AMERICAN MARKETER

Business at its best

Canadian luxury real estate market endures uneven 2018: Sotheby's

January 10, 2019

Vancouver's top-tier real estate market is now a buyers' market. Image credit: Sotheby's

By MICKEY ALAM KHAN

Rising interest rates and tighter government regulations have contributed to diverging real estate trends in Canada's luxury market.

While eastern Canada, including Montreal and Toronto, set new real estate records, Vancouver and Calgary in western Canada saw inventory outpace homebuyer demand. Some of the difference can be attributed to provincial governments that have introduced their own regulations to steady the real estate market and avoid a bubble.

"The high-level takeaway is that interest rate increases and also the federal government increasing stress testing has had a chilling effect on all real estate in Canada," said Brad Henderson, president and CEO at Sotheby's International Realty Canada, Toronto. "Regulations have slowed the hyper-growth down and we see this moving into a more balanced market."

Ups and downs

In Montreal, sales of homes over $1 million increased 20 percent from 2017 to 2018. After a record 12 properties priced at more than $4 million were sold in 2017, 11 additional homes at that tier were sold in 2018.

Montreal's top-tier condominium market also reached new highs with a 29 percent year-over-year gain. Sales of attached homes over $1 million also increased 40 percent over 2017 levels.

Montreal saw record growth in 2018. Image credit: Sotheby's

The Greater Toronto area finished the year on an upswing. The last six months of 2018 saw a 4 percent increase year-over-year in homes sold at $1 million and more.

Additionally, 24 percent of condominiums priced above $1 million and 13 percent of condos above $4 million sold above listing price between July and December 2018. Sales of luxury condos above $4 million increased 60 percent year-over-year.

Meanwhile, Vancouver experienced drops in top-tier sales across all housing types in 2018. Sales of $1 million-plus condos and attached homes fell 14 and 22 percent, respectively.

The city's top-tier single family home market saw its third straight year of declining sales activity. Single family homes priced at $4 million and above saw a 55 percent drop in 2018 year-over-year.

homes priced at $4 million and above saw a 35 percent drop in 2018 year-over-year.

Calgary real estate is experiencing a slowdown. Image credit: Sotheby's

Calgary also experienced a downward trend. Residential real estate sales of $1 million plus homes in Calgary fell 10 percent, almost completely diminishing the 11 percent growth from 2016 to 2017.

The city was adversely impacted by an unemployment rate above the Canadian national average and stricter mortgage regulations.

"You have to be able to demonstrate you have the income to qualify at double the current interest rate," Sotheby's Mr. Henderson said. "That reduces the amount of money people can use towards their home, at any income level."

Canadian market
Despite economic upheaval in Canada due to new government regulations, the country's luxury market had a strong start to 2018.

Thanks to a stress test from the Office of the Superintendent of Financial Institutions in Canada, the first half of the year was uncertain for luxury real estate. However the desirability of various locations attracted enough luxury buyers to drive demand and prices, according to Royal LePage's Spring Luxury Market Release (see story).

Each quarter, Knight Frank's Prime Global Cities Index tracks the movement in prime residential prices across 43 cities worldwide, 74 percent of which have seen an increase of prices year-over-year. However, the rate of growth in the third quarter of 2018 was the slowest in the last six years and was the third consecutive quarter of average price decline.

Canada saw mixed results to an even greater extent in the Prime Index. Toronto saw prime real estate prices grow 8.5 percent year-over-year, while Vancouver landed at the bottom of the list with a price drop of 11.2 percent (see story).

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