



The Canadian Real Estate Association

News Release

CREA Updates Resale Housing Market Forecast

Ottawa, ON, September 17, 2018

The Canadian Real Estate Association (CREA) has updated its forecast for home sales activity via the Multiple Listing Service® (MLS®) Systems of Canadian real estate Boards and Associations in 2018 and 2019.

Economic and demographic fundamentals remain supportive for housing demand in many parts of the country; however, policy headwinds have impacted homebuyer sentiment and access to mortgage financing in many housing markets. Further expected interest rate increases, combined with this year's new federal mortgage stress test are expected to continue to keep home sales activity in check over the rest of the year and into 2019.

When the new mortgage stress test was announced last October, it was expected that many homebuyers would precipitate their purchases during the two-and-a-half-month window before it took effect this year. In reality, the response to the new policy was stronger than expected. In December 2017, seasonally adjusted national home sales surged to the highest on record before dropping sharply in early 2018.

With much of 2018 now in the rear-view mirror, the stress-test on all new mortgages continues to weigh on home sales. National activity is on track to hit a five-year low in 2018. While summer sales activity in and around the Greater Toronto Area showed signs of rebounding, this trend may be losing steam. Moreover, additional interest rate increases expected this year and in 2019 will continue to raise the bar that borrowers must clear to qualify for mortgage financing.

Taking these factors into account, national sales are expected to decline by 9.8% to 462,900 units in 2018. The revised national forecast is little changed from CREA's previous forecast published in June, with stronger than expected activity in Ontario offsetting weaker than anticipated activity in British Columbia. Both provinces are nonetheless still projected to post double-digit declines in sales activity this year and account for most of the national decrease.

Sales in Alberta and New Brunswick have also been somewhat stronger than expected in recent months, resulting in an upward revision in their 2018 sales forecasts. Activity in both provinces should moderate over the balance of the year compared to levels this summer.

The national average price is projected to ease to \$494,900 this year, down 2.8% from 2017. As per CREA's previous forecast published in June, the national average price decline reflects fewer sales transactions in B.C. and Ontario in 2018; however, the forecast has been revised lower as a rebound in British Columbia's sales activity so far remains absent.

The national average price is expected to be skewed lower by reduced sales activity for higher-priced homes, with provinces posting a smaller average price decline compared to the national result. Indeed, more than half of all provinces are projected to see average price gains in 2018, including British Columbia.

The average price decline forecast for Ontario (-1.7%) largely reflects fewer higher-priced home sales in Toronto, particularly during the important spring market which normally sees a seasonal jump in the average price but failed to materialize this year.

Meanwhile, home prices in Eastern Ontario, Quebec, New Brunswick, Nova Scotia and Prince Edward Island are expected to continue rising following steadily firming market conditions in recent years.

Home prices are projected to edge down by about 1.5% in Alberta, Saskatchewan and Newfoundland and Labrador. In these provinces, particularly in the latter two, supply is historically elevated in relation to demand.

In 2019, national sales are forecast to rebound modestly (+2.1%) to 472,700 units but remain below annual levels recorded in 2014 through 2017. The anticipated partial recovery in sales over the second half of 2018 from deferred purchases over the first half of the year – already evident in Ontario but not yet in British Columbia – is subsequently anticipated to fade over 2019 in tandem with further expected interest rates increases.

The national average price is forecast to rebound by 2.7% to \$508,400 in 2019, reflecting modest average price growth in several provinces and the return of the normal seasonal pattern for sales and average prices in Ontario. Indeed, the forecast average price increase in Ontario (3.3%) is larger than for any other province in 2019. The average sale price in British Columbia is also forecast to rise but by less than the rate of consumer price inflation.

Market balance is continuing to firm in Quebec, New Brunswick, Nova Scotia and Prince Edward Island. Further modest price increases in these provinces are forecast in 2019, although price gains should be held in check by rising interest rates. Meanwhile, prices are forecast to remain stable from 2018 to 2019 in Alberta, while further edging down in Saskatchewan and Newfoundland and Labrador.

- 30 -

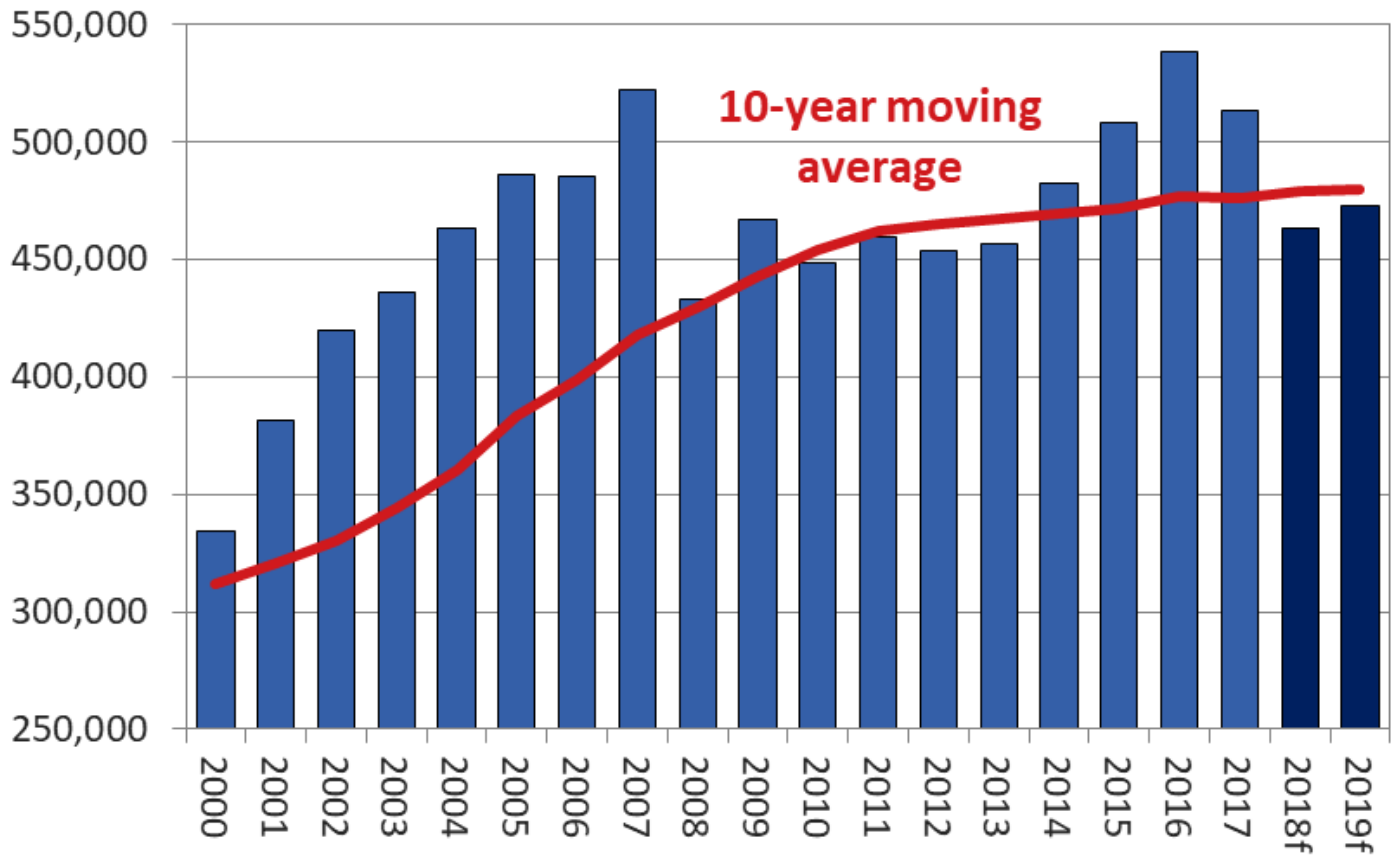
About The Canadian Real Estate Association

The Canadian Real Estate Association (CREA) is one of Canada's largest single-industry trade associations. CREA works on behalf of more than 125,000 REALTORS® who contribute to the economic and social well-being of communities across Canada. Together they advocate for property owners, buyers and sellers.

For more information, please contact:

Pierre Leduc, Media Relations
The Canadian Real Estate Association
Tel.: 613-237-7111 or 613-884-1460
E-mail: pleduc@crea.ca

Sales Activity Historical and Forecast



CREA Residential Market Forecast:



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Sales activity forecast	2017	2017 Annual percentage change	2018 Forecast	2018 Annual percentage change	2019 Forecast	2019 Annual percentage change
Canada	513,280	-4.7	462,900	-9.8	472,700	2.1
British Columbia	103,763	-7.5	80,700	-22.2	80,400	-0.4
Alberta	57,222	4.3	53,500	-6.5	52,900	-1.1
Saskatchewan	11,059	-2.5	10,480	-5.2	10,700	2.1
Manitoba	14,428	-0.8	13,720	-4.9	13,880	1.2
Ontario	219,121	-9.9	193,300	-11.8	203,600	5.3
Quebec	82,544	5.6	85,600	3.7	85,750	0.2
New Brunswick	8,093	6.4	8,230	1.7	8,250	0.2
Nova Scotia	10,351	4.3	11,000	6.3	11,000	0.0
Prince Edward Island	2,081	4.0	1,995	-4.1	1,970	-1.3
Newfoundland	3,942	-3.4	3,770	-4.4	3,650	-3.2

Average price forecast	2017	2017 Annual percentage change	2018 Forecast	2018 Annual percentage change	2019 Forecast	2019 Annual percentage change
Canada	508,924	4.0	494,900	-2.8	508,400	2.7
British Columbia	709,577	2.7	728,900	2.7	740,500	1.6
Alberta	398,201	0.4	392,800	-1.4	392,700	0.0
Saskatchewan	293,818	-2.2	289,200	-1.6	286,900	-0.8
Manitoba	287,330	3.5	292,000	1.6	294,500	0.9
Ontario	583,534	9.3	573,400	-1.7	592,300	3.3
Quebec*	292,545	4.5	305,000	4.3	313,800	2.9
New Brunswick	167,292	2.4	176,300	5.4	180,800	2.6
Nova Scotia	230,277	4.0	237,400	3.1	243,000	2.4
Prince Edward Island	201,966	12.5	205,900	1.9	208,700	1.4
Newfoundland	252,345	-2.2	248,500	-1.5	244,400	-1.6

* Provincial weighted average price for Quebec does not affect unweighted national average price calculations. Information on Quebec's weighted average price calculation can be found at: <http://www.fcq.ca/immobilier-statistiques-definitions.php>