

CANADA'S HOUSING MARKET

May 6, 2019

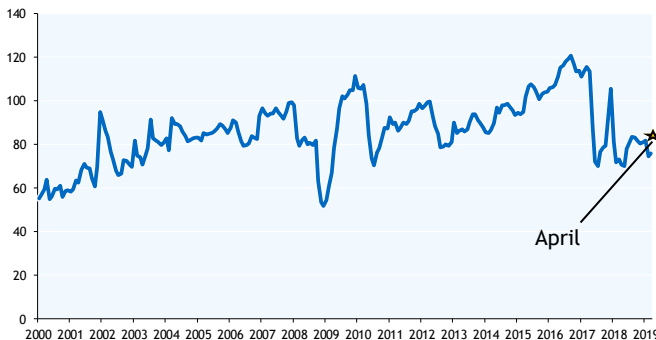
Contrasting housing trends emerge in Toronto and Vancouver in April

The housing market picture is getting clearer but not simpler across Canada. Local real estate board results published in recent days show very contrasting paths. There was evidence that the Greater Toronto Area market is turning a corner with activity rebounding strongly in April and benchmark prices accelerating for a second-straight month. Regina also saw a big pop in activity though prices continued to decline. On the other hand, the Vancouver area market gave no hint that it was coming out of its slump and conditions were still definitely soft in Victoria. Resales and prices fell further in both markets last month. And despite some improvement, weak demand-supply conditions still apply downward pressure on prices in Calgary and Edmonton. Ottawa continued to stand out as one of Canada's stronger markets although very tight for-sale inventory was a limiting factor for activity in April. This could well be the 'new normal' in the near term.

In the end, Toronto home resales did bounce back from February's weather-struck levels. It's just that it occurred in April, not March. The Toronto Real Estate Association today said that April resales surged by more than 11% m/m (on a preliminary seasonally adjusted basis). This fully reversed the sharp 9% drop that occurred in February and returned the market to late-2018 levels—which were admittedly soft but not dangerously so. As we suspected, the muted market response in March was more of a supply story than a

Toronto-area home resales

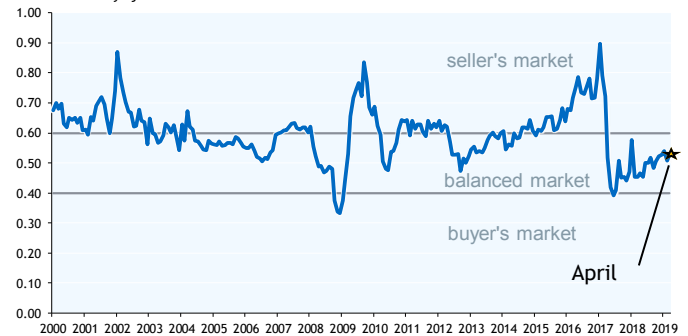
Thousand units, seasonally adjusted annual rate



Source: CREA, RBC Economics Research

Toronto-area sales-to-new listings ratio

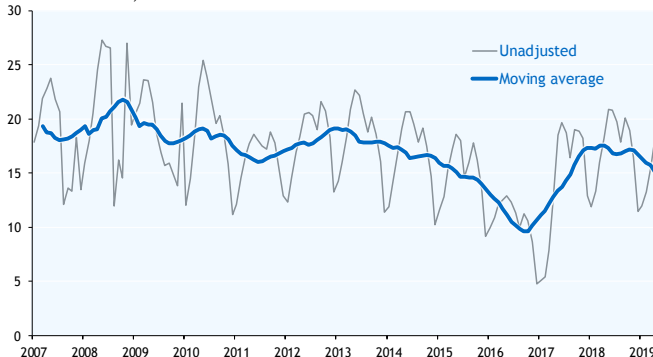
Seasonally adjusted



Source: CREA, RBC Economic Research

Active listings: Toronto area

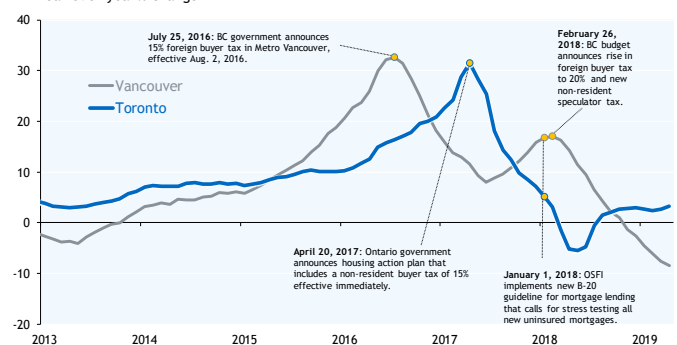
Thousand units, NSA



Source: Toronto Real Estate Board, RBC Economic Research

MLS Home Price Index

Year-over-year % change



Source: CREA, TREB, REBGV, RBC Economic Research

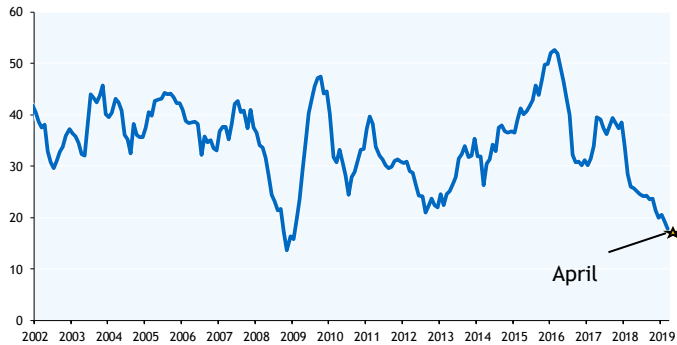
Robert Hogue

Senior Economist | 416-974-6192 | robert.hogue@rbc.com



Home resales: Vancouver area

Thousand units, SAAR



Source: CREA, RBC Economics Research

Vancouver-area sales-to-new listings ratio

Seasonally adjusted

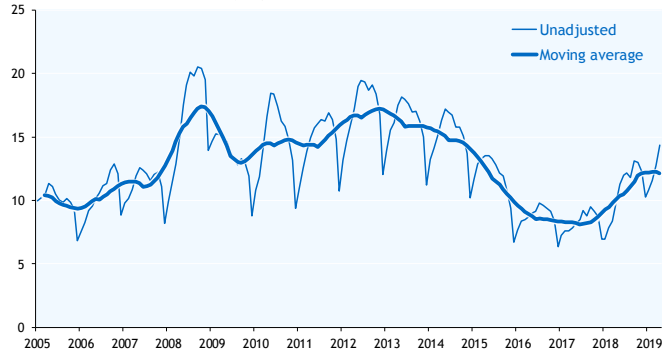


Source: CREA, RBC Economics Research

demand story. A decline in new listings in March had a restraining effect on market activity. A material increase in new listings in April (up almost 15% m/m by our own calculations) pulled many buyers into play—a sign that pent-up demand is plentiful. Sales of single-detached homes grew the fastest among all housing categories (on a year-over-year basis), which was a surprise. Properties with lower price points (typically seen in the condo segment) have been the most sought-after in the past couple of year. It's too early to tell whether this is a sign of improving affordability for single-detached homes. Overall benchmark prices accelerated for the second-straight month, rising from an increase of 2.6% y/y in March to 3.2% in April. Generally balanced demand-supply conditions are setting the stage for further modest increases in the near term.

Active listings: Metro Vancouver

Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics Research

Not so in the Vancouver area. The Real Estate Board of Greater Vancouver's April market report released last week showed a persistent imbalance between demand and supply—giving buyers substantial swaying power over prices. The benchmark price fell deeper with the pace of decline barely letting up. The benchmark is now down 8.7% since the peak in June 2018. Home sales remained depressed (down 29% y/y) though they likely picked up slightly (by 2% by our calculations) from March on a seasonally-adjusted basis. This could be a tentative sign of a cyclical bottom—or maybe not given the decidedly foul mood that continues to prevail in the market. Vancouver buyers and sellers are still digesting the many housing policy changes at all levels of government, and it may take still longer for the market to turn around.