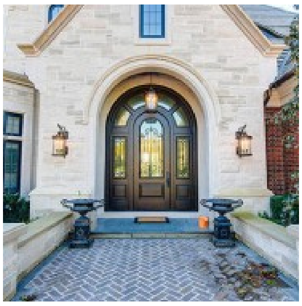
Luxury Daily®

The News and Intelligence You Need on Luxury

RESEARCH

Weakening currency, strengthening economy bolster Canadian real estate

January 11, 2016



24 Hedgerow Street, Toronto; Sotheby's listing

By FORREST CARDAMENIS

The weakening Canadian dollar has made the country's real estate especially attractive to foreign buyers, according to a new report by Sotheby's International Realty Canada.

Subscribe to Luxury Daily
Plus: Just released State of Luxury 2019
Save $246

While drops in oil prices hurt the economy, the consequent favorable exchange rates abroad and the more recent economic recovery grew the real estate market. Sales increases were largest in the category of real estate costing more than $4 million and were propelled largely by the markets in Vancouver, British Columbia and the Greater Toronto Area.

The good life

The Greater Toronto Area led the county in sales of residences costing at least $1 million. Compared to 2014, sales increased 48 percent last year, a record-setting surge that built upon 2014's 38 percent increase over 2012.

Sotheby's listing for Integral House, Toronto

The enormous growths each year are testament to the value of an investment in the country's real estate. The drop in the Canadian dollar's valuefrom about $1.18 per USD last year and $1.08 per USD the year before to almost $1.40 per USD today, and from 18 cents per Chinese Yuan two years ago to 22 cents todayhas opened the market up to second home purchases from foreign buyers.

Vancouver, a city known for its large Chinese immigrant population dating back to Hong Kong's transfer of sovereignty from the United Kingdom to China, also experienced a large increase. After posting 25 percent year-over-year gains at the end of 2014, the city has followed it with 46 percent gains in 2015 compared to 2014.

Sotheby's listing in West Vancouver

Moreover, the biggest gain in terms of percentage was in homes priced over $4 million dollars, increasing from 253 total units in 2014 to 422 in 2015, or 67 percent. The same is true in Toronto, with 71 percent year-over-year gains in the category.

Although a strengthening currency can encourage real estate purchases for investment purposes among foreigners, who will then reap benefits both of increasing demand and the strengthening currency, a weakened currency is not necessarily a warning sign. Weakening currency can provide an opportunity to make second home purchases that were once out of reach or even real estate investments, assuming market demand will outpace currency devaluation.

Additionally, an international worth of a nation's currency is not necessarily a good measure of a local economy's strength. The report notes that low interest rates, a low unemployment rate, sustained immigration and consumer confidence in the real estate market all make Vancouver and the Greater Toronto Area attractive markets.

Pointe-Claire, Quebec, Sotheby's listing

Montreal's gains were steadier, with a 15 percent increase in sales more than $1 million, while the bubble around Calgary, Alberta finally burst. Following years of record-setting growth, only 494 units at the $1 million level or higher in 2015, 41 percent fewer than in 2014.

Calgary's economy is facing uncertainty due to declining oil prices, and its decline was more pronounced in the second half of the year, suggesting the skid may continue in 2016 in contrast to continued growth in Canada's larger markets.

Surging real estate
Although the surge in sales for Canadian real estate is partially attributable to that nation's weakening currency, a

strengthening U.S. dollar in the post-recession years is causing other markets to boom.

In particular, the price to purchase New York real estate has never been higher, according to a new report by CityRealty.

The average sales price of condominiums and co-ops set new records for the second consecutive year, with median prices for each exceeding $1 million. Despite the brief scare of a market slowdown when the Dow Jones dipped in August, New York real estate will continue to have high demand (see story).

Additionally, like Vancouver and Toronto, other markets are being buoyed by increased attention from foreign markets and burgeoning local economies.

A recent report by RSIR's Asia Services Group shows that at least 33 percent of homes east of Seattlea geographical area that includes Bellevue and other affluent cities such as Kirkland and Mercer Islandpriced above $5 million were purchased by local or inbound Chinese citizens.

A growing local economy led by the tech boom and the transformation and development of the Bellevue area are causing the area to gain traction. In addition, Washington is home to elite universities and primary schools, has no state income tax and is more affordable than San Francisco and Los Angeles (see story)

Final Take
Forrest Cardamenis, editorial assistant on Luxury Daily, New York

© 2020 Napean LLC. All rights reserved.

Luxury Daily is published each business day. Thank you for reading us. Your feedback is welcome.