



# CANADA'S HOUSING MARKET

November 3, 2017

## Toronto housing market 2.0: cooler, saner and back in balance...

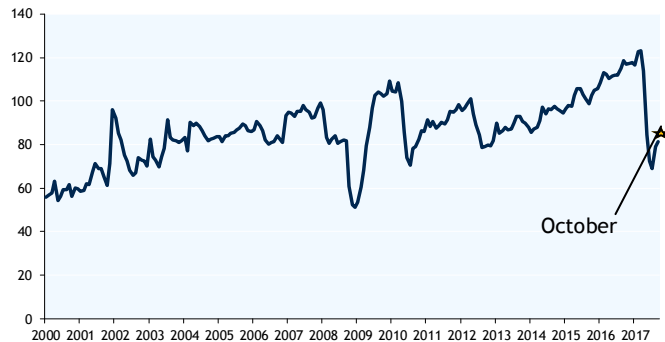
Overall, we like the way Toronto's housing market adjusted since the implementation Ontario's Fair Housing Plan in April. Gone is the earlier frenzy fueled by supercharged demand conflicting with a dearth of homes available for sale. Instead, the market has become more composed and sensible. And concerns that the initial sharp market reaction to the plan—a surge in new listings and dramatic drop in home resales—would unleash some kind of death spiral have been largely alleviated by now. Confidence is progressively returning. Further evidence that market conditions are healthier was provided yesterday by Toronto Real Estate Board. The board reported that 1) home resale activity continued to recover from July's low point; 2) the market maintained a better balance between demand and supply; and 3) benchmark price increases moderated further in October. Our view is that the policy-induced correction in activity has run its course and prices will reach a bottom soon. The market is in a much more sustainable position than it was at the start of 2017—although housing affordability remains a significant issue. Yet we expect the recovery to face stiff headwinds next year when more stringent qualifying rules for uninsured mortgages take effect and interest rates move higher.

## ...and Vancouver market 3.0: hotter, still sane for now but sellers are in control

We're not as pleased by recent developments in the Vancouver-area market. Activity, there, shifted to a higher gear in September and October, and prices are rising at an accelerating pace once again. Statistics also released yesterday by the Real Estate Board of Greater

Toronto-area home resales

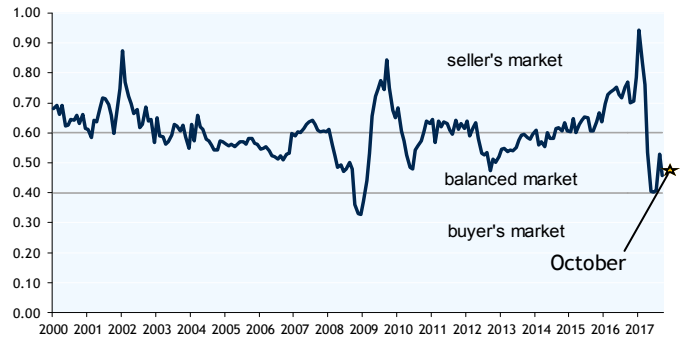
Thousand units, seasonally adjusted



Source: CREA, RBC Economics Research

Toronto-area sales-to-new listings ratio

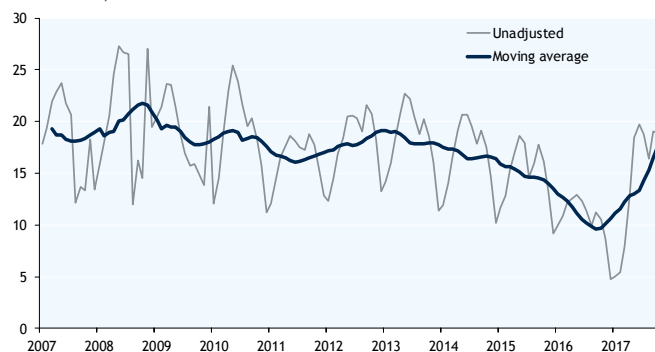
Seasonally adjusted



Source: CREA, RBC Economics Research

Active listings - Toronto area

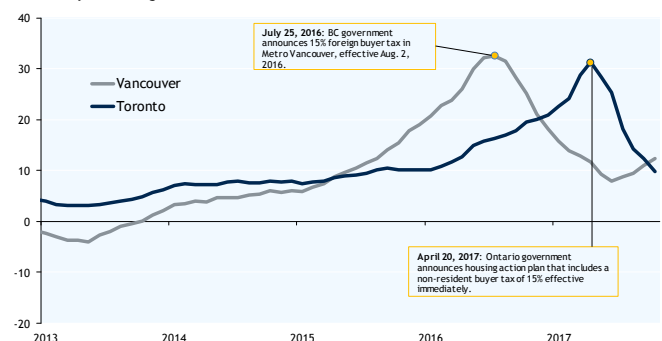
Thousand units, NSA



Source: Toronto Real Estate Board, RBC Economics Research

MLS Home Price Index

Year-over-year % change



Source: CREA, TREB, REBGV, RBC Economics Research

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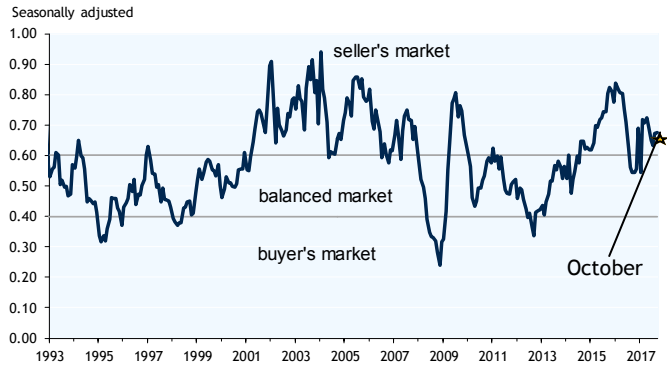
Vancouver showed that home releases last month were up by more than 35% from a year ago. With demand-supply conditions favouring sellers through the better part of this year (including in October), the rate of price increases is back into double-digits on a year-over-year basis (12.4% for the aggregate benchmark in the latest month). We see little that will slow prices down in the near term. Quite the contrary. And what's especially concerning is that the faster-rising prices are for condo apartments—that is, the more affordable option for buyers. This means that Vancouver's severely stretched affordability issue keeps getting worse. Higher interest rates will only exacerbate that issue.

**Vancouver-area home resales**



Source: CREA, RBC Economics Research

**Vancouver-area sales-to-new listings ratio**



Source: CREA, RBC Economics Research

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