5 Factors That Reveal Where The Real Estate Market Is Really Headed

In a July release, the Canadian Real Estate Association reported that home sales had fallen for three months in a row after reaching an all-time high in March.[1] So could one of the world's hottest real estate markets finally be headed for a downturn?

We wouldn't bet on it. That's because even though sales have slowed, it was still the strongest June on record—and 13% higher than last year. "Don't be fooled — this is still an extremely strong level of demand," Bank of Montreal Economist Robert Kavcic told CBC News.[1]

So what can we expect from Canadian real estate? Here are five factors that illustrate where the housing market is today and is likely heading tomorrow.

HOME PRICE INCREASES MAY LEVEL OFF NEXT YEAR

The Canadian Real Estate Association predicts the national average home price will reach $677,774 by the end of 2021, which would be a 19.3% increase over last year. However, the association anticipates only a 0.6% uptick, to $681,500, in 2022.[2]

What does it mean for you?

If you're a homeowner, now might be the time to look at selling. That's because the number of available homes continues to be relatively low, and price appreciation has begun to slow. We can help you prepare and market your home to take advantage of the current seller's market.

HOME SALES ARE TAPERING OFF

The Canadian Real Estate Association anticipates a slowdown in home sales activity in 2022 following an extremely busy 2021. An estimated 682,900 properties are expected to trade hands through Canadian Multiple Listing Service systems in 2021, which would be an increase of 23.8% from 2020, the association says. Next year is shaping up to be much less active, with national home sales forecast to decline 13% to around 594,000 properties in 2022.[3]

What does it mean for you?

Are you struggling to buy a home in today's highly competitive market? If so, 2022 might be a good time to pursue a purchase because you may face less competition. However, one drawback of waiting is that mortgage rates are expected to go up. We can help put you on the right path toward homeownership, whether you want to buy now or next year.

SUPPLY OF HOMES REMAINS LOW

In June, the Canadian Real Estate Association reported the national inventory of available homes was close to two months, reflecting an "unprecedented imbalance of supply and demand."[3] National inventory hit a record low of 1.7 months in March, compared with the long-term average of more than five months. Inventory below four months puts the supply in "seller's market territory," the association says. Inventory refers to the number of months it would take for the current supply of homes on the market to be sold at the existing pace.[4]

What does it mean for you?

A tight supply of available homes puts sellers in a strong position as long as demand stays high. So, if you're a homeowner, placing your home on the market when demand exceeds supply could bring you a higher price. We can help you figure out when to sell so that you extract the maximum value from your home.

HOME CONSTRUCTION ON THE VERGE OF STABILIZING

It appears that home construction in Canada is on the upswing. For all of 2021, construction is projected to begin on as many as 230,000 new homes in Canada, up from a little over 217,800 in 2020, according to the Canada Mortgage and Housing Corp. Even more homes could get underway in 2022 (as many as 234,500) and 2023 (231,900).[5]

What does it mean for you?

More newly built homes coming on the market could mean an opportunity for buyers, as construction boosts the supply of available properties and eases demand. Bottom line: An influx of new homes may open more doors to homeownership. We can give you a hand in locating a new or existing home that fits your budget and your needs.

MORTGAGE RATES ARE SET TO RISE

Low mortgage interest rates help entice buyers to make a home purchase. That's certainly been the case in Canada in recent months. However, mortgage rates are poised to creep up this year and next year, and even into 2023.[6] An analysis from Mortgage Sandbox indicates five-year Canadian mortgage rates are expected to remain low by historical standards, but they are expected to continue rising in 2022 and 2023. The analysis indicates the fixed rate for a five-year mortgage could climb to 3% in the third quarter of 2022.[7]

What does it mean for you?

Given the prospect that Canadian mortgage rates may go up during the rest of this year and into 2022, now might be the right time to think about borrowing money to buy a home. When interest rates rise, you pay more to borrow money. Whether you're buying a new home or up for a renewal, you can lower your risk by locking in a fixed-rate rather than variable-rate mortgage.

ARE YOU THINKING OF BUYING OR SELLING?

Sources: 1. CBC 2. Canadian Real Estate Association 3. Canadian Real Estate Association 4. Canadian Real Estate Association 5. Canada Mortgage and Housing Corp 6. Global News 7. Mortgage Sandbox

It can be difficult to sort out what's happening in the Canadian housing market—where are home prices heading, are mortgage rates going up, is it the right time to buy or sell? We can help you answer all of those questions. We then can work with you to come up with a plan tailored to your unique situation. Let us be your partner in the homebuying or home-selling journey.

Name

Company

Phone

Email