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Canada's Recreational Property Markets See Price and Sales Volume Increases in Majority of Markets

According to the 2017 Royal LePage Canadian Recreational Housing Report recently released, the majority of recreational property markets across Canada have seen year-over-year price and sales volume increases, although in a number of regions, trends differ markedly. While recreational property trends remain mixed in the majority of oil-producing provinces, high-priced competitive environments have intensified in British Columbia and Ontario's recreational segment, with characteristics stemming from Greater Vancouver and the Greater Toronto Area emanating into the provinces' recreational markets.

Nationally, the report, which compiles information from a cross-Canada survey of the company's recreational property specialists, found that recreational property prices increased in the majority of regions in the month of May, with nearly two-thirds (63 per cent) of advisors stating that prices have jumped year-over-year. For the same period, over half (58 per cent) of respondents have seen a year-over-year increase in sales volumes in their area, coupled with 54 per cent who reported a drop in inventory levels – putting further upward pressure on prices, particularly in a number of areas in Quebec, Ontario and British Columbia. Looking ahead, the majority of respondents (54 per cent) expect sales activity in their region to rise this year when compared to levels achieved in 2016.

"The Canadian recreational property market had a resounding start to the year, with the majority of markets nationwide witnessing healthy increases in both sales activity and pricing," said Kevin Somers, Chief Operating Officer, Royal LePage Real Estate Services Limited. "Looking ahead, we expect this trend to continue for the remainder of the year, as warmer weather heats the market, constraining inventory levels across the country."

"As seen in other home segments, price differences for recreational properties from region-to-region can vary quite remarkably," said Somers. "What remains relatively consistent across the country is that demand within many recreational markets is very much alive, with communities seeing an emergence of new builds and homes designed for multi-season use. Buyers are seeking properties that allow them to maximize their time away from the bustle of the city, often with the plan of making the home a primary residence in the future.

"The lifestyle of a home surrounded by the striking beauty of lakes, forests or mountains enjoyed with loved ones is an irreplaceable experience, and one that remains part of the Canadian dream for many," added Somers.

"In some areas, recreational properties are seeing multiple offers. This situation is a rare phenomenon among cottage transactions, as the sales process can often be very protracted," continued Somers. "Despite the introduction of new governmental policies slightly slowing the market, we expect sales activity within both provinces to continue to grow for the balance of 2017, as demand from Gen Xers and Baby Boomers, determined in their lifestyle aspirations, are met with limited property inventory in the most desired regions," concluded Somers.

According to roughly two-thirds (65 per cent) of respondents, many retirees across the country have increasingly begun to look to cash in on their home equity and purchase a recreational property as their primary residence. These purchasers will often hold onto the property for a number of years until they can no longer keep up with its associated maintenance, either passing it on within the family or selling it, and downsizing. While this tends to be more prevalent in provinces like British Columbia and Ontario, where home values are generally higher than the rest of the country, the trend can be witnessed nationwide, including in Alberta, Quebec and New Brunswick.

Ottawa resale market proves strong in first half of 2017

Members of the Ottawa Real Estate Board (OREB) sold 2,162 residential properties in June 2017 compared with 1,985 in June 2016, an increase of 8.9 percent.

"We're having a stellar year so far in 2017. Year-to-date sales numbers for the first half of the year are up in both the residential and condo property classes, combined coming in at a 13.5 percent increase over the same time period in 2016," said OREB's President. "Average sale price in both the residential and condo class is up in the first half of 2017 compared to last year, although not a significant amount."

"Listings and inventory levels continue to trend downwards, and REALTORS® report an increase in multiple offers on properties in some pockets around the city," OREB's President went on to explain. "While some areas within the Ottawa market are very active in sales, there are other areas of the city that remain very balanced and steady."

June's sales included 408 in the condominium property class and 1,754 in the residential property class. The average sale price of a residential-class property sold in June in the Ottawa area was $434,502, an increase of 8.8 percent over June 2016. The average sale price for a condominium-class property was $289,905, an increase of 9.4 percent over June 2016.

"Since the announcement in April by the Ontario Liberal government of cooling measures in Toronto, it's no surprise that the Ottawa market has been thriving. Not only is Ottawa an affordable place to live, it's also very desirable," added OREB's President. "We have a great mix of city life and rural expanses. It's no wonder MoneySense just named Ottawa as Canada's best place to live in 2017."

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Lock in your mortgage if you can't take the rate-hike heat, experts say

Amid signals the Bank of Canada may hike its key interest rate, those on the edge of being able to afford their payments may want to lock in rates now.

Homeowners with variable-rate mortgages losing sleep over the increased chatter about a potential interest rate hike by the Bank of Canada should consider locking their rates in now, mortgage experts say. James Laird, co-founder of interest-rate-comparison website RateHub, says in order to stick with the variable option you need to be able to handle fluctuating rates.

"Rates might go up much faster than anyone is expecting, and so if you're right on the border of being able to afford your mortgage payment and you're able to lock in an affordable payment for five years, you should definitely do that," Laird said.

Recent comments by the Bank of Canada have prompted speculation that it may move to raise its key interest rate sooner than many economists had expected. The central bank has kept the rate on hold at 0.5 per cent after cutting it twice in 2015 in an effort to boost the economy.

An increase in the Bank of Canada's overnight rate target will prompt the country's big banks to raise their prime rates, which will push the rate charged on variable-rate mortgages higher.

Laird said historically, borrowers who have chosen the variable-rate mortgage have done better than those who have opted to lock in their rate. But he points out that variable-rate mortgages are only about half a percentage point lower than the fixed rates that are being offered today. The best five-year variable rate posted on RateHub.ca was 1.8 per cent, while the best five-year fixed rate was 2.24 per cent. "If prime moves up by, say, 50 basis points, then most variable rates would be higher than the fixed rate that you can lock in at today," Laird said.

He noted that the rates on fixed-rate mortgages also may soon be on the rise following a recent increase in the yields on Canadian government five-year bonds, a key benchmark. The possibility of an increase in the prime rate offered by lenders comes as household debt levels sit near record highs. Jason Scott, a mortgage broker at TMG The Mortgage Group, said homeowners need to weigh the risk versus the reward when opting to continue with a variable-rate mortgage. He said a strategy for those with a variable could be to increase your payments as if rates were already higher, paying down more principal before rates rise. "Or if they are going to lose sleep at night, they can choose to lock in," he said.

For those that decide to lock in, Scott said, your existing lender may not offer you their best fixed rates, so you should be prepared to negotiate or even switch lenders. However, he noted there have been many times in recent years when it looked like the Bank of Canada might start to raise rates, but then it held steady. Something unexpected could happen to prompt the central bank to put off raising interest rates, Scott said.

"Only Stephen Poloz really knows what he's going to do next and when he's going to do it."