Home Prices See Double-Digit Increase in Greater Vancouver off of Extremely Low Inventory Levels

Adverse side effects stemming from new mortgage regulations have pushed many into the entry-level segment of the market due to weakened purchasing power

Homeowners hesitant to list their homes for fear of not being able to find an alternative once sold

Condominiums in Surrey see largest price gain of all housing types surveyed in Canada

VANCOUVER, April 13, 2018 – According to the Royal LePage House Price Survey[1] released today, critically low inventory levels and growing demand fueled home price appreciation across Greater Vancouver in the first three months of 2018. During the quarter, Greater Vancouver's strong economy continued to entice purchasers from across Canada and abroad into the market to live and work in the area. Meanwhile, unintended side effects of the new mortgage regulations also spurred demand in the entry-level segment of the market, causing condominium prices in particular to soar. As a result, the aggregate home price in Greater Vancouver experienced double-digit growth, rising 10.3 per cent year-over-year to $1,280,014.

When broken out by housing type, the median price of a condominium surged by 19.8 per cent year-over-year to $668,342, and the median price of a bungalow grew 6.2 per cent year-over-year to $1,437,873. The median price of a two-storey home experienced strong, near double-digit growth, rising 9.6 per cent year-over-year to $1,602,291.

"Greater Vancouver's real estate market continues to be defined by low supply levels," said Randy Ryalls, general manager, Royal LePage Sterling Realty. "As we have seen time-and-time again, the effects of demand-side policies are largely short-lived. The only way that we can create a healthy and sustainable market is by increasing the amount of available inventory across the region.

"As it stands, we would need roughly 5,000 more homes on the market today to ensure steady, sustainable price growth," added Ryalls. "Until that happens, even the slightest uptick in demand has the potential to cause pricing to skyrocket."

Recently, high home values and low inventory levels have kept many current Greater Vancouver residents out of the market, perpetuating the cycle of low supply. Sellers are afraid that once they've sold their home, they may not be able to find an adequate replacement, considering that even a marginal price increase during their search could impact their purchasing power.

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[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.

Unintended side effects stemming from the recent onset of new mortgage regulations[2] have only intensified this trend. As a result of the policies, large swaths of purchasers continue to be pushed into the entry-level segment of the market, due to their weakened purchasing power. Others who were able to secure pre-approved mortgages prior to the new regulations also aggressively pursued property during the quarter in an effort to avoid being subjected to the stress test. Together, this placed significant pressure on the region's few remaining, affordable property segments, causing pricing and competition to continue to intensify, while straining inventory levels.

"Whether deciding to borrow money from 'the bank of mom and dad' or simply entering lower-priced property segments, like the ultra-competitive, entry-level market, buyers will find ways to purchase homes and demand for property will continue across Greater Vancouver," concluded Ryalls. "Instead of curbing demand, we should be embracing it. Finding creative solutions to combat supply shortages, like addressing bottlenecks in the supply of new homes, could put an end to unsustainable price growth and allows us to celebrate demand for what it really is: a key driver of our economic prosperity."

Greater Vancouver Market Summaries

In first three months of 2018, the **City of Vancouver** saw strong price appreciation across all housing types studied, rising 10.1 per cent year-over-year to $1,487,048. During the quarter, purchasers continued to search high-and-low for affordable property, especially in light of the new mortgage regulations, which dulled many prospective homeowner's purchasing power by approximately 20 per cent. As a result, many purchasers scrambled into the region's frenzied condominium segment, which increased competition and fueled fears that the segment's recent appreciation would cause homes to be out of reach.

Affordability constraints and recent regulations that raised property transfer taxes on homes valued over $3 million have kept appreciation relatively flat in **West Vancouver,** Canada's most expensive market. Though condominiums have served as a significant bright spot for the region, rising by a healthy 4.9 per cent year-over-year to $1,105,483, within the last three months the area posted an aggregate home price decrease of 0.1 per cent when compared to the same time last year.

In **North Vancouver**, purchasers continued to flock to the region's condominium market due to its relative affordability and close proximity to the downtown core. While the region's aggregate home price saw strong, single-digit growth, rising 8.0 per cent year-over-year to $1,470,192, its

[2] New mortgage regulations now require that all purchasers seeking financing undergo a stringent stress test to ensure that they can handle debt obligations in an increased interest rate environment.

condominium market posted one of the largest annual gains of any property type tracked in the nation, surging 28.4 per cent year-over-year to $705,259.

Home prices in **Richmond** witnessed strong, single-digit growth in the first quarter of 2018, rising 8.0 per cent to $1,132,996 when compared to the same time last year. During the three-month period, many purchasers continued to look for condominiums in the area due to their relative affordability, causing its median price to soar 22.8 per cent year-over-year to $564,701.

Demand remained quite strong in **Burnaby** and **Coquitlam** during the first quarter of 2018, with both regions' aggregate home price witnessing double-digit growth, rising 11.7 per cent and 15.3 per cent year-over-year to $1,132,570 and $1,088,334, respectively. In the first three months of the year, many millennials and first-time homebuyers ventured into the two regions to capitalize on pre-approved mortgages that were secured prior to the implementation of the new mortgage regulations. This bolstered activity in both regions, as many purchasers sought to acquire property before their approval expired and their purchasing power was reduced as a result.

Prospective homeowners continued their journey eastward towards **Surrey** in search of relative affordability during the first quarter of 2018. In the first three months of the year, the region saw its aggregate home price rise by 16.3 per cent year-over-year to $879,848. This was led by the area's condominium segment, which rose by a nation-leading 29.8 per cent when compared to the same time last year. While a reduction of purchasing power has brought prospective homeowners into the region in search of value, many Surrey natives who were able to, have elected to downsize and move further east to regions like Abbotsford and Maple Ridge where property is even less expensive.

Finally, **Langley** witnessed the largest year-over-year aggregate home price increase of any region studied in Greater Vancouver, soaring 18.5 per cent year-over-year to $933,725. Recently many millennials have ventured into the region in search of their first home. Typically armed with help from mom and dad, these purchasers have found creative ways to afford property and are largely drawn to the region's condominium segment for the value that it brings relative to other places across the Lower Mainland.

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 Vancouver	$1,462,180	$1,602,291	1.6%	9.6%	$1,353,944	$1,437,873	0.5%	6.2%	$557,908	$668,342	1.9%	19.8%	$1,160,184	$1,280,014	1.4%	10.3%
Vancouver	$2,179,998	$2,366,341	3.1%	8.5%	$1,440,300	$1,531,430	-0.5%	6.3%	$675,350	$794,241	1.8%	17.6%	$1,350,112	$1,487,048	2.0%	10.1%
North Vancouver	$1,622,943	$1,730,710	-0.3%	6.6%	$1,561,104	$1,638,127	0.3%	4.9%	$549,291	$705,259	3.1%	28.4%	$1,361,577	$1,470,192	0.3%	8.0%
West Vancouver	$3,417,759	$3,463,693	-0.1%	1.3%	$2,922,938	$2,785,652	0.9%	-4.7%	$1,053,711	$1,105,483	-3.0%	4.9%	$3,039,492	$3,037,925	0.0%	-0.1%

Surrey	$848,835	$985,592	2.3%	16.1%	$794,593	$894,303	1.7%	12.5%	$277,818	$360,486	4.0%	29.8%	$756,287	$879,848	2.3%	16.3%
Richmond	$1,367,919	$1,454,975	-0.9%	6.4%	$1,431,960	$1,429,622	0.7%	-0.2%	$459,714	$564,701	2.9%	22.8%	$1,048,791	$1,132,996	-0.1%	8.0%
Langley	$859,551	$1,036,841	3.4%	20.6%	$809,379	$912,970	2.7%	12.8%	$304,345	$370,643	3.2%	21.8%	$787,679	$933,725	3.2%	18.5%
Coquitlam	$1,127,139	$1,291,598	1.6%	14.6%	$1,083,312	$1,235,611	0.0%	14.1%	$425,167	$518,186	3.3%	21.9%	$944,048	$1,088,334	1.4%	15.3%
Burnaby	$1,409,129	$1,535,542	0.9%	9.0%	$1,396,861	$1,526,033	1.4%	9.2%	$505,288	$613,044	0.4%	21.3%	$1,013,573	$1,132,570	0.9%	11.7%

**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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