

## Recovery Underway in the Greater Toronto Area Real Estate Market

*Slide in rate of home price appreciation appears to have found its bottom as strengthening consumer confidence rekindles demand within the region*

*Mortgage regulations, affordability issues and the prospect of further interest rate hikes spur competition in entry-level market segment*

**TORONTO, October 12, 2017** – The Royal LePage House Price Survey<sup>1</sup> released today showed double-digit growth in year-over-year home prices across the Greater Toronto Area (GTA) in the third quarter of 2017, due in part to the strong gains witnessed within the region at the beginning of the year. While appreciation slowed within the GTA on a quarter-over-quarter basis to 1.5 per cent, market characteristics favouring the seller began to trend upward towards the end of the three-month period, as sales activity, a leading indicator of price trajectory, strengthened across many housing segments. In the third quarter of 2017, the aggregate price of a home in the region surged 21.7 per cent year-over-year to \$860,295.

When broken out by housing type, home prices across all segments saw strong year-over-year gains. In the third quarter of 2017, the median price of a standard two-storey home in the GTA climbed 22.5 per cent to \$1,014,131, while the median price of a bungalow increased 17.0 per cent to \$835,157. During the same period, the median price of a condominium within the region also saw a significant price increase, rising 22.0 per cent to \$471,932.

Within the quarter, real estate in the Greater Toronto Area began to show signs of a recovery, transitioning to a more balanced market as price movement and consumer confidence stabilized. The market-cooling effects stemming from the introduction of the Ontario Fair Housing Plan have begun to wear off, leading to a burst of demand being witnessed as many prospective homebuyers re-entered the market with the expectation that home values will only increase from here on out. This trend has placed a slight strain on healthier-than-normal inventory levels, especially as sellers continue to take their homes off of the market upon realizing that they can no longer capitalize on overheated conditions.

“The recovery is on in the Greater Toronto Area, with the housing market turning the corner in the latter half of the third quarter,” said Kevin Somers, chief operating officer, Royal LePage Real Estate Services Limited. “Though it is true that appreciation may continue to stagnate at the higher-end of the market due to affordability issues, strengthening consumer confidence has once again rekindled demand across the Greater Toronto Area, leading to the end of a very short-lived and measured softening within the region.”

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<sup>1</sup> Aggregate prices are calculated using a weighted average of the median values of all housing types collected. Data is provided by RPS Real Property Solutions.

During the quarter, prices remained resilient in the entry-level segment of the Greater Toronto Area real estate market, as many purchasers and prospective first-time homeowners competed for properties. Condominiums, and the majority of properties properly priced under \$500,000, continued to witness multiple offers due to their relative affordability, especially as the new mortgage regulations introduced in October of last year further limited consumers' purchasing power. With the threat of an increased interest rate environment looming, many prospective homeowners have sought out 90-day pre-approved mortgage rates, which will continue to spur activity and cause much of the inventory in the lower-priced housing segment to be absorbed.

“While home price appreciation across the GTA has sputtered somewhat since April, lower-priced homes, and in particular, condominiums have remained extremely attractive to purchasers due to their relative affordability,” added Somers. “As detached property prices remain out of reach for many purchasers, especially when nearing the city core, many homebuyers continue to readjust their expectations and look upwards or outwards to condominiums or suburban markets that offer attractive properties for an affordable price point.”

### **Greater Toronto Area Market Summaries**

The median price of a home in the **City of Toronto** rose by 21.8 per cent year-over-year to \$861,397 in the third quarter of 2017, as many continued to flock to the world-class city for its associated lifestyle. During the quarter, a lack of inventory and a resurgence of activity brought on by prospective homeowners coming back into the market caused price appreciation to trend upwards and sales activity to find its floor.

Inventory began to build in **Scarborough**, as many potential homebuyers elected to continue to sit on the sidelines in the hopes that home values begin to decline. With an increase in available inventory, prospective homeowners had more selection to choose from, giving them ample time to mull over a potential purchase. However, when compared to the third quarter of last year, price appreciation was strong, with the median home value in the region rising 15.6 per cent to \$679,363, as many sellers continued to attempt to capitalize on the strong appreciation that occurred at the beginning of the year in order to move further east to cities like Peterborough, Belleville and Kingston where property is more affordable.

Price appreciation in York Region's condominium market continued to shine during the third quarter of 2017, as many purchasers within the area looked to the lower-end of the market for its relative affordability. Meanwhile, home values in the detached market continued to soften slightly during the quarter, with high inventory levels causing the segment to transition to a market that favours buyers. In the third quarter, the median price of a home in **Richmond Hill** and **Vaughan** grew by 17.5 per cent and 26.5 per cent year-over-year to \$1,288,411 and \$1,099,899, respectively.

**Markham** continued to experience a lull in sales activity, as the region's high priced real estate kept many purchasers at bay. While prices fell slightly on a quarter-over-quarter basis, large

gains witnessed during the spring caused the region's aggregate home price to surge when compared to the same time last year, rising 22.2 per cent to \$1,108,943.

The residential real estate market in **Brampton** seemingly rebounded from its bottom in the latter half of the third quarter of 2017, with increased levels of demand stemming from new local job opportunities driving many to the area and helping to put a dent into the region's surplus of inventory. While the region's real estate market favoured purchasers at the beginning of the quarter, the area transitioned to a more balanced market towards the end of the three-month period, with the aggregate home price rising 25.1 per cent year-over-year to \$731,544.

In the third quarter of 2017, artificially high inventory levels gave purchasers in **Mississauga** and **Oakville** the illusion of choice, as sellers tested the waters in the hopes of receiving a spectacular offer. Though both regions have transitioned to a buyer's market, sellers aren't giving in as easily to current conditions. Many choosing to put their homes up for sale are now either electing to relist their properties or take their homes off of the market entirely upon receiving offers that accurately reflect current values, but do not match the high-priced environment experienced at the beginning of this year. During the quarter the aggregate price of a home in Mississauga and Oakville increased by 20.9 per cent and 21.9 per cent year-over-year to \$758,750 and \$1,145,644, respectively.

The aggregate price of a home in **Milton** climbed 26.0 per cent this year over last to \$788,634. Rising home values and the new mortgage regulations have driven many potential purchasers into the lower-end of the market, placing significant strain on this segment's inventory levels and causing many to compete for condominiums and bungalows.

Sales activity in the Durham Region began to pick up in the third quarter of 2017, as buyers shook off the effects of the new mortgage regulations by adjusting their expectations and looking to the entry-level market. Now, anything on the more affordable end of the spectrum is experiencing a great deal of competition, with many looking to snap up property before interest rates rise further. During the quarter, **Oshawa** and **Ajax** experienced the largest aggregate home price increases of any area within the Durham Region, surging 26.8 per cent and 23.4 per cent year-over-year to \$572,177 and \$723,601, respectively. **Pickering** also saw a significant increase in price, with its aggregate home value rising 20.9 per cent this year over last to \$754,371, while home values in **Whitby** grew by 19.9 per cent to \$712,914 over the same period.

## Regional Pricing Data

Market	Two-Storeys				Bungalows				Condominiums				Aggregate			
	Q3 2016	Q3 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q3 2016	Q3 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q3 2016	Q3 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q3 2016	Q3 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)
Greater Toronto Area	\$828,033	\$1,014,131	1.4%	22.5%	\$713,702	\$835,157	0.2%	17.0%	\$386,768	\$471,932	2.9%	22.0%	\$706,640	\$860,295	1.5%	21.7%
Toronto	\$1,003,761	\$1,241,097	3.1%	23.6%	\$759,434	\$877,188	-0.7%	15.5%	\$421,654	\$510,709	2.7%	21.1%	\$707,361	\$861,397	2.5%	21.8%
Scarborough	\$706,737	\$803,655	0.0%	13.7%	\$672,322	\$763,839	-1.4%	13.6%	\$280,527	\$363,085	5.2%	29.4%	\$587,625	\$679,363	0.2%	15.6%
Richmond Hill	\$1,180,846	\$1,389,106	-1.9%	17.6%	\$1,057,590	\$1,232,663	-0.7%	16.6%	\$353,699	\$411,978	3.3%	16.5%	\$1,096,501	\$1,288,411	-1.7%	17.5%
Vaughan	\$936,984	\$1,194,115	-0.5%	27.4%	\$1,028,586	\$1,214,275	4.2%	18.1%	\$404,353	\$490,838	5.7%	21.4%	\$869,322	\$1,099,899	0.1%	26.5%
Markham	\$976,608	\$1,192,766	-1.2%	22.1%	\$1,072,841	\$1,303,633	0.3%	21.5%	\$362,089	\$451,745	1.4%	24.8%	\$907,279	\$1,108,943	-1.0%	22.2%
Brampton	\$607,452	\$759,571	4.4%	25.0%	\$519,058	\$648,184	4.5%	24.9%	\$274,282	\$351,675	5.1%	28.2%	\$584,717	\$731,544	4.5%	25.1%
Mississauga	\$723,270	\$873,194	0.8%	20.7%	\$680,752	\$809,367	2.4%	18.9%	\$301,940	\$374,343	2.2%	24.0%	\$627,605	\$758,750	1.1%	20.9%
Milton	\$642,377	\$812,132	2.6%	26.4%	\$639,202	\$768,555	3.6%	20.2%	\$350,759	\$429,306	6.1%	22.4%	\$626,023	\$788,634	2.8%	26.0%
Oakville	\$1,000,182	\$1,224,288	0.3%	22.4%	\$835,658	\$1,009,203	1.5%	20.8%					\$939,675	\$1,145,644	0.3%	21.9%
Ajax	\$600,932	\$741,856	4.3%	23.5%	\$499,138	\$613,583	4.8%	22.9%	\$290,376	\$360,222	3.8%	24.1%	\$586,228	\$723,601	4.3%	23.4%
Pickering	\$653,967	\$794,877	3.3%	21.5%	\$596,909	\$685,360	-0.2%	14.8%	\$307,547	\$391,086	4.7%	27.2%	\$623,736	\$754,371	2.9%	20.9%
Oshawa	\$472,764	\$598,699	0.8%	26.6%	\$415,130	\$527,910	2.6%	27.2%	\$213,560	\$279,501	4.5%	30.9%	\$451,183	\$572,177	1.3%	26.8%
Whitby	\$606,739	\$729,606	1.1%	20.3%	\$564,816	\$658,852	1.9%	16.6%	\$382,032	\$487,531	10.2%	27.6%	\$594,623	\$712,914	1.4%	19.9%

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

Nationally, the Royal LePage National House Price Composite, compiled from proprietary property data in 53 of the nation’s largest real estate markets, showed that the price of a home in Canada increased 13.3 per cent year-over-year to \$628,411 in the third quarter. When broken out by housing type, the median price of a standard two-storey home rose 13.9 per cent year-over-year to \$748,049, and the median price of a bungalow grew 9.5 per cent to \$525,781. During the same period, the median price of a condominium rose 15.2 per cent to \$413,670.

Meanwhile, on a quarter-over-quarter basis, home prices in Canada’s five most populated housing markets are rising at a similar, healthy pace – the first time this has occurred in six years.

“For now, the Toronto and Vancouver housing markets have returned to earth,” said Phil Soper, President and CEO, Royal LePage. “After a period of unsustainable price inflation and sharp market corrections, we are seeing low single digit appreciation in each. Calgary has shaken off the oil-bust blues and Montreal appears to be at the beginning of a new era of economic prosperity. Rounding out the ‘big five,’ the Ottawa market is behaving like it usually does - a picture of healthy market growth.”

“Uneven regional economic growth has plagued Canada for much of the past decade, a challenge most evident in the nation’s housing markets,” continued Soper. “For the first time since 2011, we are seeing real estate in all five of our largest cities appreciate at a manageable, healthy clip. Canadian housing is enjoying a Goldilocks moment – not too hot, and not too cold.”

## **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, 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 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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