

# Top-Tier Real Estate

2023 MID-YEAR STATE OF LUXURY REPORT

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COVER & LEFT: Calgary, AB (SOLD)

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# Executive Summary

The performance of Canada's major metropolitan luxury real estate markets diverged in the first half of 2023 as local market differences strengthened following the nation-wide housing boom from 2021 to the first quarter of 2022 and the period of near-universal market normalization over the past 12 months. Although the country's major metropolitan markets continued to confront the common challenges of rising mortgage rates, economic uncertainty and macroeconomic headwinds, an era of common national performance trends has given way to regional diversity. The first half of the year revealed differentiation in luxury market performance that underscored the predominance of hyperlocal influences and, in particular, the impact of local housing supply and consumer sentiment on top-tier market activity.

According to [Sotheby's International Realty Canada's Top-Tier Real Estate: 2023 Mid-Year State of Luxury Report](#), Vancouver's ultra-luxury residential real estate market experienced a significant improvement in consumer sentiment and sales transactions in the first half of 2023, as legacy wealth planning and generational wealth transfer underscored enduring demand and renewed spring sales activity. Between January 1– June 30, luxury residential sales (condominiums, attached and single family homes) over \$4 million were down 18% from the same period in 2022, while ultra-luxury sales over \$10 million on Multiple Listings Service (MLS®) climbed 38%. Despite a resurgence in buyer activity across the conventional and top-tier market over the spring, chronic housing shortages capped potential transactions, while rising mortgage rates continued to curtail the activity of some prospective buyers. As a result, residential sales over \$1 million were down 25% year-over-year overall in the first half of 2023.

Despite a delayed start to the spring market, Canada's largest luxury real estate market gained steady traction through the first half of 2023 as the City of Toronto continued to attract buyers and investors from its position as the epicentre of the nation's economy and as

the primary hub for immigration into Canada. However, pervasive housing supply challenges continued to preclude potential sales and to frustrate the needs of prospective homebuyers. Overall residential real estate sales over \$4 million were down 32% year-over-year in the City of Toronto, while five properties sold over \$10 million on MLS®, down from the seven properties sold above this price point in the first half of 2022. \$1 million-plus sales in the City of Toronto were down 27% overall. Outside of the city, an influx of spring inventory resulted in more balanced market conditions. Overall, the Greater Toronto Area (Durham, Halton, Peel, Toronto and York) saw residential real estate sales over \$4 million contract 35% year-over-year from the first half of 2022, with seven properties sold over \$10 million on MLS®, compared to 16 residences sold above this price point in the same period last year. GTA residential sales over \$1 million saw an annual decline of 29% in the first half of 2023.

Sales activity in Montréal's luxury real estate market eased in the first half of 2023, as overall \$4 million-plus residential sales volume pulled back by 39% compared to levels seen in the first half of 2022, while residential sales over \$1 million experienced a 28% annual decline. Despite active listings remaining below historical averages, luxury buyer activity also slackened, particularly in the city's condominium market. This resulted in an increase in conditional offers, price adjustments and days on market, as prospective home buyers negotiated from a position of empowerment, requiring flexibility from prospective home sellers to enable a sale.

In contrast, consumer sentiment in Calgary remained consistently upbeat through the first half of 2023. The city's luxury housing market remained active and healthy, gaining steady momentum through the spring as buyer and investor demand continued to absorb available inventory. The city's economic optimism, as well as favourable luxury housing prices, continued to attract in-migration and real estate investment from other parts of Canada. Overall residential real estate sales over \$1 million and \$4 million were down a nominal 10% and 20% in the first half of the year, respectively. During this time, however, the city's luxury condominium market

rebounded, as \$1 million-plus sales doubled with a significant 100% gain from 2022 levels.



“The Canadian luxury housing market has remained remarkably resilient despite the headwinds of multiple interest rate hikes and unpredictable economic performance, and the second quarter of 2023 marked a turnaround point for consumer activity. Following a year-long period of reconsideration and recalibration, qualified and highly motivated real estate buyers and sellers emerged from the sidelines over the spring, driving a bounce back in luxury market activity,” Don Kottick, President and CEO, Sotheby’s International Realty Canada. “At the same time, Canadian luxury market performance has started to diverge, at times unpredictably, between major cities, neighbourhoods and housing types. Vancouver and Toronto’s urban luxury single family home markets experienced some of the most pronounced improvements in spring activity; however, inadequate supply continued to frustrate potential sales and to undermine the housing needs of locals. Over the past few years, Calgary has emerged as one of Canada’s most upbeat luxury real estate markets, and in the first half of 2023, its condominium market surpassed expectations with annual percentage sales gains that outstripped other major cities’ performance. In contrast, Montréal’s luxury market is rebalancing to accommodate negotiation and conditions that skew in favour of buyers, particularly in the city’s condominium segment.”

According to Kottick, the gap in consumer behaviour and activity in the luxury housing market, and that within the market for conventional properties, has widened significantly since the Bank of Canada started raising its policy interest rate in March 2022, with its most recent quarter-point hike bringing the rate up to 5.00%

on July 12. With greater financial means to anticipate and adapt to rising mortgage rates, prospective luxury buyers have steadily adjusted their real estate strategy and are now re-engaging in personal property searches and strategic investment opportunities with readiness. In contrast, escalating mortgage carrying costs, stubbornly high property prices, sticky inflation, as well as concerns of a recession have had a more persistent impact on conventional buyers in the market. A larger segment of this latter cohort remains on the sidelines awaiting greater certainty and more favourable market conditions, a strategy that [Sotheby's International Realty Canada](#) experts flag as posing considerable risks given the current unpredictability of the housing market.

## Vancouver

Following a calm first quarter for the City of Vancouver's luxury residential real estate market, prospective buyers and investors returned with vigilant confidence in the spring of 2023 but confronted a market still scant on top-tier property listings. While inventory paled in comparison to pent-up consumer demand, the city's luxury real estate market was restored to balanced market conditions by mid-year, with notable revitalization in ultra-luxury single family home listings and sales over the course of the spring.

Overall, in the first half of 2023, luxury residential real estate sales over \$4 million (condominiums, attached and single family homes) fell 18% short of sales volume in the first half of 2022, with 174 properties sold between January 1–June 30. During this time, residential sales over \$10 million rebounded a significant 38% year-over-year to 11 properties sold on MLS®, with 10 of these being single family homes. According to [Sotheby's International Realty Canada](#), exclusive and private ultra-luxury real estate transactions outside of the public MLS® system also renewed. Overall residential sales over \$1 million were down 25% year-over-year to 2,124 properties sold. Luxury single family home sales in the City of Vancouver experienced the most pronounced improvements in both consumer sentiment, as well as sales activity in the first half of 2023. Despite a quiet first quarter, pent-up demand propelled newly pre-qualified and motivated homebuyers into the market over the course of the spring. Overall, between January 1–June 30, 161 single family homes sold over \$4 million, a slight 12% shortfall from sales volume in the first half of 2022. According to [Sotheby's International Realty Canada](#) experts, local market confidence, legacy wealth planning, and generational wealth transfer spurred new demand and activity in the

ultra-luxury market, and single family home sales over \$10 million climbed 25% year-over-year to 10 properties sold on MLS® in the first half of 2023. Overall, single family home sales over \$1 million were down 21% year-over-year during this time, with 909 homes sold in the first half of 2023.

The city's deficit of top-tier attached home supply continued to constrain sales activity despite enduring consumer demand. Between January 1–June 30, two attached homes sold over \$4 million, down from three homes sold in the first half of 2022. Attached home sales over \$1 million were down 10% year-over-year overall to 548 properties sold in the first half of 2023.

Vancouver's luxury condominium market steadied in the first half of 2023, as buyers returned to the spring market following a stagnant first quarter. Tight inventory in the market for \$4 million-plus condominiums propelled prices upward over the spring months; however, sales velocity and volume rebalanced from the record-setting sales activity achieved in the initial months of 2022. Luxury condominium sales over \$4 million saw an annual decline of 58% in the first half of 2023, with 11 units sold. One ultra-luxury condominium sold over \$10 million on MLS® during this time, compared to a quiet market in the first half of 2022. Overall condominium sales over \$1 million were down 37% year-over-year to 667 units sold between January 1–June 30.

Despite the recent headwinds of interest rate hikes, skyrocketing inflation and broader economic uncertainty, buyer confidence and activity have revived across all segments of Vancouver's luxury housing market, albeit at moderated levels, and the city has settled into a tenuous, balanced market. With the underlying demand for top-tier housing and housing mobility running deep and outpacing supply, luxury housing prices are expected to remain stable as market activity continues at a cautious but steady pace into the summer months.

However, further interest rate increases pose a risk to this equilibrium in a city that was recently ranked the least affordable city in Canada by the 2023 Demographia International Housing Affordability report. With single family home prices largely resilient at \$1,879,700 in Vancouver East and \$3,418,700 in Vancouver West, and condominium prices at \$713,600 and \$856,000 in these areas, respectively, the combination of the city's high housing prices and rising mortgage costs, as well as its deficit of supply has the potential to exacerbate housing mobility challenges and to disrupt this balance in the months ahead.



# Calgary

The City of Calgary continues to strengthen its position as a leading economic and luxury real estate performer in the first half of 2023, surpassing other major metropolitan areas in top-tier market momentum and consumer confidence. The city's diverse and thriving economy, fueled by commodity price momentum and a flourishing technology sector, has empowered luxury home buyers, sellers, and investors to navigate the market despite the challenges of inflation and rising interest rates.

Demand for the city's conventional and luxury housing was also buoyed by positive net migration. According to the Government of Alberta, the province ranked second highest in Canada for net migrants at 51,718 in the first quarter of 2023, behind only Ontario. This represented a 208% increase in provincial net migrants from the first quarter of 2022, with many choosing to reside in Calgary. As part of this, according to [Sotheby's International Realty Canada](#) experts, the city has attracted a notable influx of interprovincial newcomers from Ontario and British Columbia who are driving new demand in the city's high-end real estate market. Many are young professionals and families seeking improved affordability, quality of life and access to conventional and luxury housing.

Amidst these favourable conditions, the City of Calgary's luxury housing market remained steady and consistently upbeat in the first half of 2023, with strong buyer demand efficiently absorbing the limited inventory on offer. Despite the market's inclination towards sellers during this period, prospective buyers continue to navigate the market with prudent deliberation, expecting reasonable pricing to align with their housing preferences and needs. However, the overall residential market continues to grapple with inventory shortages as prospective sellers remain hesitant to list their properties, apprehensive about securing a suitable next home. This trend was reflected in the Calgary Real Estate Board's (CREB) June 2023 statistics, which revealed a 36% year-over-year decrease in



overall housing inventory and a contraction in overall supply to just one month, suggesting that demand will continue to eclipse supply through the summer months.

Calgary's luxury real estate sales volume eased slightly in the first half of the year as record-low inventory levels continued to plague the market. Overall, residential real estate transactions over \$1 million (condominiums, attached and single family homes) contracted 10% year-over-year to 775 properties sold between

January 1–June 30. During this time, the city's \$4 million-plus housing sales decreased to four properties sold compared to five properties sold over the same period in 2022. Consistent with 2022, MLS® reported no ultra-luxury sales in Calgary of over \$10 million in the first half of 2023.

Calgary's single family home market reflected stable performance in the first half of 2023, despite the restricted inventory. Single family homes comprised 88% of the city's \$1 million-plus residential real estate transactions between January 1–June 30, emphasizing their desirability and status as the most sought-after housing type in the city's luxury market. Single family home sales over \$1 million experienced a slight decline of 12% to 680 properties sold, while luxury single family home sales over \$4 million fell to four properties sold, compared to five sales in the first half of 2022.

Limited inventory and heightened demand have created a competitive market for top-tier row and semi-detached properties in Calgary, resulting in fewer options for entry-level luxury buyers. According to CREB, May 2023 witnessed near-record high sales of attached homes, exacerbating the already low inventory levels. Consequently, attached home sales over \$1 million decreased slightly by 10% to 65 properties sold between January 1–June 30, with the scarcity of available inventory continuing to fuel buyer competition and price growth. There were no sales of luxury attached homes over \$4 million, maintaining a consistent year-over-year trend.

Propelled by multi-generational buyer demand and positive net migration, Calgary's luxury condominium market posted the strongest year-over-year percentage gains of the city's residential housing types. Overall, luxury condo sales over \$1 million surged a significant 100% to 30 properties sold in the first half of 2023. Consistent with the quiet activity in 2022, the \$4 million-plus luxury segment reported no transactions during this period. A positive shift in top-tier condominium demand and investment has become

increasingly evident, with this trend particularly pronounced amongst young professionals moving to the downtown core and downsizers in search of more compact and manageable residences. These buyer segments have been instrumental in fueling the elevated demand for luxury condominiums in Calgary, mirroring the changing needs and lifestyles of the city's residents.

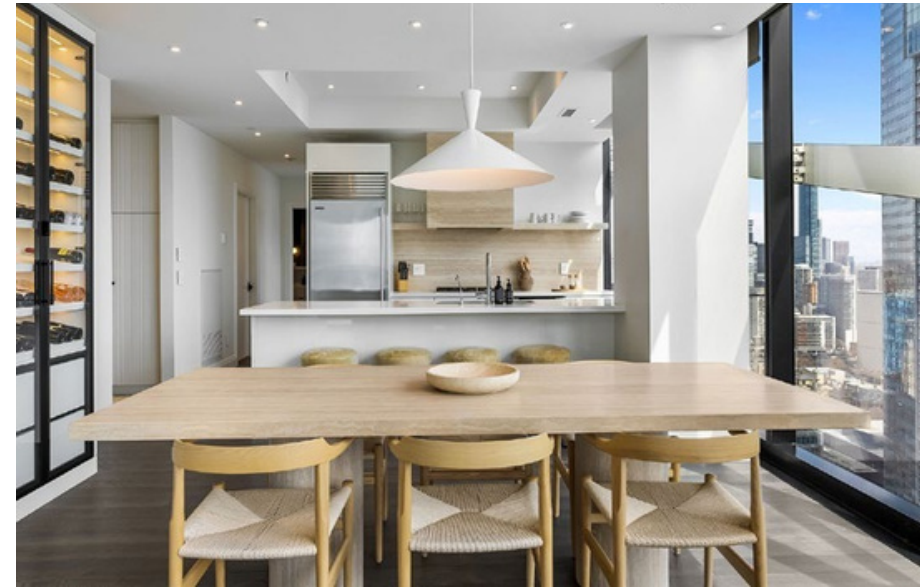
Despite the market appearing tranquil on the surface, Calgary's top-tier real estate sector is poised for an active summer season, according to [Sotheby's International Realty Canada](#) experts. The city's positive economic growth and overall affordability are not only attracting new residents but bolstering local housing market confidence and mobility. This is anticipated to drive continued activity and upward price pressure through the summer months.



# Greater Toronto Area (GTA)

As volatility across the economy and stock market cast shadows across the country's housing market, prospective real estate buyers from within the Greater Toronto Area (GTA), across Canada and abroad sharpened their focus on the City of Toronto's luxury market. Due to the city's dominant position as the epicentre of the nation's economy and the country's population gains, its luxury housing market is widely regarded as resilient and enduring. Despite a delayed start to the spring real estate market, overall consumer and industry confidence in the City of Toronto's luxury real estate market was buoyant through the course of the first half of 2023. Demand for high-end residential properties remained robust in face of rising interest rates, and home buyers and investors who had previously paused their property search in 2022 returned to the spring market with a readiness to purchase. This resurgence of active and newly qualified buyers outstripped scarce inventory, leading to brisk sales and luxury market conditions that tilted largely in favour of sellers in the single family and attached home segments until the end of May before moderating to balanced conditions by mid-year.

During this time, according to [Sotheby's International Realty Canada](#) experts, luxury and ultra-luxury residential property sales continued to migrate away from Multiple Listings Services (MLS®) to exclusive and private sales and marketing platforms as ultra-high-net-worth (UHNW) sellers increasingly sought confidentiality, as well as targeted access to qualified local and global buyers for their properties. As a result of this shift, MLS® data for public transactions capture a general but incomplete picture of the region's luxury market. Overall, in the first half of 2023, residential real estate sales over \$4 million (condominiums, attached and single family homes) in the City of Toronto were down 32% year-over-year to 181 properties sold on MLS®, a reflection of the city's lack of inventory, as well as the migration of transactions to exclusive, "off-market" channels. Five properties sold over \$10 million on MLS® compared to seven units sold in this ultra-luxury price range during the same period of 2022.



Sales over \$1 million in the City of Toronto experienced a modest 27% annual decline to 6,034 properties sold between January 1–June 30.

Across the GTA, luxury residential real estate supply came into balance with demand in the first half of 2023, and suburban buyers benefited from a discernible increase in available property listings, as well as tempered sales velocity. While residential real estate sales over \$4 million were down 35% year-over-year to 282 properties sold on MLS® in the first half of the year, and ultra-luxury sales over \$10 million fell to seven properties sold on MLS®, compared to 16 sold in the first half of 2022, underlying confidence in the market remained resilient. Overall, top-tier real estate sales over \$1 million saw a 29% year-over-year decline to 18,715 properties sold in the region over the first half of the year.



The City of Toronto's luxury single family home market saw healthy activity in the first half of the year, despite persistent supply shortfalls that placed upward pressure on prices. During this time, consumer demand skewed heavily in favour of fully updated, "turnkey" luxury homes as the city's widespread shortage of construction and specialty trades contractors discouraged renovation. Although top-tier properties in premier neighbourhoods achieved brisk sales when priced for market conditions, those that required additional labour or price negotiation languished. In the first half of the year, as ultra-luxury transactions migrated to

private channels, 157 homes sold over \$4 million on MLS®, down 34% year-over-year, with five of these selling above \$10 million on MLS®, compared to seven sold above this ultra-luxury price point in the first half of 2022. Overall single family home sales over \$1 million were down 20% year-over-year to 3,657 homes sold between January 1– June 30. In regions outside the City of Toronto, activity and absorption rates remained calm over the course of the spring market as inventory replenished with new property listings. Overall single family home sales over \$4 million in the GTA decreased 37% year-over-year to 254 homes sold. Of these, seven homes sold over \$10 million on MLS®, compared to 15 sold in the first half of 2022. \$1 million-plus single family home sales contracted 24% year-over-year to 13,493 units sold in the GTA between January 1–June 30.

The appeal of luxury attached homes continued to strengthen across generations and neighbourhoods in Toronto's urban core, particularly as lavishly updated properties were introduced to the spring market. In spite of strong consumer demand, the scarcity of bespoke attached home properties capped \$4 million-plus sales to seven homes sold during this period, all in the City of Toronto, compared to ten properties sold in this price range in the first half of 2022. Overall attached home sales over \$1 million were down 32% year-over-year to 1,346 properties sold in the City of Toronto in the first half of 2023, while \$1 million-plus sales across the GTA fell 39% to 3,775 homes sold.

Toronto's luxury condominium market continued to transition to more balanced conditions in the first half of 2023, trending in favour of buyers by the middle of the year. Although prices have remained stable and underlying confidence remains strong, increasingly empowered buyers and investors have become more selective and strategic, compelling luxury condominium sellers to compromise on prices in residential resale transactions or to offer additional inclusions in the case of new developments. According to [Sotheby's International Realty Canada](#) experts, luxury demand has continued to veer in favour of ultra-luxury boutique developments offering exclusivity, options for bespoke customization, expansive

floorplates, as well as international-caliber amenities, resulting in greater mind- and market- share for pre-sale condominiums. Within the residential resale condominium segment, fully updated, move-in ready luxury units attracted the most demand, while properties in need of upgrades were likely to require price adjustments or property updates to attract bids.

Overall, in the first half of the year, 17 condominiums sold over \$4 million in the City of Toronto, on par with the record-setting sales volume achieved in the first half of 2022. As was the case in the first half of last year, there were no sales yet recorded above \$10 million on MLS®. \$1 million-plus condominium sales experienced an annual decline of 39% year-over-year to 1,031 units sold in the City of Toronto. Across the GTA, regional condominium sales over \$4 million were up 24% year-over-year to 21 units sold between January 1–June 30, with no transactions over \$10 million on MLS® during this time, as was the case in the first half of 2022. GTA condominium sales over \$1 million were down 42% year-over-year during this period to 1,447 units sold overall.

According to [Sotheby's International Realty Canada](#) experts, the region's luxury real estate market remains in a state of transition, with typical seasonal sales activity trends largely disrupted due to recent extreme macroeconomic influences. The cyclical, seasonal slowdown typically anticipated for the summer months remains in question because the multi-year build-up of consumer demand has remained largely unrealized due to the lack of housing inventory. The widely held expectation is that the summer months will continue to see steady absorption of well-appointed luxury property listings that have been priced appropriately for the current market and that prices will remain resilient.

## Montréal

The City of Montréal's luxury real estate market saw a continued return to more balanced conditions over the first half of the year. According to the Quebec Professional Association of Real Estate Brokers (QPAREB), the Montréal Census Metropolitan Area reported a 32% year-over-year overall increase in active listings in June 2023. As conventional and luxury inventory renewed against a backdrop of rising interest rates and ongoing market uncertainty, the dynamic between prospective sellers and buyers shifted in favour of the latter, prolonging the pace of property sales and stabilizing housing prices overall. Within the city's luxury real estate market, this translated into waning motivation from buyers to commit to transactions, particularly as sellers remained reluctant to amend prices to align with new market realities.

Overall, in the first half of the year, the City of Montréal saw 696 total top-tier real estate transactions (condominiums, attached and single family homes) over \$1 million, an annual decline of 28%. Of those transactions, 14 homes sold in the luxury \$4 million segment, a decrease of 39% over the same period in 2022. On par with the first half of 2022, there were no transactions reported in the ultra-luxury \$10 million-plus segment between January 1–June 30.

Montréal's luxury single family home market comprised 41% of all transactions reported in the city's \$1 million-plus residential real estate market in the first half of 2023 and continued to attract healthy levels of consumer interest and activity. Enduring confidence in the city's most prestigious luxury neighbourhoods, including Westmount, Outrement, Town of Mount Royal and Le Plateau Mont-Royal led to situations that occasionally tilted in favour of sellers within specific neighbourhoods; however, overall conditions across Montréal's broader luxury single family home market calmed. An increase in luxury homes for sale resulted in increasingly selective home buyers, prolonged negotiations, and an increase in price adjustments and compromises on conditions in favour of buyers.



Overall, single family real estate sales over \$1 million decreased by 28% year-over-year, with 284 total transactions reported in the first half of the year. Luxury single family home sales over \$4 million declined by 21% year-over-year to 11 properties sold.

Luxury attached home sales over \$1 million decreased 22% year-over-year in the first half of 2023, with 239 properties sold, posting the smallest year-over-year decrease of all housing types. There were no attached home sales reported in the luxury \$4 million-plus segment compared to one property sold in the first half of 2022.

Montréal's condominium market saw a significant increase in inventory in the first half of the year, with 6,642 active listings

reported in the Census Metropolitan Area in June 2023, an increase of 30% year-over-year, according to the QPAREB. With several luxury developments under construction or coming to completion within the City of Montréal, presale and resale condominium supply is expected to rise in the coming months at a time when higher interest rates are dissuading some purchasers. As a result, Montréal's luxury condominium market is transitioning into a market that favours buyers and investors, enabling successful negotiation for additional features, upgrades and inclusions in the pre- and new construction market and preferred buyer conditions on the resale market.

Overall, luxury condominium sales over \$1 million fell by 36% year-over-year to 173 properties sold in the first half of 2023. Of these, three properties sold over \$4 million compared to eight sold in the first half of 2022. Consistent with the year prior, there were no sales yet reported in the ultra-luxury \$10 million-plus segment between January 1–June 30.

Evolving conditions in Montréal's luxury real estate market are now enabling real estate buyers to negotiate more successfully for top-tier properties. This sets the stage for a summer market in which astute buyers and investors will have opportunities to secure properties that were previously out of reach and for sellers to list their properties with the confidence that they will be able to purchase a property meeting their needs.





Image: Calgary, AB (SOLD)