

## **'Wild card' props up Canadian housing markets over past decade**

*Inventory remains key to stability in 2011*

Tighter inventory levels helped to make the last decade one of the healthiest periods on record for Canadian real estate, insulating markets in major centres from the peaks and valleys characteristic of past decades, according to a report released by RE/MAX.

The *RE/MAX Housing Barometer Report* measured monthly sales-to-new listings ratios in 18 major centres across the country from January 2000 to December 2010. The report found strong seller's/balanced conditions prevailed for much of the time frame, prompting significant gains in housing values. The lone exception was when the market dipped into buyer's territory during the latter half of 2008 and early 2009. However, fewer listings served to offset diminished demand and provided greater stability. Average price increases from 2000 to 2010 ranged from an annually compounded rate of return of 4.82 per cent in London-St. Thomas to a high of 9.56 per cent in Regina. The national average was 6.82 per cent. By far the tightest market in the nation was Winnipeg, where seller's ruled the roost for 85 per cent of the decade, followed by Hamilton-Burlington (67 per cent), Regina (63.6 per cent), Kitchener-Waterloo (59.8 per cent) and Edmonton (57.5 per cent).

While population growth, pent-up demand, and a strong economy also contributed to the run up in activity, inventory played a major role in price growth. The recent recession was case in point. Supply remained largely in check, keeping prices on the upswing despite softer demand. That is expected to continue, given an improved global economic picture, lower unemployment rates and rising consumer confidence—all of which have buoyed home buying activity since November. While sales figures are expected to be slightly off 2010's heated pace, housing values are forecast to continue to climb in Canadian real estate markets in 2011—with most a direct result of lower listing levels.

A number of city centres are already reporting stronger than usual housing activity out of the gate, with first-time buyers comprising the vast majority of purchasers and move-up buyers in close pursuit. Demand and supply are on relatively even keel at present in most areas, but the traditionally busy spring season is expected to keep the market at a perfect equilibrium in the days and months ahead. However, there may be some exceptions to the rule. The country's largest markets—Greater Toronto, Greater Montreal, and Greater Vancouver—are expected to head into the second quarter with fewer listings overall. Two centres—Newfoundland & Labrador and Kelowna—are still firmly entrenched in buyer's markets.

Inventory has always been the wild card. Its influence is remarkable, but a number of other factors will serve to bolster Canadian real estate moving forward including land scarcity, intensification, immigration, continued infrastructure and capital spending, improving money markets and the rebounding economy. The threat of rising interest rates and the changes to mortgage lending may also prompt a flurry of activity affecting price growth in the weeks ahead. Yet, overall, gains in 2011 will be more moderate than those noted in the past decade.

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Western Canada experienced some of the highest rates of return for real estate over the 11-year period. While values in Regina posted the greatest percentage increase (9.56 per cent), Edmonton, (9.25 per cent), Saskatoon (9.2 per cent), Winnipeg (9.01 per cent), Kelowna (8.42 per cent), Greater Vancouver (7.8 per cent), Calgary (7.7 per cent) and Victoria (7.59 per cent) all outperformed the national average.

Equally strong gains were posted in Quebec. While solid balanced market conditions prevailed for much of the decade, housing values in Quebec City and Montreal rose 9.2 and 8.48 per cent respectively on an annually compounded basis.

Increases were more moderate in Ontario and Atlantic Canada—with the exception of Newfoundland & Labrador, where values escalated 8.14 per cent on average. Ottawa led in terms of price appreciation in Ontario at 6.78 per cent, followed by Hamilton-Burlington at six per cent, Kitchener-Waterloo at 5.69 per cent, the Greater Toronto Area at 5.35 per cent, Moncton at five per cent, and London-St. Thomas at 4.82 per cent.

There's no question that price growth has been solid over the past decade, but history tells us that exceptional growth supported by sound fundamentals is healthy. Concern is only raised when the underpinnings are insufficient to justify the trajectory. By all accounts, Canada's real estate market measures up to conventional wisdom, and the faith in homeownership has not been misplaced.

While the statistics are impressive, they alone cannot tell the tale. The gains realized over the past decade speak to the tremendous resiliency of the Canadian residential housing market. Considering catastrophic events, both natural and manmade, that occurred throughout the period—SARS, forest fires, ice storms, 9/11, a recession—the performance of the real estate sector proved that much more significant. It remained a consistent bright spot supporting economic growth and ancillary spending, and subsequently helped lead the nation out of the greatest downturn in recent memory—its hardy nature heightening its appeal as a long-term investment.

<b>Residential Average Price - Compound Annual Growth Rate (CAGR) by Market 2000 - 2010</b>			
<b>Market</b>	<b>Avg. \$ 2000</b>	<b>Avg. \$ 2010</b>	<b>CAGR %</b>
Newfoundland & Labrador	\$99,525	\$235,341	8.14%
Halifax-Dartmouth	\$128,003	\$253,610	6.41%
Moncton	\$89,065	\$152,251	5.00%
Montreal	\$121,544	\$297,621	8.48%
Quebec City	\$90,079	\$237,240	9.20%
London-St. Thomas	\$135,857	\$228,114	4.82%
Kitchener-Waterloo	\$157,317	\$289,041	5.69%
Hamilton-Burlington	\$164,168	\$311,683	6.00%
Greater Toronto	\$243,255	\$431,463	5.35%
Ottawa	\$159,623	\$328,439	6.78%
Winnipeg	\$88,553	\$228,706	9.01%
Saskatoon	\$112,567	\$296,293	9.20%
Regina	\$94,518	\$258,023	9.56%
Calgary	\$176,305	\$398,764	7.70%
Edmonton	\$124,203	\$328,803	9.25%
Kelowna	\$168,551	\$410,302	8.42%
Victoria	\$225,731	\$504,561	7.59%
Greater Vancouver	\$295,978	\$675,853	7.80%
<b>CANADA</b>	<b>\$164,091</b>	<b>\$339,030</b>	<b>6.82%</b>
Source: CREA, TREB, Okanagan Mainline Real Estate Board, RE/MAX			

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<b>Breakdown of Market Conditions by Major Canadian Centre 2000 - 2010</b>			
<b>Market</b>	<b>Buyer's Conditions</b>	<b>Balanced Conditions</b>	<b>Seller's Conditions</b>
Newfoundland & Labrador	35.6%	36.4%	28.0%
Halifax-Dartmouth	6.8%	43.2%	50.0%
Moncton	11.4%	58.3%	30.3%
Greater Montreal	18.2%	45.5%	35.6%
Quebec City	6.1%	36.4%	47.7%
London-St. Thomas	10.6%	57.6%	31.8%
Kitchener-Waterloo	3.0%	37.1%	59.9%
Hamilton-Burlington	3.0%	29.5%	67.4%
Greater Toronto	10.6%	54.5%	34.9%
Ottawa	6.8%	49.2%	43.9%
Winnipeg	0.8%	14.4%	84.8%
Saskatoon	8.3%	43.2%	48.5%
Regina	7.6%	28.8%	63.6%
Calgary	16.7%	36.3%	47.0%
Edmonton	12.1%	30.3%	57.6%
Kelowna	32.6%	44.7%	22.7%
Victoria	12.1%	31.1%	56.8%
Greater Vancouver	12.9%	31.8%	55.3%
<b>CANADA</b>	<b>9.9%</b>	<b>49.2%</b>	<b>40.9%</b>
<b>Source:</b> CREA, TREB, Greater Montreal Real Estate Board, Quebec Real Estate Board, Okanagan Mainline Real Estate Board			
<b>Note:</b> Stats were not available for Quebec City for 2008. Stats were not available for Greater Montreal for June 2008.			

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