

Royal LePage Predicts Further Home Price Appreciation Contrary to Recent Talk of Decline

National real estate price correction not likely until 2013 at the earliest

TORONTO, January 12, 2012 –The Royal LePage House Price Survey and Market Survey Forecast released today showed the average price of a home in Canada increased between 3.6 and 6.1 per cent in the fourth quarter of 2011, compared to the previous year. Royal LePage expects average price growth to continue through 2012 and predicts national average prices to increase by 2.8 per cent by the end of the year.

Despite calls in some quarters for Canadian house prices to soften in 2011, the market proved resilient as demand created by low interest rates and a relatively stable national economy created upward pricing pressure for all housing types surveyed. Further, recent high profile reports forecasting significant house price declines in 2012 are not supportable. Nationally, consumer confidence in the housing market was high in the fourth quarter as real estate brokers witnessed an unusually high quantity of multiple offer situations, including over the holiday season, compared to same period in previous years.

In the fourth quarter, standard two-storey homes rose 4.2 per cent year-over-year to \$375,427, while detached bungalows increased 6.1 per cent to \$344,392. Average prices for standard condominiums increased 3.6 per cent to \$234,680.

“In the recovery period following the 2008-2009 recession, I found myself repeatedly speaking of ‘irrational exuberance’ in the Canadian housing market,” said Phil Soper, president and chief executive of Royal LePage Real Estate Services. “Expectations were too high and the pace of expansion unsupportable. With this report, I find myself in exactly the opposite position. Widespread calls for a major real estate correction in 2012 simply can’t be justified. The industry has significant momentum entering the year, and buoyed by the stimulative effect of very low interest rates, we expect the market to continue to expand – albeit at a slower pace.”

While 2011 was a very strong year for price growth, over the past five years, including the recessionary period, Canada’s average home prices have grown by only 3.5 per cent compounded annually, well below the long term average rate of appreciation. Canada’s GDP has also grown modestly over the same period and the economy is expected to expand by approximately two per cent in 2012. While unemployment remains stubbornly higher than pre-recession levels, sustained employment at today’s levels in a low interest rate environment can be expected to support continued average house price appreciation across the country.

Canadians remain confident in their real estate investments. Throughout 2011, buyers took advantage of low rates to enter the housing market or move-up to homes that better suited their family’s needs or wants. All regions included in the Royal LePage Market Survey Forecast anticipate positive average price growth in 2012. This includes the relatively expensive Toronto and Vancouver regions, where rising home prices have consistently out-paced the other urban centres.

“We believe calls for falling prices and more affordable housing in 2012 are unlikely to materialize,” said Soper. “While this will comfort the seventy per cent of Canadians who are homeowners, there is cause for concern when house price growth outpaces increases in wages and salaries for an extended period of time. Coupled with more restrictive mortgage regulations that have made it more difficult to obtain financing, those who aspire to own a home may find it increasingly difficult to enter the housing market and, in some regions, it may leave people out entirely.”

Regionally, Royal LePage expects to see cities with commodity-based economies, such as Calgary, Regina and Winnipeg, outperform larger urban centres such as Toronto and Vancouver. Royal LePage has forecast Calgary’s average house prices to climb 3.6 per cent in 2012. In 2011, the largest average price increase was seen in Regina, where average prices for standard two-storey homes rose 19.5 per cent year-over-year.

Regional Market Summaries

In **Halifax**, strong consumer confidence and low interest rates led to healthy year-over-year price appreciation for all three housing types surveyed. Average price gains ranged from 4.5 to 6.7 per cent for the housing types surveyed. At the end of 2012, average house prices in Halifax are forecast to be 3.4 per cent higher than 2011.

First-time buyers and consumer confidence helped push **Montreal's** prices up in the fourth quarter of 2011. At the end of 2012, average house prices in Montreal are forecast to be 1.3 per cent higher than 2011.

A strong local economy and low interest rates resulted in healthy year-over-year price appreciation in **Ottawa** with gains ranging from 5.0 to 6.7 per cent. At the end of 2012, average house prices in Ottawa are forecast to be 3.3 per cent higher than 2011.

Lack of inventory in **Toronto** produced strong year-over-year price appreciation in 2011. Average price gains ranged from 3.4 to 7.2 per cent for the housing types surveyed. Migration and low interest rates also continue to drive real estate prices. At the end of 2012, average house prices in Toronto are forecast to increase 2.6 per cent over 2011.

Immigration and low interest rates produced healthy year-over-year price appreciation in **Winnipeg's** real estate market with average price gains ranging from 3.7 to 5.0 per cent. At the end of 2012, average house prices in Winnipeg are forecast to be 4.2 per cent higher than 2011.

Lack of inventory and strong demand drove average year-over-year price gains in **Regina**. Price appreciation ranged from standard condominiums posting a 7.9 per cent gain to standard two-storey homes posting a 19.5 per cent gain, the largest gain among housing types surveyed across Canada. At the end of 2012, average house prices in Regina are forecast to be 5.0 per cent higher than 2011.

Calgary witnessed modest year-over-year price gains in two housing types – standard two-storey homes and standard condominiums, while the detached bungalow rose 6.2 per cent. Lack of inventory for detached bungalows was cited as the reason for the increase. **Edmonton**, posted modest gains for all three housing types surveyed, which ranged from 1.3 to 3.2 per cent. At the end of 2012, average house prices in Calgary are forecast to increase 3.6 per cent, while Edmonton house prices are expected to increase by 2.6 per cent compared to 2011.

Vancouver continued to experience some of Canada's largest year-over-year price increases ranging from the standard condominiums rising 10.7 per cent to detached bungalows rising 14.1 per cent. At the end of 2012, average house prices in Vancouver are forecast to be 2.3 per cent higher than 2011.

Royal LePage's quarterly House Price Survey shows the annual change of prices for key housing segments in select national markets. [Click here to view the chart](#) ↗.

About the Royal LePage House Price Survey

The Royal LePage House Price Survey is the largest, most comprehensive study of its kind in Canada, with information on seven types of housing in over 250 neighbourhoods from coast to coast. This release references an abbreviated version of the survey, which highlights house price trends for the three most common types of housing in Canada in 80 communities across the country. A complete database of past and present surveys is available on the Royal LePage Web site at www.royallepage.ca. Current figures will be updated following the complete tabulation of the data for the second quarter. A printable version of the fourth quarter 2011 survey will be available online on February 10th, 2011.

Housing values in the Royal LePage House Price Survey are Royal LePage opinions of fair market value in each location, based on local data and market knowledge provided by Royal LePage residential real estate experts.

[Canadian Housing Trends - Royal LePage 2012 Market Survey Forecast](#) ↗

[Royal LePage Q4 2011 House Price Survey - Data Chart](#) ↗

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 14,000 real estate professionals in over 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 & 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.