The Greater Toronto Area's Housing Market Sees Double-digit Year-over-year Price Gains in the Fourth Quarter of 2017, Despite Softness in Quarterly Trends

Affordability constraints and new Office of the Superintendent of Financial Institutions' mortgage regulations push many potential purchasers to the sidelines

TORONTO, January 10, 2018 – The Royal LePage House Price Survey[1] released today revealed double-digit growth across the Greater Toronto Area (GTA) in the fourth quarter of 2017 compared to the same quarter last year. Home values continue to be influenced by an exceptionally strong start to 2017. During the quarter, demand continued to slow in many suburban regions across the GTA. With the exception of condominiums, all housing segments studied depreciated on a quarter-over-quarter basis, as poor winter weather, growing affordability constraints and the threat of a new stress test caused many prospective homeowners to sit on the sidelines, waiting to see if prices would soften.

In the fourth quarter of 2017, the aggregate price of a home in the region grew 14.0 per cent year-over-year to $837,873. When broken out by housing type, the median price of a two-storey home in the GTA climbed 13.9 per cent year-over-year to $982,637, while the median price of a bungalow increased 8.3 per cent year-over-year to $806,183. During the same period, the median price of a condominium within the region saw the most significant price hike, surging 19.5 per cent to $476,421.

"Over the last decade, condominium prices have tended to be less volatile when compared to other property types, maintaining strong upside appeal while demonstrating resilience in the face of varied market conditions," said Kevin Somers, Chief Operating Officer, Royal LePage Real Estate Services Limited. "When markets soar, prospective homeowners will increasingly look to more affordable property types, like condos, as a result of their diluted purchasing power. This causes pricing and sales activity to ramp up in these categories.

"Even when overheated, condominium price growth is often more manageable relative to other property types given its lower price point," added Somers. "When prices skyrocket, detached homes are far more likely to overshoot their mark, and because they are considerably more expensive, any decline in market characteristics will be far more pronounced within the segment, especially when home values are already placed out of the reach of many potential purchasers."

On a quarter-over-quarter basis, the aggregate price of a home in the GTA fell 1.7 per cent, while the median price of a two-storey home and bungalow declined by 2.0 per cent and 2.4 per cent,

[1] 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.

respectively, when compared with the previous three-month period. Condominiums were the only segment to witness a slight gain on a quarter-over-quarter basis, rising 0.4 per cent.

Since the beginning of the quarter, continued affordability constraints and waning consumer confidence kept many purchasers on the sidelines in the hopes that prices would soften, especially in suburban regions outside of the core where rates of appreciation far surpassed those experienced in the City of Toronto. When compounded with the Office of the Superintendent of Financial Institutions' (OSFI) most recent policy announcement, which will require that all new uninsured mortgages undergo a stringent stress test, sentiment softened further, as prospective homeowners continued to process the new regulation's effect on the market and their purchasing power.

"Many potential purchasers believe that there may be one final act remaining in the Greater Toronto Area's most recent housing cycle and they are willing to hold off and see if a significant price adjustment is just over the horizon," continued Somers. "However, while hope remains eternal, prices are still very much comparable to the recent peak of the market, and frankly, it would be a very big surprise if the Greater Toronto Area completely shifted to a buyer's market. External demand for housing across the metropolitan area is expected to remain strong thanks to the region's robust economy luring many buyers into its jurisdiction from across Canada and around the globe.

"Peak millennials, who are also increasingly reaching the age of homeownership, will also place a significant strain on inventory across the region, turning the process of finding a home into an exercise in adjusting expectations," concluded Somers. "As with Vancouver and many other major cities around the world, the tradeoff between housing type and location will likely become more prevalent in the future across the GTA. Now, the question will increasingly be, 'how close can you be to Toronto and still afford a home?'"

According to Royal LePage's most recent Market Survey Forecast, the company predicts that the aggregate price of a home in the Greater Toronto Area will appreciate by 6.8 per cent by the end of 2018, as many purchasers acclimate to the new mortgage rules and continue to compete over low inventory levels.

Greater Toronto Area Market Summaries

Market trends began to heat up slightly in the **City of Toronto,** with the region's robust economy luring many purchasers from across the GTA into the region, seeking to live and work downtown. As opposed to many suburban cities across the metropolitan area, desirable properties that were priced correctly tended to sell quite quickly within the region, and would often receive multiple offers. During the quarter, the median price of a home in the area rose 17.7 per cent year-over-year to $850,899.

Buyers have taken a wait-and-see approach in **Scarborough,** causing the region to transition towards more of a balanced market. Yet, despite recent trends increasingly favouring purchasers, prices still remain high, causing many prospective homeowners to look to the condominium segment or leave the city entirely for areas outside of the GTA where homes are more affordable. When compared to the fourth quarter of 2016, price appreciation remained strong within the region, with the median home value rising 8.0 per cent to $659,625.

Trends began to vary significantly across the York Region, with sales activity in **Richmond Hill** falling as a result of previously high levels of appreciation pricing many purchasers out of the market. While some buyers are trying to capitalize on current prices, many homeowners are not willing to list their properties as they believe that they should still fetch as much as they would have in the spring. Meanwhile, at the opposite end of the spectrum, home values in **Vaughan** remained remarkably resilient during the quarter, as the region posted one of the strongest quarterly and year-over-year gains of any region within the GTA in both the bungalow and condominium market segments. As a result, in the fourth quarter of 2017, the median price of a home in **Richmond Hill** and **Vaughan** grew by 7.9 per cent and 16.5 per cent year-over-year to $1,246,771 and $1,080,366, respectively.

The **Markham** housing market sputtered in the fourth quarter of 2017, as sales activity and prices within the region's high priced two-storey market segment declined. Newly built, larger condominiums served as a bright spot for the region, enticing a significant amount of interest from purchasers. Meanwhile, homeowners within the detached resale market decided to forgo listing their homes until conditions and pricing improved. While home values fell by 4.7 per cent on a quarterly 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 11.2 per cent to $1,063,513.

The relative affordability of the **Brampton** housing market enticed purchasers back into the market from the sidelines during the fourth quarter of 2017, as quarterly price changes helped home values align with prospective homeowners' expectations, predominantly piquing the interest of many first-time buyers and residents already found within the city. As a result, the region witnessed a slight increase in sales activity, and the aggregate home price rose 14.7 per cent year-over-year to $709,071.

While some purchasers jumped into the **Mississauga** and **Oakville** housing markets to find a property before the new OSFI stress test took effect, the majority of prospective homeowners elected to wait on the sidelines in order to gauge the impact of the new policies. This however did not translate into a large reduction in pricing, as inventory remained low across the regions. Existing residents are now also holding off on listing their homes, believing that pricing may be rekindled once new market conditions are absorbed. During the quarter the aggregate price of a home in Mississauga and Oakville increased by 12.7 per cent and 14.2 per cent year-over-year to $742,200 and $1,105,412, respectively.

The aggregate price of a home in **Milton** climbed 10.2 per cent year-over-year to $728,584 in the fourth quarter of 2017, as previous high home price appreciation caused market trends to slow within the region. On a quarter-over-quarter basis, the aggregate price of a home within the city fell 4.6 per cent, primarily as a result of eroded affordability.

During the quarter, **Oshawa** and **Ajax** experienced the largest aggregate home price increases of any area studied within the Durham Region, rising 10.9 per cent and 11.6 per cent year-over-year to $534,008 and $689,325, respectively. **Pickering** also saw a significant increase in price, with its aggregate home value rising 10.5 per cent this year over last to $718,336, while home values in **Whitby** grew by 8.9 per cent to $675,416 over the same period.

Regional Pricing Data

	Two-Storeys				Bungalows				Condominiums				Aggregate			
Market	Q4 2016	Q4 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q4 2016	Q4 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q4 2016	Q4 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q4 2016	Q4 2017	Quarter-Over-Quarter (%)	Year-Over-Year (%)
Greater Toronto Area	$862,475	$982,637	-2.0%	13.9%	$744,489	$806,183	-2.4%	8.3%	$398,527	$476,421	0.4%	19.5%	$735,112	$837,873	-1.7%	14.0%
Toronto	$1,020,334	$1,220,185	-0.9%	19.6%	$790,436	$847,152	-2.5%	7.2%	$431,203	$515,578	0.4%	19.6%	$722,721	$850,899	-0.7%	17.7%
Scarborough	$734,653	$776,945	-2.5%	5.8%	$698,727	$735,227	-3.2%	5.2%	$291,969	$365,510	0.8%	25.2%	$610,887	$659,625	-2.3%	8.0%
Richmond Hill	$1,247,213	$1,352,753	-1.2%	8.5%	$1,097,374	$1,110,888	-3.0%	1.2%	$365,109	$410,449	-0.3%	12.4%	$1,155,470	$1,246,771	-1.4%	7.9%
Vaughan	$1,003,540	$1,162,976	-1.6%	15.9%	$1,068,821	$1,306,330	2.9%	22.2%	$416,596	$501,409	2.7%	20.4%	$927,253	$1,080,366	-1.1%	16.5%
Markham	$1,025,821	$1,134,014	-5.5%	10.5%	$1,191,708	$1,351,521	1.9%	13.4%	$387,780	$466,140	2.0%	20.2%	$956,670	$1,063,513	-4.7%	11.2%
Brampton	$641,751	$735,103	-2.1%	14.5%	$546,974	$622,795	-1.9%	13.9%	$297,099	$366,545	2.3%	23.4%	$618,030	$709,071	-2.0%	14.7%
Mississauga	$759,105	$850,835	-1.2%	12.1%	$714,309	$790,038	-2.8%	10.6%	$316,389	$377,392	-0.6%	19.3%	$658,574	$742,200	-1.3%	12.7%
Milton	$678,968	$746,424	-5.0%	9.9%	$675,122	$741,469	0.0%	9.8%	$365,343	$429,694	-0.1%	17.6%	$661,357	$728,584	-4.6%	10.2%
Oakville	$1,028,266	$1,187,022	-1.1%	15.4%	$852,619	$940,099	-2.5%	10.3%					$967,810	$1,105,412	-1.3%	14.2%
Ajax	$632,646	$706,259	-3.4%	11.6%	$532,655	$579,264	-2.9%	8.8%	$312,411	$368,965	1.8%	18.1%	$617,777	$689,325	-3.3%	11.6%
Pickering	$679,932	$751,174	-3.1%	10.5%	$632,351	$684,350	-0.9%	8.2%	$325,841	$383,735	-0.3%	17.8%	$650,348	$718,336	-2.7%	10.5%
Oshawa	$507,938	$560,434	-3.8%	10.3%	$434,889	$487,128	-4.9%	12.0%	$238,858	$286,719	1.7%	20.0%	$481,673	$534,008	-4.0%	10.9%
Whitby	$636,015	$687,256	-4.5%	8.1%	$577,072	$646,935	-1.8%	12.1%	$360,768	$464,277	-0.8%	28.7%	$620,095	$675,416	-4.1%	8.9%

**Data presented in the table above may not match same period data reported previously due to subsequent market updates. Aggregate prices are calculated using a weighted average of the median values of all housing type transactions collected in the region.*

Nationally, Canada's residential real estate market saw strong, but slowing year-over-year price growth in the fourth quarter of 2017. 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 10.8 per cent year-over-year to $626,042 over the three-month period. When broken out by housing type, the median price of a two-storey home rose 11.1 per cent year-over-year to $741,924, and the median price of a bungalow climbed 7.1 per cent to $522,963. During the same period, the median price of a condominium appreciated faster than any other housing type studied, rising 14.3 per cent to $420,823 on a year-over-year basis.

"To prospective homeowners in our largest cities, condominiums represent the last bastion of affordability," said Phil Soper, president and CEO, Royal LePage. "This is especially true for first-time buyers whose purchasing power has been reduced by tightening mortgage regulations."

In line with Royal LePage's previous Market Survey Forecast, Royal LePage predicts that the price of a home in Canada will increase 4.9 per cent by the end of 2018. Looking ahead, the company anticipates that the new OSFI stress test will slow the housing market in the first half of 2018, as buyers adjust their expectations and many market participants take a "wait and see" approach.

"The unsustainably high rates of home price appreciation witnessed in recent years in B.C. and Ontario were dangerous to the stability of not only the housing market, but to the broader economy itself," continued Soper. "Policy measures like the OSFI stress test will quell runaway housing inflation to an extent. However, we do foresee an upswing in demand in the latter portion of the year, as prospective buyers adjust to the new realities. To put it another way, the demand is still there."

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 close to 18,000 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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