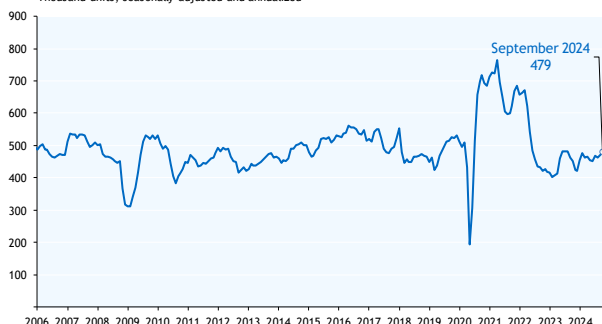


MONTHLY HOUSING MARKET UPDATE

October 15, 2024

Home resales in Canada

Thousand units, seasonally adjusted and annualized



Source: Canadian Real Estate Association, RBC Economics

Sales-to-new listings ratio in Canada

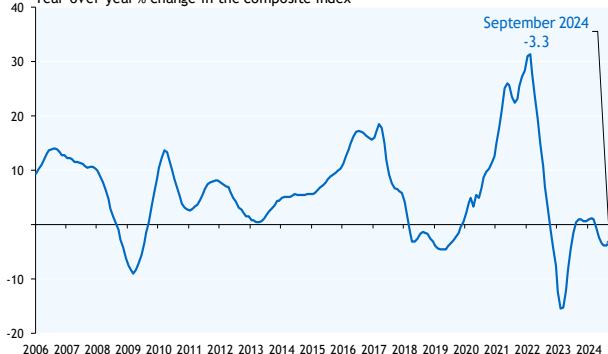
Seasonally adjusted



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Canada

Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

Slowly but surely—Canada's homebuyers begin to respond to rate cuts

Lower interest rates got the wheels turning a little faster in September for homebuyers as sales transactions marked their second straight monthly increase, up 1.9% from August.

Momentum was slightly stronger than the 1.4% pace in August on a seasonally adjusted basis. We're still more than 5% below pre-pandemic levels, but our view is that sales will continue to pick up as the Bank of Canada cuts rates further, especially as the size of those cuts are [expected to get larger](#).

Sellers, on the other hand, are responding more energetically. They've listed more properties since July in Canada (225,500 on a seasonally-adjusted basis) than they did over any three-month stretch in more than two years. The monthly increase in September (4.9%) was the biggest since July 2023. This may be a sign that many sellers are anticipating stronger demand this fall.

The quicker growth in supply than sales is working to rebuild inventories across Canada. The number of homes currently listed for sale is now back to where it was when the pandemic struck. The upswing so far has been more pronounced in Ontario where a run-up in new condo completions in Toronto this year is bringing more units to market—creating some absorption challenges.

For the most part, the rise in supply is a welcome development. The dramatic drop in inventories during the pandemic made it significantly harder for buyers to find the right home, and it was a major factor contributing to soaring prices. The bargaining power of sellers and buyers has generally been rebalanced by now, which has stabilized property values. The national composite MLS Home Price Index benchmark (at \$717,800 in September) has been essentially unchanged since spring. It rose just 0.1% from August and was down 3.3% from last year.

The picture varies at the local level, though. Supply-demand conditions have softened considerably in Toronto where the rapid rise in inventories has strengthened the buyers' hand. This is particularly evident in the condo market where buyers drove down the benchmark price in the past three months, including by a hefty 1.3% between August and September. It's the

September market snapshot

	Home resales (% change)		New listings (% change)		MLS Home Price Index (% change)		Sales-to-new listings ratio
	M/M	Y/Y	M/M	Y/Y	M/M	Y/Y	
Canada	1.9	6.9	4.9	7.6	0.1	-3.3	0.51
Toronto	3.3	7.6	9.8	11.3	-0.5	-4.6	0.35
Montreal	4.5	18.0	2.7	8.8	2.0	5.4	0.66
Vancouver	3.0	-3.8	5.7	11.1	-0.5	-1.8	0.40
Calgary	-1.3	-14.0	7.2	17.1	0.2	6.4	0.58
Edmonton	-2.6	8.7	-2.7	-0.2	0.8	7.6	0.71
Ottawa	-0.6	10.0	2.6	2.5	0.3	0.2	0.53

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biggest one-month drop since February 2023. The value of the benchmark single-detached home has fallen much less.

The situation also points to buyers holding increasing bargaining power in Vancouver. The sales-to-new listings ratio (0.4 in September)—an indicator of pricing pressure—has drifted lower since June and waded into buyers' market territory. The area's composite MLS HPI dipped in four of the past five months, including a 0.5% decline between August and September. Single-detached homes accounted for most of last month's drop.

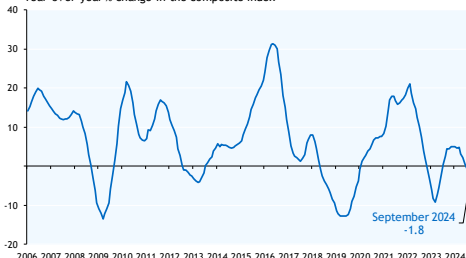
At the other end of the scale, inventories remain low and supply is tight relative to demand in several markets in the Prairies, Quebec, and parts of Atlantic Canada. In Edmonton, Regina, Saskatoon, Winnipeg, Montreal, Quebec City, Saint John, Moncton, and Halifax prices continue to trend modestly higher.

A burst of supply in the past two months has rebalanced conditions in Calgary, but the earlier tightness still keeps prices rising at one of the fastest clips in the country.

We expect the evolution of interest rates and inventories to remain in sharp focus for all market participants in the months ahead. We think interest rate cuts will open the door to a growing number of buyers who've been sitting on the sidelines for some time. Still, this is unlikely to result in a stampede given major affordability strains challenging many potential buyers and deteriorating labour market conditions. We believe constrained buyer budgets and growing inventories will keep price gains in check even as demand picks up steam.

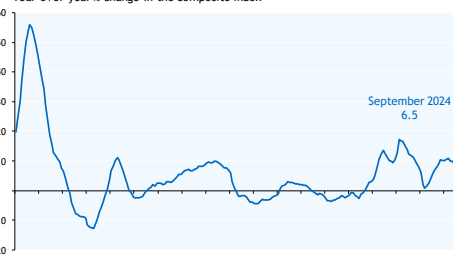
Firmer appreciation is more likely to occur once the BoC is deeper into its easing cycle next year. Pricier markets in British Columbia and Ontario could lag other provinces, due to more severe affordability issues.

MLS Home Price Index - Vancouver
Year-over-year % change in the composite index



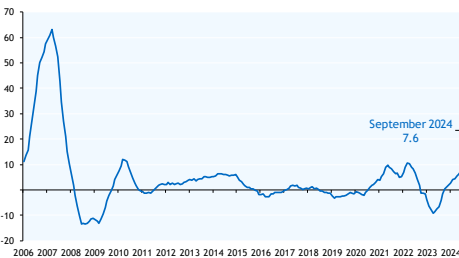
Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Calgary
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Edmonton
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Toronto
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Ottawa
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Montreal
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

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