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Canada's 'coiled up' housing market to see rebound year, with price gains into 2025, CREA predicts

The increases will be bigger in the East Coast provinces and Alberta, but prices will remain relatively flat in Ontario and B.C., says the Canadian Real Estate Association.


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National home sales were the lowest they've been since 2008, according to the Canadian Real Estate Association. R.J. Johnston Toronto Star

The Canadian Real Estate Association (CREA) is predicting the housing market will bounce back this year, assuming interest rates go down.

That's despite the fact last year saw the lowest annual level for national sales activity since 2008, according to the trade association's December stats and housing forecast, released Monday.

Shaun Cathcart, CREA's Senior Economist, said this is reflective of the fact that "the interest rate shock we've gone through in the last two years" has been a "bigger deal" than anything else he's seen in his career, including the 2008 financial crisis.

"The market got really knocked back by something," he said, "but that something is going to go away so we expect it to really spring back."

The forecast, based on third party assessments of what will happen with interest rates in the year ahead, assumes they will go back down. Lower interest rates coupled with pent up demand and an increasing population mean "it's going to be a rebound year," he said. He said the increase in sales won't be dramatic, but rather "a slowish crawl back toward more normal levels."

Almost 500,000 residential properties are expected to be sold in 2024 across the country, about a 10 per cent increase from 2023. The national average home price is expected to climb about two per cent to $694,173. Prices and home sales are expected to climb further in 2025, according to the CREA.

The increases will be bigger in the East Coast provinces and Alberta, but prices will remain relatively flat in Ontario and B.C.

"Alberta is flying really high right now, they didn't get the memo about interest rates," Cathcart said.

This is a reflection of the housing crisis, as people are now moving out west to afford detached homes, instead of just further out into the GTA.

Ontario and B.C. "tend to swing more wildly," Cathcart said, "but that also gives them a lot of scope for a rebound."

Christopher Alexander, president of Re/Max Canada, said it's hard not to agree that the market will be more robust this year because "there's a tremendous amount of pent up demand," and people waiting on the sidelines to buy.

Economic indicators like Canada's GDP, which shrunk over the third quarter of 2023, seem to suggest challenges, which should provoke the Bank of Canada to make rate cuts, he said.

But it may still be hard for first-time homebuyers, particularly in Ontario and B.C. where prices are still so high, to qualify for mortgages.

Canadian home sales also saw an "unexpected surge" in December 2023, up 8.7 per cent since November, according to the new CREA figures. But Cathcart said that could be because of people wanting to close out deals by year's end, and compromising on prices for properties that had been sitting since Labour Day.

In the Greater Toronto Area, the average benchmark price closed out the year at $1,094,000, down slightly year-over-year and month-over-month, but there was a more than 20 per cent jump in sales month-to-month from November to December, Cathcart said.

He added the forecast is relatively conservative.

"The amount that this spring is coiled up right now with the kind of population growth we've seen and two years of the pent-up demand that we've seen with these high rates, I really think there's a risk that this thing's going to surprise us."