CHRIS SCOTT.CA
REAL ESTATE TEAM

ANNUAL REAL ESTATE REPORT

OTTAWA

THE YEAR IN REVIEW

This year our real estate market took everyone by surprise. At the beginning of the year, most economists were predicting a sluggish market with little or no price gains. The reality is that it was an incredibly strong year for real estate in Ottawa with solid price gains. This was fuelled by a lack of inventory in most neighbourhoods and segments of the market. The most significant change I found this year is that almost all styles of homes in various price ranges were extremely active. I had buyers looking for luxury homes over $1M and first-timers looking in the suburbs. In both cases, and everything in between, we were faced with lack of inventory and multiple offers. In some instances, we were competing against 12-14 other offers. It made buying a house more challenging for sure. Here is a statistical look and recap of the Ottawa market in 2017.

RESIDENTIAL

$425,063

Based on 13,495 Sales

6.8% **CDOM: 80**

NUMBER OF UNITS SOLD

RES **13,495** **7.2%**

CON **3,588** **22.1%**

CONDO

$269,903

Based on 3,588 Sales

3.4% **CDOM: 104**

COMBINED

$347,483

Based on 17,083 Sales

5.1% **CDOM: 92**

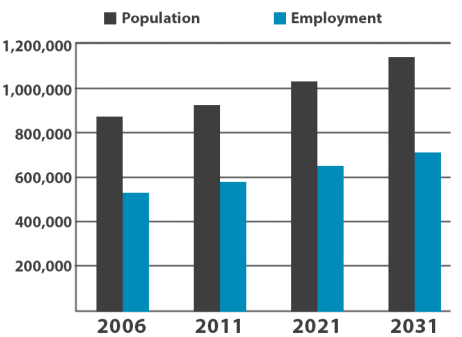
KEY INDICATORS

* All data is from Ottawa MLS statistics
** CDOM: Consecutive days on market
*** Percentage change is from 2016 stats

IMMIGRATION

Under the Liberal government, immigration has increased to over 300,000 annually. Many are settled into smaller cities but eventually make their way to the larger urban centres. Since Ottawa is the number 1 place to live in Canada, it is always a popular destination. This graph illustrates the future population growth in Ottawa.

POPULATION VS EMPLOYMENT



DEBT

The biggest concern I have right now is the mountain of debt that Canadians are carrying. We have more debt per capita than any other developed nation. This is something we will have to monitor moving forward.

FOREIGN BUYERS

Contrary to what some people believe, Ottawa's prices have not been rising due to foreign buyers. Not yet anyway. Right now foreign buyers own less than 0.7% of Ottawa condos and this is the same percentage as in 2014 (according to CMHC). In Vancouver, this is as high as 7.5%.

What I am seeing is some families relocating to Ottawa from Toronto. Basically cashing out in T.O. and moving down the 401. They are attracted to Ottawa because of its relative affordability, awesome lifestyle, and its location that is close to both Montreal and Toronto. As other major markets get too expensive we may start seeing more foreign buyers choose Ottawa. We are like the Switzerland of real estate.

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SUPPLY/ DEMAND

Prices are usually determined by the most basic economic principle of supply and demand. This past year inventory was tight and demand was solid. I have many buyers that should have been in the market in 17' but could not find a place because of tight supply and multiple bids. They along with many other buyers will now seek to find accommodation in 2018. I think our tight supply will continue into the new year. I think we are in for another competitive market in early 2018.

MORTGAGE RATES

I sat in on a presentation by CIBC chief economist Benjamin Tal. He was asked if rates were going to rapidly increase in the upcoming few years. His response was that we won't ever see very high rates again. We have different mechanisms and a central policy that we did not have in the 80's/90's when rates for homes are similar to what we are paying on credit cards.

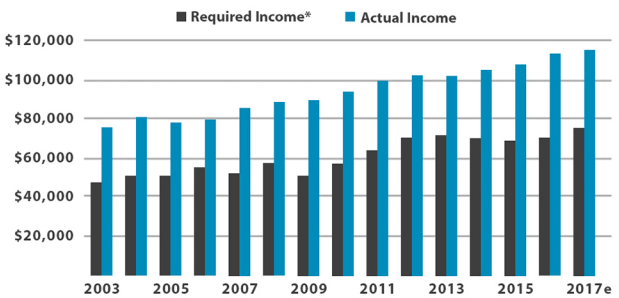
UNEMPLOYMENT

Unemployment is always one of biggest indicators when it comes to real estate prices. In Ottawa, we are fortunate to have a stable workforce anchored by the public service. Income levels support our current real estate prices and would still be able to accommodate new price gains. Essentially affordability is good. Especially compared to other markets like Vancouver or Toronto.

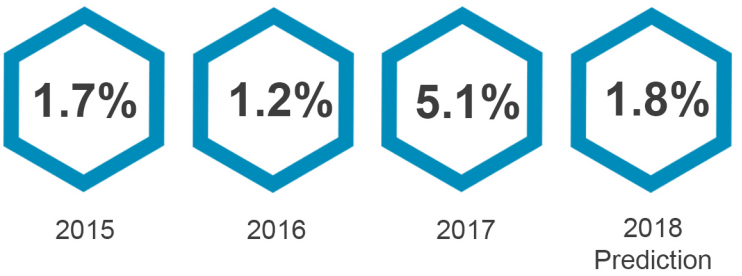
MORTGAGE RULES: NEW STRESS TEST

The new mortgage rules will affect affordability for buyers. Insured mortgages will now need to be stress tested at the higher bank qualifying rate. This will reduce the average buyer's purchasing power by about 20%. I am one of the few Realtors who actually agrees with this policy. We need to have buyers that can withstand any future increases in the mortgage rates. I think it is prudent and will help ensure that home buyers are not taking on debt that they can't afford in the future. This protection will only help stabilize our market in the future.

OTTAWA REQUIRED VS ACTUAL INCOME



Percentage Increase of Ottawa Housing Prices



* Based on RES & CON MLS Sales

MY PREDICTIONS FOR 2018

This time of year is usually pretty slow. However, I am off to present an offer for one of my clients in a snowstorm. We will be competing against 6-8 others. Basically what I am getting at is the market still has no inventory in many segments. I expect this trend to continue right through the Spring market. It will put upward pressure on prices again. I had some clients purchase a home in multiple bids in Hintonburg earlier this year. They were concerned that they paid too much. Buyers remorse is inevitable when you go way over asking price. This week the exact same unit with fewer upgrades came for sale and sold for 20k more than what my clients paid just 3 months ago. It tells me that some buyers in these areas are getting desperate to find accommodations. Once again we could be embarking on another very active and robust market in 2018. With the higher prices in the central locations, this will also help condo sales. Many buyers are being priced out of the freehold market and are turning back to condos as a viable option. For me, the wildcards in the market are the new mortgage rules and how Ottawa can absorb them. I think we can but it will make it harder for buyers in the higher price points. My gut tells me that there will be negative news from Toronto and Vancouver this year on the average price front. There are so many rules and regulations now for their markets to continue their torrent pace. How does this national coverage (if it happens) affect the consumer confidence here. Again, this is just my personal opinion here. If you are curious to what's happening in your neighbourhood feel free to get in touch. We are always happy to provide you with sales data in and around your home.

PERSONAL NOTE

This will be my 14th year in real estate. Amazing how fast time flies. It has been such an amazing journey. I have been around so long that some of my clients have purchased their starter home, stepping stone home, and dream home with me. I feel very privileged to play a role in this important process. Thank you everyone for your continued support. I am pretty much a referral based operation. I will continue to grow and add new services to make sure I am bringing as much value as I can to my clients. I have some new initiatives that I will be launching in 2018. Stay tuned.

Cheers,

Chris Scott

Keller Williams Integrity Realty

2017 Client Santa Party

Chris Scott Real Estate Team

2017 Client Draw Winners

2017 Food Drive

CAF Appreciation Night at Sens Suite

GROWING TO SERVE

We are beyond excited to announce the growth of our team. Colin Raines has just partnered with us and will work closely with our clients to make sure they are getting the best real estate experience possible. He brings a wealth of real estate knowledge and over 20 years of customer service experience. He will assist in providing a raving fan service experience for every client.

Our commitment to our client experience is always our top priority. We look forward to exceeding client expectations in 2018 and beyond.