

## Greater Vancouver Home Price Appreciation Begins its Descent in the Fourth Quarter of 2016

*Low inventory levels and bruised consumer confidence lead to decreased appreciation quarter-over-quarter*

*Prices across Greater Vancouver expected to correct in 2017*

**Vancouver, January 12, 2017** – The Royal LePage House Price Survey<sup>1</sup> and Market Survey Forecast released today showed significant price appreciation across Greater Vancouver. In the fourth quarter of 2016, the aggregate<sup>2</sup> home price rose 25.6 per cent year-over-year to \$1,230,718. When broken out by housing type, the median price of a two-storey and bungalow in Greater Vancouver increased by 27.0 per cent and 28.8 per cent year-over-year to \$1,604,757 and \$1,386,240, respectively. Condominiums also saw significant appreciation in the fourth quarter, climbing 15.0 per cent to \$529,912 year-over-year.

While year-over-year home price appreciation continued to surge on the back of the tremendous gains witnessed in the first half of the year, pricing across Greater Vancouver began to moderate in the fourth quarter of 2016 as a result of eroded affordability and slowed market activity. Bruised consumer confidence stemming from the recent implementation of new provincial and federal regulations coupled with severely low inventory levels have intensified this trend, keeping prospective homeowners on the sidelines and causing all but condominiums within the region to transition from a seller's to a buyer's market, in the span of one quarter.

"After appreciating at an unsustainable rate for the better part of the year, prices across Greater Vancouver have begun to correct as a result of deteriorating affordability, a lack of quality inventory and heightened market uncertainty stemming from conflicting governmental intervention," said Randy Ryalls, General Manager, Royal LePage Sterling Realty. "This has led to a decrease in competition for listings across Greater Vancouver, giving rise to new market conditions where prospective homeowners have more power at the bargaining table, causing prices to soften."

Despite the flurry of new policies designed to tame demand and foreign investment in Greater Vancouver, critically low inventory levels have been the predominant factor affecting the region's market activity and house price appreciation. Market characteristics have melded to create a perfect storm where prospective homeowners are unable to find adequate affordable property due to an extreme lack of supply, and have thus refrained from putting their own homes on the market, causing sales activity to slow further and leading prices to soften. While this has caused appreciation to slow across many property types within the Greater Vancouver market, condominiums have remained remarkably resilient in the face of recent conditions due to their relatively better supply and affordability.

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<sup>1</sup> Powered by Brookfield RPS

<sup>2</sup> Aggregate prices are calculated via a weighted average of the median values of homes for reported property types in the regions surveyed

Looking ahead to 2017, Royal LePage forecasts that home prices across Greater Vancouver will depreciate by 8.5 per cent year-over-year, with the condominium segment and the region's nation-leading economy expected to offset further decreases in aggregate prices throughout the year. It is also predicted that foreign investment will wane further within the region due to the recent Land Transfer Tax on Foreign Nationals and China's State Administration of Foreign Exchange imposing new, stricter requirements on currency conversions.

"It is expected that Greater Vancouver will experience a near double-digit correction in the new year, as sanity returns to the marketplace, causing the region to give back much of the appreciation witnessed in the first half of 2016," added Ryalls. "However, inventory will continue to be the story in the new year, as any movement within the market will be exaggerated at their current, extremely low levels, meaning that if sentiment remains unchanged, conditions could worsen and prices may fall even further."

### **Greater Vancouver Market Summaries**

In the fourth quarter of 2016, the aggregate price of a home in the city of **Vancouver** rose 25.6 per cent year-over-year to \$1,506,498. While all property types saw significant annual growth, with median prices of bungalows and two-storey homes surging by an astounding 27.8 per cent and 27.7 per cent year-over-year, respectively, appreciation and sales activity within the detached segment has slowed as a result of constrained affordability and critically low inventory levels.

Outpacing the rest of the nation, the aggregate price of a home in **West Vancouver** skyrocketed during the fourth quarter, rising by 32.8 per cent year-over-year to \$3,573,148. Severe affordability issues brought on by rapid appreciation throughout the year has caused sales activity to slow, particularly in the region's near million-dollar condominium market where prices depreciated by 7.6 per cent on a quarter-over-quarter basis.

When compared to other regions across Greater Vancouver, home prices in **North Vancouver** fared quite well in the fourth quarter of 2016, rising 28.0 per cent year-over-year to \$1,391,197. Due to its close proximity to the downtown core, buyers continued to flock to the market in search of relatively affordable property, maintaining price appreciation within the region on both a quarterly and yearly basis.

Aggregate home prices in **Richmond** rose significantly in the fourth quarter, leaping by 27.6 per cent year-over-year to \$1,102,456. Vancouver's home price trends continued to influence the region during the quarter, placing further pressure on sales activity and causing prices to begin to normalize. With the exception of bungalows, appreciation across all market segments was flat quarter-over-quarter despite posting impressive gains on an annual basis, with the median price of bungalows and two-storey properties rising by 36.7 per cent and 30.8 per cent year-over-year, respectively.

In **Burnaby**, the aggregate home price rose 19.3 per cent year-over-year to \$1,030,282. While the median price of a two-storey home and bungalow increased by 19.1 per cent and 24.6 per cent year-over-year, respectively, both market segments experienced negative growth quarter-over-quarter, as many purchasers looked to condominiums and the bottom-end of the market

instead for its relative affordability. Over the quarter, market speculation and foreign investment have also waned in the region with builders and international purchasers beginning to take a more cautious approach to the market due to recent declines in sales activity and appreciation.

Properties in **Coquitlam** continued to appreciate in the fourth quarter, rising 27.1 per cent year-over-year to an aggregate price of \$1,003,650. Low inventory levels coupled with an increase in migration from Vancouver has dampened the effects of cyclical cooling within the region, causing prices to appreciate on both a yearly and quarterly basis across all market segments. While many buyers have decided to wait in hopes of seeing prices correct further, many first-time and move-up buyers have flocked to the city in order to capitalize on Coquitlam's less expensive condominium market.

While the aggregate price of a home rose 22.0 per cent year-over-year to \$765,726 in **Surrey**, appreciation and sales activity have slowed within the region during the fourth quarter of 2016. Extremely low inventory levels, new mortgage stress tests and the threat of lenders hiking interest rates have all given pause to many attempting to enter the market, particularly in the detached segment where affordability has made prospective purchasers question their buying power.

Finally, **Langley** saw the aggregate price of a home appreciate by 25.7 per cent year-over-year to \$786,720 in the fourth quarter of 2016. While many other regions began to struggle this quarter, current home valuations across the rest of Greater Vancouver have led many buyers into the region in search of affordability, resulting in increased sales activity and competition over listings. As a result, the region's bungalow market has maintained its high price appreciation trajectory on a quarterly and annual basis, jumping 39.5 per cent to \$792,378, this year over last.

## Regional Pricing Data

Market	Two-Storeys			Bungalows			Condominiums			Aggregate		
	Q4 2015	Q4 2016	Year-Over-Year % Change	Q4 2015	Q4 2016	Year-Over-Year % Change	Q4 2015	Q4 2016	Year-Over-Year % Change	Q4 2015	Q4 2016	Year-Over-Year % Change
Greater Vancouver	\$1,263,682	\$1,604,757	27.0%	\$1,076,331	\$1,386,240	28.8%	\$460,863	\$529,912	15.0%	\$979,523	\$1,230,718	25.6%
Vancouver	\$2,039,100	\$2,603,250	27.7%	\$1,211,954	\$1,548,976	27.8%	\$549,445	\$647,286	17.8%	\$1,199,025	\$1,506,498	25.6%
North Vancouver	\$1,307,614	\$1,690,473	29.3%	\$1,224,508	\$1,563,629	27.7%	\$418,370	\$508,217	21.5%	\$1,086,592	\$1,391,197	28.0%
West Vancouver	\$2,964,479	\$3,984,852	34.4%	\$2,345,870	\$3,052,483	30.1%	\$978,325	\$984,258	0.6%	\$2,691,570	\$3,573,148	32.8%
Surrey	\$706,883	\$858,768	21.5%	\$610,054	\$795,991	30.5%	\$244,597	\$263,446	7.7%	\$627,887	\$765,726	22.0%
Richmond	\$1,122,191	\$1,468,059	30.8%	\$1,071,101	\$1,464,217	36.7%	\$411,990	\$442,960	7.5%	\$863,980	\$1,102,456	27.6%
Langley	\$699,669	\$856,239	22.4%	\$567,884	\$792,378	39.5%	\$278,400	\$286,363	2.9%	\$625,719	\$786,720	25.7%
Coquitlam	\$945,180	\$1,211,057	28.1%	\$858,925	\$1,098,441	27.9%	\$346,242	\$409,027	18.1%	\$789,851	\$1,003,650	27.1%
Burnaby	\$1,259,422	\$1,499,860	19.1%	\$1,137,822	\$1,417,951	24.6%	\$413,956	\$459,684	11.0%	\$863,817	\$1,030,282	19.3%

\*Data presented in the table above may not match same period data reported previously due to subsequent market updates

Nationally, Canada's residential real estate market saw significant year-over-year price appreciation in the fourth quarter of 2016, supported by considerable gains in the Greater Toronto Area (GTA) and Greater Vancouver. Looking ahead, Royal LePage expects the

regional extremes in house price appreciation that characterized the national real estate market in 2016 to narrow in 2017. This trend is anticipated to be driven primarily by a price correction in the Greater Vancouver housing market, strong but moderating price appreciation in the GTA, and welcomed upward price trends in Quebec, Atlantic Canada and Alberta.

The price of a home in Canada increased 13.0 per cent year-over-year to \$558,153 in the fourth quarter of 2016 – the highest year-over-year national home price increase recorded in over a decade. The price of a two-storey home rose 14.3 per cent year-over-year to \$661,730, and the price of a bungalow increased 12.5 per cent to \$481,460. During the same period, the price of a condominium increased 7.4 per cent to \$356,307. Looking to the year ahead, Royal LePage forecasts that the aggregate price of a home will increase 2.8 per cent in 2017 when compared to year-end, 2016.

“The disparity in home price appreciation between Canadian regions has never been greater than that seen in 2016, with rates ranging from double-digit extremes in some cities to negative growth in others,” said Phil Soper, President and CEO, Royal LePage. “This economic drama put real estate at the forefront of everybody’s mind last year, from the Prime Minister to the recent grad. In 2017, we anticipate a movement away from the regional extremes of real estate feast and famine – and that is a very good thing.”

For the Canadian real estate market, 2016 was marked by a slew of new public policy initiatives at national, provincial and municipal levels. “While efforts to address deteriorating affordability in Ontario and B.C.’s largest metropolitan areas are well-intentioned, too many new taxes and regulations, by too many levels of government, introduced within such a short timeline and with perceivably little research and consultation, have caused confusion and triggered drops in consumer confidence, risking the long-term health of Canada’s housing market,” said Soper.

“Price appreciation disparities between regions have created a quandary for policymakers who have tried to tame overheated housing markets, while supporting slower ones. What our leaders have been slow to address, and what is at the heart of the matter, is the supply side of the equation in the country’s hottest markets. Housing shortages have put immense upward pressure on prices,” he concluded.

### **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 53 of the nation’s largest real estate markets. Housing values in the House Price Survey are based on the Royal LePage National House Price Composite, produced quarterly through the use of company data in addition to data and analytics from its sister company, Brookfield RPS, 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 17,000 real estate professionals in more than 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 Brookfield Real Estate Services Inc. company, a TSX-listed corporation trading under the symbol TSX:BRE.

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