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Quiet December Caps Off Tumultuous Year

Members of the Ottawa Real Estate Board (OREB) sold 601 residential properties in December through the Board's Multiple Listing Service® (MLS®) System, compared with 857 in December 2021, a decrease of 30%. December's sales included 466 in the residential-property class, down 22% from a year ago, and 135 in the condominium-property category, a decrease of 48% from December 2021. The five-year average for total unit sales in December is 775.

2022 in Review

Residential and condo resales in 2022 totaled 15,288, compared with 20,289 in 2021, decreasing 25%. Total sales volume in 2022 was approximately $10.5B compared to $13B in 2021.

"Even with the normal seasonal slowdown, December's performance was in stark contrast to the very active resale market that opened 2022," says OREB's President. "As interest rates and inflation both climbed, buyers retreated to the sidelines and began taking a wait and see approach. However, while it's quieter than the frantic pace we experienced in 2021, it is now a balanced market."

By the Numbers – Average Prices:

The average sale price for a condominium-class property in December was $434,973, an increase of 9% from 2021.

The average sale price for a residential-class property was $655,839, decreasing 7% from a year ago.

With year-to-date average sale prices at $769,623 for residential units and $453,770 for condominiums, these values represent a 7% increase over 2021 for residential-class properties and an 8% increase for condominium-class properties.

"Although market activity tapered off in later 2022, there was an immense amount of activity in the spring at high prices," says OREB's President. "This will be an important caveat to consider as we begin comparing 2023 numbers to the previous year."

By the Numbers – Inventory & New Listings:

Months of Inventory for the residential-class properties has increased to 3.7 months from 0.9 months in December 2021.

Months of Inventory for condominium-class properties has increased to 3.9 months from 0.9 months in December 2021.

December's new listings (699) were 17% higher than 2021 (600) and down 56% from November 2022 (1,598). The 5-year average for new listings in December is 662.

"The leading economic force behind Ottawa's rapid appreciation in the past five years is chronic supply insufficiency," says OREB's President. "It intensified during the pandemic as prospective purchasers capitalized on incredibly low interest rates. Today's higher rates are slowing down building projects, which exacerbates the low supply issue."

Looking Ahead to 2023

"Since Ottawa is made up of hyper-local markets, it is a difficult ecosystem to forecast," says OREB's President. "Plus, there are a multitude of factors influencing a changing economic environment these days that will dictate how much activity the resale market will see in 2023. REALTORS® have access to expert insights and industry resources that can help buyers and sellers navigate the complexities."

REALTORS® also help with finding rentals and vetting potential tenants. OREB Members have assisted clients with renting 6,105 properties this past year compared to 4,813 in 2021.

With price correction largely behind us, home prices in Canada are expected to end next year just 1% below 2022

While home prices in many real estate markets across Canada have recorded modest declines over the last few quarters, largely due to the rising cost of borrowing, the rate of decline has slowed. With the expectation that the Bank of Canada's interest rate hike campaign is coming to a close, Royal LePage is forecasting that the national aggregate price of a home in the fourth quarter of 2023 will be $765,171, 1.0% below Q4 of 2022. Broken out by housing type, the median price of a single-family detached property and condominium are projected to decrease 2.0% and increase 1.0% to $781,256 and $568,933, respectively.

“After nearly two years of record price appreciation, fueled by a steep climb in household savings, very low borrowing costs and an overwhelming desire for more space during the COVID-19 pandemic, the frenzied housing market overshot and the inevitable downward slide or market correction began, intensified by rapidly rising borrowing rates,” said Phil Soper, president and CEO, Royal LePage. “In an era characterized by the unusual, this correction has not followed historical patterns. While the volume of homes trading hands has dropped steeply, home prices have held on, with relatively modest declines. We see this as a continuing trend.”

In the first quarter of 2023, the national aggregate home price is expected to decline on both a year-over-year and quarter-over-quarter basis, followed by near-flat quarterly price growth in Q2. In the second half of next year, the aggregate home price is expected to see modest quarterly gains, but will still remain lower than the same periods in 2022.

The recovery is not expected to be evenly distributed. Regional markets that saw more moderate price growth during the pandemic real estate boom are expected to experience more modest declines. Due to their relative affordability, cities like Calgary, Edmonton and Halifax are expected to record modest price gains in 2023, as they continue to attract out-of-province buyers, especially first-time homebuyers from southern Ontario and British Columbia looking for more affordable housing.

Ottawa

In Ottawa, the aggregate price of a home in the fourth quarter of 2023 is forecast to increase 2.0 per cent year-over-year to $739,602. During the same period, the median price of a single-family detached property is expected to rise 1.0 per cent to $850,117, while the median price of a condominium is forecast to increase 2.0 per cent to $378,114.

“We are anticipating moderate home price growth in the Ottawa market by the end of 2023,” said a senior Royal LePage Manager. “Condominiums will likely see greater price appreciation than other property types, including in the single-family detached segment, as higher borrowing costs will continue to limit buyers' purchasing power and push them to the lower end of the market.”

They added that declining sales in the city in the second half of 2022 are indicative of what is likely to be a slow start to the new year. Presently, local housing activity has been largely motivated by buyers and sellers who are forced to move, including those relocating for work.

“Interest rates will continue to significantly impact home prices in 2023. If interest rates stop increasing, or even decline next year, we could see a spike in home prices and a resurgence of buyer demand from those who have been waiting on the sidelines,” added the Royal LePage Manager. “However, sales would increase gradually, as depleted inventory levels are unlikely to be replenished quickly enough to keep up with renewed purchaser demand.”