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Finance

Canadian house prices to jump this year, but will slow in 2022

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4 minute read





Single family homes are seen against the skyline of Vancouver, British Columbia, Canada September 30, 2020. REUTERS/Jennifer Gauthier

< Summary

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[cpurl://apps.cp./cms/?pagelid=house-poll](https://apps.cp./cms/?pagelid=house-poll) poll data

Reuters poll graphic on the Canada housing market outlook: <https://tmsnrt.rs/3oyXVff>

BENGALURU, May 21 (Reuters) - Canadian house prices will rise sharply in 2021, supported by ultra-low interest rates and robust demand driven by massive fiscal support, according to a Reuters poll of analysts who however said risks were skewed to the downside.



Even with the economy at an early stage of recovery, Canada's housing market has been on a tear in recent months, with home prices escalating sharply to record highs this year, driven by investor activity and solid demand from first-time buyers.

While Canadian home sales, prices and starts all fell in April compared with record high figures in March as some of the frenzy of previous months began to unwind, the May 11-20 poll of 15 property analysts showed activity would remain strong.

House prices were forecast to rise 15.0% on average this year nationally, the largest expected annual gain since Reuters began polling for 2021 over two years ago and three times the 5.0% February prediction.

"Headlines will probably flag housing market declines in April, but don't let them fool you...this market is still extremely strong across geography and segment, even if we've likely seen peak momentum it's still a long way back from the moon," noted Robert Pic, senior economist at BMO Capital Markets.

Still, the pace of home price gains was forecast to slow over the coming years on expectations of tighter mortgage rules and a hawkish Bank of Canada, which in April was the first among Group of Seven central banks to announce a scale back to its pandemic support. [read more](#)

Home prices were predicted to rise at a much slower pace and average 3.7% next year, lower than 4.0% predicted previously.

That broad trend of double-digit price gains this year followed by a moderate rise next was expected for major Canadian cities as well. In Toronto they will rise 13.9% in 2021 and in Vancouver 10.3%.

But a majority of analysts, 10 of 13, in response to an additional question said the risks to their outlook for the coming year was skewed more to the downside.

In response to another question, 10 of 14 analysts said an interest rate hike would significantly tame Canada's housing market activity and prices.

"Canadian households high debt loads make them relatively more sensitive to interest rate changes. The experience of 2018 makes that clear. A series of interest rate hikes brought the rate of home price appreciation to an abrupt halt," said Brendan LaCerde, senior economist at Moody's Analytics.

"Robust fiscal stimulus, accelerating inflation and diminishing support from the Bank of Canada all signal higher interest rates in the year ahead. Rising borrowing costs will likely cool down housing market activity."

Despite affordability remaining a major concern, when asked on demand this year nationally, in Vancouver and in Toronto, a majority of analysts expected an increase across.

"We expect demand to remain robust, but moderation towards more normal levels of activity is expected. Affordability erosion from high prices, increased contract mortgage rates and reversal of some pandemic era purchasing trends due to greater vaccine rollouts contributes to this trend," said Bryan Yu, chief economist at Central 1 Credit Union.

"A record pace of home sales and price acceleration is expected to give way to a moderation in the back half of this year"

(For other stories from the Reuters quarterly housing market polls:)

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