

**Affordability to hold steady in 2006  
as listing inventory improves in most major markets, says RE/MAX**

After shattering existing records from coast-to-coast in 2005, housing values are expected to moderate in most major centers in 2006. More balanced conditions should emerge in the year ahead, characterized by healthy inventory levels and less urgency in the marketplace, according to a report released today by RE/MAX.

The RE/MAX Housing Market Outlook 2006 found that the vast majority of major Canadian markets surveyed are expecting modest price appreciation ranging from two to five per cent in 2006. The only exceptions are the Western Canadian markets of Vancouver, Kelowna, and Calgary, all of which are forecast to experience price increases in the area of 10 per cent next year. Moncton will lead in terms of price appreciation in Eastern Canada, projected to record a six per cent gain. Unit sales are forecast to demonstrate solid momentum again in 2006, with all but five eastern markets (Toronto, London-St. Thomas, Kitchener-Waterloo, Montreal and Halifax) expecting activity to either exceed or remain on par with record 2005 levels.

Nationally, home sales are forecast to climb two per cent by year-end 2005 to 472,100 units—the best year ever for housing in Canada. Average price appreciation will post a nine per cent gain, bringing the value of a Canadian home closer to the \$250,000 threshold at \$246,600.

Canada's economic engine continues to fire on all cylinders, outperforming expectations at every level. Consumer confidence levels are strong. Even the Bank of Canada's effort to put the brakes on the economy—boosting interest rates one half of one percentage point in a two-month period—only served to bolster home-buying activity. Interest rates could climb as much as two percentage points before we see any real impact on the housing market.

Strong economic fundamentals will contribute to healthy residential real estate activity yet again in 2006. In Eastern Canada, Newfoundland, New Brunswick and Nova Scotia, in particular, are expected to benefit from thriving oil and gas-related industries. Nationwide, billions of dollars have been earmarked for non-residential construction. Immigration is also forecast to play a greater role in housing markets across the country. Canada is opening its door to as many as 255,000 new immigrants in 2006 and that figure may be ramped up in the future. Typically, household formation among new immigrants takes place within five years of arrival.

The brisk momentum in unit sales is expected to hold steady next year, with 58 per cent of markets in the east forecasting activity in 2006 to be on par with the previous year's figures.

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Affordability has certainly been a major concern, with significant price increases recorded year-after-year. An influx of new listings in the marketplace should ease some of the upward pressure on housing values and allow purchasers the luxury of time when buying a home.

**Highlights:**

- First-time buyers are expected to play an integral role in housing markets from coast-to-coast.
- Move-up purchasers will continue to take advantage of equity gains in recent years to trade-up to bigger and better properties.
- The upper-end of the market is predicted to post impressive gains in several major markets.
- Singles, baby boomers, and retirees are forecast to fuel demand for the increasingly coveted condominium lifestyle.
- Adult communities are growing in popularity with empty nesters and retirees.

Overall, the country is poised for another strong year of real estate activity in 2006. Seller's market conditions will persist across the board, although in the majority of eastern markets, an improvement in inventory will translate into better selection and more time to make housing decisions. The sense of urgency is expected to ease, as multiple offers become the exception. Properties that are priced at fair market value should continue to realize close to full list price. Overpriced listings are expected to stagnate in 2006, much as they did in 2005.

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