

November 7, 2024

## October sales gains an inflection point for Canada's housing markets?

Interest rate cuts are finally boosting housing market activity in a visible way across Canada. Early results for October from local real estate boards almost universally showed big jumps in home resales from September. Increases were even greater relative to year-ago levels when sales action was especially quiet in most areas.

It seems the 125 basis-point rate reduction the Bank of Canada has delivered to date is what many potential buyers had been waiting for to jump into the market. The material rise in inventories this year is also no doubt a source of motivation, giving buyers more options to choose from.

For the most part, strong seller competition is containing price gains. The MLS Home Price Index changed little between September and October. In Toronto, the index rose marginally for the first time in three months. Prices were still lower than they were a year ago in Vancouver, Victoria and Toronto.

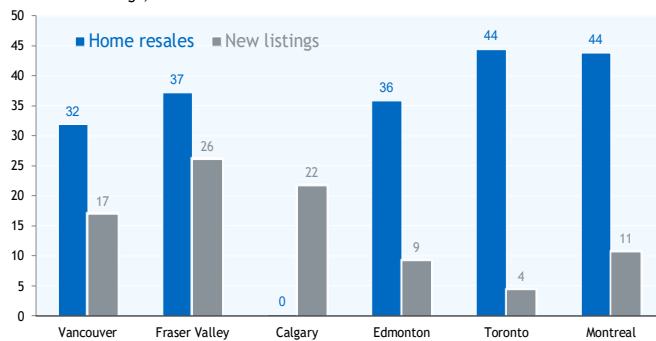
Strong sales far outpaced growth in new listings in October. This generally tightened supply-demand conditions. It brought Vancouver, Victoria and Toronto back into balance—after flirting with loose market settings in prior months that gave buyers the upper hand in negotiations. It also solidified sellers' bargaining power in Calgary, Edmonton and Montreal.

October could mark an inflection point in Canada's housing market recovery. With significant additional rate relief on the way—we expect the BoC will slash its policy rate by another [50 bps](#) in December, followed by five 25 bps cuts spread over the first three quarters of next year—and [mortgage insurance rules](#) to be relaxed in December, momentum is likely to build some more. Still, the market's ride could be bumpy considering how stretched affordability remains at this stage.

## Major market highlights: October 2024

### Market activity

Annual % change, October 2024



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

### Demand-supply conditions

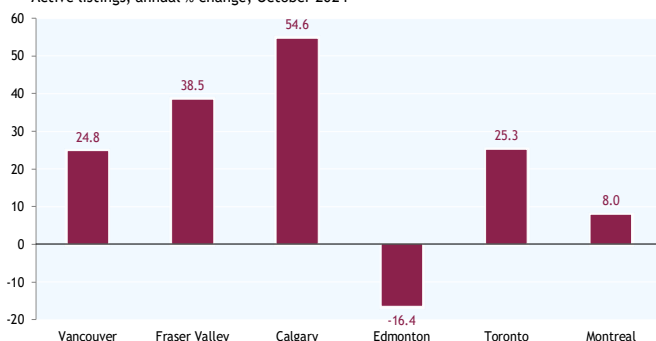
Estimated sales-to-new listings ratio, seasonally-adjusted, October 2024



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

### Inventories

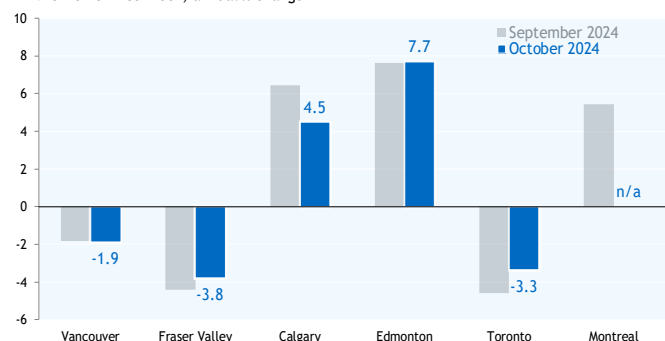
Active listings, annual % change, October 2024



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: Finally turning a corner

The action picked up noticeably in October following months of relative stagnation. Home resales jumped 14% from September, reaching their highest levels since January (on a seasonally-adjusted basis). The prior significant build-up in inventories muted the impact on prices: the MLS HPI rose just 0.1% between September and October. Still, this was the first gain in three months.

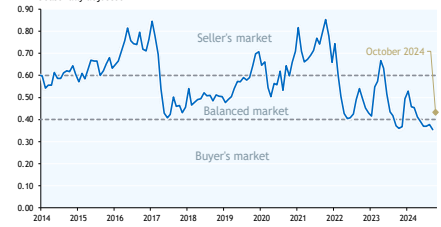
Condo prices continue to be under downward pressure. A wave of new unit completions this year has saturated the market, giving buyers significant leverage. The condo benchmark was down 6.1% from a year ago in October, or more than twice the 2.5% rate of decline for the single-detached home benchmark.

Housing affordability is extremely strained in the Toronto area and will remain a major obstacle for many potential buyers. Lower interest rates, however, should bring some relief and keep the market's recovery going in the period ahead.

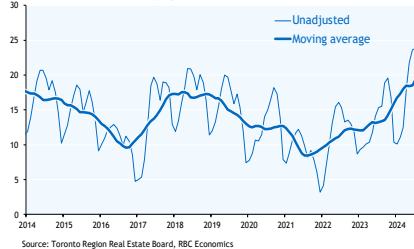
**Toronto-area home resales**  
Thousand units, seasonally adjusted annual rate



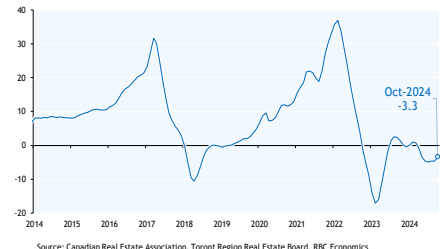
**Toronto-area sales-to-new listings ratio**  
Seasonally adjusted



**Active listings: Toronto area**  
Thousand units, not seasonally adjusted



**MLS Home Price Index: Toronto area**  
Composite MLS HPI, annual % change



## Montreal area: Activity nearly back to normal

It was shaky at first but the upturn in Montreal's market is increasingly picking up speed. We estimate home resales grew more than 6% between September and October (seasonally adjusted). This came on the heels of advances of 5.4% and 4.5% in the previous two months. If this trajectory is maintained, the recovery will be complete (i.e. sales back to pre-pandemic levels) in another three or four months.

Property listings haven't kept pace with the sales lately, which has tightened market conditions and sustained moderate price increases. The median price of single-family homes sold in October was \$589,000, up 8% from a year ago. The median price for a condo apartment was \$414,000, up 5%.

We expect further measured appreciation in the coming months, as interest rate cuts heats up homebuyer demand.

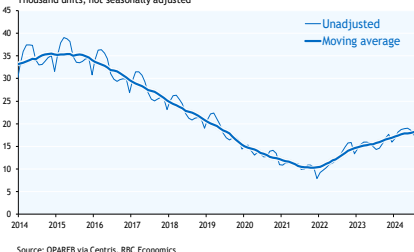
**Montreal-area home resales**  
Thousand units, seasonally adjusted annual rate



**Montreal-area sales-to-new listings ratio**  
Seasonally adjusted



**Active listings: Montreal area**  
Thousand units, not seasonally adjusted



**MLS Home Price Index: Montreal area**  
Composite MLS HPI, annual % change





## Vancouver area: Beginning to rebound

The market had a striking burst of energy in October, after more than a year of tepid growth. The outsized increase (+22% m/m, SA) took resales to a 17-month high—finally pulling the year-over-year change in sales activity into positive territory. Coming on the heels of a 3% m/m rise in September, it marks the first time since spring the Vancouver market recorded back-to-back advances. This could signal the beginning of a rebound in the Vancouver market.

New listings came down modestly last month, tightening up supply-demand conditions from a soft position. Vancouver's sales-to-new listings ratio jumped over the 0.50 threshold consistent with a balanced market for the first time since December. If sustained, it would set the stage for modest price appreciation in the period ahead.

For now, though, a large build up of inventories are preventing prices from gaining too much traction. The composite MLS composite HPI is still 1.9% below its year-ago level.

**Vancouver-area home resales**  
Thousand units, seasonally adjusted annual rate



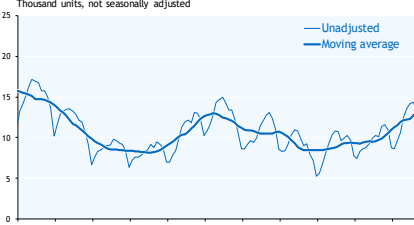
Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

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



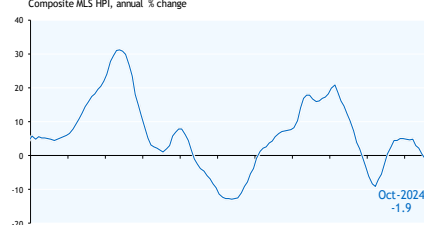
Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

**Active listings: Metro Vancouver**  
Thousand units, not seasonally adjusted



Source: Real Estate Board of Greater Vancouver, RBC Economics

**MLS Home Price Index: Vancouver area**  
Composite MLS HPI, annual % change



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

## Calgary: Market conditions continue to favour sellers

Calgary didn't see the same outsized increase in resale activity in October as other major markets did but it's largely because the starting point was much stronger. Home resales in Calgary have hovered some 50% above pre-pandemic levels this year—with more than 33,000 transactions taking place every month. Activity in most other markets has remained significantly below where it was in the late stages of 2019.

The erosion of sellers' strong negotiating position paused last month. For the first time since June, the increase in resale activity outpaced that of new listings, which slightly tightened up market conditions. Price gains, though, continued to moderate in October with the annual rate of increase easing to its lowest rate in over a year (+4.5%). We see additional interest rate cuts in the coming months keeping demand and prices on the rise.

**Calgary home resales**  
Thousand units, seasonally adjusted annual rate



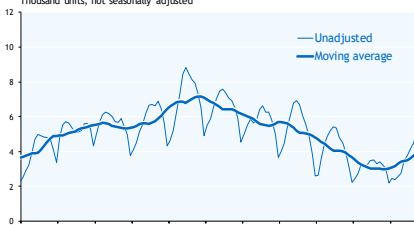
Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics

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



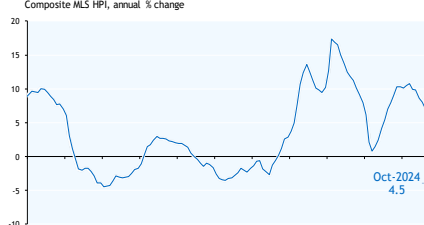
Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics

**Active listings: Calgary**  
Thousand units, not seasonally adjusted



Source: Calgary Real Estate Board, RBC Economics

**MLS Home Price Index: Calgary**  
Composite MLS HPI, annual % change



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

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