RBC Economics & Thought Leadership

Focus on Canadian housing

January 8, 2025

Canada's housing markets see a mixed finish to 2024

The fall's strong market rally lost a lot of steam in some of Canada's major housing markets as resale transactions fell markedly in Calgary and Toronto between November and December, according to local real estate boards.

The drop in Toronto rolled back all advances made since September. A slight uptick in five-year fixed mortgage rates (which are the lowest among all mortgage types and terms) may have caused some buyers to pause searching last month.

However, the soft patch is far from broad-based. A recovery is still on track in Vancouver and the Fraser Valley. Transactions remain near all-time highs in Edmonton despite edging lower in December. And, sales momentum continues to build solidly in Montreal.

We believe further interest rate cuts by the Bank of Canada will stimulate homebuyer demand in 2025—keeping the rally going in most markets. But, strained affordability conditions and cuts to immigration will restrain the pace.

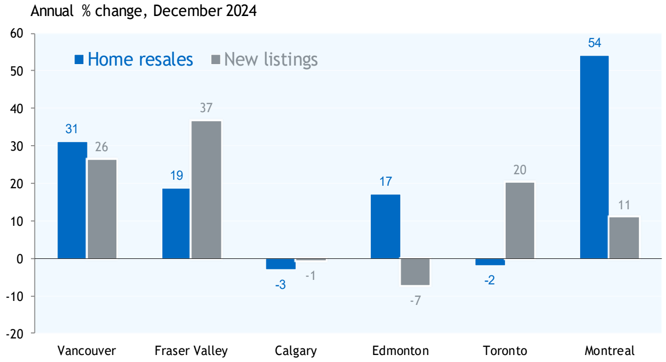
2024 was a year of generally modest gains in property values. December was no different, with most major markets recording small annual MLS Housing Price Index increases.

We expect measured appreciation trends to persist in 2025. Edmonton and Montreal—possibly the hotter and tighter markets in Canada right now—could see stronger price growth if supply stays short of demand. On the other hand, condo prices could edge lower in Toronto if the inventory of available units continues to mount.

Major market highlights: December 2024

Market activity

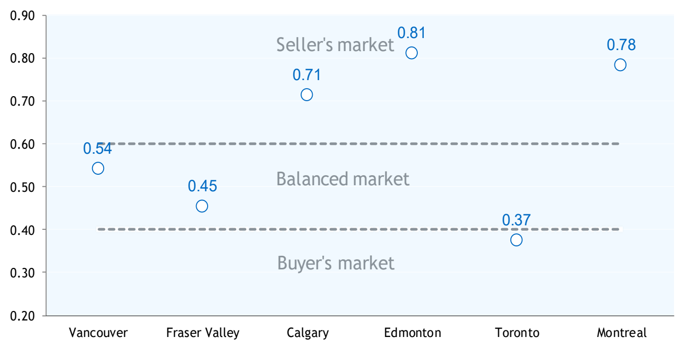
Annual % change, December 2024



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Demand-supply conditions

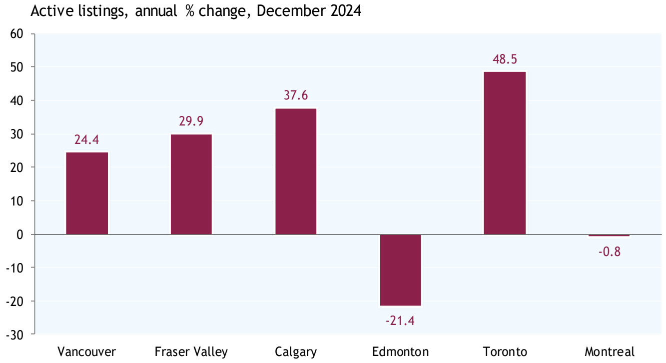
Estimated sales-to-new listings ratio, seasonally-adjusted, December 2024



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Inventories

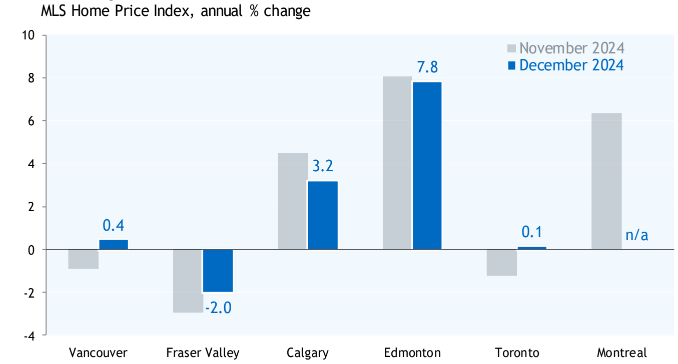
Active listings, annual % change, December 2024



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Home prices

MLS Home Price Index, annual % change



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

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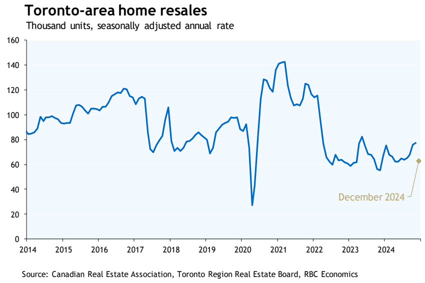
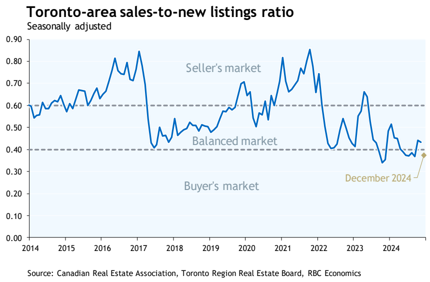
Toronto area: End-of-year thud

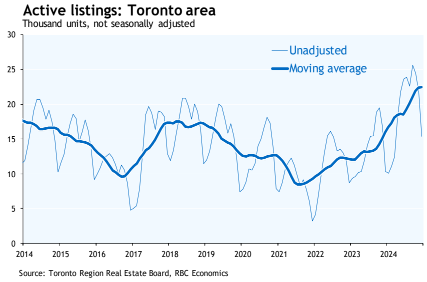
December marked a notable setback in Toronto's recovery journey. Home resales plunged 19% from November to a level not seen since August (on a seasonally-adjusted basis).

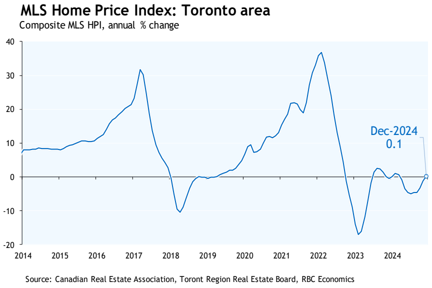
The downswing in activity likely reflects affordability strains and a high degree of uncertainty that homebuyers face. Ownership costs in the area are among the steepest in the country and a 10-year high in the unemployment rate (ignoring the spike during the pandemic) may be seeding doubts about future job prospects. These factors are making many buyers hypersensitive to economic news.

Tighter supply-demand conditions this fall have supported further price appreciation in December. Toronto's MLS HPI benchmark rose 0.4% from November to $1,094,000. It's now above the year-ago level for the first time since March 2024. The appreciation has occurred mainly in the single-detached home segment. Condo prices (down 3.7% from December 2023) continue to erode amid ample inventory. We see further downside in that category in the near term.







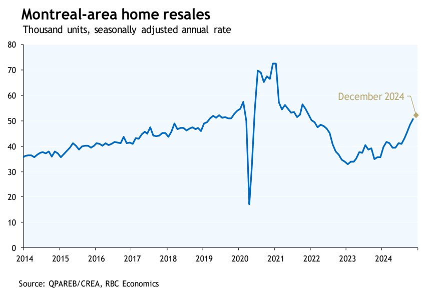


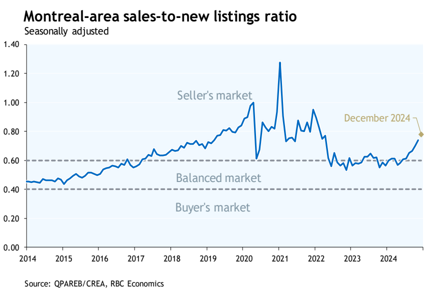
Montreal area: Market temperature rising

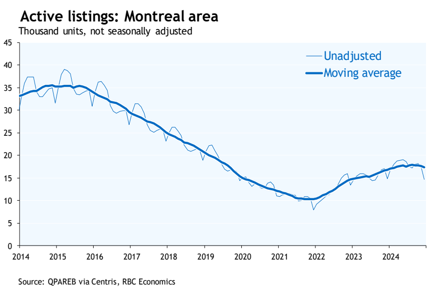
The recovery is almost complete as transactions are just 5% below where it was in the months preceding the pandemic in Montreal. At the time, the city was one of the hottest markets in Canada, as it is now.

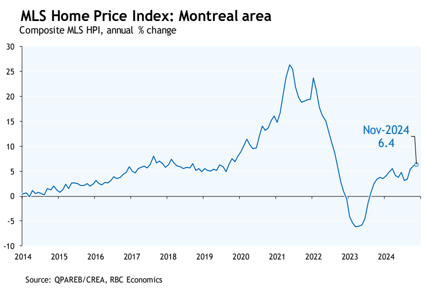
We estimate home resales rose for the fifth straight month in December—up roughly 3% from November (seasonally adjusted). This occurred despite new listings lagging and the inventory of homes for sale shrinking again after rebuilding over the past two and a half years.

Montreal is among the tighter markets in the country, which sustains solid property appreciation. Prices are up from a year ago in all areas of the greater city and housing categories. The increase in the median price for a single-family home jumped 8% for the entire census metropolitan area in December, while condo apartments gained 7%. We expect broad-based appreciation to continue into 2025—possibly at an accelerating pace.



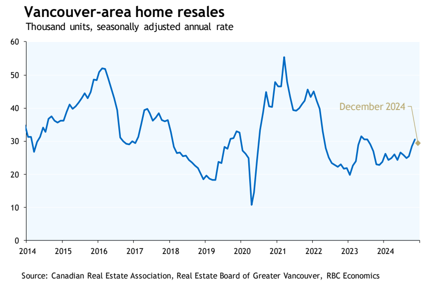


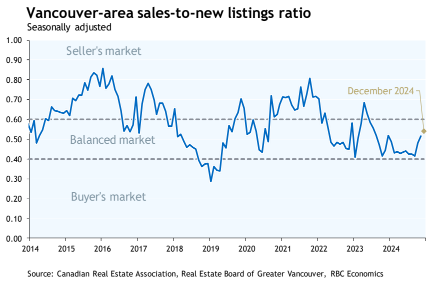


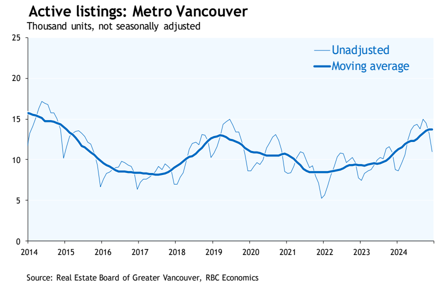


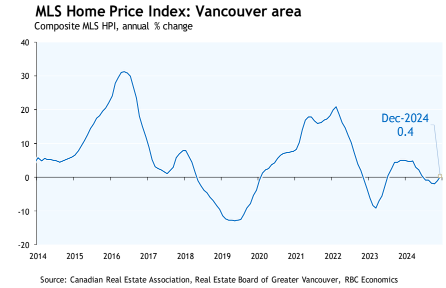
Vancouver area: Taking a small detour

The Vancouver market is still on course to rebound from cyclical lows, though it took a small detour as 2024 drew to a close. By our count, seasonally-adjusted home resales dipped about 3% between November and December—the first decline in four months. A sharper 8% fall in new listings may have forced some buyers to delay purchasing decisions.







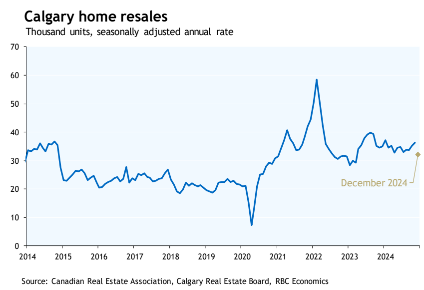


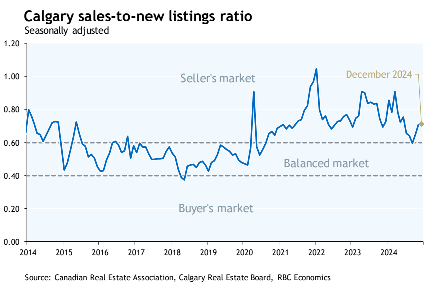
Rising prices could also be complicating matters. Vancouver's MLS HPI was up 0.4% from a year ago in December. While the increase was very slight, property appreciation impedes improvement in affordability. The cost of homeownership is a massive burden in Vancouver—by far the heaviest in Canada.

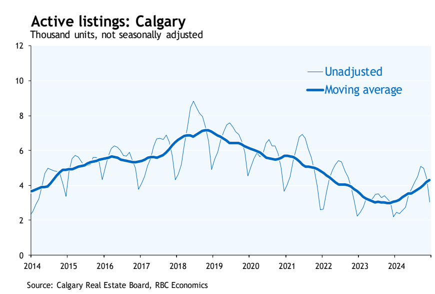
Lower expected interest rates will bring some relief in 2025, but it will leave many potential buyers wanting. For this reason, we think the market recovery will stay gradual and prices largely static overall with some divergences across housing categories. We see ample inventory weighing on the outlook for condo prices in the near term.

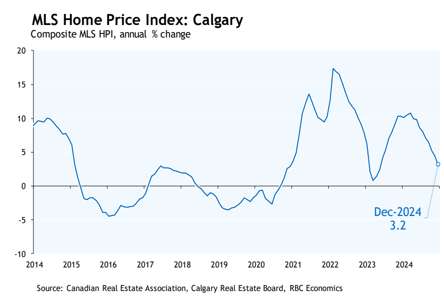
Calgary: Soft ending to a vibrant 2024

Calgary closed out the year on a much softer note with estimated resales falling more than 10% from November to December (seasonally adjusted)—the sharpest drop since October 2023. This followed steadily strong activity in the previous 18 months that positioned Calgary as one of the most vibrant markets in the country.









A booming population and vigorous economy sustained tremendous demand for housing this year. A rise in inventory also gave buyers more options to choose from.

A slower flow of new sellers entering the market lately may have contributed to the softness in December. It tightened supply-demand conditions.

Still, price gains continued to moderate last month. The composite MLS HPI was up 3.2% from a year ago—or less than a third of the increase in March.

Growing inventories have helped reduce upward price pressures. Homebuilders have responded to strong demand with both housing starts and completions likely to set record highs in 2024.