MONTHLY HOUSING MARKET UPDATE
April 15, 2019

No break in March from Canada’s housing market slump

- **Home resales ticked only marginally higher in March from storm-struck February**: The level of activity remained soft across Canada last month but a 0.9% month-to-month advance indicated that things didn’t get any softer. The national benchmark price fell 0.5% from a year ago—marking the first back-to-back annual declines in almost 10 years.

- **Slump getting deeper in Vancouver, Calgary, Edmonton**: All three markets saw further sales and price declines in March. Demand-supply conditions in Vancouver are now the weakest since the 2008-09 recession.

- **Slight pick-up in Toronto**: Yet the 1.8% sales gain recorded last month reversed just a fraction of the outsized 9.0% drop in February. A sixth-straight decline in new listings might have been a restraining factor. The benchmark price re-accelerated after its pace of increase slowed in the prior two months.

- **Activity rebounds in Ottawa, stays flat in Montreal**: Both markets—along with Halifax—still boast the tightest demand-supply conditions in Canada. Benchmark prices continue to track higher at solid rates.

- Any market improvement likely to be gradual overall: While there’s scope for further rebound from weather-weakened activity this winter, the all-important spring season is shaping up to a quiet affair in most of Canada. Not much action should be expected from first-time home buyers until more details are provided on the federal government’s new First-Time Home Buyer Incentive that will go live in September.

The end of winter didn’t spark a flurry of home-buying activity
March data released this morning by the Canadian Real Estate Association (CREA) in a way brought some clarity on the sharp 7.3% drop in home resales in February—poor weather probably wasn’t the main culprit. With temperatures and precipitations mostly back to normal in March, resales did increase by 0.9% overall in Canada last month but this was far from enough to shake the slump off. The level of activity (437,600 units sold, on an annualized basis) still stood near a six-year low in Canada with few signs of a turnaround in sight in hard-hit Vancouver, Calgary and Edmonton. Weak demand-supply conditions in these markets continued to weigh on prices. Canada’s composite MLS Home Price Index fell for a...
second-straight month on a year-over-year basis by 0.5%. And further small declines are probably on the way in the near term. Buyers hold a strong hand in several of Canada’s large markets at this stage, while policy makers will view lower prices as (good) signs of improving affordability that require no further intervention.

**Market correction continues in Vancouver, Calgary and Edmonton**

If it wasn’t already apparent, March data provided clear evidence that some of Canada’s largest western markets are in a pretty deep slump. Home resales (seasonally adjusted) fell to a 10-year low in Vancouver and near eight-year lows in Calgary and Edmonton. Prices are firmly on a downward trajectory in all three markets. The MLS HPI was down 7.7% y/y in Vancouver, down 5.0% in Calgary and down 4.4% in Edmonton. We don’t see any quick turnaround in any of these markets. Policy actions and extremely poor affordability will continue to weigh on Vancouver prices in the near term. The story in Calgary and Edmonton is one of heightened economic uncertainty.

**A lack of buying options holding back Toronto buyers?**

Home resales picked up 1.8% in the Toronto area in March though this was a drop in the bucket compared to the 9.0% decline recorded in February. Yet the rebound potentially could have been stronger had it not been for a sixth-straight monthly decline in new listings—which constrained options for buyers. The fact that the MLS HPI accelerated to 2.6% from 2.3% in February suggests that buyers quite possibly had to bid more aggressively in the face of limited supply.

**Sellers still in charge in Ottawa, Montreal and Halifax**

Canada’s ‘hotter’ markets remained quite vibrant in March. Home resales rebounded by 3.9% m/m in Ottawa (after plummeting by 16% in February) and were flat in Montreal (down marginally by 0.1%) at an elevated level (48,200 units, annualized). Importantly, demand-supply conditions continue to be very tight in Ottawa, Montreal, as well as Halifax. The sales-to-new listings ratio far exceeded 0.70 in all three markets which suggests that sellers hold significant sway over prices at this stage. Indeed, Ottawa’s MLS HPI rose the fastest (up 7.6% y/y) among all major markets in Canada. Montreal followed closely with a rate of 6.3%. The average price of homes sold in Halifax surged by 12.7% y/y in March (CREA doesn’t publish an MLS HPI for Halifax).

**Spring season likely to be quiet**

The absence of a snapback in March activity clearly points to the mortgage stress test, market-cooling measures in BC, economic uncertainty in Alberta and stretched affordability as continuing to exert significant restraint on homebuyer demand this winter in Canada. Poor weather’s effect on February sales may have been limited after all. This means that the spring season may not have much upside to offer this year. In the coming months, we’ll watch closely the extent to which recent declines in mortgage rates ease the stress test for some buyers and whether first-time home buyers decide to put their plans on hold until more details on the federal government’s First-Time Home Buyer Incentive become available.