2020 among cities surveyed
- Greater Vancouver house prices forecast to stabilize in 2020
- Ottawa's aggregate home price forecast to cross half million dollar mark in 2020

TORONTO, ON, December 12, 2019 –According to the Royal LePage Market Survey Forecast, Canadian home prices are expected to see healthy appreciation by the end of 2020, driven by low single-digit appreciation in both the condominium and detached home segments. The decline in high price appreciation in the condominium segment, in recent years, reflects a shift in millennial demand towards houses and is expected to reinvigorate sales activity in the suburbs. The aggregate^[1] price of a home in Canada is forecast to rise 3.2 per cent year-over-year to \$669,800 in 2020, with the median price of a condominium and two-storey detached house projected to increase 3.6 per cent and 3.1 per cent to \$506,100 and \$785,400, respectively. Price data, which includes both resale and new build, is provided by Royal LePage's sister company RPS Real Property Solutions, a leading Canadian valuation company.



Demand drivers

The positive outlook for Canadian real estate in 2020 is based on healthy buyer demand. A segment of potential homeowners that once put home purchasing on hold beginning in January 2018, due to the introduction of the mortgage stress test, started returning to the market in the second half of 2019, driving competition and demand.

Another significant driver in demand is Canada's healthy immigration rate. According to the Royal LePage Newcomer Survey^[2] released in October 2019, newcomers to Canada are expected to purchase one in every five homes on the market over the next five years. Newcomers have high consumer confidence in Canadian real estate (86%) and arrive with savings to put towards the purchase of a home (75%).

“Our 2020 national forecast is based on a continuation of healthy economic conditions,” said Phil Soper, president and CEO, Royal LePage. “Paradoxically, a slowdown in economic growth could cause us to revise the outlook upward. While one month does not a trend make, November’s surprisingly weak employment numbers may be the trigger that causes the Bank of Canada to join the U.S. Federal Reserve in lowering interest rates.

“Falling rates normally encourage new housing demand,” Soper continued. “This would mean further upward price pressure in regions where employment remains healthy, which is most of the country. That window to lower or flat home prices is closing or has closed for most Canadians.”

Peak millennials drive shift in demand from condominiums to houses

Most of Canada is seeing a shift in demand from condominiums to detached houses as peak millennials^[3], those between the ages of 26 and 32 and the largest cohort within the powerful millennial consumer demographic, seek houses to accommodate growing families. Comparing the national median price of a condominium at the end of 2019 with 2014, the price has increased 48 per cent. Now this demographic is looking for more space and a yard. The resulting demand will put upward price pressure on detached homes. However, condominiums will remain in demand in regions where affordability restricts choice of housing types.

“The oldest peak millennials are now in their thirties,” said Soper. “This huge wave of Canadian consumers has been transforming Canadian real estate for a decade, putting more focus and upward price pressure on our condominium housing stock. With kids in hand and dog on leash, these parents are now eyeing the suburbs that their baby boomer parents so coveted. We predict that the period of disproportionately higher price appreciation in the condo segment is drawing to a close as interest in detached homes is reborn.”

Regional appreciation drivers

The median price of a two-storey detached home in the Greater Toronto Area is expected to increase 4.5 per cent year-over-year in 2020, rising to \$1,027,200, while the median price of a condominium is forecast to increase 6.0 per cent to \$600,000.

In Greater Vancouver, house price appreciation is expected to stabilize in 2020 after declining in 2019. The aggregate price of a home in the region is forecast to rise 1.5 per cent to \$1,125,200. Overall, British Columbia’s outlook is positive. The province’s economic indicators continue to be bullish, and most forecasters expect growth in BC to be above the national average next year.

The Greater Montreal Area and Ottawa’s aggregate home prices are forecast to increase 5.5 per cent and 4.5 per cent to \$457,900 and \$516,200, respectively, in 2020 compared to 2019. The Greater

Montreal Area is expected to see the highest aggregate home price appreciation of all regions analyzed. Price growth in both regions are fueled by healthy economies with good employment, affordable real estate and strong consumer confidence.

Calgary and Edmonton are expected to see modest home price gains in 2020 as prices began to stabilize on a quarter-over-quarter basis in 2019.

MARKET SUMMARIES

Greater Toronto Area

Tight market conditions influenced by low supply and a growing population continue to affect home prices in the Toronto core and the Greater Toronto Area. The aggregate price of a home in the Greater Toronto Area is forecast to increase **4.75 per cent year-over-year** in 2020, rising to **\$883,700**. The median price of a condominium is expected to increase 6.0 per cent year-over-year to \$600,000 and the median price for a two-storey detached home is forecast to rise 4.5 per cent year-over-year to \$1,027,200 by the end of next year.

"Inventory is critically low and it is possible that we could see a return to accelerating high price appreciation in the near term without new supply becoming available," said Kevin Somers, Chief Operating Officer, Royal LePage Real Estate Services Limited. "Areas such as Richmond Hill and Markham, which were among the hardest hit by the recent market correction, have already shown signs of a recovery while areas closer to the city centre are showing significant momentum heading into 2020."

Somers added that while many young families are growing out of their condominiums, moving into a larger property is not an option that many can afford. The First-Time Home Buyer Incentive may benefit single first-time condominium buyers, especially in the greater region, but it is unlikely to benefit buyers looking for a property suited for a family, unless modifications proposed in the liberal election platform increasing the qualifying purchase threshold to \$800,000 actually take effect.

Greater Montreal Area

Supportive of a healthy real estate market, the Greater Montreal Area's economic indicators are all positive – a strong job market, low and stable interest rates and very few clouds on the horizon that could slow the Quebec and Montreal economy in the year ahead.

Royal LePage forecasts that the aggregate price of a home in the Greater Montreal Area will **increase 5.5 per cent year-over-year** by year end 2020 to **\$457,900**, which is similar to 2019's rate of appreciation. During the same period, the median price of a two-storey detached home is forecast to

rise by 6.0 per cent year-over-year to \$581,300, while the median price of a condominium is expected to increase 5.0 per cent to \$355,100. At this pace, the Greater Montreal Area real estate market will enter its fourth consecutive year of price appreciation above the 4 per cent mark.

“The real estate market in Montreal is showing no signs of slowing down,” said Dominic St-Pierre, vice president and general manager, Royal LePage, Quebec region. “Strong demand continues to favour sellers, reducing inventory and pushing prices upward across the region. The seller’s market that we have been witnessing for the past three years now has become the norm and is not going anywhere. Sales and price appreciation are both expected to accelerate in 2020.”

In the region, demand comes mainly from millennials and newcomers who seek quality of life and excellent employment opportunities. The region’s unemployment rate is low; workers have good job selection as well as opportunities for advancement and increased compensation. Millennials will remain a significant buyer segment of the condominium market, especially on the Island, and the First-Time Home Buyer Incentive will continue to help more first-time buyers access property in the year ahead.

“Incentives to increase access to property are very useful for first-time home buyers when it comes the time to purchase, but they also create more demand,” added St-Pierre. “It is important that government policy take into account measures that will offset imbalance between demand and supply to provide current and future generations with a better chance to own a home. The goal should be housing inventory that answers the needs of our growing population.”

Greater Vancouver

In Greater Vancouver, the aggregate price of a home is forecast to **increase 1.5 per cent** in 2020, rising to **\$1,125,200**. The median price of a standard two-storey home is expected to rise 1.25 per cent year-over-year to \$1,460,700, while the median price of a condominium is forecast to increase 3.0 per cent to \$666,900 by the end of next year.

“Sales have picked up significantly this fall and there is momentum in our market. Buyers who took a “wait and see” approach over the past 18 months are returning to the market looking to buy, confident that price drops have levelled off and may start to escalate,” said Randy Ryalls, Managing Broker, Royal LePage Sterling Realty. “We are seeing multiple offers for quality listings in high demand regions although not to the degree that we saw in 2016.”

Ryalls added that at the current rate of sales, inventory will be very low going into 2020 putting upward pressure on prices.

"The concern for potential buyers may be that prices will escalate quickly but they should also be concerned that they won't get the same selection of listings or time to look around," said Ryalls. "It varies between neighbourhoods, but areas such as East Vancouver are a seller's market."

Ryalls added that the unemployment rate in Greater Vancouver is low, the west coast economy is performing well, and the cost of borrowing remains low, which will motivate more buyers to come to the market.

Ottawa

In Ottawa, the aggregate price of a home is forecast to **increase 4.5 per cent** year-over-year to **\$516,200**, crossing the half million dollar mark. During the same period, the median price of a condominium is expected to increase 3.5 per cent year-over-year to \$341,300, while the median price for a two-storey detached home is forecast to rise 5.0 per cent year-over-year to \$547,600. Government stability and sustained growth in the high-tech sector will continue to benefit Ottawa's real estate market.

"Ottawa continues to be an affordable city with great jobs," said Kent Browne, broker and owner, Royal LePage TEAM Realty. "Inventory is tight and there are few rental units available, which puts pressure on the overall real estate market. We are seeing multiple offers on homes between 300K and 500K and we expect this trend to continue into the new year."

Browne added that there is a lot of condominium construction in the city including a new 45-storey condominium, the tallest in the city.

"Without more supply, we can expect to see home prices continue to appreciate in mid-single digits," said Browne. "The federal government's First-Time Buyer Incentive would have benefitted more people just a few years ago. In 2020, a typical home will sell for more than \$500,000, which is the program's cap."

Calgary

In 2020, the aggregate price of a home in Calgary is forecast to increase **1.5 per cent** year-over-year to **\$477,000**. During the same period, the median price of a condominium is forecast to increase 0.75 per cent year-over-year to \$267,500 and the median price of a two-storey detached home is forecast to rise 1.75 per cent year-over-year to \$523,100.

"There are signs that the Calgary real estate market has touched its price floor and we are beginning a gradual return to balance," said Corinne Lyall, broker and owner, Royal LePage Benchmark. "There's

positive news with the Trans Mountain Expansion, increased net migration and new jobs. Calgary's housing market will see some buoyancy but it's not going to be immediate."

Lyll anticipates that future price and sales increases will only begin to be seen in the second quarter of 2020.

"Lenders have become more stringent, and many first-time home buyers have to improve their credit score, and wait a couple of years to save for a down payment and establish job stability. Saying that, we should still see more buyers entering the market this next year with continued low interest rates, positive migration, and less choice to rent with tighter vacancy rates," said Lyll.

Edmonton

The aggregate price of a home in Edmonton is forecast to **increase 1.0 per cent** to **\$383,200** at the end of 2020. The median price of a condominium and two-storey detached home are forecast to increase 1.5 per cent to \$234,500 and 0.75 per cent to \$438,700, respectively, during the same period.

"We are seeing Edmonton move into a balanced market where buyers and sellers are negotiating. Sellers are compromising and buyers are realizing that prices are not going any lower," said Tom Shearer, broker and owner, Royal LePage Noralta Real Estate. "In 2020, we should see a modest price bump but we are also expecting a healthy gain in sales activity."

Shearer added that there are many challenges for Edmonton's real estate market in 2020 including the outcome of negotiations with provincial government workers and resolving the ongoing struggle of the energy sector. However, positive indicators include increasing sales, lower inventory and quarter-over-quarter price stability in 2019.

"Despite previous uncertainty in the energy sector, the Alberta government's focus on corporate tax cuts and making the province a more business-friendly area could potentially spur new job opportunities to come to the city," added Shearer.

Halifax

In 2020, Halifax's real estate demand will continue to be driven by strong population growth. Halifax's growing population is putting pressure on both the real estate market and rental market leading to home price increases.

The aggregate price of a home in Halifax is forecast to **increase 1.75 per cent** in 2020, rising to **\$323,800**. Over the same period, the median price of a condominium is forecast to increase 3.75 per

cent year-over-year to \$330,400 and the median price for a two-storey detached home is forecast to rise 1.25 per cent to \$340,600.

“We are now seeing more multiple offer situations in Halifax,” said Matt Honsberger, broker and owner, Royal LePage Atlantic. “In 2016, it would have been rare to have three offers on a property; now we can see up to 8 to 10. Inventory is tight, and buyers are having to adjust to the competition as momentum and consumer confidence drive the real estate market.”

Honsberger says provincial and local programs encouraging immigration and supporting business initiatives are contributing to the population increase. The Atlantic Provinces Economic Council forecasts continued economic growth in 2020.^[4]

Winnipeg

In 2020, the aggregate price of a home in Winnipeg is forecast to **remain flat** year-over-year at **\$321,300**. During the same period, the median price of a condominium is forecast to increase 1.25 per cent year-over-year, rising to \$235,800. The median price of a two-storey detached home is expected to decrease 0.25 per cent year-over-year to \$352,600. Immigration will continue to be a strong driver in the real estate market.

“Winnipeg is a vibrant city that attracts young professionals looking to live in an affordable place where beautiful homes are not financially out of reach for most residents,” said Michael Froese, broker and manager, Royal LePage Prime Real Estate. “Winnipeg’s diverse economy and steady employment insulate us somewhat from external economic factors, including a potential 2020 recession in the States.”

Froese attributes part of the region’s appeal to its expanding tech hub, with population growth continuing to fuel sales.

“The Canadian dream of owning a two-storey home in a family-friendly community with access to excellent schools is attainable in Winnipeg for newcomers with more modest savings,” said Froese. “According to Royal LePage’s newcomer research released in October, over 40 per cent of home buying purchases in the Prairies are made by newcomers to Canada.”

Regina

The aggregate median price of a home in Regina is expected to **remain flat** at **\$315,000** in 2020. During the same period, the median price of a two-storey detached home is forecast to decrease 0.5 per cent to \$386,000 and the median price of a condominium is forecast to increase 3.5 per cent to \$207,300 year-over-year.

Immigration continues to sustain real estate in Regina. The Saskatchewan Government's initiative to attract more newcomers to the area is expected to increase demand in the coming year.

"Regina's oversupply of listings has diminished greatly and there are fewer condominiums available on the market than previous years," said Mike Duggleby, broker and owner, Royal LePage Regina Realty. "Potential buyers who have been waiting for prices to stabilize and begin a recovery are realizing that now is the time to enter the marketplace."

Duggleby added that apartment-style condo inventory has reduced significantly, with very little available in the resale market in newer regions of the city. This will likely bring opportunities for builders to address the potential demand for new homes.

Royal LePage 2020 Market Survey Forecast

https://docs.rlpnetwork.com/rlp.ca/PressReleases/National_Royal_LePage_2020_Forecast.pdf
(Download .PDF)

About the Royal LePage Market Survey Forecast

The Royal LePage Market Survey Forecast provides year-over-year price expectations for Canada's nine largest markets. Housing values are based on the Royal LePage National House Price Composite, produced 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 trend analysis and market knowledge.

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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] Royal LePage Newcomer Survey; One in five homes purchased by Canadian newcomers, October 16, 2019, <https://www.royallepage.ca/en/realestate/news/one-in-five-homes-purchased-by-canadian-newcomers/> <<https://www.royallepage.ca/en/realestate/news/one-in-five-homes-purchased-by-canadian-newcomers/>>

^[3] The term "Peak Millennial" was first coined by U.S. economist, Dowell Myers, to describe the largest cohort of millennials and their potential purchasing power. In Canada, the highest millennial birth rates occurred between 1987 and 1993, making those between the ages of 26 and 32 years old a sizeable, and important demographic in the Canadian residential real estate market.

^[4] **APEC Atlantic Report** <<https://www.apec-econ.ca/publications/view/?do-load=1&publication.id=391>> November 4, 2019 predicts maintained positive economic growth across the region in 2020.

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