Charlottetown homebuyers remain on the sidelines in Q2, awaiting further rate cuts by the Bank of Canada

Aggregate home price increased 1.6 per cent year over year in Q2 of 2024

CHARLOTTETOWN, July 11, 2024 – According to the Royal LePage® House Price Survey released today, the aggregate[1] price of a home in Charlottetown increased 1.6 per cent year over year to $428,500 in the second quarter of 2024. On a quarterly basis, the aggregate price of a home in the region increased modestly by 0.9 per cent. Meanwhile, the median price of a single-family detached home increased 2.5 per cent year over year to $517,100 in the second quarter of 2024.

"Demand is up from 2023 lows, but buying and selling activity has yet to make a meaningful comeback in Charlottetown. Homebuyers continue to take a wait-and-see-approach to the real estate market, despite the slight decrease to borrowing costs made by the Bank of Canada last month," said Rudy Chong, owner and manager, Royal LePage Prince Edward Realty. "On the flip side, sellers are increasingly active, causing inventory to drastically rise these past few months. It's clear that some overleveraged homeowners are looking to reduce their monthly carrying costs and downsize into a smaller and more affordable residence. Similarly, we have seen an uptick in the number of investment properties available for sale, as landlords look to offload expensive rental units."

Chong noted that the Charlottetown region has experienced an increase in new construction activity as of late as a result of builders and developers taking advantage of government incentives to boost supply. The number of available condominium units for sale has also grown, as buildings convert from purpose-built rental accommodations to resale.

"The latest drop to the overnight lending rate had a minimal impact on the local housing market, but we anticipate that if additional decreases are made over the coming months, more buyers will move off of the sidelines to seize the opportunity of lower borrowing costs," said Chong. "Until

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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 and includes both resale and new build.*

then, home prices are expected to remain relatively flat, at least until the Bank of Canada's additional rate cuts spur more market activity and competition."

Nationally, the aggregate price of a home in Canada increased 1.9 per cent year over year to $824,300 in the second quarter of 2024. On a quarter-over-quarter basis, the national aggregate home price increased 1.5 per cent, despite a slowdown in activity in the country's most expensive markets.

"Canada's housing market is struggling to find a consistent rhythm, as the last three months clearly demonstrated," said Phil Soper, president and CEO, Royal LePage. "Nationally, home prices rose while the number of properties bought and sold sagged; an unusual dynamic. The silver lining: inventory levels in many regions have climbed materially. This is the closest we've been to a balanced market in several years.

"This trend dominates activity in two of the country's largest and most expensive markets, the greater regions of Toronto and Vancouver, where sales are down yet prices remain sticky," Soper continued. "There are exceptions. In the prairie provinces and Quebec, low supply and tight competition persist."

Despite the Bank of Canada's move to cut the overnight lending rate by 25 basis points on June 5th, from 5.0 per cent to 4.75 per cent, buyers did not immediately rush back to the market as initially expected.

"This spring, with bank rate cuts highly anticipated, we saw some buyers race to get a deal done ahead of an expected spike in demand. Yet, when that first cut finally occurred in early June, market response was tepid," said Soper.

"A change in monetary policy drives consumer behaviour in two important ways. Lower rates mean lower monthly payments, opening the door to some families previously shut out of the market. Secondly is the psychological signal broadcast to sidelined buyers that the tide is turning, and that market activity is about to pick up again," added Soper. "Not surprisingly, the quarter-point cut to the bank rate didn't substantially improve the affordability picture. As for consumer sentiment, our early year research indicated that only one in ten potential homebuyers would be motivated by a tiny rate drop. The tale the market tells as rate cuts get to the point of a material reduction in the cost of borrowing should be a very different one."

The Royal LePage National House Price Composite is compiled from proprietary property data nationally and regionally in 64 of the nation's largest real estate markets. When broken out by housing type, the national median price of a single-family detached home increased 2.2 per cent year over year to $860,600, while the median price of a condominium increased 1.6 per cent year

over year to $596,500. On a quarter-over-quarter basis, the median price of a single-family detached home increased 1.8 per cent, while the median price of a condominium increased 0.8 per cent. Price data, which includes both resale and new build, is provided by RPS Real Property Solutions, a leading Canadian real estate valuation company.

“Canada's housing market faces complex challenges. While raising interest rates was crucial to fighting inflation, it has unintentionally choked off the essential flow of new housing supply. Higher borrowing costs, coupled with labour shortages in the construction trades and rising material prices, have made it economically unsustainable for developers to launch new projects. This creates a perfect storm – our population is growing steadily, yet we're building far fewer homes than what's needed to meet that demand. This situation urgently needs innovative solutions to ensure Canadians have access to affordable housing options,” concluded Soper.

Royal LePage is forecasting that the aggregate price of a home in Canada will increase 9.0 per cent in the fourth quarter of 2024, compared to the same quarter last year. Nationally, home prices are forecast to see continued moderate price appreciation throughout the second half of the year.

Royal LePage House Price Survey Chart: rlp.ca/house-prices-Q2-2024
Royal LePage Forecast Chart: rlp.ca/market-forecast-Q2-2024

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About the Royal LePage House Price Survey

The Royal LePage House Price Survey provides information on the most common types of housing, nationally and in 64 of the nation’s largest real estate markets. Housing values in the Royal LePage House Price Survey are based on the Royal LePage Canadian Real Estate Market Composite, produced quarterly through the use of company data in addition to data and analytics from partner company, RPS Real Property Solutions, the trusted source for residential real estate intelligence and analytics in Canada. Additionally, commentary on housing market trends and data on price and forecast values are provided by Royal LePage residential real estate experts, based on their opinions and market knowledge.

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