



## CANADA'S HOUSING MARKET

June 5, 2017

### Wanted more sanity in Toronto's housing market? You got it in May

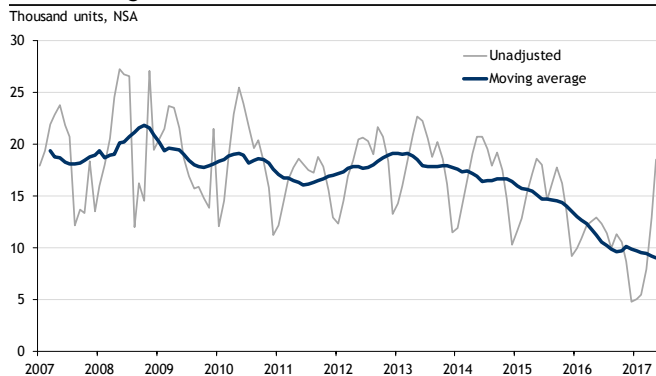
It looks like someone turned off the overheat switch in Toronto's housing market in May. This morning's statistics from the Toronto Real Estate Board showed clear signs that things have cooled down significantly last month: relative to a year ago, home resales fell 20%, new listings almost doubled and active listings surged by 43%. Steam was let out of prices too: average prices fell 6.2% from April—but remained nearly 15% above year-ago levels. We roughly estimate that the sales-to-new listings ratio fell to 0.40 in May, at the threshold of what we typically associate with a buyer's market. What a difference a couple of months make! In March, the ratio was 0.84 and indicated a severe shortage of homes available for sale.

We have no doubt that Ontario's Fair Housing Plan announced on April 20 triggered a significant reaction on the part of both buyers and sellers in the area. This was pretty much the whole point and is welcome. We're not overly concerned at this stage about the risk of an overreaction. Higher listings and slower resale activity are to be expected in the current circumstances. We've entered a period of adjustment in price expectations in the market and this causes buyers and sellers to lock horns.

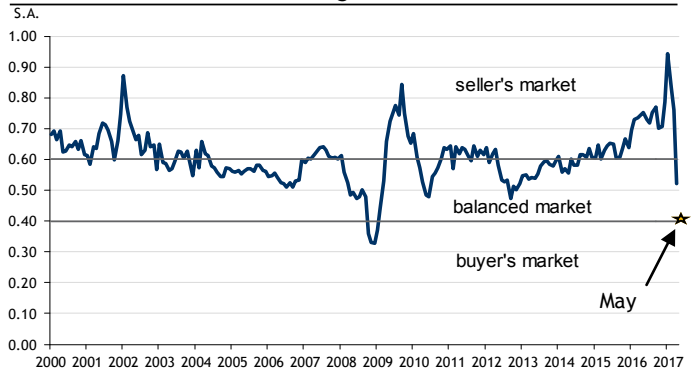
Don't be surprised if the Toronto-area market moves into a buyer's market territory in the coming months. This would not signal an imminent price collapse. It would in part simply be a reflection of changing sales tactics in the face of more patient buyers. We continue to expect that the next phase in the market will be a soft rather than hard 'landing'.

Interestingly, as we get evidence of a cooling in the Toronto market, the Vancouver market seems to be heating up again. Numbers released on Friday by the Real Estate Board of Greater Vancouver showed that May resales further narrowed the gap from year-ago levels to -8.5% from -26.2% in April, and that benchmark prices increased for a fourth-consecutive month on a month-over-month basis. May is poised to be the cyclical low point for the annual rate of change in prices at 8.5% and expect moderate re-acceleration going forward. Overheating concerns in Vancouver are about to enter the housing conversation again.

Active listings - Toronto area



Toronto-area sales-to-new listings ratio



Robert Hogue

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

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