

Royal LePage Market Forecast: National Home Prices to Show Remarkable Resilience in 2020

- Best case scenario forecast shows Canada's aggregate home price could grow a modest 1% by the end of 2020
- If the pandemic continues to heavily restrict business activity through late summer, a national home price decrease of 3% is expected by the end of 2020
- The aggregate price of a home in Canada climbed 4.4 per cent year-over-year in Q1 2020
- High demand and low inventory in Toronto, Montreal and Ottawa fueled rising home prices

TORONTO, April 14, 2020 – According to the Royal LePage House Price Survey and Market Survey Forecast released today, the aggregate^[1] price of a home in Canada is expected to remain remarkably stable through the COVID-19 pandemic.

If the strict, stay-at-home restrictions characterizing the fight against COVID-19 are eased during the second quarter, prices are expected to end 2020 relatively flat, with the aggregate value of a Canadian home up a modest 1.0 per cent year-over-year, to \$653,800. If the current tight restrictions on personal movement are sustained through the summer, the negative economic impact is expected to drive home prices down by 3.0 per cent (\$627,900) year-over-year. In December 2019, Royal LePage forecast the national aggregate price to increase 3.2 per cent by the end of 2020. Due to COVID-19, expected price growth has been revised down almost 70 per cent compared to Royal LePage's base scenario.



“The impact of COVID-19 on the Canadian economy has been swift and violent, with layoffs driving high levels of unemployment across the country. While it is sad that these people skewed strongly to young and to part-time workers, for the housing industry, the impact of these presumably temporary job losses will be limited as these groups are much less likely to buy and sell real estate,” said Phil Soper, president and CEO, Royal LePage. “From our experience with past recessions and real estate downturns, we are not expecting significant year-over-year price changes in 2020. Home price declines occur when the market experiences sustained low sales volume while inventory builds. Currently, the inventory of homes for sale in this country is very low, matching low sales volumes as people respect government mandates to stay at home.

“It is easy to mistakenly equate a handful of transactions at lower prices to a reset in the value of the nation’s housing stock. Distressed sales that occur during an economic crisis are a poor proxy for real estate value,” said Soper.

Broad-based measurements of industry activity point to a sharp decline in the four or five weeks since all provinces declared states of emergency. Home search activity on popular real estate websites are down more than 20 per cent versus norms. Home showings are down by more than two-thirds, based on Royal LePage sampling. Open house gatherings of people at a property for sale have been reduced to almost zero nationwide.

“As we ease out of strict stay-at-home regimens, sales volumes will return; traditional home sales practices will not,” continued Soper. “The popular ‘open house’ gathering of buyers on a spring afternoon is gone, and it won’t be coming back any time soon. The industry is leveraging technologies that allow a home to be shown remotely and social distancing protocols, where we restrict client interaction with our Realtors to limited one-on-one or two meetings, will continue for months and months. This process is inherently safer than a trip to the grocery store.”

The aggregate price of a home in Canada increased 4.4 per cent to \$655,276 in the first quarter. When broken out by housing type, the median price of a two-storey home rose 5.1 per cent year-over-year to \$770,005 while the median price of a bungalow and condominium rose 2.1 per cent and 4.4 per cent to \$541,040 and \$493,917, 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.

At the start of 2020, Canada’s housing market was experiencing a surge in home sales with growing upward pressure on major market home prices. This resulted from pent up demand that was released in the second half of 2019 when federal mortgage stress test measures implemented in 2018 had largely been absorbed by the market and consumer confidence began to build.

“If the fight against the coronavirus requires today’s tight stay-at-home mandates to remain in place for several months more, with no semblance of normal business activity allowed, temporary job losses will become permanent and consumer confidence will be harder to repair,” said Soper. “This would place downward pressure on both home sales volumes and prices.

“Equally, if the collective efforts of Canadians slow the spread of the disease to manageable levels, and if promising science and therapeutic drugs are announced, people will return to their jobs, market confidence will bounce back quickly, and we could see Canada’s real markets roar back to life, with 2020 transactions delayed but not eliminated.”

REGIONAL SUMMARIES

Greater Toronto Area

Housing demand outstripped supply in the Greater Toronto Area putting significant upward pressure on home prices. During the first quarter of 2020, the Greater Toronto Area aggregate home price rose 7.5 per cent year-over-year to \$866,211.

When broken out by property type, the median price of a condominium saw the highest appreciation, rising 8.8 per cent year-over-year to \$580,508. The median price of a two-storey home and bungalow rose 7.7 per cent and 3.7 per cent to \$1,010,004 and \$826,186, respectively.

“Toronto real estate appreciated rapidly in the first quarter as the demand that began in the second half of 2019 kept its momentum while inventory remained low. However, by mid-March both buyers and sellers had pulled back to adhere to social distancing measures and gauge the impact of the pandemic on the market,” said Kevin Somers, chief operating officer, Royal LePage Real Estate Services Limited.

If business activity resumes by the end of the second quarter, the Greater Toronto Area may see a year-over-year increase of 1.5 per cent to its aggregate home price by the end of 2020, increasing to \$861,100. If business activity resumes in late summer 2020, the region could see a decrease of 0.5 per cent year-over-year in aggregate home price to \$844,200.

Greater Montreal Area

During the first quarter of 2020, the Greater Montreal Area aggregate home price rose 7.2 per cent year-over-year to \$441,979, representing the second consecutive quarterly year-over-year record increase in almost a decade. However, a decline in sales and new listings was observed in mid-March due to COVID-19.

When broken out by property type, the median price of a two-storey home and bungalow rose 8.0 per cent and 6.9 per cent year-over-year, respectively, to \$557,594 and \$344,043, while the median price of a condominium rose 5.0 per cent year-over-year to \$344,962.

“Historically, the financial and real estate crises of the past 50 years that have disrupted consumer confidence and the number of real estate transactions have had little effect on property prices when analyzed over a 12 to 18 month period,” said Dominic St-Pierre, vice-president and general manager, Royal LePage, Quebec region. “While sales will temporarily slow down during the current pandemic, we do not foresee a significant decline in home prices, at least not for a sustained period, as housing and shelter is an essential need. Additionally, we expect that the numerous buyers who have put their purchase on hold will create a surge from pent-up demand,” he added.

If business activity resumes by the end of the second quarter, the Greater Montreal Area real estate market should remain relatively stable, with a year-over-year decrease of 0.5 per cent to its aggregate home price by the end of 2020, decreasing to \$434,500 by the end of 2020. If business activity resumes in late summer 2020, the region's market could see a decrease of 3.5 per cent year-over-year in aggregate home price to \$421,400. This forecast factors in that Quebec is the only province in Canada where real estate brokerage is currently not included in the list of essential services.

Greater Vancouver

Despite tightening inventory and a surge in sales, the aggregate price of a home in Greater Vancouver decreased 2.1 per cent year-over-year to \$1,083,166 in the first quarter of 2020.

Broken out by housing type, the median price of a two-storey home decreased 1.1 per cent year-over-year to \$1,402,395, while the median price of a condominium and bungalow decreased 2.5 per cent and 4.2 per cent to \$636,012 and \$1,182,420, respectively.

"While the region had not quite returned to the 10-year average in home sales, the Greater Vancouver housing market was on a path for a vibrant spring market. We were seeing consumer confidence grow from the healthy demand seen in the entry-level segment that was extending upwards through the mid-range properties. We expected this upward trend to continue," said Randy Ryalls, managing broker, Royal LePage Sterling Realty. "Amid COVID-19 concerns, Greater Vancouver's real estate activity began to slow in mid-March. While we do not know the duration of the pandemic, demand is still there and waiting for regular market activity to resume."

The aggregate price of a home in the City of Vancouver rose 1.0 per cent year-over-year to \$1,245,608 in the first quarter of 2020, driven by a gain of 4.9 per cent in the median price of a two-storey home. Both the median price of a bungalow and condominium declined year-over-year during the same period.

If business activity resumes by the end of the second quarter, Greater Vancouver may see a year-over-year gain of 0.5 per cent to its aggregate home price by the end of 2020, rising to \$1,086,800. If business activity resumes in late summer 2020, the region could see a decrease of 2.5 per cent year-over-year in aggregate home price (\$1,054,400).

"Buyers had come back to the market after sitting on the sidelines for a couple of years. They could not have predicted the impact of COVID-19 on their ability to transact this spring and have found themselves on the sidelines again," said Ryalls. "If consumer confidence is intact when we are able to resume normal market activity, I expect we will see a significant pent up demand and a bump in sales. Buyers are still able to access a mortgage rate below 3 per cent, which is very attractive to homebuyers."

Ottawa

Low inventory and high demand in the first quarter of 2020 put significant upward pressure on home prices. The aggregate price of a home in Ottawa increased 8.0 per cent year-over-year in the first quarter of 2020, crossing the half million dollar milestone for the first time to \$502,808.

Broken out by housing type, the median price of a bungalow and condominium in Ottawa increased 12.0 per cent and 8.1 per cent year-over-year to \$519,827 and \$343,998, respectively, while the median price of a two-storey home in the region increased 6.9 per cent year-over-year to \$526,584.

“Until mid-March, about 60 per cent of our listings were seeing multiple offers. The first quarter of 2020 was the extension of a seller’s market that began 18 months ago,” said John Rogan, broker of record, Royal LePage Performance Realty. “The impact of the coronavirus on Ottawa’s real estate market was quick and only those who had to buy and sell remain active.”

If business activity in the region resumes by the end of the second quarter, Ottawa may see a year-over-year gain of 2.5 per cent to its aggregate home price by the end of 2020, rising to \$506,500. If business activity resumes in late summer 2020, the region’s aggregate home price is expected to remain flat (\$494,100).

“There are many unknowns about the long-term economic impact of COVID-19 on real estate. However, low inventory is supportive of home price appreciation, or at least home price stability. While we are not expecting to see 2019 price gains this year, at this stage it’s not likely that prices will notably decline either,” said Rogan.

Calgary

While sales were more brisk in the first quarter of 2020 compared to last year, the aggregate price of a home in Calgary remained relatively flat dipping 0.1 per cent year-over-year to \$469,156.

Broken out by housing type, the median price of a two-storey home increased 0.9 per cent year-over-year to \$514,713, while the median price of a bungalow was flat at \$485,984. The median price of a condominium decreased 7.2 per cent to \$261,778 compared to the first quarter of 2019.

“Sales are up year-to-date despite the dip in activity during the last two weeks of March,” said Corinne Lyall, broker and owner, Royal LePage Benchmark. “With a decline in listing inventory, we had expected to see modest price gains this spring. Now we are waiting to see how long the pandemic lasts and how much damage the economy sustains.”

If business activity resumes by the end of the second quarter, Calgary's aggregate home price is expected to see a year-over-year decline of 0.5 per cent by the end of 2020, rising to \$463,000. If business activity resumes in late summer 2020, the region could see a decrease of 4.0 per cent year-over-year in aggregate home price (\$451,300).

Lyll added that while low oil prices will also have a negative impact on Calgary's real estate, the risk is lower than the 2014 oil crisis. This is primarily because the region's real estate market has been adjusting to declining oil prices over the years and the current low level of housing inventory.

"Oil companies have learned how to operate very efficiently since 2014 and with the pipeline going ahead, there is optimism that Calgary's real estate market will find the momentum that was building before the pandemic took hold. We are hoping in Alberta that everyone will take the correct measures so we will plank the curve sooner rather than later," said Lyll.

Edmonton

The aggregate price of a home in Edmonton decreased 1.4 per cent year-over-year to \$371,118 in the first quarter of 2020.

Broken out by housing type, the median price of a standard two-storey home increased 1.5 per cent year-over-year to \$430,732. The median price of a bungalow and condominium decreased 6.3 per cent and 5.3 per cent year-over-year to \$351,481 and \$215,223.

"Edmonton's softened real estate prices and continued low interest rates were attracting buyers to the market as they saw good value in larger homes," said Tom Shearer, broker and owner, Royal LePage Noralta Real Estate. "Now that the market has been paused by the pandemic, consumer confidence and employment levels will determine the new norm when market activity resumes."

Shearer added that prior to mid-March, when the pandemic began impacting real estate activity, his brokerage had noticed a surge in investors looking for single-family homes with legal suites.

"Investors watch the market closely because their decisions are purely financial. They saw prices come down to a level where the likelihood of profitability was good," said Shearer.

If business activity resumes by the end of the second quarter, Edmonton's aggregate home price is expected to see a 1.0 per cent year-over-year decrease to \$370,800, by the end of 2020. If business activity resumes in late summer, the region could see a decrease of 3.0 per cent year-over-year in aggregate home price (\$363,300).

Halifax

After two years of strong home price appreciation, the aggregate price of a home in Halifax decreased 1.8 per cent year-over-year to \$317,064 in the first quarter of 2020.

Broken out by housing type, the median price of a two-storey home and bungalow in the region decreased 0.8 per cent and 1.7 per cent year-over-year to \$338,057 and \$266,593, respectively, while the median price of a condominium decreased 13.4 per cent year-over-year to \$284,039.

“2018 and 2019 were exceptional years for Halifax’s real estate market and going into 2020, we were sustaining momentum without significant changes in price or unit sales. It was a typical first quarter of the year for Halifax,” said Matt Honsberger, broker and owner, Royal LePage Atlantic. “We were expecting the market to pick up again in the spring but like other cities across Canada, the only buyers and sellers who have been transacting since mid-March are those who must buy or sell. The shoppers have taken a necessary step back.”

If business activity resumes by the end of the second quarter, Halifax’s aggregate home price during 2020 is expected to remain unchanged compared to the end of 2019 at \$316,600. If business activity resumes in late summer, the region could see a decrease of 1.0 per cent year-over-year in aggregate home price (\$313,400).

Winnipeg

The aggregate price of a home in Winnipeg increased 1.8 per cent year-over-year to \$303,523 in the first quarter of 2020 with all three reporting property-types seeing year-over-year increases in median price.

Broken out by housing type, both the median price of a bungalow and condominium in the region increased 2.3 per cent year-over-year to \$292,532 and \$241,048, respectively, while the median price of a two-storey home in the region increased 1.3 per cent year-over-year to \$326,627.

“Winnipeg had an excellent first quarter. Sales were up 12 per cent in the first quarter compared to 2019. Demand was high and consumer confidence was soaring,” said Michael Froese, broker and manager, Royal LePage Prime Real Estate. “Understandably, activity has slowed at the tail end of March as Manitobans’ priorities have shifted to help flatten the curve. There are still many people needing help to buy and sell real estate. With strong safety protocols in place, we are helping our customers get through this challenging time.”

If business activity resumes by the end of the second quarter, Winnipeg's aggregate home price is expected to remain unchanged by the end of 2020, compared to home prices at the end of 2019, at \$310,900. If the activity resumes in late summer, the region could see a decrease of 2.0 per cent year-over-year in aggregate home price (\$304,700).

"While no major urban city will be able to avoid the negative economic impact of COVID-19, Winnipeg is well-positioned to remain relatively stable through the pandemic due to our strong underlying market fundamentals. We are resilient," added Froese.

Regina

The aggregate price of a home in Regina decreased 2.1 per cent year-over-year to \$317,400 in the first quarter of 2020.

Broken out by housing type, the median price of a two-storey home increased 4.8 per cent year-over-year to \$399,564, while the median price of a bungalow and condominium decreased 6.5 per cent and 12.9 per cent to \$284,033 and \$194,470, respectively.

"We were beginning to see signals of a market recovery, which was disrupted by the pandemic," said Mike Duggleby, broker and owner, Royal LePage Regina Realty. "However, Regina's real estate market has seen its share of challenges over the past few years and prices are not likely to significantly decline."

If business activity resumes by the end of the second quarter, Regina's aggregate home price during 2020 is expected to decrease 2.0 per cent year-over-year to \$311,000 by the end of 2020. If business activity resumes in late summer, the region could see a decrease of 4.0 per cent year-over-year in aggregate home price (\$304,700).

Royal LePage Home Price Data and Forecasts:

- Royal LePage House Price Survey Chart (Canada's largest 64 housing markets): rlp.ca/house-prices <https://docs.rlpnetwork.com/rlp.ca/hps/RLP_HPS_chart_Q12020_E.pdf>
- Royal LePage Market Survey Forecast Chart: rlp.ca/2020-forecast <https://docs.rlpnetwork.com/rlp.ca/hps/RLP_Market_Survey_Forecast_Q12020_E.pdf>

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About the Royal LePage House Price Survey

The Royal LePage House Price Survey provides information on the three most common types of housing in Canada, in 64 of the nation's largest real estate markets. Housing values in the Royal LePage House Price Survey are based on the Royal LePage Canadian Real Estate Market Composite, produced quarterly 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 their opinions and market knowledge.

About Royal LePage

Serving Canadians since 1913, Royal LePage is the country's leading provider of services to real estate brokerages, with a network of over 18,000 real estate professionals in over 600 locations nationwide. Royal LePage is the only Canadian real estate company to have its own charitable foundation, the Royal LePage Shelter Foundation, dedicated to supporting women's and children's shelters and educational programs aimed at ending domestic violence. Royal LePage is a Bridgemarq Real Estate Services Inc. company, a TSX-listed corporation trading under the symbol TSX:BRE. For more information, please visit www.royallepage.ca <<http://www.royallepage.ca/>> .

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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.

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