

July 6, 2022

## Canada's housing markets keep on cooling

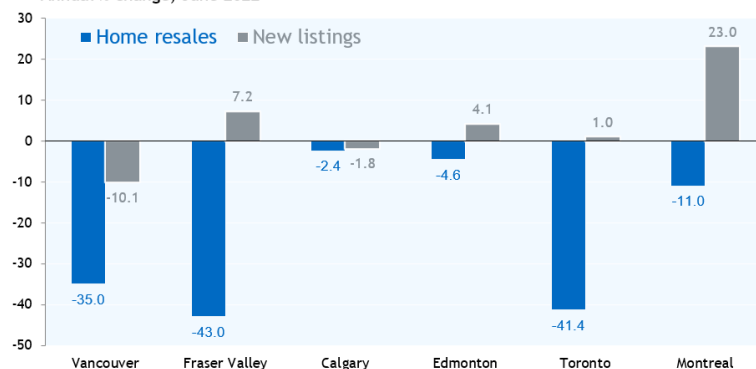
- Early regional reports suggest further slowdown in June home sales
- Demand is cooling fast, pushing markets from seller's into balanced zone
- Prices ticked lower but remained elevated from a year ago
- Further headwinds to come as the Bank of Canada presses through with more rate hikes

**Another month gave way to another cooling in Canadian housing markets.** To a varying degree, Toronto, Vancouver, Montreal, Ottawa and Calgary all witnessed further declines in home sales in June as markets continue to reverse their pandemic surge following rising borrowing costs with the Bank of Canada pushing interest rates higher.

**The slowdown in June was particularly acute over areas where markets were strongest during the pandemic** (and prices the highest), including Toronto and Vancouver. These regions have been more sensitive to early interest rate increases due to higher average home prices and larger mortgage sizes. Home sales in Toronto and Vancouver declined 41% and 35%, respectively year over year in June. Weakness in single-detached home sales led the contraction across the board.

**Market activity**

Annual % change, June 2022



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

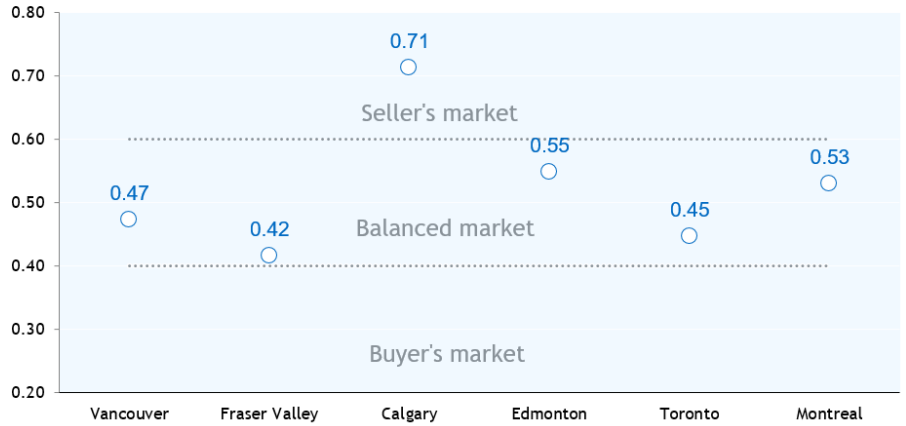
**New listings remained relatively robust in June.** More resilient supply coupled with plunging demand has pushed the sales-to-new listings ratio lower for all regions. In fact, all areas except for Calgary have now swung back into a balanced market condition. That's a stark contrast from just a few months ago when virtually all local markets were tracking firmly in favour of sellers. Total inventory of homes available for sale increased outright in Toronto, Vancouver and Calgary, marking the end of a long streak of declines over the pandemic and years before.

Claire Fan | Economist, RBC Economics | Royal Bank of Canada | T. (416) 974-3639  
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**With buyers on standby and sellers eager to sell,** prices unsurprisingly have been falling in recent months although have only retraced a small part of the appreciation over the last year. Toronto's benchmark house price index was still up 18% from a year ago in June, but was down 3% from May by our count (on a seasonally adjusted basis.) Further headwinds remain, given the pace of Bank of Canada rate hikes is only expected to accelerate over the summer. That should work to erode housing affordability further, put more buyers on the sidelines, and push prices lower.

### Demand-supply conditions

Estimated sales-to-new listings ratio, seasonally-adjusted, June 2022



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics