

MONTHLY HOUSING MARKET UPDATE

October 15, 2019

Home resales in Canada

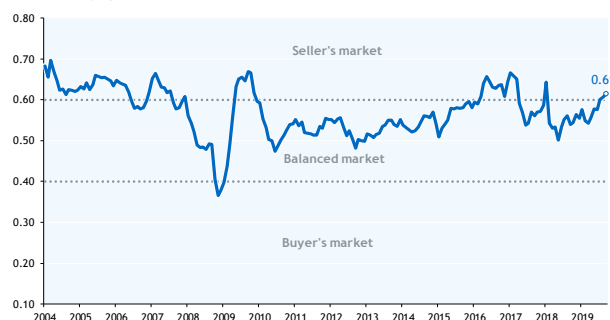
Thousand units, seasonally adjusted and annualized



Source: CREA, RBC Economics Research

Sales-to-new listings ratio in Canada

Seasonally adjusted



Source: CREA, RBC Economics Research

MLS Home Price Index - Canada

Year-over-year % change in the composite index



Source: CREA, RBC Economics Research

Market gains more altitude in September

- **Home resales climbed further above average in Canada:** Activity rose another 0.6% in September to 512,000 units (seasonally-adjusted and annualized). This was the highest level in 21 months and 6.6% above the 10-year average.
- **Sellers are increasingly in the driver's seat:** The sales-to-listings ratio (a gauge of demand-supply conditions) inched higher to 0.61 nationwide—a level usually associated with more pricing power for sellers—with Toronto and Vancouver firming up noticeably in recent months.
- **Home prices are heating up... modestly:** The national Home Price Index (HPI) further picked up its pace in September, rising 1.3% from a year ago (versus 0.9% in August). Price momentum has been increasing since June.
- **Vancouver's turnaround continues; upswing in Toronto, Ottawa and Montreal pause:** Vancouver recorded a strong resales gain for a third-straight month and showed further signs that prices have passed their cyclical bottom. Demand-supply conditions remained very tight in Ottawa and Montreal despite slight activity declines in September. Resales were little changed in the Toronto area but prices further accelerated their ascent. Things were a little soft in Calgary and Edmonton though not enough to alter the uptrend in place since March.
- **The market has turned the corner:** With Vancouver more clearly in recovery mode, the overall state of, and prospects for Canada's housing market appears to be quite solid. Low mortgage rates, solid labour markets and strong population growth will keep activity and prices on an upward trajectory.

Soft landing is over and done—it's flight time again

For those keeping track, September marked the seventh-straight month of increase in home resales in Canada and the third during which the national HPI rose above its year-ago level. And with demand-supply conditions now letting sellers set transaction terms more assertively, today's report from the Canadian Real Estate Association (CREA) leaves little doubt that the overall market has taken flight again. If anything, resale activity could have been even stronger last month had it not been for a 0.6 drop in new listings which quite possibly held back some buyers.

September snapshot

Region	Home resales	New listings	MLS HPI (Composite)	Sales-to-new listings ratio
	Y/Y %change	Y/Y %change	Y/Y %change	
Canada	15.5	-0.1	1.3	0.61
Toronto	21.2	-1.9	5.2	0.59
Montreal	14.5	2.1	7.3	0.79
Vancouver	44.6	-7.1	-7.3	0.57
Calgary	8.3	-10.8	-2.3	0.56



Situation is still fragile in parts of the Prairies...

This is not to say that things are solid across the board. Small month-over-month resales declines in Calgary and Edmonton in September are a reminder that the recovery remains tentative in several markets where the economy is soft. Home prices are still down from a year ago in Alberta and Saskatchewan, and it will take a little longer for any recovery in demand to firm up pricing in those areas.

...but solid elsewhere

Nonetheless, the strength of the market is undeniable in most of Canada. Despite declining in September, home resales were close to all-time highs in Ottawa, Montreal and Halifax, with all three posting the tightest demand-supply conditions in the country and rapid price increases. Activity continues to be quite solid in other parts of Atlantic Canada (including Moncton, Saint John, Fredericton and PEI) and Quebec (including Quebec City, Gatineau and Sherbrooke). Toronto and the rest of southern Ontario are now well into a recovery. Home resales in the Greater Toronto Area last month exceeded their 10-year average by 2.2% and property values are rising at an accelerating pace (Toronto's HPI was up 5.2% y/y in September).

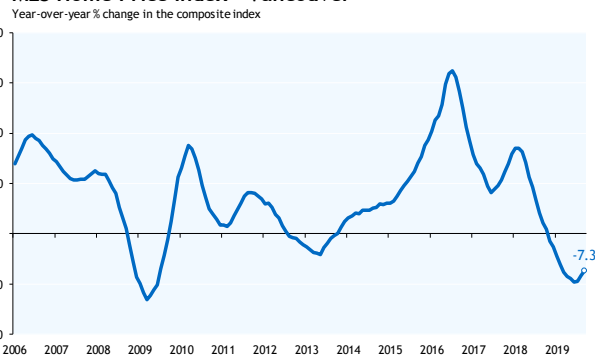
Vancouver snapping back

The highlight of CREA's reports in recent months has been the impressive rebound in activity in Vancouver. Resales surged by 64% since May, including an 8% gain m/m in September. Activity is almost back to normal levels (just 6.7% below the area's 10-year average). The area's HPI is still down 7.3% from a year ago but the firming of demand-supply conditions has moderated the pace of decline since July. On a month-over-month (and seasonally-adjusted) basis, the benchmark price increased in both August and September, which suggests that we've likely passed the bottom of the pricing cycle.

Federal election wildcard

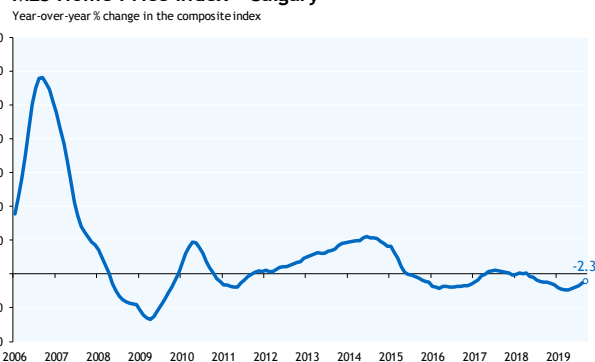
On the whole, the picture for Canada's housing market is quite solid. Most of the local markets that experienced a significant downturn in the past couple of years either have completely turned the corner or are on their way to do so. Demand-supply conditions have tightened up, and are gradually heating up prices. Low interest rates, strong labour markets and rapid population growth will continue to fuel demand in the period ahead. Promises made during the federal election campaign could heat things up further. Proposed measures such as an expansion of the first-time home-buyer incentive, an extension of the maximum amortization period for insured mortgages, an easing the mortgage stress test or an increase in the homebuyer tax credit ultimately would boost demand at a time when supply is tight overall. We'll be awaiting details and the timing of any housing-related announcements by the next government to gauge the full impact on the market, and whether these will raise the risk of overheating.

MLS Home Price Index - Vancouver



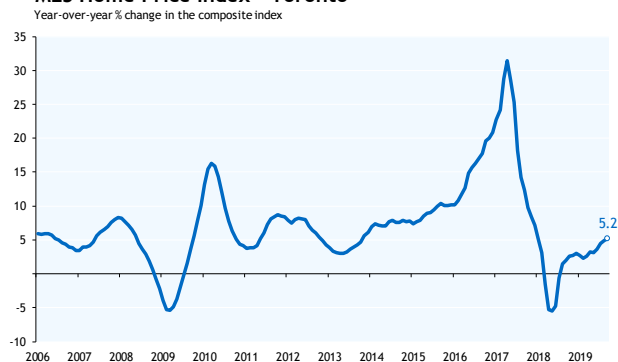
Source: CREA, RBC Economics Research

MLS Home Price Index - Calgary



Source: CREA, RBC Economics Research

MLS Home Price Index - Toronto



Source: CREA, RBC Economics Research

MLS Home Price Index - Montreal



Source: CREA, RBC Economics Research

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