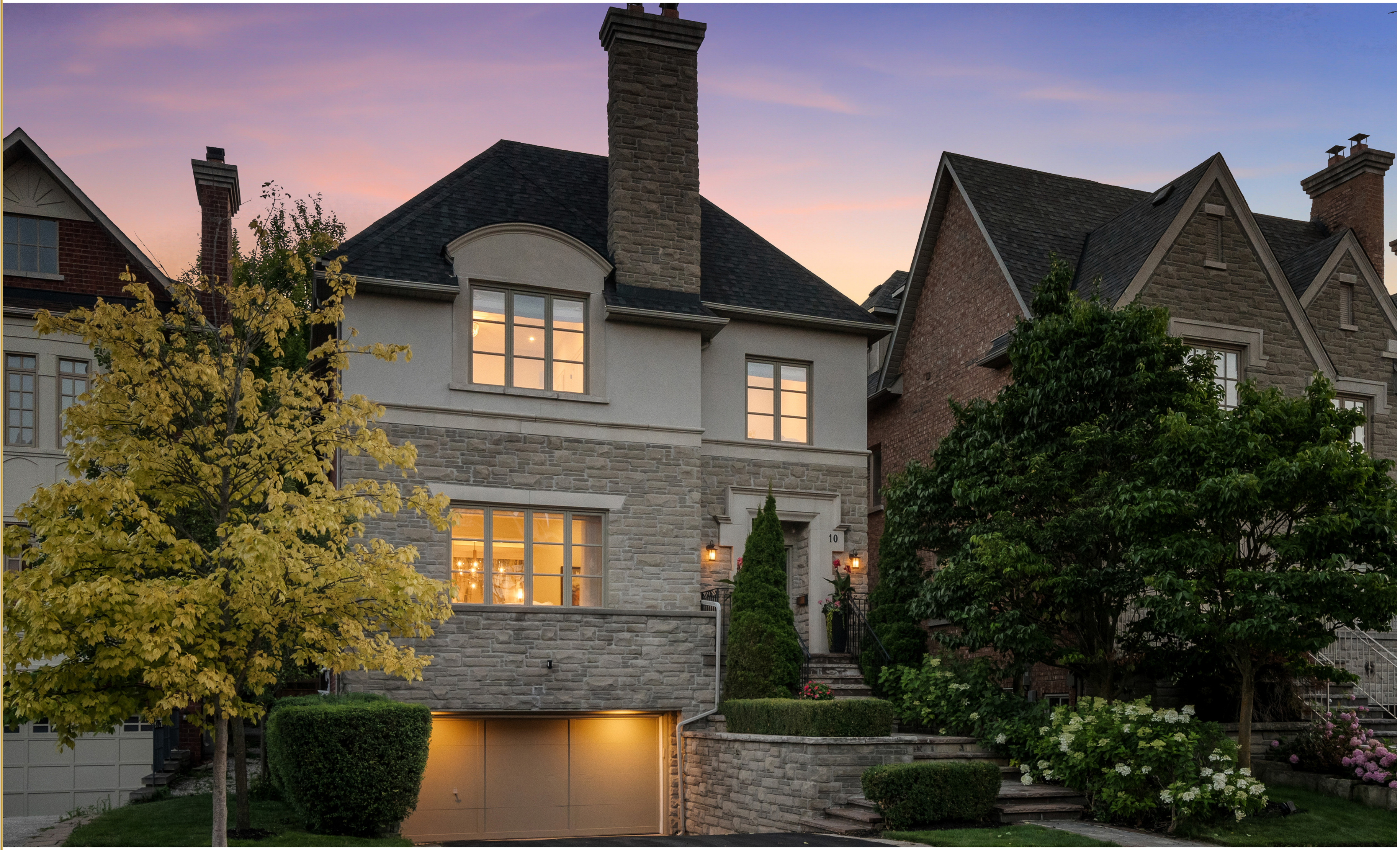
Top-Tier Real Estate

2024 MID-YEAR STATE OF LUXURY REPORT

Sotheby's INTERNATIONAL REALTY | Canada



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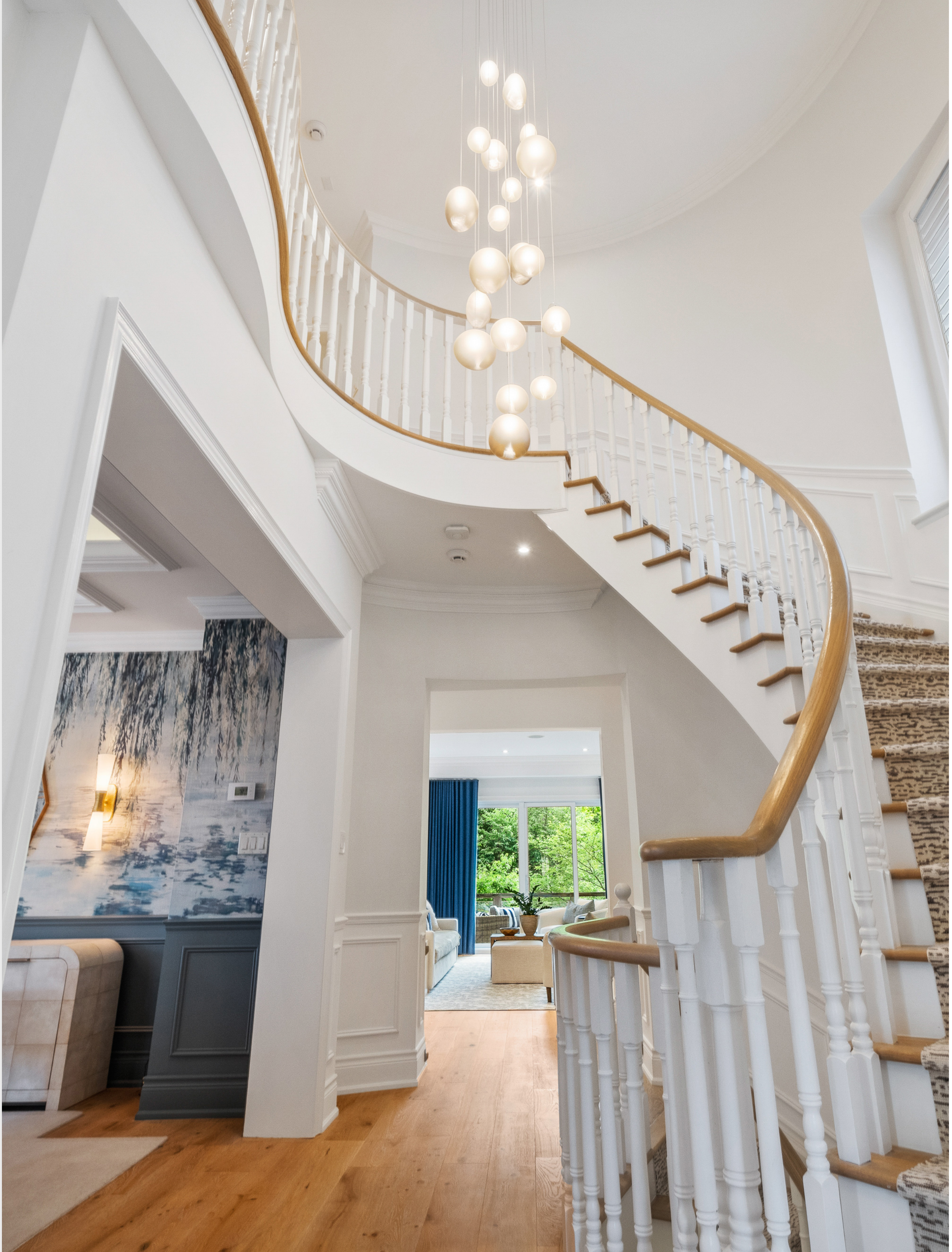

Contents

COVER: Rural Foothills County, AB (SOLD)
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Executive Summary

Unprecedented population gains are dramatically reshaping Canada's conventional and luxury real estate market, according to Sotheby's International Realty Canada's *Top-Tier Real Estate: 2024 Mid-Year State of Luxury Report*. According to the most recent Statistics Canada data, all major Census Metropolitan Areas (CMAs) saw their fastest growth since 2001–2002 in the year ending July 1, 2023. Calgary led with a 5.9% growth rate, followed by Edmonton and Vancouver at 4.1%, Toronto at 3.3%, and Montreal at 2.9%.[1] However, according to Sotheby's International Realty Canada experts, interprovincial and interregional migration trends are also leading indicators for local economic confidence and consumer sentiment, as well as conventional and luxury housing market performance. Notably, the Vancouver CMA experienced its largest net loss to interprovincial migration in over 20 years (-4,795 people), while all Ontario CMAs, including Toronto, saw net losses in interprovincial migration.[2] Conversely, Alberta surpassed British Columbia in net interprovincial migration gains, with Calgary leading the CMAs (+26,662). Toronto (-93,024), Montreal (-20,624), and Vancouver (-18,399) continued to see significant net losses to regional migration.[3] These trends were reflected in the performance of the luxury market in the first half of 2024.

Buoyed by the country's most significant population gain of 221,588 people in the Toronto CMA in the year ending July 1, 2023,[4] Canada's largest metropolitan luxury real estate market defied the headwinds of elevated interest rates, economic uncertainty, and stifling housing taxes and regulations to maintain steady activity and balanced conditions in the first half of 2024. While pre-transactional and sales activity gained steady traction, accumulating supply empowered prospective homebuyers and investors to prolong home searches and delay transactions. Overall, the Greater Toronto Area (Durham, Halton, Peel, Toronto and York) saw residential real estate sales over $4 million increase by a modest 8% year-over-year from the first half of 2024. Three ultra-luxury properties sold over $10 million on MLS, all in the City of Toronto, compared to seven residences sold above this price point across the GTA in the same period last year.

GTA residential sales over $1 million fell 10% year-over-year in the first half of 2024. Within the City of Toronto, residential real estate sales over $4 million rose 4% year-over-year, while three ultra-luxury properties sold over $10 million on MLS compared to five properties sold above this price in the first half of 2024. $1 million-plus sales were down 7% in the City of Toronto.

A surge in immigration, as well as record inter-provincial migration drove sales activity and housing prices across Calgary's conventional and luxury real estate markets to new highs in the first half of 2024. Population gains also placed unprecedented pressure on the city's housing supply and ignited concerns regarding housing affordability. With population surging 6% and an influx of 95,784 people into the Calgary CMA,[5] competition for limited listings inventory steadily intensified amidst increasingly heated sellers' market conditions across all spectrums of the market. Top-tier residential real estate sales over $1 million climbed 46% year-over-year in the first half of 2024, while $4 million sales saw annual gains of 75%, eclipsing the annual sales gains of other major metropolitan real estate markets.

Moderate gains in luxury property inventory and activity helped to sustain balanced conditions within Montreal's luxury market in the first half of 2024. Overall, $4 million-plus residential sales volume were up 29% from levels seen in the first half of 2023, while sales over $1 million rose by 25% year-over-year. Prospective home buyers and investors continued to navigate the market at a leisurely and empowered position, with extended home searches and negotiations the norm.

Despite an uptick in pre-transactional and sales activity in the first quarter of the year, consumer sentiment and sales in Vancouver's luxury market were muted throughout the spring as listings inventory continued to climb. Between January 1–June 30, luxury residential sales over $4 million fell 16% from the same period last year, while seven ultra-luxury properties sold over $10 million, down 50% from the number sold in the first half of 2023. Despite a modest annual gain of 27% in $4 million-plus condominium sales in the first half of 2024, demand for luxury condominiums in the city remained soft as the confluence of elevated prices and carrying

1 Statistics Canada, May 2024
2 Statistics Canada, May 2024
3 Statistics Canada, May 2024
4 Statistics Canada, May 2024
5 Statistics Canada, May 2024

costs, a shift in luxury consumer preferences towards single family homes and problematic conditions in the city's downtown core, combined to deter purchases. The net loss of 18,399 people from the Vancouver CMA to other regions of B.C. also dampened demand for conventional and top-tier housing within the city.

> "While record-setting population gains in Canada's largest metropolitan areas continue to be powerful influences on the local real estate market, interprovincial and interregional migration patterns are now leading signals for local economic sentiment, core housing demand, and conventional and luxury real estate market performance overall," says Don Kottick, President and CEO, Sotheby's International Realty Canada. "The migration of residents and their talent and financial capital away from cities like Toronto and Vancouver to communities in surrounding regions or to provinces such as Alberta foreshadow trends in sales activity, housing prices and real estate market performance. This applies to the cities they are leaving and the markets they are moving to, and it applies across the conventional and luxury markets."

According to Kottick, sales activity across the vast majority of Canada's major metropolitan luxury real estate markets has remained steady but subdued in recent months because still-elevated prices and interest rates continue to weigh on consumer decision-making, and an accumulation of top-tier listings supply empowers prospective homebuyers to extend decision-making and delay transactions. However, Alberta's major metropolitan housing markets continue to reflect exceptional performance as record-setting population gains drove conventional and luxury sales to new highs in the first half of 2024.

Vancouver

Following a year that saw luxury residential sales over $4 million edge up 8% year-over-year in 2023, and despite a promising improvement in pre-transactional and sales activity in the first four months of 2024, sales activity in the City of Vancouver's luxury real estate market slackened in May and June, closing the first half of the year on a muted note. Although strengthening economic indicators in the Vancouver Census Metropolitan Area (CMA), including a population increase of 3.8% and employment growth of 3.3% year-over-year,[6] were conducive for potential home sales, high housing prices and interest rates continued to deter housing mobility. This delayed sales transactions and tempered luxury property prices over the first half of the year.

According to data from the Canadian Real Estate Association (CREA), the sales-to-new-listings ratio (SNLR) for the overall Vancouver CMA resale homes market has been trending lower since peaking in April 2023. By the end of April 2024, the ratio had fallen to 43.2%, indicating a balanced market. While sales increased by 7.2% over the first four months of 2024 compared to the same period last year, new listings increased by 3.7-fold (26.6%).[7] Within the City of Vancouver's luxury housing market, the accrual of inventory, particularly in its condominium segment, has meant that prospective buyers have ample choice, are being more selective and are wielding more negotiating power than in years past. With this, the median price per square foot in the City of Vancouver for residential properties priced between $4 million and just under $10 million fell to $1,179 per square foot in May 2024, the lowest level in three years,[8] signalling the imbalance of supply over demand, the need for sellers to adjust pricing expectations and opportunities for astute homebuyers.

Overall, in the first half of 2024, luxury residential real estate sales over $4 million (condominiums, attached and single family homes) fell 16% to 160 properties sold between January 1–June 30 compared to the same period last year. During this time, all price segments saw a reduction in sales but the most significant drop in sales activity occurred in the ultra-luxury segment of homes sold for $10 million and above, which declined 50% to seven properties sold in the first half of 2024. 2,216 properties priced over $1 million sold in the first half of the year, a nominal annual decline of 3%.

According to Sotheby's International Realty Canada experts, the slowdown in luxury sales reflects underlying consumer unease regarding the cascading effect of Vancouver's elevated housing prices, the city's capacity to attract and retain human capital and

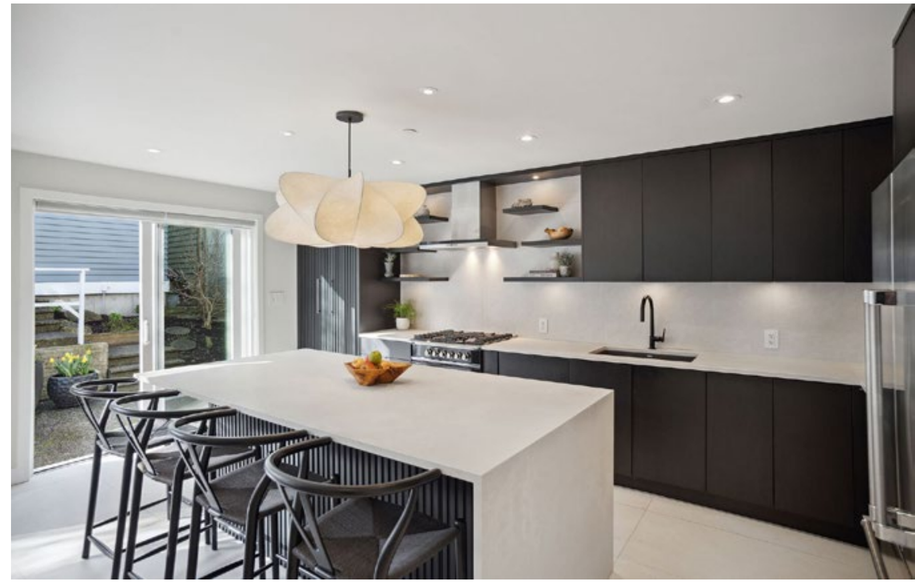
6 Statistics Canada, June 2024
7 Canadian Real Estate Association, April 2024
8 Real Estate Board of Greater Vancouver, May 2024
Image Credit: Anastasiya (Unsplash)

investment as a result, and subsequent repercussions for the local economy and top-tier housing market. Notably, the Vancouver CMA experienced its largest net loss to interprovincial migration in over 20 years (-4,795 people) and a net loss of 18,399 people from the Vancouver CMA to other B.C. regions according to the latest data released by Statistics Canada.[9]

Sales of luxury single family home sales over $4 million experienced the sharpest year-over-year decline of the three housing types, down 19% to 143 homes sold. Sales of single family home sales in the ultra-luxury segment of $10 million and above had the steepest percentage decline of the $1 million-plus price segments reported on, with only seven homes sold in the first half of 2024, down 46% from the same period last year. Overall, single family home sales over $1 million fell 8% year-over-year to 891 sales between January 1–June 30.

Out of all the housing types in the Vancouver top-tier real estate market, the attached homes segment was the only one to report growth in the $1 million-plus price range over the first half of 2024 compared to the same period last year, however, these gains were not sufficient to offset declining transactions in other top-tier home types. Between January 1–June 30, 647 attached homes over $1 million were sold, an increase of 10% compared to the first half of last year. Although homes priced $4 million and above increased to three homes from two homes sold in the first half of 2023, the majority of activity occurred in luxury attached homes priced between $1 million and just under $4 million. In the first half of 2024, 644 homes were sold in this price range up 10% from the same period last year. No sales of ultra luxury attached homes priced $10 million and above took place between January 1–June 30, on par with sales volumes in the first half of 2023.

The city's top-tier condominium market remained stagnant in the first half of the year. Overall, 678 condominiums sold over $1 million in the first half of 2024, down 5% compared to the same period last year. Sales of luxury condominiums priced between $1 million and just under $4 million fell 6% compared to sales volumes in the first half of 2023, with 664 units sold. However, luxury condominium sales over $4 million increased 27% year-over-year in the first half of 2024 to 14 units sold, with no sales of ultra luxury units priced $10 million and above compared to one unit sold in the first half of 2023.



The outlook for the City of Vancouver's luxury real estate market over the summer of 2024 is expected to be balanced, with steady but restrained activity; however, regional and interprovincial migration trends suggest headwinds for conventional and luxury real estate activity in the months ahead. With diminished competition from a smaller-than-usual pool of prospective top-tier homebuyers, luxury property prices are expected to soften in a market poised to offer potential purchasers favourable opportunities.

9 Statistics Canada, May 2024

Image: 2616 Point Grey Road, Vancouver West, BC (SOLD)

Calgary

Record immigration and inter-provincial migration have transformed the City of Calgary's housing market into a heated sellers' market, catapulting both conventional and luxury home sales to unprecedented heights in the first half of 2024. According to Statistics Canada, the Calgary Census Metropolitan Area (CMA) experienced a record population gain of 5.9%[10] from July 2022 to July 2023. The population boom of 95,784 new residents compounded pre-existing local housing demand and intensified pressure on supply. This has led to brisk price gains and a surge in $1 million-plus property sales that outstripped the pace of growth in other major metropolitan markets.

In the first half of the year, according to the Calgary Real Estate Board (CREB), Calgary saw significant price gains across all housing types, with the benchmark price of single family homes and condominiums increasing 12% and 17%[11] year-over-year to $767,600 and $344,700[12] respectively in June 2024. Bidding war practices from buyers moving from the Greater Toronto and Greater Vancouver areas, including full-price and cash-dominant offers, heightened competition for available properties.

Overall, Calgary's top-tier real estate market (condominiums, attached and single family homes) saw strong activity between January 1–June 30, with residential sales over $1 million increasing 46% year-over-year to 1,130 properties sold. 91% of these properties sold between $1 million–$2 million, and within this price segment, sales climbed 50% year-over-year. Sales of luxury properties over $4 million increased to seven properties sold January 1–June 30, up from four properties sold in the same period last year. There were no residential property sales over $10 million on MLS in the first half of 2024, as was the case in the first half of the previous year.

Single family home demand continued to dominate the city's luxury housing market, accounting for 83% of total residential sales above $1 million between January 1–June 30, a decrease from 88% during the same period last year as higher-density housing sales claimed a larger share of the top-tier market. Overall, luxury sales over $1 million increased by 39% year-over-year to 943 properties sold in the first half of 2024. Of these homes sold, seven did so in the luxury $4 million-plus segment, an increase of 75% year-over-year. Consistent with the first half of the year prior, no ultra-luxury single family sales above $10 million were reported.

Rising prices and intense competition pushed prospective top-tier single family home buyers to explore attached homes as alternatives, leading to a striking surge in sales in the first half of 2024. According to Sotheby's International Realty Canada experts, demand for this housing segment is anticipated to remain strong throughout the summer and leading into the fall, with the construction and

10 Statistics Canada, May 2024
11 Calgary Real Estate Board, June 2024
12 Calgary Real Estate Board, June 2024
Image: Calgary, AB (SOLD)

completion of new developments building a pipeline of new supply across the city. Overall, luxury attached home sales of over $1 million increased by a remarkable 133% to 149 properties sold in the first half of the year, the most significant percentage gains of the top-tier housing types. Consistent with the year prior, there were no attached home sales yet reported above $4 million on MLS during this time.

Changing generational demographics, as well as the in-migration of urban dwellers from the Greater Toronto and Greater Vancouver areas, invigorated demand for Calgary's top-tier condominiums in the first half of the year. Luxury condominium sales over $1 million increased by 27% year-over-year to 38 properties sold; however, no sales over $4 million were reported on MLS, consistent with the first half of 2023.

As Calgary's strong economic performance, relative affordability, and desirable livability continue to attract new residents, the city's conventional and luxury real estate market is primed for an active summer market. Although this bodes well for prospective home sellers and the property values of homeowners, homebuyers will face rising prices and stiff competition that will require preparation and a strategic approach. Furthermore, according to Sotheby's International Realty Canada experts, the initial reverberations of housing supply strains indicate that the city should plan for expanded housing options to meet the needs of a growing population and to avoid the supply and affordability challenges endemic in Canada's larger metropolitan areas.

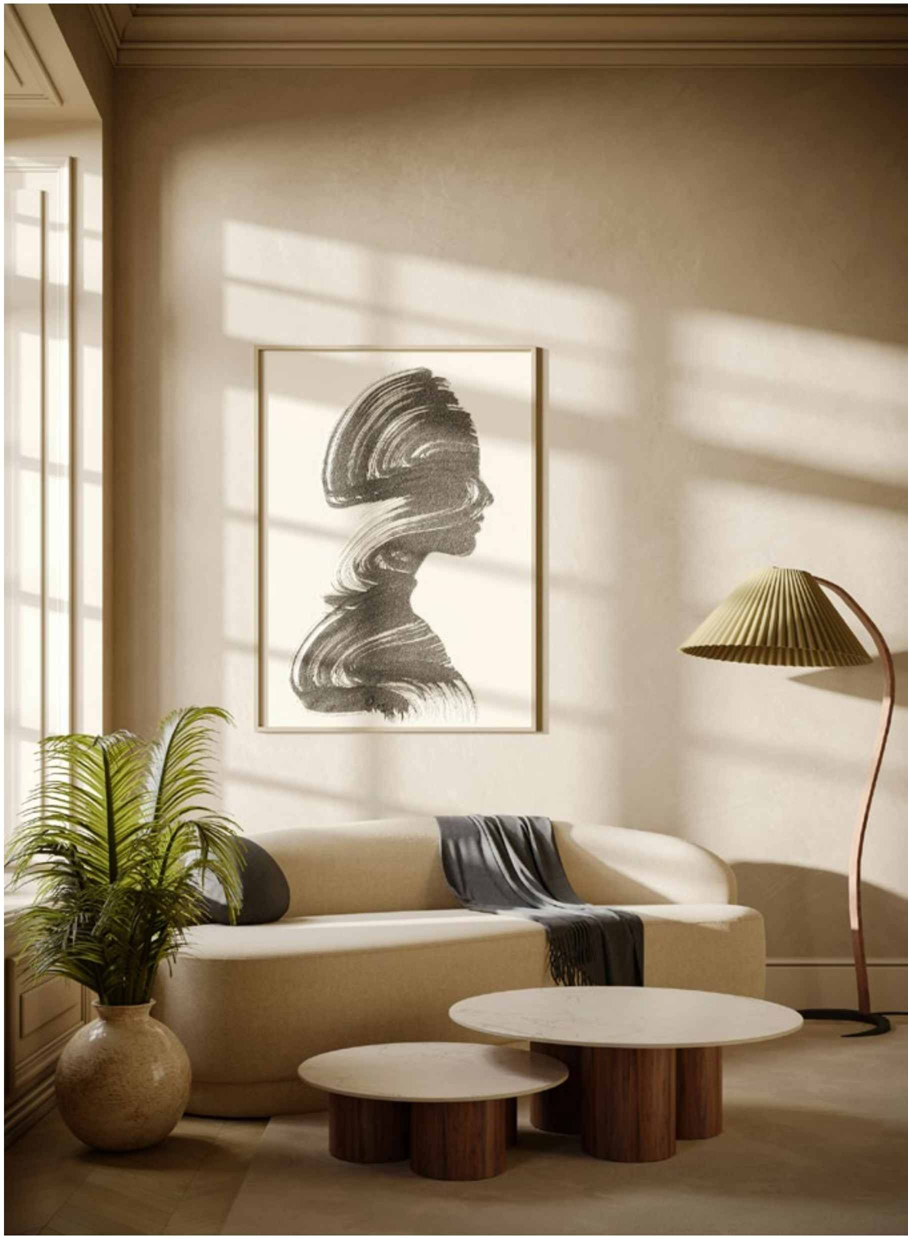


Image Credit: Bilal Mansuri (Unsplash)

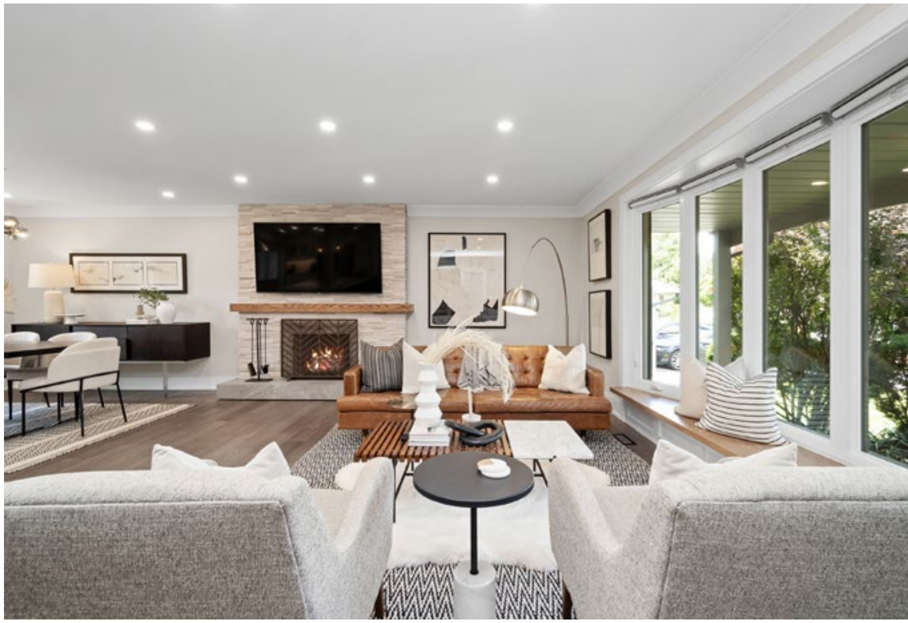
Greater Toronto Area (GTA)

Bolstered by an annual population gain of 221,588 persons (3.4%) in the Toronto Census Metropolitan Area (CMA) from July 1, 2022, to July 1, 2023 according to Statistics Canada,[13] the Greater Toronto Area (Durham, Halton, Peel, Toronto and York) luxury housing market remained confident, active and surprisingly resilient in the first half of 2024, defying the headwinds of still-elevated interest rates, a stagnant Canadian economy, global geo-political turmoil and new housing policies and taxes. However, a concurrent net loss of 93,024 residents from the Toronto CMA, largely to other regions of Ontario, weighed on top-tier market sentiment and performance.

Despite a sluggish start to 2024, the second quarter gained momentum with the steady return of active, qualified homebuyers to the luxury segment and a resurgence in pre-transactional and sales activity. This revival in demand was counter-balanced by a steady increase in property listings supply. As luxury inventory accumulated and competition slackened, prospective buyers gained stronger positions for favourable negotiations, enjoyed ample time to make decisions and benefitted from a market that leaned in their favour. Although the GTA luxury market hovered near balanced conditions throughout the first half of the year, performance varied by neighbourhood, with several areas, especially those outside the City of Toronto, favouring buyers by mid-year. According to Sotheby's International Realty Canada experts, the current market conditions for luxury buyers to negotiate are the most favourable since 2017, when the federal government first implemented the minimum mortgage "stress test" threshold to cool the overheated housing market. As a result, it is imperative for properties to be realistically priced for immediate market norms to achieve the sale of a luxury home.

Overall, in the first half of 2024, luxury residential real estate sales over $4 million (condominiums, attached and single family homes) in the GTA were up 8% year-over-year to 300 properties sold on MLS as inventory accumulated over the spring months. GTA ultra-luxury sales over $10 million quieted, with three properties sold on MLS in the City of Toronto between January 1–June 30, compared to seven properties sold during the same period of 2023. $1 million-plus sales experienced a 10% annual decline to 17,023 properties sold in the GTA in the first half of the year. Property sales between $1 million–$2 million comprised 84% of the region's $1 million-plus residential market, on par with the first half of 2023.

Within the City of Toronto, the pace of luxury residential real estate sales was leisurely as buyers continued to defer purchases to evaluate spring's steady influx of property listings. Sales over $4 million were up a marginal 4% year-over-year to 186 properties sold in the first half of the 2024, with ultra-luxury transactions over $10



13 Statistics Canada, May 2024
Image: 16 Conifer Dr, Toronto, ON (SOLD)

million declining to three properties sold on MLS, compared to five sold in the first half of 2023. Overall, top-tier real estate sales over $1 million saw a 7% annual decline to 5,665 properties sold in the region in the first half of the year.

Sotheby's International Realty Canada experts report that in the current market, fully-updated properties in premier neighbourhoods featuring bespoke design, home attributes and lifestyle amenities such as recreational upgrades, cutting-edge technology and robust security, remain highly sought-after, occasionally attracting multiple bids. However, the luxury market is now unforgiving of properties listed above their market value, with over-priced listings garnering little interest or offers.

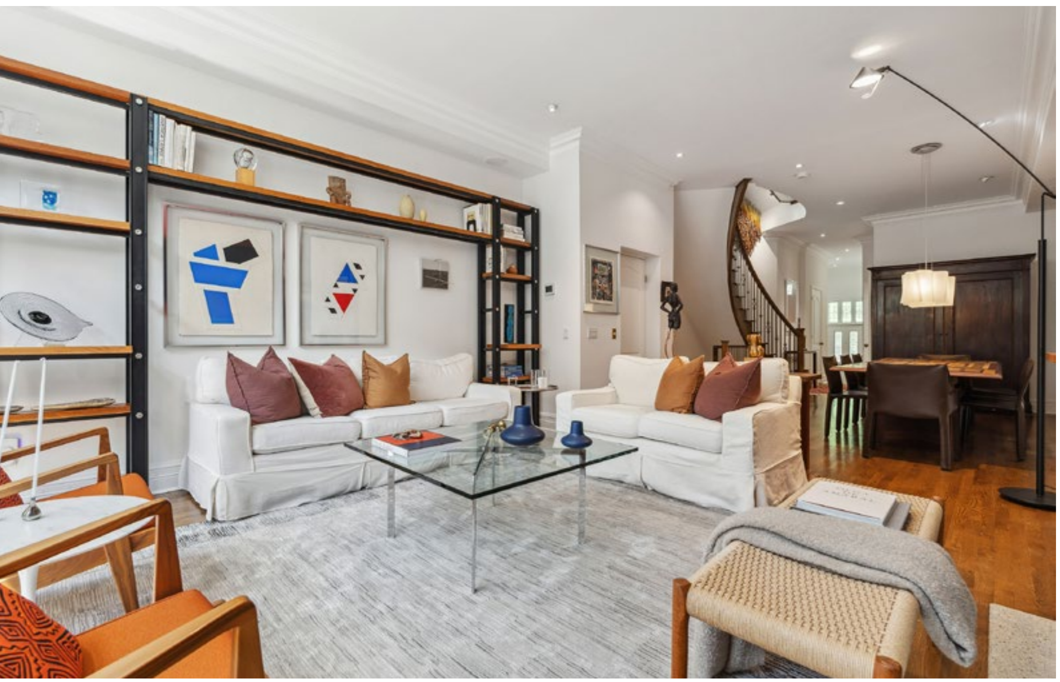


Image: 260 Russell Hill Rd #8, Toronto, ON (SOLD)

Sales activity across the GTA's luxury single family home market continued to moderate outside of the City of Toronto in the first half of the year, as supply continued to accumulate. Between January 1–June 30, 271 homes sold over $4 million across the region, an annual increase of 8%. Three ultra-luxury homes sold above $10 million, compared to seven sold above this price point in the first half of 2023. Overall single family home sales over $1 million were down 8% year-over-year to 12,451 homes sold in the first half of 2024. Within the City of Toronto, consumer sentiment remained positive and the single family home active; however, buyers' extended home searches resulted in slower absorption of available properties. Single family home sales over $4 million held steady with a nominal 3% year-over-year uptick to 158 homes sold, with three of these properties sold above $10 million on MLS, compared to five ultra-luxury homes sold in the first half of 2023. Overall, 3,463 single family homes sold over $1 million in the city in the first half of 2024, an annual decline of 6%.

In light of the region's prolonged and underlying deficit of medium-density housing, luxury attached home sales over $4 million were limited in the first half of 2024 despite enduring demand. Seven attached homes sold over $4 million between January 1–June 30, all in the City of Toronto, on par with the number sold in this price range in the first half of 2023. Top-tier attached home sales over $1 million were down 6% year-over-year to 1,268 properties sold in the City of Toronto in the first half of 2024, as $1 million-plus sales across the GTA declined 13% to 3,289 homes sold.

Toronto's luxury condominium market continued to transition in favour of buyers in the first half of 2024 as inventory swelled, buyers hesitated to commit, and price compromises became the norm. Even still, in the first half of 2024, $4 million-plus condominium sales across the broader Greater Toronto Area held relatively steady with a 5% year-over-year gain to 22 units sold, with no transactions over $10 million, as was the case in the first half of 2023. During this time, condominium sales over $1 million declined 12% year-over-year, with 1,283 units sold in the GTA between January 1–June 30. 21 of the 22 GTA condominiums sold over $4 million did so in the City of Toronto, up 24% from sales in the city in the first half of 2023. Consistent with the first half of 2023, there were no sales yet recorded above $10 million on MLS. $1 million-plus condominium sales fell 11% year-over-year to 934 units sold in the City of Toronto.

According to Sotheby's International Realty Canada experts, a steady luxury market is projected for the summer months, as the Bank of Canada's overnight lending rate cut of 25 basis points in June, while not financially significant for luxury homebuyers and sellers, was a psychologically significant catalyst for some prospective buyers to re-engage in an increasingly favourable market. With inventory rising, sellers will be required to align prices to current realities to enable a sale.

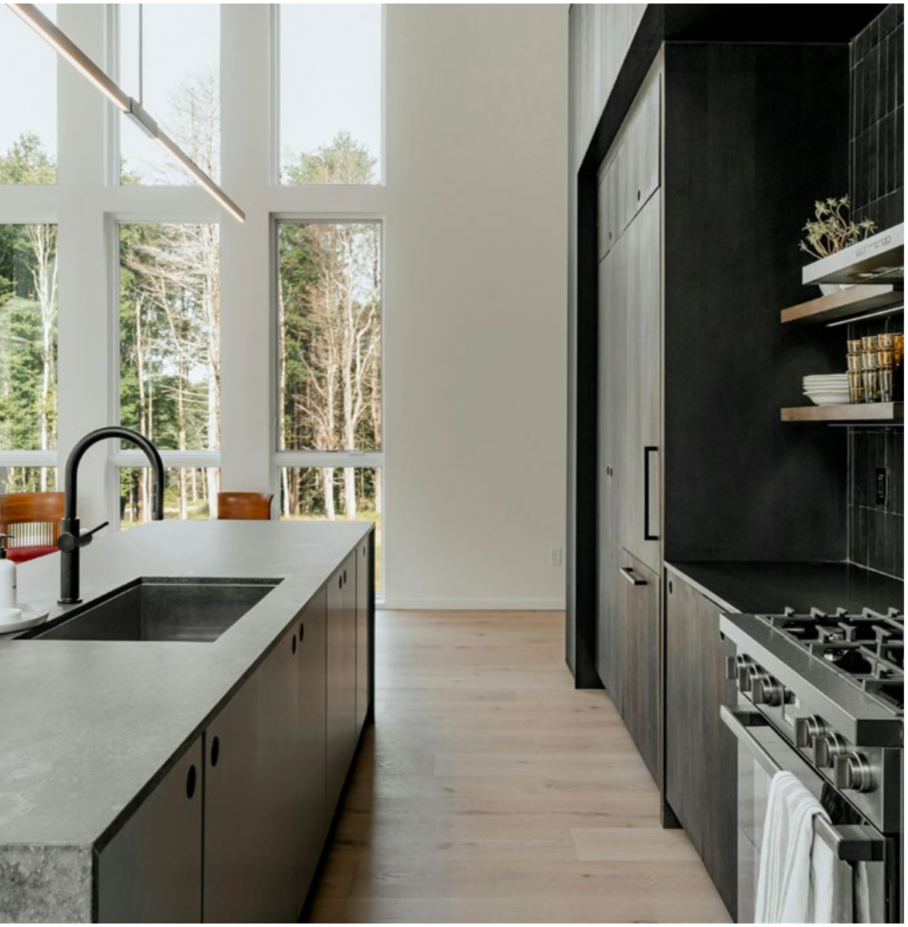
Montréal

The City of Montreal's conventional and luxury real estate markets gained traction through the first half of 2024 as both home buyers and sellers returned to the market in greater numbers, encouraged by the prospect of improved interest rates. However, a rise in property listings combined with the reluctance of prospective sellers to accept market prices lower than the city's previous peaks and the refusal of buyers to pay above current price benchmarks, resulted in stalled transactions and only moderate sales gains.

The latest residential real estate market statistics from the Québec Professional Association of Real Estate Brokers (QPAREB) for the month of May 2024 indicate that the Montreal Census Metropolitan Area (CMA) market is gradually regaining its footing. Over the first five months of the year, dollar volumes increased by 23.3%, driven by a 16.3% surge in sales.[14] Expectations that the Bank of Canada will loosen its monetary policy throughout 2024, and employment gains in key high-income sectors for the Montreal Census Metropolitan Area (CMA) ,including health and social services (up 6.5% year-over-year) and finance, insurance, real estate and leasing (up 0.7% year-over-year),[15] are contributing to a more positive outlook. In light of improved economic conditions, sellers have also returned to the market in larger numbers. New listings over the first five months of 2024 increased by 20.1% over the same period in 2023.[16] Despite new listings gains outpacing sales growth, the overall market remained in sellers' market territory (59.6%) according to the sales-to-new-listings-ratio (SNLR) over the first five months of 2024 compared to the same time last year (61.6%) due to solid transactional activity.

Overall, in the first half of the year, the City of Montreal saw 864 total top-tier real estate transactions (condominiums, attached and single family homes) over $1 million, an annual increase of 25%. Of those transactions, 18 homes sold in the luxury $4 million segment, an increase of 29% over the same period in 2023. On par with the

14 Québec Professional Association of Real Estate Brokers, June 2024
15 Statistics Canada, June 2024
16 Québec Professional Association of Real Estate Brokers, June 2024



first half of 2023, there were no transactions reported on MLS in the ultra-luxury $10 million-plus segment between January 1–June 30. Notably, sales activity for properties priced between $1 million–$2 million increased 27% year-over-year and accounted for 84% of total sales in Montreal's $1 million-plus residential market.

According to Sotheby's International Realty Québec experts, a new generation of affluent, well-resourced local entrants to the luxury market are largely sustaining market activity. However, these buyers are adopting a cautious approach, largely attracted to well-priced, move-in-ready homes. They are not seeking to overextend themselves and, as a result, are purchasing homes that align with their luxury needs at a price point that is personally suitable, and in line with market realities. The influx of young professionals entering the luxury housing market, in many cases for the first time, is driving activity for move-in ready luxury homes in key areas of the city, including the downtown core, Westmount, Outremont, and Sud-Ouest.

Single family homes accounted for the greatest share (41%) of all sales in Montreal's $1 million-plus residential real estate market in the first half of 2024, and the annual increase of single family home sales over this price threshold by 26% to 355 homes sold in the first half of 2024 helped lift the performance of the luxury market overall. Luxury single family home sales over $4 million increased 9% year-over-year to 12 properties sold. Sales of luxury single family homes priced between $1 million and just under $4 million moved up 27% year-over-year to 343 properties sold. Between January 1–June 30 there were no transactions reported in the ultra-luxury $10 million-plus segment, on par with last year.

Sales of luxury attached homes over $1 million rose 13% year-over-year in the first half of 2024 to 271 homes sold, a robust rate of growth, yet the lowest rate of the residential housing types. There was one luxury attached home sold in the $4 million-plus luxury segment in the first half of 2024, compared to zero properties sold at this price in the first half of 2023.

Overall, luxury condominium sales over $1 million increased by 38% year-over-year to 238 properties sold in the first half of 2024, a faster pace than sales across the overall condominium market in aggregate, which expanded 16% over a similar period according to the QPAREB.[17] Of these, five condominiums sold over $4 million

17 Québec Professional Association of Real Estate Brokers, June 2024
Image Credit: Clay Banks (Unsplash)

compared to three sold in the first half of 2023. Consistent with the year prior, there were no sales yet reported in the ultra-luxury $10 million-plus segment between January 1–June 30. The increased supply of brand-new, recently completed luxury condominium units is attracting a greater number of well-heeled buyers who are taking advantage of expanded property listing options to purchase units.

The City of Montreal's luxury market is projected to maintain balanced conditions throughout the summer of 2024, according to Sotheby's International Realty Canada experts. This is due to an increase in new listings enticed back onto the market due to improved sales activity, and the return of buyers attracted by ample property choices, improved housing market confidence and favourable prices and conditions. Despite a slight imbalance between supply and demand, steady transaction activity for quality, ready-to-move-in luxury properties is expected to support modest price gains in the coming months.

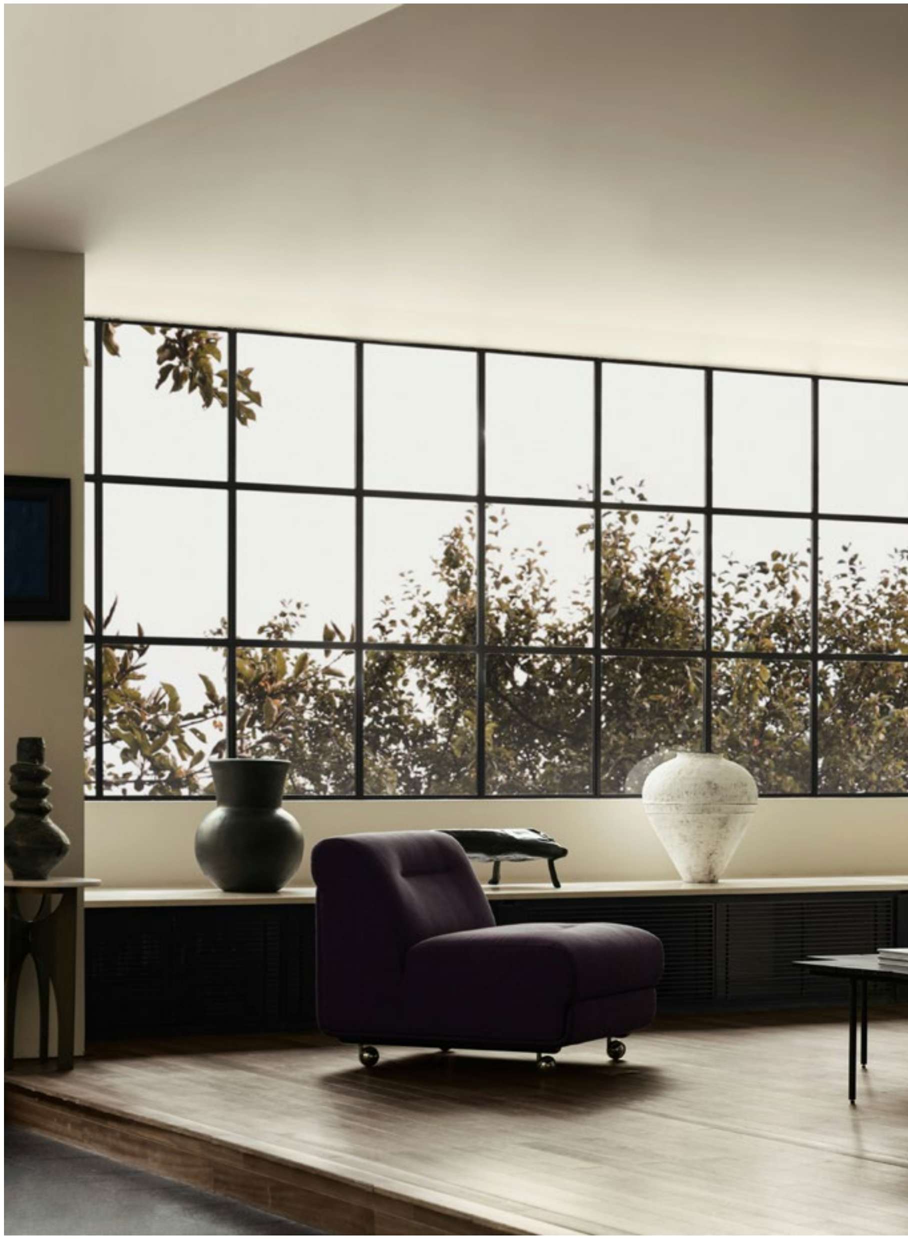


Image Credit: Zhao Yangyang (Unsplash)

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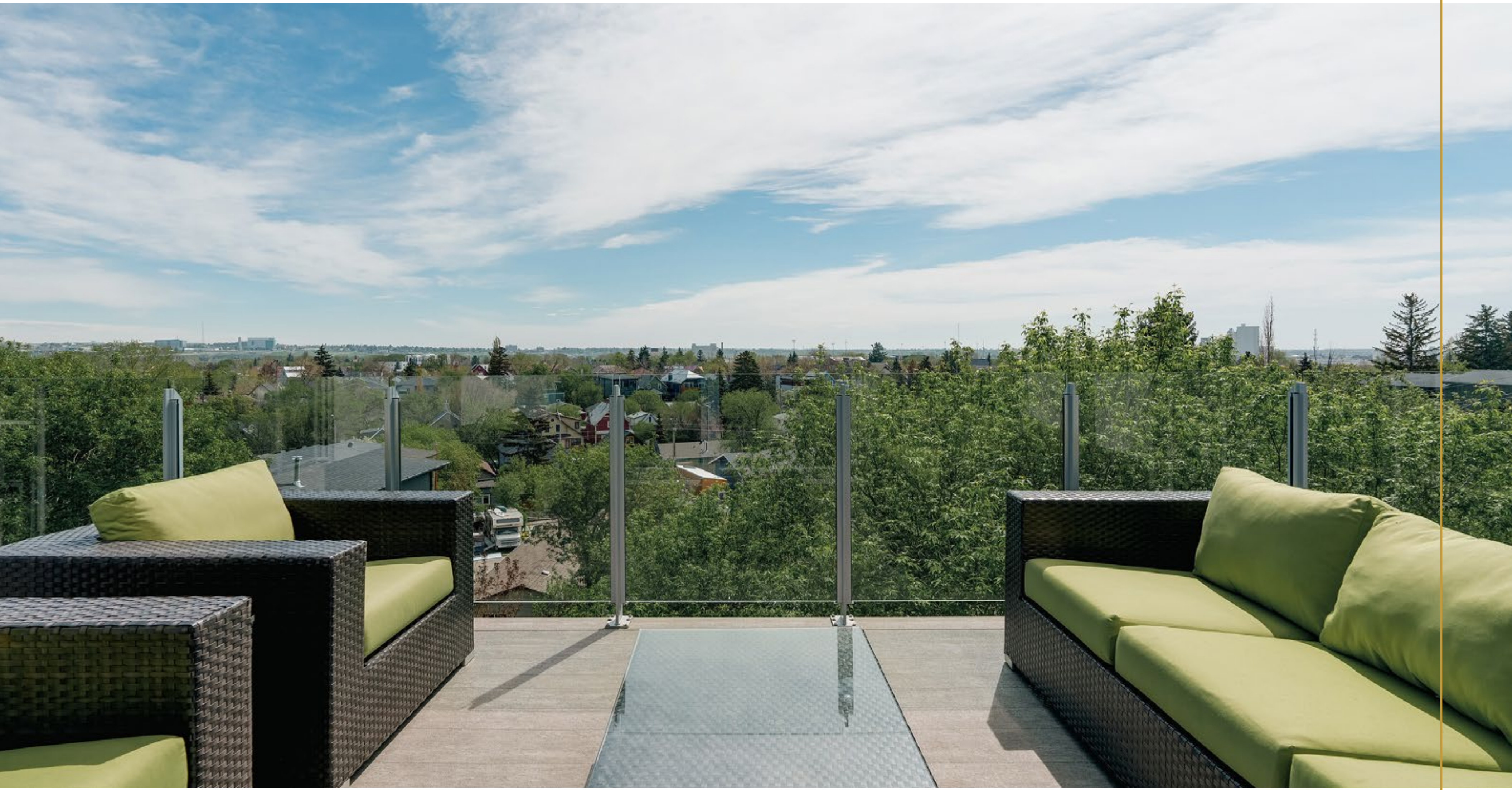

Image: Calgary, AB (SOLD)

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