



Year-End 2021

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# Engel & Völkers Canadian Real Estate Market Report



**ENGEL & VÖLKERS®**

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# National Overview

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Engel & Völkers reports Canada's premium markets in Halifax, Montréal, Ottawa, Toronto and Vancouver are now experiencing precariously low supply due to unparalleled local demand.

After nearly two years of fierce market competition, the topography of Canada's housing landscape has been permanently altered. Low interest rates and easy access to borrowing were catalysts for Canadians to leverage their assets and level up. Baby boomers made the decision to hold on to their homes and forego downsizing or moving into retirement homes. Interprovincial migration was fueled by Canadians 'going home' — many of whom cashed out homes in Ontario and British Columbia to purchase properties in their cities of origin. The Bank of Canada held historically low interest rates through the year, stating they will hold until mid-2022.

As we enter 2022, the following top national trends affecting Canada's premium housing have been identified.

## Supply crisis in Canada

Short supply is the story of 2021. In Canada's major metropolitan areas, home supply was completely consumed by Canadians' ravenous appetite for real estate. This caused several symptomatic trends to emerge. Most notably, buyers began settling for homes that did not fit their taste or wish list. Many reported purchasing homes that they would have never imagined buying, but did so for the extra space, a yard or another key feature. Bidding wars ensued in areas and for homes that rarely experienced them. In areas where this was

common, bidding wars intensified, especially for homes in in-demand price brackets with contemporary renovations.

In the premium market, buyers reported they were unable to find suitable resale homes or penthouses, indicating that some of Canada's best real estate inventory had traded hands and was now off the market. In other cases, premium homeowners opted for transformational renovation projects, customizing their homes to suit their needs, sparing nothing, even if it will take years to recoup the investment. Many of these homes will likely not come back to the market for quite some time.

Low supply is the number one cause of rapidly rising home prices in Canada's major markets. Further pressure from resuming immigration will add crunch to this crisis. Until supply and demand equalize, prices will continue to rapidly increase across Canada. This is a major cause for concern, especially as key demographics reach prime homebuying age.

## Baby boomers not letting go

The supply shortage is compounded by an emerging trend in the baby boomer demographic. Typically, seniors sell their family homes and downsize or move into retirement communities. However, in light of the tragedies inside Canada's long-term care homes, Engel & Völkers is reporting an unprecedented number of baby boomers are



hanging on to real estate assets and staying put in their homes, with no intention of downsizing.

Instead, they have decided to renovate and hire private help inside their homes. This is creating a bottleneck for first-time buyers and young families, who rely on seniors to free up supply.

This trend was already in motion prior to COVID, but was exacerbated by it. According to Statistics Canada, Canadians who turned 65 between 2015 and 2017 can expect to live another 20 years.

Another factor contributing to the trend is the rise of reverse mortgages fueled in part by rapid home price increases year-over-year. Through reverse mortgages, Canadians aged 55 and over are able to draw on a portion of their home equity and boost liquid income, while retaining the ability to live at home.

## **Luxury home sellers will be Gen Xers and millennials**

More than 80 per cent of home sellers in 2022 will be Gen Xers and millennials, according to Engel & Völkers' The Next Luxury Home Seller report. Out of this, 31 per cent will be selling a home for the first time. Sellers' mindsets will be driven by major life milestones within the last year, including starting a business, expecting a baby, caring for a parent and moving cities. Cities are projected to be the hottest markets, with 81 per cent of luxury home sellers living in urban centres and 67 per cent wanting to stay there.

## **Interprovincial migration fueled by Canadians 'going home'**

Interprovincial migration was a major real estate story in 2021, much of it fueled by Canadians 'going home'. Cities like Halifax and Ottawa, as well as suburban and periphery

markets, saw a wave of people returning to their hometowns amidst COVID. Many came from Ontario and British Columbia, and were able to leverage assets and return to their hometowns or cities.

This focus on family and space is emphasized by the rising trend of multi-generational living, as reported by Engel & Völkers' Mid-Year Canadian Luxury Real Estate Market Report. In 2021, Engel & Völkers noticed a rise in families pooling resources and purchasing properties that house multiple generations. Data from Statistics Canada supports this observation, as it is reporting multi-generational households are the fastest growing type in the country, defining them as homes where three or more generations live together.

## **Interest rates will hold until mid-2022**

The Bank of Canada's historically low interest rates helped buyers leverage their assets and move up the housing food chain in 2020 and 2021. At the start of the pandemic, it slashed its rate to a record-low of 0.25 per cent. In fall 2021, the Bank of Canada signalled it would raise interest rates, which fuelled a sense of urgency amongst buyers and intensified pressure on supply.

However, in December 2021, with the onset of the Omicron variant, the Bank of Canada reiterated it will not raise rates until economic slack, or unused economic resources, have been absorbed. It held its benchmark interest rate steady, noting that record-high inflation was showing signs of cooling down.

The Bank of Canada now estimates Canadians will not see rate hikes until the middle quarters of 2022. If inflation cools, then the pressure to raise interest rates dissipates.

# Canada at a Glance

2021

## Trail's End Lane estate sells for \$14,475,000

Maggie Thornhill, license partner, Engel & Völkers Whistler sold the magnificent 2980 Trail's End Lane for \$14,475,000.



## A banner year in Victoria

Engel & Völkers Victoria writes a record-breaking \$1 billion + in sales volume in 2021.



## Farm-to-table experience in demand in Okanagan

"The market is more balanced compared to 2020. Even so, prices have continued to increase, especially in the luxury sector as consumers seem intent on shifting priorities and seeking out more lifestyle-forward homes and properties. As the farm-to-table experience has become intertwined with the essence of living well, we have noticed increased demand for properties that offer agriculture and viticulture opportunities," says Suzie Dorati, license partner, Engel & Völkers Okanagan.

## Domestic migration is driving Kamloops market

"Residential sales volume increased by 61 per cent to \$1.8 billion, compared to the same period in 2020. This is an outstanding amount of growth for our market. High consumer demand continues to drive sales, but supply is holding the entire market back. Prices in our region have been driven higher due to increased migration from the lower mainland and other populated areas of Canada," says Chris Town, license partner, Engel & Völkers Kamloops.



## Engel & Völkers expands into Waterloo Region

Engel & Völkers expands to Waterloo Region, led by license partners Dennis Mehravar, Nik Poulimenos and Emma Yu. Kitchener-Waterloo is one of the fastest growing metropolitan areas in Canada. It's also home to Canada's fastest growing tech economy.

# 72%

## Sales volume increases by 72% year-over-year in Mont-Tremblant

"Demand for property in Mont-Tremblant remains excessively strong, so much so that our supply has taken a hit. The line between primary residences and recreational properties is blurring due to work from home opportunities. The pandemic has illuminated how we want to live and where we want to live," says Steven Lafave, license partner, Engel & Völkers Tremblant.



## All-time highs in Whistler

"Dollar volume traded has reached an all-time high, reaching almost \$1.5 billion by year-end. The previous high was \$1.1 billion in both 2017 and 2019. This is reflected in our top five advisors all achieving record career gross commission income in 2021," says Peter Lalore, advisor, Engel & Völkers Whistler.

# 133%

## Condo sales increase by 133% in Calgary

"Alberta is now experiencing rapid growth in the tech industry, more than doubling the amount of tech companies in the province since 2018. Condo sales have grown dramatically too, increasing by 133 per cent since last year," says Chynna Winter, managing broker, Engel & Völkers Calgary.



# 40%

## Engel & Völkers opens shop in South Okanagan

"South Okanagan experienced unprecedented increases in sales coupled with reduction of inventory levels of over 40 per cent. This can be attributed to a two to one outpacing of buyers to sellers," says Lyndi Cruickshank, license partner, Engel & Völkers South Okanagan.

## Record-breaking sale: 8408 Lawrence Road sells for the record-breaking asking price of \$22.75 million

Engel & Völkers Vancouver Island completes the record-breaking sale of 8408 Lawrence Road for the full asking price of \$22.75 million. Maggi Thornhill, license partner at Engel & Völkers Whistler brought the buyer.



## Home values rise by 62% year-over-year in Parry Sound, Ontario

"Many cottage areas in Northern Ontario are very seasonal, however Parry Sound has a community that lives, works and plays here year round," says Matt Smith, license partner, Engel & Völkers Parry Sound.



## Record-breaking sale: Engel & Völkers Parry Sound sells 100 Sand Bay Road in two days to an international buyer

Engel & Völkers Parry Sound represents both buyer and seller in the record-breaking sale of 100 Sand Bay Road located at Rockwood Resort. The home was sold in two days to an international buyer for \$2.8 million.







# Ottawa

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9% of all transactions in 2021 were for homes priced over \$1 million, rising from 2% in 2019. Engel & Völkers is projecting 2022 will continue to see rapid home price increases due to low supply in the marketplace.

## Welcome to Ottawa

Canada's capital made extraordinary month-over-month gains in 2021, driven by an inventory crunch and buyers' fear of missing out. In 2019, only two per cent of all transactions were for homes priced \$1 million and higher. This number grew to nine per cent in 2021, making it one of the fastest growing segments in the Ottawa market. The total number of units sold priced between \$1 - 3.99 million grew by 167 per cent from 691 in 2020 to 1,847 in 2021. In the \$4 million and higher category, the number of units sold grew from one in 2020 to nine in 2021, increasing by 800 per cent.

Buyers should be prepared to spend \$2 million for premium properties in Ottawa's top neighbourhoods. The average price of residential properties over \$1 million reached \$1,343,945 at year-end, and the average price for residential properties over \$4 million landed at \$4,802,333.

This growth is credited to Ottawa's stable work industries, coupled with migration to Ottawa from other major Canadian cities. Many who were part of the influx were native Ottawans who cited 'coming home' as the reason for their move.

Ottawa's entrepreneurial ecosystem is a mix of small businesses, startups, and established technology companies, continuing Ottawa's shift away from being solely thought of as a 'government town'. During the

pandemic, workers from these established and growing industries bought up a sizable portion of the housing inventory in the \$750,000 to \$1 million bracket. Many levelled up, taking advantage of low interest rates and rising home equity.



*“ It’s important to work with a real estate advisor that has real-time knowledge of the neighbourhoods a client is looking in. Having a strong representative in your corner is crucial to ensure that your negotiating strategy as a buyer and your positioning strategy as a seller are slated for success in the Ottawa market. Sound professional expertise helps you cut through confounding seasonal and circumstantial variables that impact the market and make the best decisions long-term. ”*

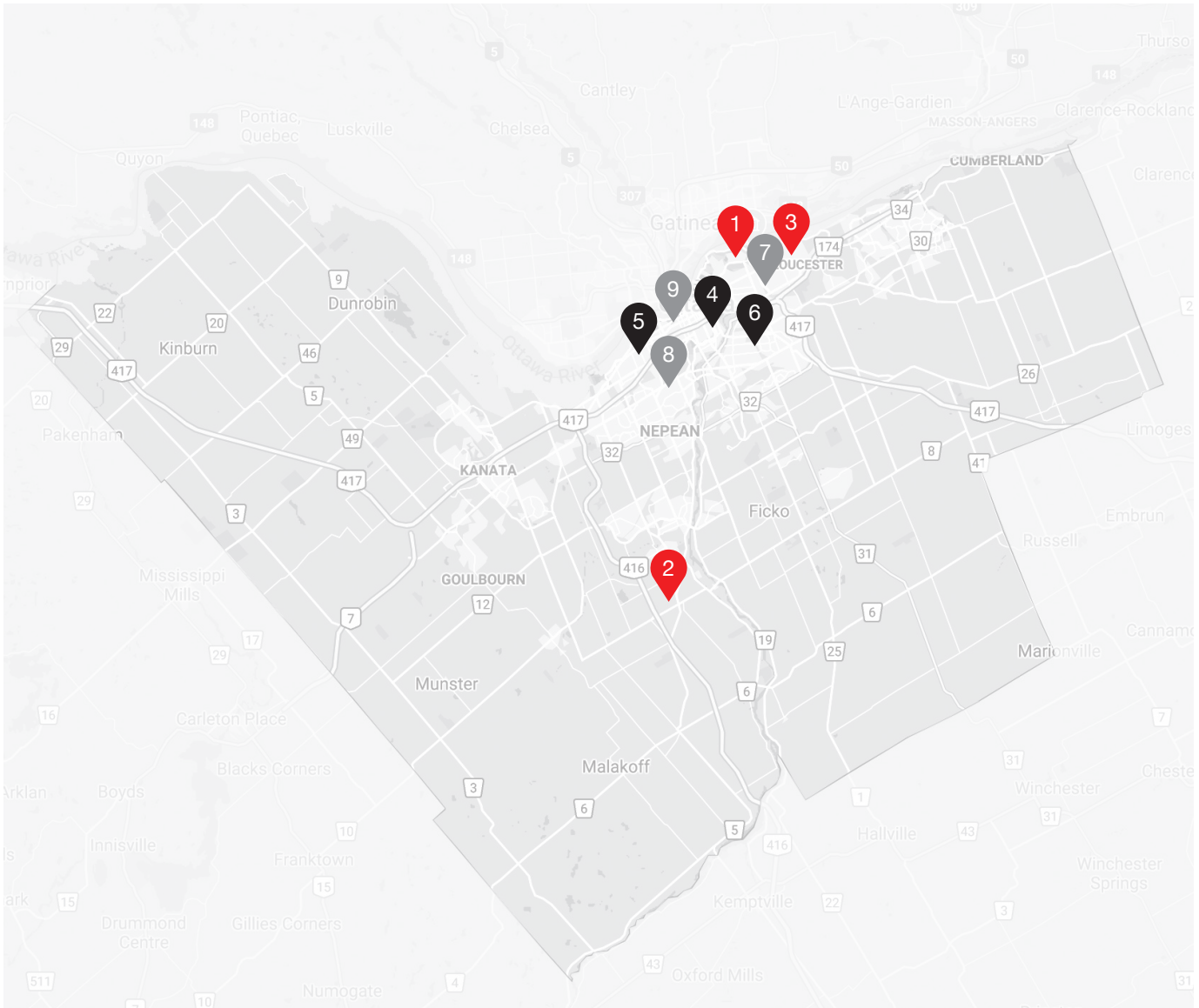
John King, License Partner  
Engel & Völkers Ottawa Central

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NEIGHBOURHOODS TO WATCH

# Ottawa



■ \$ 4 M +

- 1. Rockcliffe
- 2. Manotick
- 3. Rothwell Heights

■ \$ 1 – 3 . 9 9 M

- 4. Glebe/Old Ottawa South
- 5. Westboro/McKellar Park
- 6. Faircrest Heights/Alta Vista

■ UP - AND - COMING

- 7. Vanier/Beechwood
- 8. Copeland Park
- 9. Hintonburg



The supply crunch compressed even further in November 2021, dropping by 74 per cent year-over-year for residential properties priced \$1 - 3.99 million, 30 of which were condos. While inventory shrank, the number of units sold increased by 85 per cent year-over-year, further exhausting home inventory levels. The average sold price for this bracket grew by six per cent year-over-year while days on market shrank by 18 per cent. For all price points and property types, the number of properties traded in November was eight per cent higher than the five-year average.<sup>2</sup> There was no market activity for properties priced over \$4 million during this month.

In December, the market was predictably quieter, as activity typically slows in advance of the holidays. Compared to the previous year, there was a 66 per cent increase in the number of units sold for both residential properties and condos, and a six per cent increase in the average sold price in the \$1 - 3.99 million category. The number of new listings decreased by 24 per cent year-over-year in the \$1 - 3.99 million segment. In the \$4 million and higher segment, the average sold price for both residential properties and condos remained consistent, though the total sales volume by year-end grew by 800 per cent.

## Market Outlook

Ottawa continues to hold the position of a strong seller's market. Typically, the Ottawa market has three to six months of housing inventory. At year-end 2021, there was approximately one month of housing inventory.

Engel & Völkers anticipates the market will take off fairly quickly in January 2022, with demand trending towards central neighbourhoods and lifestyle-oriented properties. If inventory remains low over the next 12 months, move-up buyers and downsizers will not have suitable options to move into and may not list their homes.

This will continue to restrict market activity and constrict supply for first-time homebuyers. Rapid price increases will continue as long as supply fails to meet demand. The same upward pressure will affect pricing in the rental market as would-be first-time buyers continue to rent.

For those planning to purchase a home in the Ottawa area, Engel & Völkers recommends securing an advisor with ultra-local expertise and real-time market knowledge. Having a representative who understands if a particular home is a good asset and if a neighbourhood is the right fit is key for making decisions in this fluctuating marketplace.



A consistent inventory decline over the past five years led to historic supply lows, making bidding wars a common occurrence. However, after a low-listing summer, more housing became available in the latter part of the year. If this trend continues into spring 2022, the Ottawa real estate market will be more balanced.

### Residential Home Sales Breakdown

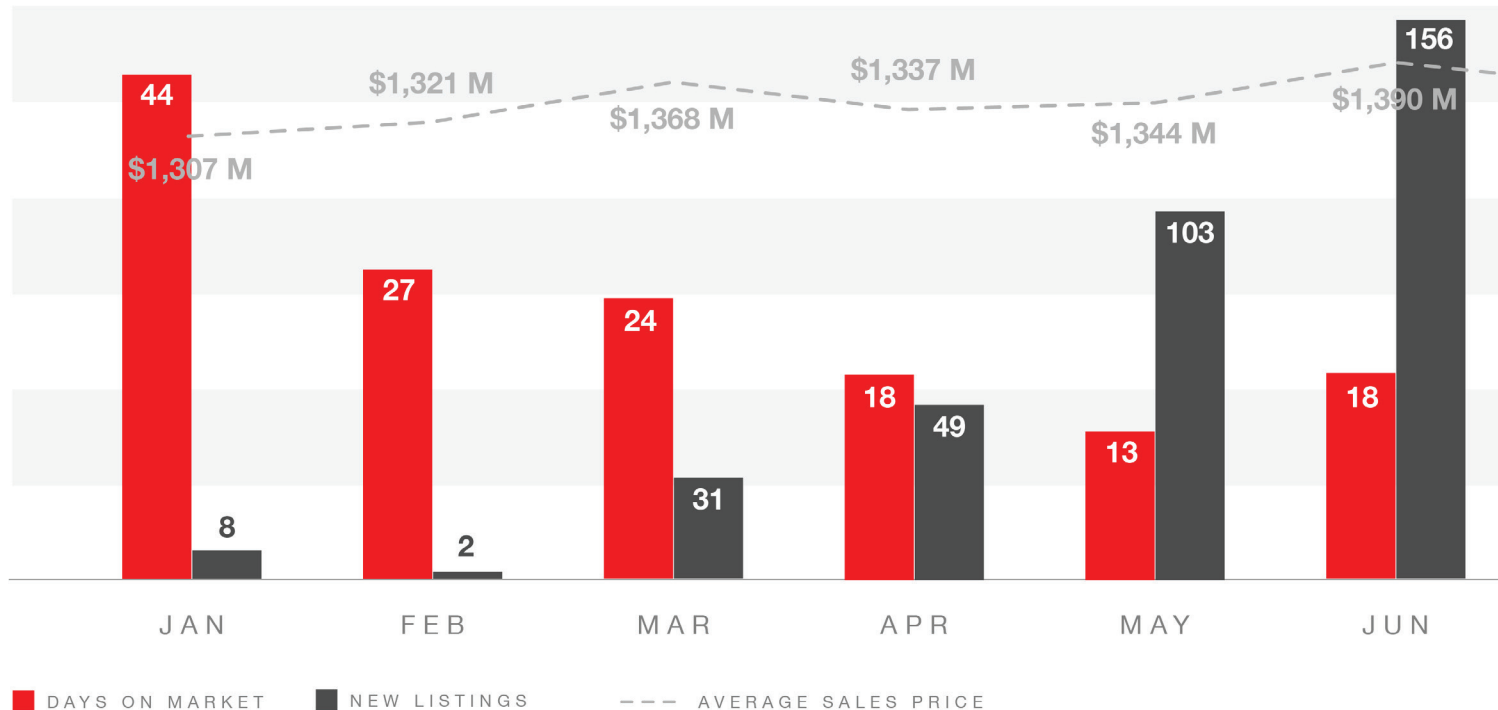
New listings coming onto the Ottawa market hit a high in June 2021, reaching 153 residential class properties for sale priced \$1 - 3.99 million, out of these eight were condos. Three residential class properties were for sale priced over \$4 million. However, July 2021 saw inventory plummet by a startling 90 per cent to only 15 properties in the \$1 - 3.99 million range, one of which was a condo. As COVID restrictions lifted that month, selling real

estate was not top of mind. Sellers held or pulled listings from the market and enjoyed a 'two-dose summer'. For residential properties and condos priced \$1- 3.99 million, a total of 122 units sold in July 2021, nine of which were condos. This is compared to 212 residential properties and eight condo properties sold in June 2021, decreasing by 44 per cent. The average sold price in July 2021 for residential properties and condos priced between \$1 - 3.99 million was \$1,360,193 and they spent an average of 29 days on market. There were no properties sold priced \$4 million and higher.

By August 2021, the number of new residential properties and condo listings in the \$1 - 3.99 million segment climbed to 27, growing by 80 per cent compared to the previous month. Units sold remained stable, decreasing by only five per cent month-over-month. The average sold

OTTAWA: ALL HOMES

### Priced \$1 Million +

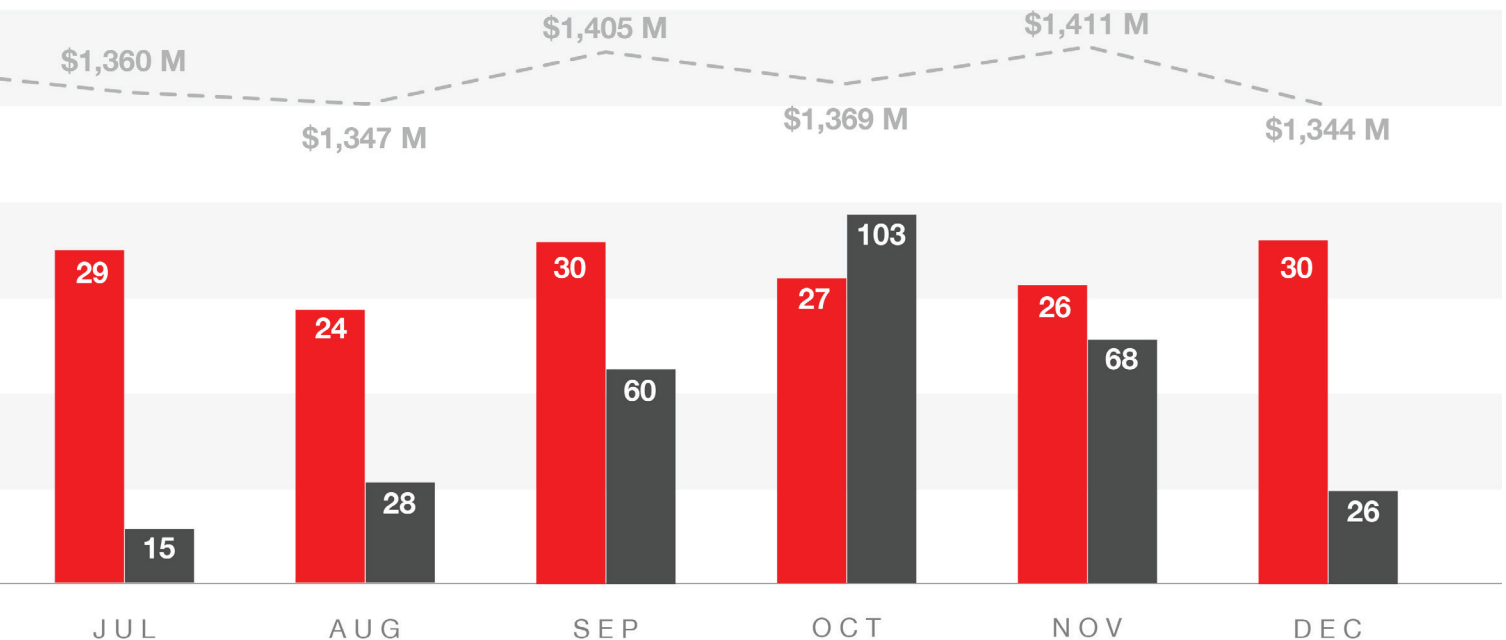


price remained virtually unchanged year-over-year, sitting at \$1,314,034 for condos and residential properties. During August 2021, a total of 112 residential properties were sold in this price range averaging \$1,310,482 and 24 days on market. Three condos were sold, spending an average of 27 days on market for an average price of \$1,446,667. One residential property was listed and sold in the \$4 million and higher range, priced at \$5,110,000.

September 2021's arrival ushered in a steady stream of new residential property listings in the \$1 - 3.99 million segment, rising month-over-month from 25 to 55. Condo inventory grew from two units to four. Overall, inventory remained 62 per cent lower year-over-year. In September 2021, 139 residential properties and one condo sold in the \$1 - 3.99 million range. This was higher than the previous month, but low enough to allow inventory

levels to recover slightly. Still, buyer demand outpaced supply, contributing to the feeling of scarcity that came to characterize last year.

October 2021 saw 140 units sold priced from \$1 - 3.99 million, two of which were condos. Inventory climbed to 101 units and the average sold price was \$1,318,418 for both condos and residential homes. Two residential properties priced \$4 million and higher, sold for an average of \$4,936,500. Overall, there was less pressure on the market compared to previous months, but buyer interest sustained. Even with COVID restrictions, open houses attracted 10 to 15 serious buyers per day. Move-up buyers and downsizers had little supply to choose from, so many stayed in place, limiting access to the market for first-time homebuyers.



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