

June 3, 2020

## Home buyers and sellers returned to the market in May

It was still (very) far from the usual bustling spring-time activity but Canada's housing market kicked into gear last month. Early reports from local real estate boards showed home resales picked up noticeably from April's generational lows. The month-to-month percentage increases—ranging from 30% to almost 70%—certainly look impressive though this speaks more about the extremely weak comparison point in April. May's rebound is the first step on a long road to recovery. The good news is buyers and sellers are becoming more comfortable participating in the market. Governments' easing of lockdown restrictions helped. Growing availability of online tools also contributed. Both demand and supply rebounded last month—just as they had plummeted in tandem in March and April—maintaining market conditions in balance and price trends more or less intact. Still we see signs of weakening property values emerging on the horizon. Sales-to-new listings ratios fell in Vancouver and Calgary, which could foreshadow similar declines in other markets in the coming months. We believe the severity of the COVID-19 recession will delay some first-time homebuyers' ownership plans at a time when some sellers might be in a more urgent situation to sell. This will soften price support.

**Toronto area:** Home resales rebounded from April's 30-year low although were still historically soft. The Toronto Region Real Estate Board said May sales climbed 53% month-over-month (on a seasonally adjusted basis) but were down 54% from a year ago and more than 50% relative the average over the last 10 years. New listings also rose from April to May (by 45% by our own count) which kept demand-supply conditions in balance. The rate of increase in the Toronto-area Home Price Index eased slightly from 10.2% y/y

### Toronto-area home resales

Thousand units, seasonally adjusted annual rate



Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

### Toronto-area sales-to-new listings ratio

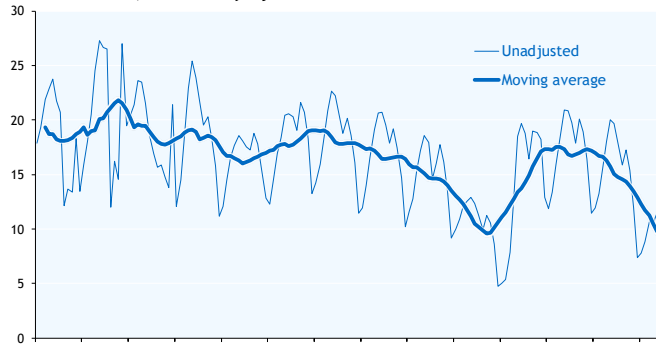
Seasonally adjusted



Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

### Active listings: Toronto area

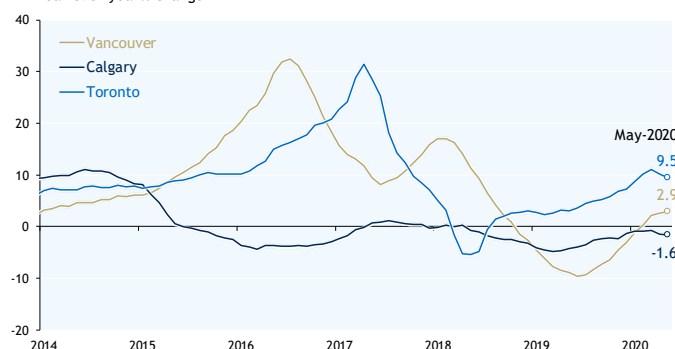
Thousand units, not seasonally adjusted



Source: Toronto Region Real Estate Board, RBC Economics

### MLS Home Price Index

Year-over-year % change



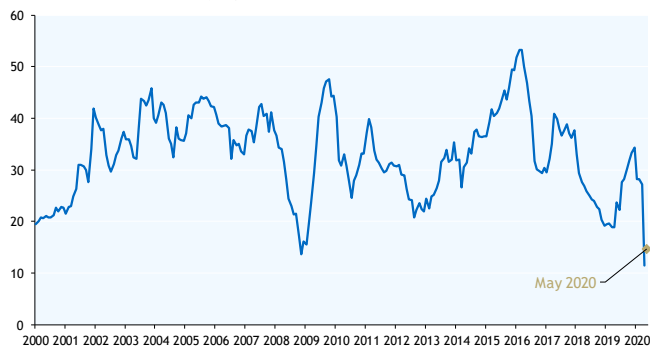
Source: CREA, TRREB, REBGV, CREB, RBC Economics

**Robert Hogue**

Senior Economist | 416-974-6192 | robert.hogue@rbc.com

**Vancouver-area home resales**

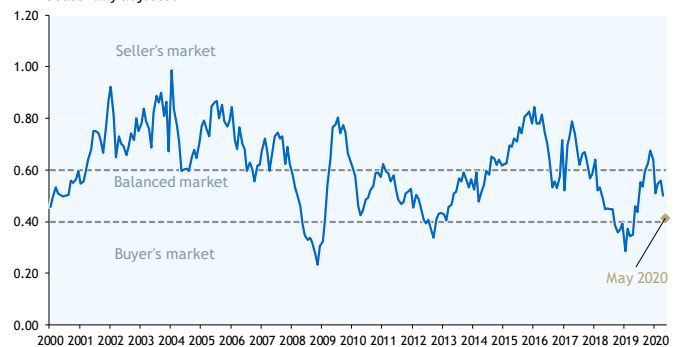
Thousand units, seasonally adjusted annual rate



Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

**Vancouver-area sales-to-new listings ratio**

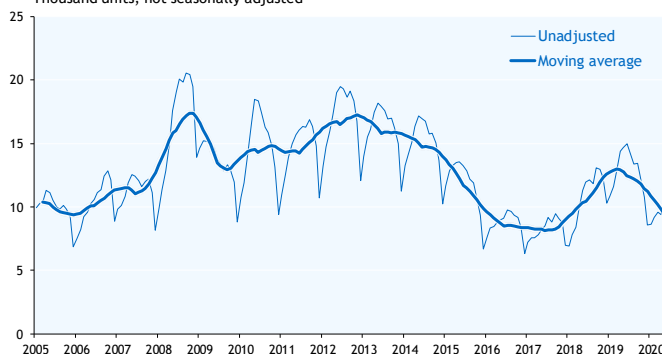
Seasonally adjusted



Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

**Active listings: Metro Vancouver**

Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics

**Calgary home resales**

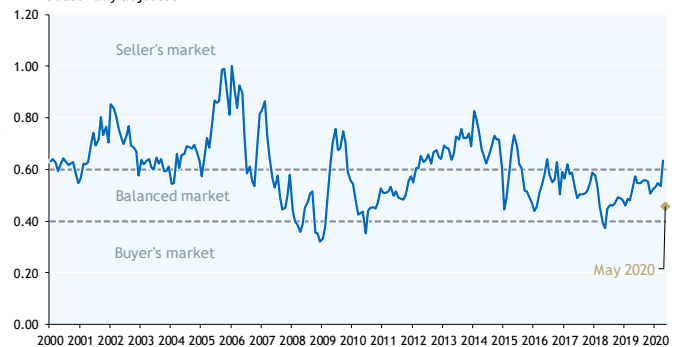
Thousand units, seasonally adjusted annual rate



Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics

**Calgary sales-to-new listings ratio**

Seasonally adjusted



Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics

in April to a still-strong 9.5% in May. We expect price support to erode gradually in the months ahead.

**Vancouver area:** Activity partly recovered last month, rising almost 30% from April—a 36-year low—based on our estimate of seasonally-adjusted resales. This was still down 44% from a year ago and 54% below the 10-year average. Supply rebounded a little more strongly than demand, however. We reckon new listings rebounded more than 50% from April on a seasonally-adjusted basis, pushing the sales-to-new listings ratio close to buyer's market territory. This didn't throw price trends off course in May—the area's HPI continued to rise 2.9% y/y—though any further deterioration would set the stage for a moderation in the period ahead.

**Calgary area:** The market came back to life in May after slumping to a 34-year low in April. The nearly 70% m/m increase in home resales last month we estimate reversed only about a third of the decline that occurred in March and April. May sales were still very weak: down 44% relative to a year ago and 45% compared to the 10-year average. Demand-supply conditions softened as new listings grew more rapidly than sales, further removing support for prices. Calgary's HPI continued to trend lower, falling 1.6% y/y. Calgary property values are vulnerable to a material decline. We expect COVID-19 and the downturn in the energy sector to hit Alberta's economy severely.