MONTHLY HOUSING MARKET UPDATE  
May 15, 2019

April’s good news: the bottom has been reached for Canada’s housing market

- **Home resales increased in Canada for the second-straight month in April:** The 3.6% month-over-month advance isn’t an ‘all-clear’ signal for the market but strongly suggests that the cyclical bottom has been reached. Activity climbed above year-ago levels for the first time since December 2017.

- **Prices stabilizing:** The Canada-wide benchmark price was essentially flat year-over-year, down marginally by 0.3%. This was a smaller decline than in March (-0.5%).

- **Local market picture remains highly fragmented but April brought more encouraging news:** Activity picked up in Alberta and Saskatchewan and there were strong indications that the Toronto-area market finally turned a corner.

- **However, the Vancouver-area market isn't out of the woods yet:** Resales fell for a sixth consecutive month and prices are still sliding (the benchmark is down 8.7% since the June 2018 peak). A recovery seems far off at this stage.

- **April won’t set off a broad-based rally:** The back-to-back resale increases in March and April were mostly about the unwinding of the poor weather effect this winter. Not much more should be expected in the coming months as buyers continue to deal with affordability issues in key markets and policy actions.

*It’s clearer now: the bottom was reached*

If there’s one thing the April report from the Canadian Real Estate Association (CREA) made clearer this morning is that Canada’s housing market isn’t caught in a downward spiral. Showing a second-straight monthly increase in resales and a lessening in the (slight) pace of price decline (on a year-over-year basis) it provided evidence that this cycle’s bottom has been reached overall in Canada. The level of activity—at 459,700 units annualized—was still weak last month as local markets across the country continue to adjust to the mortgage stress test and other policy measures adopted in the past couple of years, as well as higher interest rates. Some markets like Ottawa, Montreal and Halifax are coping quite well but others like Vancouver and Victoria continue to struggle. The April report brought good news for the Toronto area and markets in Alberta and Saskatchewan.
where activity picked up noticeably. On the whole, demand-supply conditions remain balanced in Canada. While dipping slightly below year ago levels since February, the composite MLS Home Price Index narrowed its rate of decline to -0.3% in April from -0.5% in March—another sign that the market isn’t spiraling down.

**Toronto-area market turning a corner**
A wave of new listings (up 8.1% m/m) pulled many buyers from the sidelines. Resales surged by 11.2% from March and prices accelerated slightly to a rate of 3.2% on a year-over-year basis. An earlier report from the Toronto Real Estate Board showed surprising strength in the single-detached home segment in April.

**Activity picked up in Alberta and Saskatchewan**
Resales rose in Calgary (up 5.2% m/m), Edmonton (up 7.8%), Regina (up 11.6%) and Saskatoon (up 11.5%). For the most part, these increases took place from low bases. Still-soft demand and plentiful supply are keeping prices on a downward track in each of these markets.

**Market still sliding in Vancouver and Victoria**
April didn’t bring an end to Vancouver’s market slump. Resales (down 1.4% m/m) and prices (down 8.5% y/y) fell further. And there’s probably more declines in property values on the way as demand-supply conditions are particularly weak. The sales-to-new listings ratio dropped to a decade low of 0.31 in April. Conditions aren’t quite as soft in Victoria but resales activity continued to trend downward last month, which further reduced upward price pressure. The rate of increase in Victoria’s MLS HPI moderated to 0.7%, down from 13.5% a year ago.

**A small pause in Montreal but Ottawa and Halifax rolling right along**
Montreal, Ottawa and Halifax have been among the hotter markets in Canada in the past year. All three continue to be vibrant at this stage—with sellers in control of pricing—though Montreal experienced a small dip (-1.0% m/m) in activity in April despite more supply coming to market. Resales continued to rise in both Ottawa (up 2.0% m/m) and Halifax (up 1.7%). The pause in Montreal didn’t really affect prices with the MLS HPI rising 6.3% y/y (unchanged from March). Price gains accelerated further in Ottawa, however, reaching 7.8% in April—the strongest rate in Canada.

**The market could stay near the bottom for a while longer**
The fact that the Canadian market has reached its cyclical bottom doesn’t imply that it’s about to initiate a rally. We expect market activity to stay soft in the coming months as buyers continue to deal with affordability issues in key markets, and the stress test and other policy actions taken over the past couple years. In the coming months, we’ll watch closely the extent to which recent declines in mortgage rates brings relief to 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.