

Canada Real Estate Services 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 Canadian real estate services market is estimated to register a CAGR of more than 5% during the forecast period.

Since the beginning of the pandemic, many changes have been impacting the real estate industry, from virtual tours to a change in preference toward larger homes in the suburb. During the pandemic, the housing affordability index (which measures the share of disposable income spent on housing costs) fell by 15.3% in the second quarter of 2020, reflecting less restrictive conditions for homeownership, according to the Bank of Canada (BoC).

The housing market in Canada had a record year in 2021. In October 2021, year-to-date house resales eclipsed the yearly peak established in 2020. In the end, 667,000 transactions were completed in 2021, an increase of 114,000 units or 21%. Only 12,000 units established the previous record in 2020. The market activity increased in 2021 and stayed incredibly strong all year. Growing infrastructure-based developments, increasing demand for sustainable facility management solutions, and rising technology integration are some of the other factors that can aid the facility management market in the country.

Home resales were at a 652,000-unit pace (seasonally adjusted and annualized) in December 2021, which was 18% higher than the previous annual record and hardly changed from November 2021. Despite the market's recent surge in activity, there is still unmet demand a lack of supply is holding many purchasers back. At the end of 2021, demand-supply conditions remained extremely tight. In December 2021, a very high sales-to-new-listings ratio (at 0.80 nationally) attested to sellers maintaining considerable bargaining power.

Canada Real Estate Services Market Trends

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Increasing Contribution to GDP from the Real Estate Sector to Provide Opportunities

In 2021, real estate's economic contribution to GDP in Canada increased dramatically, with real estate rising at a faster rate. As of October 2021, real estate and rental and leasing (RERL) contributed nearly a tenth of the monthly GDP rise. RERL grew the most in comparison to the previous year. The growth of the Canadian economy was supported greatly by real estate.

The RERL sector had a seasonally adjusted annual rate of CAD 266.1 billion in October 2021. It was up by 0.8% from a month ago, and it was the greatest gain since December 2020. The output of offices of real estate agents and brokers jumped 8.8% in October 2021 as home resale activity was led by Ontario, British Columbia, Quebec, and Alberta.

Legal services, which derive much of their activity from real estate transactions, increased by 1.6% in October 2021. The industry grew for the fourth month in a row. The GDP of Canada increased at a comparable rate. In October 2021, the total GDP was CAD 2.0 trillion, up by 0.8% from the previous month. RERL accounted for just over 12.1% of those points.

Canada's economic growth is dangerously reliant on real estate. In October, RERL was 13.3% of GDP, down from 14.8% in April 2021. Real estate has grown at a faster rate than the overall economy. Since 2005, RERL has increased 20% faster than GDP on average. It is still a small percentage of real estate's contribution to Canada's GDP. Prior to the pandemic, Canada used its real estate to inflate its GDP estimates. Now it is using it to boost the economy's recovery, making it even more reliant.

Residential Investment Driving the Market

The housing-related part of the gross domestic product (GDP) is known as residential investment. It comprises the cost of building a home, major improvements, and the transfer of ownership. Because other industries, such as finance, are reliant on housing, the metric is not comprehensive. However, it is the largest direct contributor to GDP from housing investment. Residential investment in Canada has been absorbing an increasing amount of the economy. In Q2 2021, the seasonally adjusted annual rate (SAAR) of investment was CAD 249.3 billion. This was an increase of 0.59% over the previous quarter. By a wide margin, it was a new high in current dollars. For the second quarter of 2021, unadjusted residential investment totaled CAD 67.9 billion. This was a new high for the company, increasing 25% over the prior quarter. Residential investment reached 11.2% of GDP in Q2 2021, up from 9.5% the previous quarter.

Purchasing by real estate investors spread to smaller cities during the pandemic, with purchases rising in relatively cheaper housing markets such as Halifax and Ottawa. Investors accounted for 19% of home purchases in Halifax in the second quarter of 2021 - one of the most successful periods of the pandemic, compared to 14.7% from 2014 to the first half of 2021. In the Ottawa-Gatineau region, investors were responsible for 25.5% of housing purchases versus 20.39% in the same period from 2014 to mid-2021. Nationwide, investors were responsible for 21.63% of home purchases in that second quarter of 2021, compared with 18.96% for the period from 2014 to the first half of 2021.

Canada Real Estate Services Market Competitor Analysis

The market is fragmented, comprising both international and local players. Some of the prominent international companies present in the region include Colliers International Group Inc. and Cushman & Wakefield ULC. The real estate sector is gradually recovering from the pandemic and is expected to grow during the forecast period. The supply crunch is certainly an unprecedented occurrence in Canada's housing market, but there are also other factors that are expected to influence the buying and selling conditions in 2022.

Additional Benefits:

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