**Real Estate Market Forecast: Opportunities for Home Buyers and Sellers in 2024**

Home buyers surprised everyone last spring when they shook off higher borrowing costs and showed up to new home sales in droves. The surge in competition for a still-limited pool of properties helped home prices pop and renewed sellers' confidence in their ability to get top dollar for a home. But experts caution that the 2024 housing market could unfold quite differently, especially if Canada's economy experiences another dip later this year.1

Ever since the Bank of Canada hiked interest rates last summer, home sales have dropped in many areas as buyers and sellers alike struggle to close deals.2 Canada’s economy has also softened, prompting some home buyers to move forward more cautiously.3 But with the Bank of Canada now widely expected to cut rates in the spring, competition could reheat quickly.4

Not every neighbourhood is cooling at the same rate either, making the familiar adage that “all real estate is local” especially relevant.5 With a market this fluid, the home buyers and sellers with an edge will be those who proactively leverage a real estate agent’s on-the-ground expertise and stay flexible so that they can quickly adapt to hyper-local changes.

What does that mean for you? Read on to learn more about the current state of the Canadian housing market, the potential opportunities for buyers and sellers, and economists’ predictions for the coming year.

**MORTGAGE RATES MAY DROP SOONER THAN EXPECTED**

The best news we've got incoming for 2024? The extra high mortgage rates that have weighed heavily on Canadian real estate for some time may finally be headed south.

Citing a global economic slowdown and improving inflation, policymakers at the Bank of Canada opted to leave the central bank's key rate unchanged in December after pushing rates to a 22-year high last summer.6 The feds cautioned that another rate hike was still possible in 2024. But now that Canada's economy is slowing down, market watchers widely predict that the central bank is more likely to cut rates instead—possibly as soon as March.7

Fixed mortgage rates could slide even more quickly. Market expectations have a big impact on bond yields. So, if traders expect a rate cut from the feds, bond yields are likely to drop even further. “It's all about expectations,” said Ratehub CEO James Laird to Global News.8

Already, the bond market has cooled significantly since autumn. As a result, Canadians with great credit may now be able to secure rates closer to 5% than 6%—and possibly even lower.9

If rates fall as expected, that could have an energizing effect on the housing market. As mortgage expert Clay Jarvis told Nerdwallet in 2023: “If fixed rates dip below 5% next year—and we’re not in a full-blown recession—it’s likely Canadians will return to the market fairly enthusiastically. The pent-up demand and FOMO will be too strong for many to resist.”10

***What does it mean for you?*** If you're a prospective home buyer, declining mortgage rates could give you the opening you've been waiting for to purchase a home with a more affordable monthly payment. And if you buy before the market reheats, you could secure an especially good deal. To find the lowest rate, it pays to compare lenders. Ask us to refer you to a mortgage broker who can negotiate a competitive mortgage rate.

Sellers also have reason to celebrate buyers' lower interest rates: As the barriers for entry to the housing market decline, sellers could enjoy more or better offers. Reach out to discuss how we can help you maximize your home’s sales potential.

**DESPITE LOWER RATES, A WEAKENING ECONOMY COULD CHILL DEMAND**

As pent-up demand continues to build, surveys show that Canadians are still deeply interested in real estate. For example, a recent survey by Dye and Durham found that a growing number of Canadians are thinking seriously about buying a home in 2024.11

But with interest rates so high, buyers with typical household incomes often need either a substantial amount of cash saved or a lot of home equity to buy at today's prices. And the softening economy may be shaking buyers' confidence. According to the Conference Board of Canada, Canadians are feeling more pessimistic about their employment and finances.12

Meanwhile, many home sellers remain stuck in the recent past and are slow to let go of outdated prices. As a result, home buyers and sellers in many regions are locked in a persistent stalemate and the volume of home sales has dropped considerably.5

According to the Canadian Real Estate Association (CREA), new listings are now outpacing purchases in some of the country's biggest housing markets as market loosening spreads.13 However, the softening is uneven, with some areas still highly competitive.5

As rates continue falling, experts predict that demand for housing will increase, helping fuel a tighter market. But a slowdown in Canada's economy could complicate that scenario. “We now think that most major markets will experience softer sales and prices through the spring months, as weakness has spread significantly,” forecast economists at Desjardins.14

***What does it mean for you?*** The days of easy home sales with minimal, if any, prep work are long gone––at least until the market rebounds. Instead, home sales are more likely to take some legwork and planning to stand out from the competition. We can help you maximize your home’s appeal to attract serious buyers.

Home buyers, on the other hand, will have a distinct advantage in the coming months––especially if they jump into the market early while competition is limited. Call us for a consultation so we can help you plot your strategy.

**HOME PRICES WILL FACE HEADWINDS, BUT MAY CLIMB WITH LOWER RATES**

Home buyers who have faced both persistently high prices and historically high rates may finally get a much-needed break this year.

With Canada's economy cooling, experts are now actively revising their pricing forecasts. For example, economists at TD predicted in November that home prices would drop 10% in the first quarter of 2024 compared to the third quarter of 2023––twice what they had previously forecast.15

As sales dwindle, the home buyers who are still around “are taking advantage of their stronger bargaining position,” said economists from RBC. “They’ve successfully extracted price concessions from sellers.” As a result, the MLS Home Price Index is slipping.16

Analysts still expect home prices to remain higher than they were before the pandemic. However, fewer sales amid rising levels of inventory could dampen prices in some regions.16 In fact, eagle-eyed home buyers may find the best bargains in previously hot neighbourhoods that had overheated amid frenzied competition.

But with Canada’s historic supply crunch still ever-present, home buyers who wait too long to score a deal could wind up settling for a bigger mortgage in the future. As CIBC's Tal put it: “A year to two years from now when things will be back to normal—and they will be back to normal, with one million newcomers and non-permanent residents—guess what will happen? The supply will not be there, the demand will be there. The market will be crazy.”17

***What does it mean for you?*** Homeowners with a property to sell may want to put it on the market sooner than later while there are relatively few homes for sale. We can help you chart the best course to maximize your profits, starting with a professional assessment of your home’s current market value. Reach out to schedule a free consultation.

Meanwhile, savvy buyers with an eye for opportunity will be thrilled to know that the affordability challenges that have made home buying so difficult are expected to ease significantly. In fact, there could be a brief window when mortgage rates and home prices are both on the decline, giving home buyers who are ready to pounce a rare opportunity. Contact us if you’re ready to begin your home search.

**BUYERS SHOULD HAVE MORE CHOICES, BUT A SUPPLY SHORTAGE WILL PERSIST**

Home buyers who are eager for options should have more homes to choose from this year than they did in 2023. The share of existing homes for sale is already up in many regions as new listings outpace purchases, and more inventory could be added to the market in the coming months.13

Many sellers out there have been sitting on the sidelines, waiting for rates to fall or for the market to pick up. If a greater share of those sellers decide they can no longer wait, the number of resale homes on offer could quickly increase.

In addition, a growing number of Canadian mortgage holders are expected to experience some payment shock in the coming year as they renew with rates that are several points above their current rates.1 If more homeowners then default on their loans or choose to list because they can no longer afford their monthly payments, that could also lead to an uptick in homes for sale.

But given Canada's severe housing supply crunch, the chances of a market oversaturation are low. As economists at TD Bank note: “Canada could be short over 300,000 housing units from 2023-2025 as population growth collides with a slower pace of homebuilding.”18

​​**What does it mean for you?** With the market cooling this winter, there's more supply opening up. In the short term, buyers who can afford to jump quickly should benefit from this winter's temporary buyer's market. Contact us to discuss your goals and budget, and we can help you make an informed decision about the right time to buy.

While sellers will continue to benefit from the overall supply shortage, they should be prepared for increased competition. We can help you prep your property for the market and highlight the features most likely to appeal to today’s buyers.

**WE'RE HERE TO GUIDE YOU**

While national real estate forecasts can give you a “big picture” outlook, real estate is local. And as local market experts, we know what's most likely to impact sales and drive home values in your neighbourhood. As a trusted partner in your real estate journey, we'll keep our ears to the ground so that we can guide you through the market's twists and turns.

If you’re considering buying or selling a home in 2024, contact us now to schedule a free consultation. Let’s work together and craft an action plan to meet your real estate goals.

*The above references an opinion and is for informational purposes only. It is not intended to be financial, legal, or tax advice. Consult the appropriate professionals for advice regarding your individual needs.*

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