

CANADA'S HOUSING MARKET

June 5, 2019

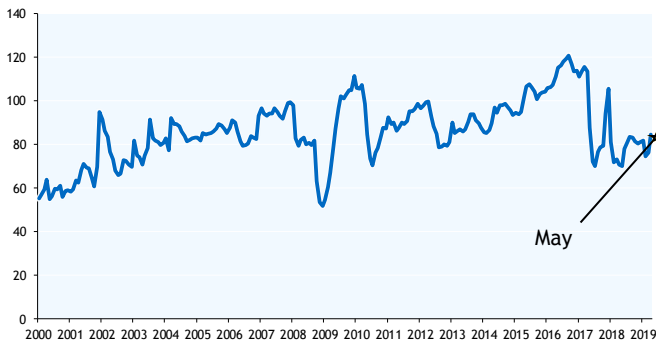
On the right track: local housing markets give further signs of stabilizing in May

We got more encouraging news on Canada's housing market in the last few days. Reports from local real estate boards for the month of May 1) confirmed that the recovery process remains on track in Toronto and other markets where 'green shoots' emerged earlier this spring and 2) showed the first indication that the cyclical bottom may have been reached in Vancouver. Overall, these reports paint the picture that policy makers want to see: generally soft but stable conditions in previously overheated markets, with prices continuing to correct in Vancouver. The encouraging news won't end calls to roll back some of the policy moves (B-20 included) but should quiet down critics fearing a market collapse.

Toronto-area resales surged 19% year-over-year in May though this says much more about last year's weakness (a decade low) than a sharp pick-up in market momentum. When seasonally adjusted, the level of activity last month will show little change from April—confirming that the market has stabilized. Prices continued to rise modestly at a fairly steady pace. The MLS Home Price Index was up 3.1% from a year ago in May, down only marginally relative to the 3.2% rise in April. This is consistent with balanced demand-supply conditions.

Toronto-area home resales

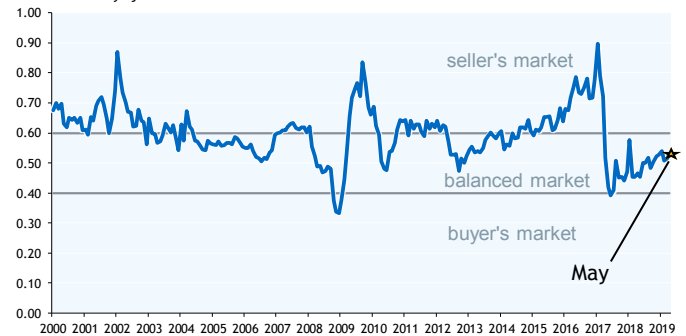
Thousand units, seasonally adjusted annual rate



Source: CREA, RBC Economics Research

Toronto-area sales-to-new listings ratio

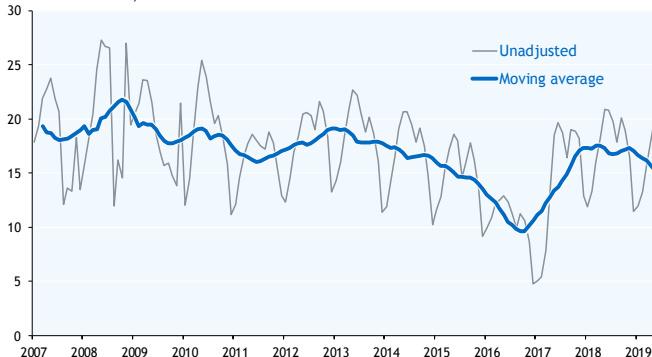
Seasonally adjusted



Source: CREA, RBC Economic Research

Active listings: Toronto area

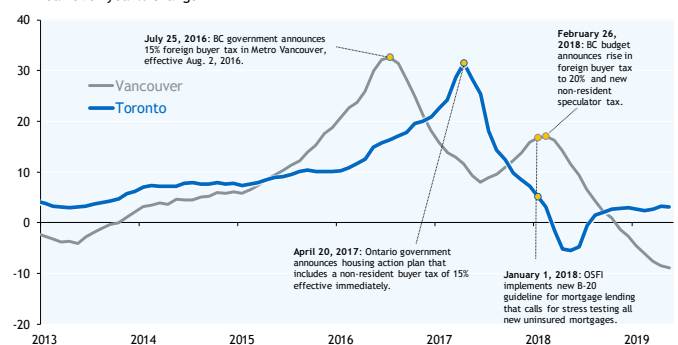
Thousand units, NSA



Source: Toronto Real Estate Board, RBC Economic Research

MLS Home Price Index

Year-over-year % change



Source: CREA, TREB, REBGV, RBC Economic Research

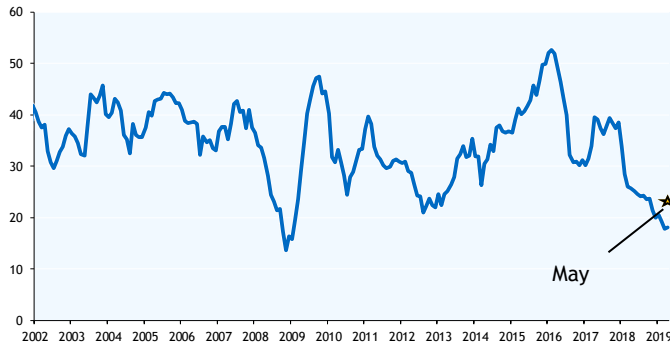
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Home resales: Vancouver area

Thousand units, SAAR



Source: CREA, RBC Economics Research

Vancouver-area sales-to-new listings ratio

Seasonally adjusted

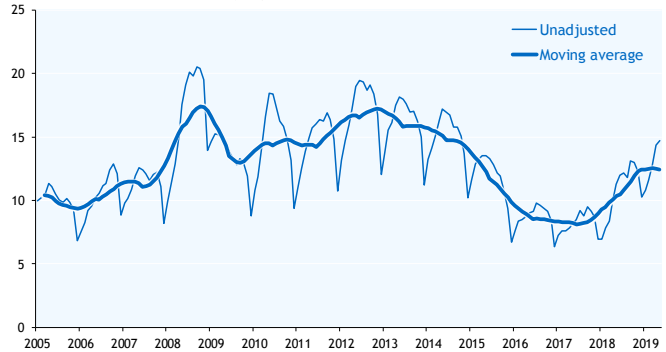


Source: CREA, RBC Economics Research

In the Vancouver area, the headline 6.9% year-over-year decline in resales last month implies a significant jump in activity between April and May (resales were down 30% year-over-year in April). Our back-of-the-envelope calculations suggest that resales increased by more than 25% month-to-month in May on a seasonally-adjusted basis. This is the strongest sign yet that the market isn't spiraling out of control. In fact, we believe it indicates that a bottom has been reached. Prices are still falling, however, which drives home the point that the level of activity is still weak. The Real Estate Board of Greater Vancouver indicated that resales remained nearly 23% below the 10 year-average for the month of May.

Active listings: Metro Vancouver

Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics Research

Results are encouraging in the majority of other markets having reported so far. May resales were up over year-ago levels in Victoria, Calgary and Ottawa—all implying moderate increases between April and May. Regina bucked the trend with a sizable drop, though this came on the heels of a strong pick-up in April.