Canada Residential Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 150 pages | Mordor Intelligence

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Report description:

The Canada Residential Real Estate Market is anticipated to register a CAGR of more than 10% over the forecast period.

Key Highlights
Due to COVID-19, builders and buyers have mostly shifted to virtual tours and digital contract signings. The demand for larger houses has grown as working from home becomes more prevalent. According to the Bank of Canada (BoC), the housing affordability index declined by 15.3% in 2, reflecting less restrictive conditions for homeownership. Since then, it has gradually risen to exceed its pre-pandemic level in Q2 2021. The consumer house-buying power increased at the outset of the pandemic because of lower mortgage rates and higher Household Disposable Income (HDI).
As Canadian home prices continue to grow across the country, the national average home price broke an all-time high in January 2022. The average home price in Canada's housing market in January 2022 was CAD 748,439 (USD 587,487), up by 20% from 2021. That is the biggest year-over-year price gain in the history of the Canadian housing market. Price patterns for four different types of properties are investigated: new houses, new condominiums, resale houses, and resale condominiums. Before 2020, condominium units grew in value faster than single-family, semi-detached, and row residences. Many changes have occurred in the real estate sector since the outbreak, ranging from virtual tours to a preference for larger homes in the suburbs.
New Brunswick led the country in terms of the highest Y-o-Y price growth among the provinces, with home prices in New Brunswick up 32% Y-o-Y to CAD 275,000 (USD 215,861) for January 2022. The other Atlantic Provinces trailed behind, with Nova Scotia seeing prices increase by 23% Y-o-Y to CAD 392,828 (USD 308,350), Prince Edward Island with an 18% annual gain to CAD 351,890 (USD 276,216), and Newfoundland & Labrador with a 12% annual gain to CAD 324,800 (USD 254,951). Nationally, sales during January 2022 were down 11% Y-o-Y, while new home listings were down 11% month-over-month.
As a result, inventories of properties for sale have dropped to historic lows, leaving purchasers with few options. The Bank of Canada kept its overnight rate at 0.25%, where it has been since the beginning of the pandemic, in its January 2022 monetary

policy review and said that it expects to keep it there through the middle quarters of 2022.

Canada Residential Real Estate Market Trends

Immigration Policies are Driving the Market

Immigration has been a major source of economic growth for Canada's successive governments. With the pandemic forcing aged Canadians to retire early, luring immigrants has become increasingly crucial. In addition, the country focuses on high-skilled immigrants, who are more likely to bring money and earn enough to compete for coveted housing. Low mortgage rates and a scarcity of housing have pushed up housing expenses. Another reason was migration, particularly during pre-pandemic. Immigrants are more likely to buy in large urban areas, such as greater Toronto and Vancouver, where home prices have risen above CAD 1.12 million (USD 88,000), according to Statistics Canada.

In 2021, the Canadian government achieved its lofty goal of admitting 401,000 new permanent citizens. However, it relied primarily on migrants who were already in the nation on a temporary basis to do this. To meet the aim of 411,000 immigrants by 2022, the government is anticipated to attract more immigrants from abroad.

As a result, the number of newcomers who set foot on Canadian territory and begin seeking accommodation is expected to increase. This influx of immigrants will have the greatest influence on the rental market, as newcomers are more likely to rent in their first few years in the nation. The great majority of newcomers are settling in Canada's biggest cities, such as Toronto, Vancouver, and Montreal, adding to the housing shortage.

Demographic Factors are Driving the Market

The market will continue to see a lot of activity as Millennials' housing needs change, especially for homes that are suitable for families. In recent years, millennials (those in their mid-20s to early-40s) have swelled the numbers of Canadians in their prime home-buying years. In 2021, Canada had 10.5 million persons aged 25 to 44 years. In the last five years, this number has increased by more than 800,000 (or 8.3%). Millennials will continue to be a dominant influence in the home market in 2022 and beyond if past ownership patterns hold. Between the ages of 25 and 29 (40%) and 40 and 44 (63%), ownership rates often grow dramatically. Millennials will continue to be the most common first-time homebuyers, as well as a growing number of move-up buyers.

The population of Canada is expected to reach 38.07 million in 2021, an increase of 0.86% from 37.74 million in 2020. Canada is ranked 122nd in terms of population growth rate and 38th overall in terms of population. In Canada, there will be 0.39 million births in 2021. That amounts to 1,061, which is rated 65th per day. In 1000 people, there are 10.18 births on average. In Canada, there will be 0.3 million fatalities in 2021. That works out to 821 daily, which ranks 33rd. In 1000 people, there are 7.88 deaths on average. In urban regions, there are 30.97 million people or 81.65% of the total population of Canada. In terms of urbanization, Canada is placed 60th.

As mortgage rates plummeted to historically low levels and competition for entry-level property reduced, young people saw an opening and took advantage of it. With work-from-home becoming a daily reality, the living situation for some young adults sharing with parents, siblings, or roommates became uncomfortably congested. In the current market, the option to purchase 500 square feet of personal space was more than viable for most people. Historically low-interest rates are making it more attractive for young people to invest in housing across all markets.

Canada Residential Real Estate Market Competitor Analysis

Canada's Residential Real Estate Market is fragmented in nature with a huge number of global, regional and local players in the market. Some of the major companies in the market include Amacon, Aquilini Development, Concert Properties Ltd, and Century 21 Canada. The rising potential in residential real estate due to increased immigration and the development of infrastructure across various cities is driving the market and creating opportunities for the players to invest in the market.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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