Despite market cooling, Toronto to lead national house-price growth

By Janet McFarland
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Toronto's softening housing market should continue to slow in the second half of the year, but is expected to finish 2017 with home prices still up 18 per cent over 2016, according to a new market forecast.

A Royal LePage report on house prices in Canada predicts house prices nationally will rise 9.5 per cent this year, with Ontario driving most of the increase. Other markets outside of Ontario, including Vancouver, are expected to show much more modest growth.

Despite a drop in house sales and prices in May and June this year, the Greater Toronto Area is still expected to lead Canada in house-price growth in 2017, climbing 18.5 per cent to an aggregate price of $862,264 by the end of the year compared with the end of 2016, the forecast predicts.

The 2017 growth, however, comes largely from gains in the first half of the year. The Toronto region experienced 24-per-cent price growth in the second quarter of 2017, according to the review, particularly thanks to record-high price levels hit in April, which means growth will be modest in the second half of the year, Royal LePage chief executive officer Phil Soper said.

"We're expecting home prices in Ontario to be relatively flat in the second half of the year, and it will gradually bring the whole year's increase down to more moderate levels," Mr. Soper said. "It's hard to call 18-per-cent growth moderate, but we're definitely going in the right direction."

Mr. Soper said he called Toronto's market the "least healthy" in Canada after the first quarter of the year, because prices were soaring by unsustainable levels, but he now feels the Toronto market is returning to "sanity" and showing a healthy balance. He said the market is not poised for a significant price correction.

The Ontario government introduced a 15-per-cent foreign-buyers tax in April as part of a package of reforms designed to cool the heated housing market, which helped push prices lower in May and June. Home sales fell 37 per cent in June in the Greater Toronto Area and prices were down almost 14 per cent in June from their peak in April.

Although Vancouver has seen price growth return this spring following a decline triggered by the introduction of a foreign-buyers tax last August, the survey predicts that Greater Vancouver will end 2017 with prices up a modest 0.5 per cent at an aggregate price of $1.21-million by the end of the year.

Mr. Soper said Vancouver had more of a correction than anticipated after the foreign-buyers tax was introduced, but said the region has had "a pretty good soft landing" this year.

However, in both Vancouver and Toronto, Mr. Soper said the question is how long the recent moderation in prices will last given that both cities have strong economies and growing populations.

Royal LePage also predicts improvements for Calgary's housing market as oil prices stabilize – forecasting 5-per-cent growth to an aggregate price of $482,140 by the end of 2017 – and predicts Edmonton will end the year with prices up 2.5 per cent over 2016 at an aggregate price of $388,224.

Montreal is also expected to have a strong year, with prices expected to climb 5 per cent in 2017 over 2016, while Royal LePage forecasts that Ottawa will see 6-per-cent growth this year.

Royal LePage bases its data on its own house-price composite index, compiled using Royal LePage pricing information.