FEBRUARY 2022: **PRINCE EDWARD COUNTY**

CHESTNUT PARK® REAL ESTATE LIMITED, BROKERAGE CHRISTIE'S INTERNATIONAL REAL ESTATE

After several years of sizzling real estate markets across Southern Ontario and much of Canada in which sales prices have leapt skywards year over year in double digit increments, further fuelling broader inflation now above the 5% mark, the Bank of Canada raised its interest rate for the first time since 2018 by a quarter percentage point to .5%. Most commentators expect that this is simply the first of several more to follow in the Bank's attempts to bring inflation under control. As alluded to in earlier reports, the big question remains discerning the impact that such hikes will have on the real estate market generally, and that in Prince Edward County ("the County") in particular. With rising prices ratcheting ever higher, the big challenge for many has been affordability. Increased servicing costs will put even more strain on homeowners and those trying to get into the market, potentially pushing some to the sidelines and causing others to readjust their expectations as to the type of property that they can afford.

Traditionally, the County has enjoyed a competitive price advantage over many neighbouring markets, particularly larger urban ones, but with the increased interest in, and focus on rural/recreational/hybrid markets like the County, exponentially magnified by the shift in buying priorities contributed to by the pandemic, prices have really taken off, more than doubling over a two year period according to statistics made available by the Quinte & District Association of REALTORS® ("the Quinte Board"). While society does seem to be recovering and opening up as we approach springtime, and employers appear to be calling workers back to the workplace (either full time or some hybrid variation), there does not appear to be any resultant boomerang effect or elastic snap back of homeowners returning to urban cores, or second guessing their decision to invest in markets like the County.

Rather, technology and remote working in some shape or form appear to be here to stay and there is no sign of people wanting to give up on the greater space or access to the outdoors that became such a premium as people spent an increasing proportion of their time at and close to home. People continue to need somewhere to live and property supply in all forms has been scarce for some time. Strong demand and low inventory have combined to push prices ever higher and are likely to establish some floor to prices even with higher borrowing costs which many argue will push prices downward. A further countervailing influence is the increased number of immigrants expected to move to Canada as the federal government raises immigration quotas to record levels. And as indicated, despite the recent surge in prices to new highs in the County, affordability remains relatively attractive compared to other markets, and comes complete with significant lifestyle advantages and benefits.

Specifically, according to the Quinte Board, the average sales price for the County did break new thresholds and reached a record high of $937,260. This is over 50% higher than only one year ago when the average sale price was recorded as $624,456. Median prices too were up 30%, coming in at $728,000 compared to $560,000 a year ago. As indicated, the dual factor in this scenario is the combination of chronically scarce supply mixed with strong and seemingly insatiable demand. Unfortunately, only 56 new listings came on the market in February, almost 14% fewer than last year, eating away at the slight bump in listings that came out at the start of the year, leaving year to date numbers 10% ahead of last year.

Inventory is near rock bottom with only 116 properties available for sale in all of the wards that comprise the County. This is a further 13% drop from last year when 134 properties were available for sale. It follows then that sales were down to only 41 in February compared to 57 last year. There was so little to buy, and what was available was so much more expensive, pushing it further out of reach of many potential and hopeful buyers. Year to date, however, after a strong start to the year, sales were still up 8% totalling 115 thus far compared to 106 last year at this time.

2022 will be a year of adjustment coming off of several years of unbridled growth that has disproportionately affected markets such as the County where people have invested and moved to in droves, particularly since the onset of the pandemic. As a result, these markets, with the County being one of the poster children for this trend, have experienced seismic shifts the likes of which have never been seen with prices doubling over two years with chronically limited inventory. Current and pending interest rate hikes will likely calm the market somewhat by pushing some buyers to the sidelines and making others think twice before taking the plunge. Pent up demand, however, will still take time to be absorbed, nor is any large scale sell off expected as society opens up. In short therefore, notwithstanding the warnings of some regarding the negative impact of further expected rate hikes, the market is more than likely to remain robust and stable, if only somewhat less frenzied

PREPARED BY:
Richard Stewart, Vice President & Legal Counsel