

DELAYED START IN CANADIAN REAL ESTATE MARKET AND UNDERSUPPLY LEAD TO PERCEIVED HOUSING BOOM

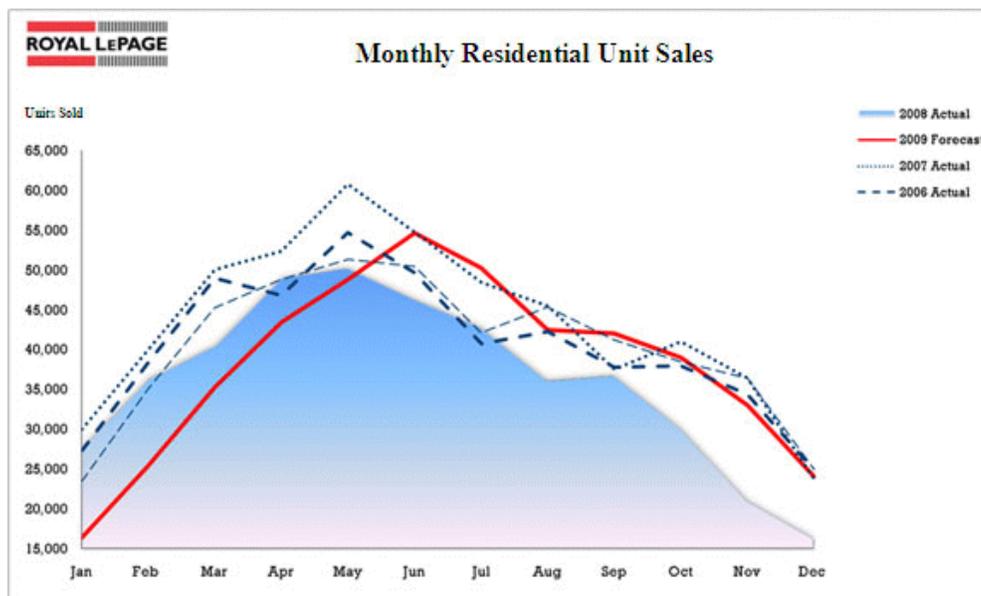
Lag in seasonal sales cycle brought on by the recession, coupled with undersupply, creates illusion that market is booming

TORONTO, October 8, 2009 – Canada’s housing market is on the road to recovery but is experiencing a pronounced undersupply of homes for sale in southern Ontario and other regions of the country, according to the Royal LePage House Price Survey. With the recession retreating, the report found that home prices are stabilizing and unit sales are increasingly driven by improved affordability.

The market’s strong showing in the third quarter has led some commentators to refer to the current conditions as the beginning of a real estate boom. Royal LePage cautions that the increase in sales activity and firming of house prices are the product of a normal market correction and not the beginning of another aggressive expansionary cycle.

“The 2009 real estate market has seen sales activity lagging approximately one month behind the typical seasonal patterns,” said Phil Soper, president and chief executive, Royal LePage Real Estate Services. “The economic recession halted the flow of the real estate cycle from the fourth quarter of 2008 through the first quarter of 2009, but it is essentially now back on track albeit delayed. Once housing supply returns to normal levels, we believe the economy will support modest pricing growth into 2010.”

The following graphic illustrates how 2009 home sales activity has lagged behind the traditional cycle:



While the Atlantic provinces saw a strong recovery in home prices with double-digit percentage increases year-over-year in some markets in the third quarter of 2009, western provinces have been slower to recover from the significant price corrections that occurred in 2008, particularly in British Columbia and Alberta. Meanwhile, Ontario and Quebec saw home prices stabilize or gain slightly year-over-year with much of the recovery occurring throughout the strong third quarter.

Royal LePage's third quarter report shows that the average price of a two storey home in Canada was comparable to a year ago (up 0.1 per cent) at \$409,335. Average bungalow values increased 0.06 per cent year-over-year to \$341,146, while the price of an average condominium increased 0.09 per cent to \$243,748.

After the economic crisis created a drought of home sales and declining prices from the fourth quarter of 2008 through the first quarter of 2009, the market began to recover in the spring due to pent up demand and improved affordability. "It appears the market recovered unevenly," Soper commented. "In the first quarter of 2009 we saw the return of first time buyers, then cautious move-up buyers. In the third quarter, the sales activity of the higher priced regions of the country and higher priced property types picked up momentum and caught up to the lower priced segments."

A shortage in housing supply is leading to bidding wars in several cities, including Toronto, Richmond Hill, Markham, Montreal, St. John's (NF), St. John (NB), Moncton, Edmonton, Calgary, North and West Vancouver, and Victoria. Improved affordability is the biggest driver of current real estate activity levels, Soper added. "With the widespread availability of affordable mortgage financing, and only modest increases in home prices, affordability is better now than it has been in a number of years. We expect house prices and interest rates to remain relatively stable into next spring which would keep affordability levels intact."

Regional House Price Data

Royal LePage's latest quarterly House Price Survey shows the strongest growth in year-over-year increases in St. John's, Newfoundland, where standard two storey homes were up 13.3 per cent over 2008, to \$296,667, with bungalows and standard condominiums showing similar price gains. Most other major centres in Atlantic Canada experienced modest growth, with the exception of Saint John, New Brunswick, where detached home prices continued to fall year-over-year and quarter-over-quarter in Q3.

In Toronto and the Greater Toronto Area, the real estate market saw a distinct pause earlier this year. House prices, however, did not fall dramatically due to a reduction in the number of listings on the market. Currently, single family and semi-detached home prices are outperforming other categories. Detached bungalows are up 0.8 per cent and standard two storey homes are up 1 per cent year-over-year, while standard condominium prices fell 3 per cent over the same period. All three categories have shown price increases compared to second quarter numbers.

Diversified economies in Ottawa, Montreal and Winnipeg contributed to modest home price appreciation in those cities in the third quarter. Canada's capital saw standard two storey homes increase 3.3 per cent year-over-year, to \$327,833, while similar homes in Winnipeg increased 5 per cent to \$265,938. Montreal home prices also continued to improve, with a year-over-year increase of 2.1 per cent for standard two storey homes, at \$343,480, and a 4.4 per cent improvement in standard condominium prices, to \$213,278.

"Markets in Quebec, eastern Ontario and Manitoba had fewer of the price spikes we saw elsewhere, the corollary being that housing markets in these regions fared better during the recession," said Soper. "These regions have not been recession proof from a real estate perspective, but certainly have proven recession resistant, helped by balanced economies with diverse employment bases across manufacturing, resources, government, and services."

Meanwhile, in the traditional boom-bust, resource dependent economies in western Canada, home prices that corrected sharply downwards in 2008 have been slower to recover. In almost all regional markets across the prairies and British Columbia, year-over-year home values continued to be flat or declined in Q3 2009. In Saskatchewan, home prices dropped between 0.6 per cent and 5.6 per cent with a standard two storey home in Regina averaging \$251,500. Alberta values declined year-over-year between 1.6 and 9.3 per cent. Although house prices remain below last year's levels in Calgary and Edmonton, they are starting to improve. Calgary saw two storey homes recover slightly to \$414,556 while the average price for a two storey home in Edmonton remained flat at \$327,429 from last quarter.

In B.C., where market activity picked up considerably in the third quarter, detached home prices in Vancouver were still down between 1.8 and 2.3 per cent year-over-year, however values improved during the third quarter with standard two storey homes selling for an average of \$904,750.

"It is a modest recovery but a recovery nonetheless and that change is reflected in the housing market," said Soper. Although key economic indicators are showing signs of improvement, fears over job security and economic instability will keep many Canadians in their current homes. "Fewer people are willing to move, because they're still concerned about the economy. Until they are convinced things are back to normal, some people will not put their homes up for sale and we'll continue to have constrained supply."

Royal LePage's Q3 House Price Survey shows the annual change of prices for key housing segments in select national markets. [Click here to view the chart \(.PDF\).](#)

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, and current figures will be updated following the end of the quarter. A printable version of the third quarter 2009 survey will be available online on November 6th, 2009.

Housing values in the Royal LePage 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. Historical data is available for some areas back to the early 1970s.

About Royal LePage

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