The Greater Toronto Area Real Estate Market Slows in the First Quarter of 2018

Condominium price appreciation continues to outpace all other housing categories

Baby boomers downsize to help their children afford a home

TORONTO, April 13, 2018 – According to the Royal LePage House Price Survey[1] released today, sales activity and price appreciation across the Greater Toronto Area continued to slow in the first quarter of 2018 compared to the heightened pace witnessed during the same time last year. All housing segments studied depreciated on a quarter-over-quarter basis, especially in areas such as Richmond Hill, Markham and Pickering where appreciation was strongest a year ago.

During the quarter, the aggregate price of a home in the Greater Toronto Area grew 3.1 per cent year-over-year to $802,252. When broken out by housing type, the median price of a two-storey home in the GTA rose 1.8 per cent year-over-year to $939,610, while the median price of a bungalow increased 1.1 per cent year-over-year to $788,501. During the same period, the median price of a condominium within the region saw the most significant price appreciation, surging 11.9 per cent to $471,854.

On a quarter-over-quarter basis, the aggregate price of a home in the GTA decreased 2.2 per cent, while the median price of a two-storey home and bungalow decreased by 2.4 per cent and 2.1 per cent, respectively. Condominiums also saw a quarter-over-quarter decline in appreciation, dipping 1.3 per cent.

"After a prolonged period of a heightened seller's market, potential homebuyers across the Greater Toronto Area are finally seeing a window of relief," said Kevin Somers, Chief Operating Officer, Royal LePage Real Estate Services Limited. "However, new regulations, an uncharacteristically long winter and high home values have pushed many purchasers to the sidelines in certain segments of the market, waiting to see what will happen next.

"Yet, this adjustment period may be short lived," added Somers. "Despite recent sluggishness in real estate, the Greater Toronto Area's economy continues to march forward, bringing many new purchasers into the region. Demand for entry-level property is still extremely strong, and properly priced property continues to trade hands."

Since the beginning of the year, continued affordability constraints and waning consumer confidence have kept many purchasers on the sidelines in the majority of move-up markets across the Greater Toronto Area. Homeowners are also still largely at odds with current market

[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.

dynamics, holding off on any sale unless they receive top dollar for their property. Together, these trends have stalled sales activity in many of the metropolitan area's more expensive housing categories during the quarter.

Meanwhile, price appreciation and sales activity has continued to intensify in the entry-level segment across the region. Many baby boomers nearing the age of retirement have started to downsize, competing for property in this segment while also using the remaining equity built up in their houses to help finance their children's home purchase. New mortgage regulations have also stoked demand within the entry-level segment, diluting prospective homeowner's purchasing power and nudging them into the relatively affordable condominium segment. This has also enticed boomers to downsize to help their children afford a home before it is completely out of reach.

"Condominiums are now the preeminent housing segment in the Greater Toronto Area, simply because of their relative affordability," continued Somers. "Yet, we must be quick to remember that the sky isn't falling for the rest of the market. The regression that we're currently experiencing has been quite minor, and likely won't hold for long. The Greater Toronto Area is still very much one of the most affordable major metropolitan cities in the world, and the strength of our economy only points to the market and housing demand moving upward."

Greater Toronto Area Market Summaries

Annual growth remained strong in the **City of Toronto**. Despite experiencing a slump in sales activity, the region's booming condominium market and strong economy drove purchasers into the area and insulated home values from markedly declining. During the first quarter of 2018, the aggregate price of a home in the area rose 6.3 per cent year-over-year to $814,992. Over the same period of time, the median price of a condominium increased 11.5 per cent to $508,366.

Scarborough continued its transition to a balanced market during the first quarter of 2018. Within the region, condominiums continued to witness extreme levels of competition due to their relative affordability and appreciated at a rate that outpaced any other area outside of British Columbia, rising 21.6 per cent to $380,246. Meanwhile, the region's detached market remained relatively calm, with quality inventory selling only if priced properly. During the quarter, the aggregate home value within the region rose by 2.9 per cent to $651,552.

Residential real estate trends varied significantly across the York Region during the first quarter, with **Richmond Hill** posting a overall decline in price appreciation compared to strong gains experienced last year, while home price appreciation in **Vaughan** remained relatively stable thanks in part to its booming bungalow segment. During the first three months of 2018, the aggregate price of a home in Richmond Hill decreased 6.0 per cent year-over-year to $1,142,577, while the aggregate price of a home in Vaughan inched up 1.9 per cent over the same period of time to $1,018,572.

New mortgage regulations and high property values stalled price appreciation in **Markham,** as buyers continued to grapple with a reduction in purchasing power when trying to find a home. During the quarter, sales activity regressed across many housing segments within the region as a result of affordability constraints. This drove prospective purchasers to the condominium market, intensifying price appreciation and competition within the segment. For the first three months of the year, the aggregate home price in Markham decreased 3.6 per cent year-over-year to $991,068.

Home values in **Brampton** continued to be supported by the region's relative affordability and close proximity to the downtown core. During the first quarter, prices within the region appreciated faster than any other suburban market found within the metropolitan area, as many first-time buyers and millennials continued to flock to the region to purchase their first home. Over the three-month period, the region's aggregate median property value rose 5.2 per cent year-over-year to $681,058.

The **Mississauga** and **Oakville** real estate markets entered a state of flux during the first quarter of 2018. While both regions experienced healthy price growth, purchasers and sellers largely failed to agree on the current value of real estate within the region. This resulted in a balanced market with marginal levels of sales activity. Yet, when priced for the current market environment, homes within the region would often receive significant attention, fielding multiple offers and trading hands quickly. In the first three months of 2018, the aggregate price of a home in Mississauga and Oakville increased by 3.2 per cent and 3.3 per cent year-over-year to $713,442 and $1,069,526, respectively.

Home price appreciation in **Milton** remained muted during the first three months of the year, as the new mortgage regulations caused many purchasers within this historically younger-trending market to pause and continue to save toward a downpayment. Meanwhile, former residents who previously moved further west to areas like Kitchener and Waterloo have recently elected to sell their properties to move back into the area, replacing purchasers taken out of the market by the new regulations, while stabilizing price trends. As a result, the aggregate home price within the city remained relatively flat over the quarter, rising 1.3 per cent year-over-year to $713,442.

Home values across the Durham Region grew at a healthy annual pace during the first quarter as a result of the region's affordability relative to the rest of the metropolitan area. For the first three months of the year, the aggregate home price in **Oshawa** and **Ajax** rose 3.0 per cent and 2.1 per cent year-over-year to $531,079 and $664,578, respectively. Home values across **Pickering** also grew when compared to the same time last year, inching up by 1.9 per cent to $690,884, while the aggregate price in **Whitby** rose 1.6 per cent to $660,618.

Regional Pricing Data

Two-Storeys	Bungalows	Condominiums	Aggregate

Market	Q1 2017	Q1 2018	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q1 2017	Q1 2018	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q1 2017	Q1 2018	Quarter-Over-Quarter (%)	Year-Over-Year (%)	Q1 2017	Q1 2018	Quarter-Over-Quarter (%)	Year-Over-Year (%)
Greater Toronto Area	$923,189	$939,610	-2.4%	1.8%	$780,295	$788,501	-2.1%	1.1%	$421,658	$471,854	-1.3%	11.9%	$778,203	$802,252	-2.2%	3.1%
Toronto	$1,106,680	$1,163,648	-3.2%	5.1%	$825,423	$832,660	-2.4%	0.9%	$456,108	$508,366	-1.9%	11.5%	$766,778	$814,992	-2.7%	6.3%
Scarborough	$760,512	$766,873	-0.9%	0.8%	$729,128	$718,947	-1.8%	-1.4%	$312,577	$380,246	2.7%	21.6%	$633,478	$651,552	-0.6%	2.9%
Richmond Hill	$1,321,266	$1,248,647	-1.4%	-5.5%	$1,129,492	$943,716	-6.2%	-16.4%	$367,383	$412,321	-0.4%	12.2%	$1,215,234	$1,142,577	-1.8%	-6.0%
Vaughan	$1,090,537	$1,095,094	-3.0%	0.4%	$1,098,921	$1,332,279	1.3%	21.2%	$444,316	$470,402	-3.4%	5.9%	$999,679	$1,018,572	-2.8%	1.9%
Markham	$1,104,085	$1,052,206	-4.7%	-4.7%	$1,271,425	$1,251,348	-3.2%	-1.6%	$409,993	$472,787	1.6%	15.3%	$1,027,770	$991,068	-4.3%	-3.6%
Brampton	$673,153	$705,002	-1.9%	4.7%	$577,655	$626,894	0.0%	8.5%	$319,330	$361,801	-0.4%	13.3%	$647,542	$681,058	-1.8%	5.2%
Mississauga	$807,148	$820,133	-1.5%	1.6%	$754,277	$784,420	-1.8%	4.0%	$335,016	$381,462	0.6%	13.9%	$691,072	$713,442	-1.2%	3.2%
Milton	$725,642	$733,722	-1.3%	1.1%	$723,950	$711,455	-2.9%	-1.7%	$378,735	$417,335	-1.0%	10.2%	$704,586	$713,442	-1.3%	1.3%
Oakville	$1,106,500	$1,153,390	-0.4%	4.2%	$914,801	$934,661	-2.8%	2.2%					$1,035,184	$1,069,526	-0.8%	3.3%
Ajax	$668,119	$680,498	-1.9%	1.9%	$561,675	$581,440	-1.1%	3.5%	$333,675	$366,839	0.1%	9.9%	$651,094	$664,578	-1.8%	2.1%
Pickering	$710,112	$718,514	-3.3%	1.2%	$655,556	$679,719	-0.4%	3.7%	$348,637	$394,596	1.4%	13.2%	$677,859	$690,884	-2.7%	1.9%
Oshawa	$542,742	$552,893	-0.4%	1.9%	$468,045	$494,065	0.0%	5.6%	$253,626	$298,885	0.9%	17.8%	$515,672	$531,079	-0.3%	3.0%
Whitby	$667,694	$675,648	-1.5%	1.2%	$600,368	$614,796	-3.9%	2.4%	$384,758	$453,899	-1.4%	18.0%	$649,972	$660,618	-1.8%	1.6%

**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 slowing year-over-year increases in the first three months of 2018. On a quarter-over-quarter basis for the same period, home prices in many markets across the country remained relatively flat, with approximately half of the markets studied by Royal LePage posting slight declines.

"We are experiencing a broad-based, residential housing correction in Canada, triggered by federal and provincial intervention," said Phil Soper, president and CEO, Royal LePage. "Strong house price gains in the first half of 2017 mask some of the recent market shifts when comparing year-over-year home value trends."

"The combination of declining affordability and government intervention has for the most part neutralized very high home price appreciation levels in the greater Vancouver and Toronto regions, relative to the extreme heights witnessed in recent periods," continued Soper. "However, the demand for housing is so strong that the rate of home price appreciation is expected to pick up again in the second half of 2018."

The Royal LePage National House Price Composite, compiled from proprietary property data in 63 of the nation's largest real estate markets, showed that the price of a home in Canada increased 6.2 per cent year-over-year to $605,512 in the first quarter of 2018. When broken out by housing type, the median price of a two-storey home rose 5.7 per cent year-over-year to $715,726, and the median price of a bungalow climbed 4.5 per cent to $501,985. Condominiums continued to witness the highest price appreciation rates among housing types studied, rising 10.3 per cent to $418,245.

"While we have recently seen both overshooting and corrections in Canada's largest markets, on a national basis we believe the Canadian housing market is amidst a long-term expansionary cycle supported by strong economic fundamentals," said Soper. "Canada's stature is rising on a global scale. Our cities continue to be ranked among the most desired places to live in the world. Our economy is strong, our unemployment levels are the lowest they've been in four decades and we have one of the fastest-growing populations among advanced economies. These factors combined are incredibly supportive of long-term housing demand and valuations."

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 63 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 almost 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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