



May 7, 2024

Spring brings sellers out; buyers remain hesitant

Sellers are making their way back into the housing market—not everywhere but in some of Canada’s largest cities. Statistical reports for April from local real estate boards showed sharp increases in new listings and inventories in Vancouver, Toronto and Montreal. This could reflect a confluence of sellers that include many who took a pass at the fall market (when demand and prices dipped) in the hope of better outcomes this spring. Some of the sellers could be in distress in the face of high interest rates.

Buyers aren’t taking advantage of this increase in supply. Home resales, for the most part, fell between March and April. Vancouver was the lone exception among major markets where we estimate activity picked up (modestly) last month on a seasonally-adjusted basis. High rates and poor affordability clearly continue to weigh heavily on buyers. We expect such pressure to persist until several rate cuts have been implemented.

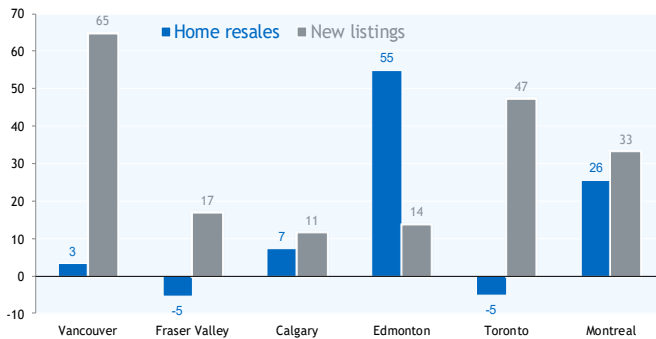
Demand-supply conditions eased across the board last month but remained balanced in most of Canada. Several Prairies markets—including Calgary and Edmonton—still strongly favour sellers.

Home prices picked up slightly in all major markets. The MLS Home Price Index in Toronto, for instance, rose sequentially for the third month in a row, albeit at a moderating rate. We [think](#) a vigorous, sustained recovery won’t take shape until interest rates fall meaningfully—something we peg for the second half of 2024.

Major market highlights: April 2024

Market activity

Annual % change, April 2024



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

Demand-supply conditions

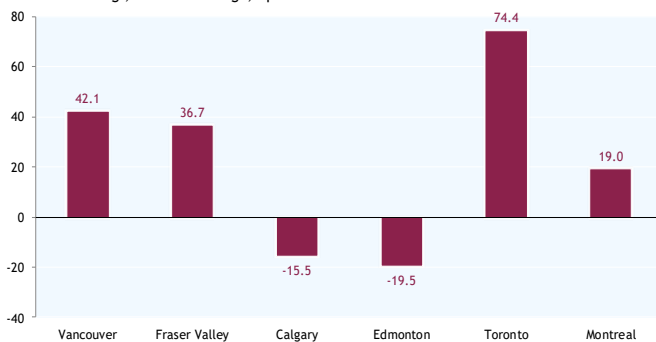
Estimated sales-to-new listings ratio, seasonally-adjusted, April 2024



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

Inventories

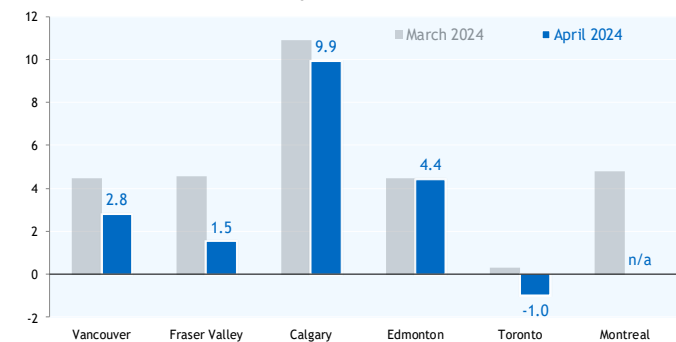
Active listings, annual % change, April 2024



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

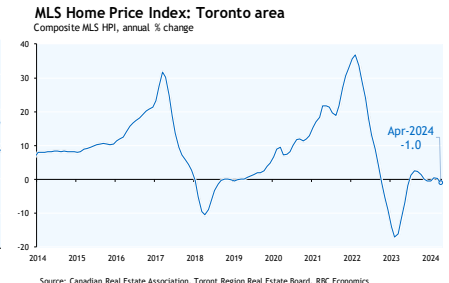
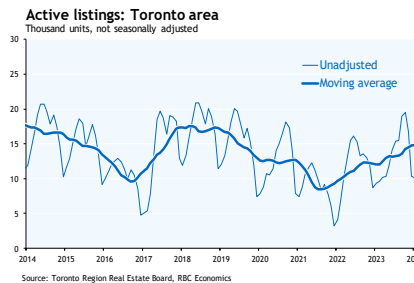
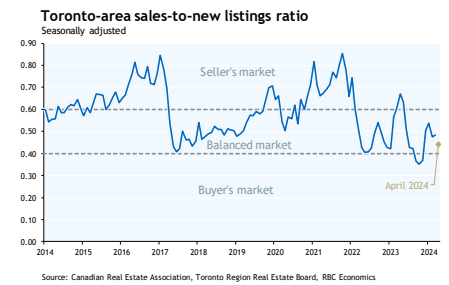
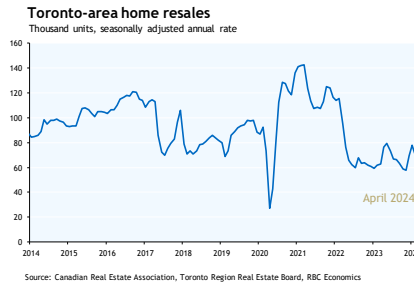
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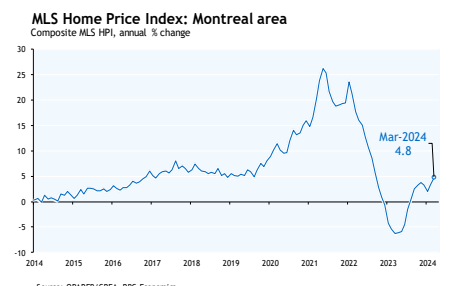
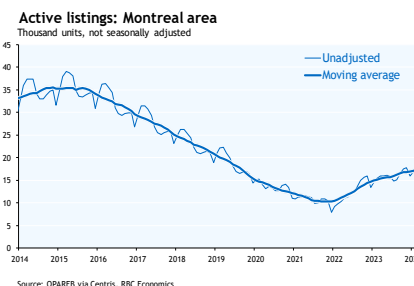
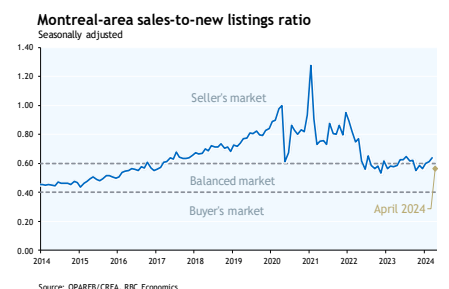
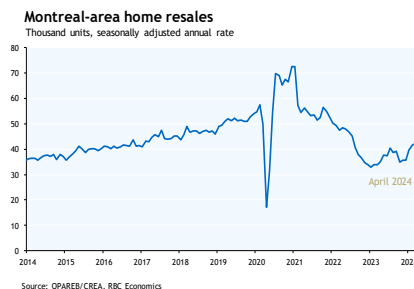
Toronto area—Spring market stays cool

The spring market has yet to warm up with home resales slipping back-to-back in March and April. The 3.4% m/m drop in April (seasonally-adjusted) occurred despite a solid 5.9% increase in new listings offering more purchasing options for buyers. This eased demand-supply conditions for the second time in three months, tilting the scale in buyers' favour. Property values still managed to slightly appreciate, though. The Toronto area's MLS HPI inched 0.4% higher m/m in April, marking the third-straight monthly gain. Zooming out of the last few months, prices can best be described as stagnant. At \$1.1 million, the benchmark price in April stood 1.0% lower than it was a year ago. We expect high interest rates and overstretched affordability will keep the recovery in resales and prices slow and possibly bumpy in the coming months.



Montreal area—A bump on the road to recovery

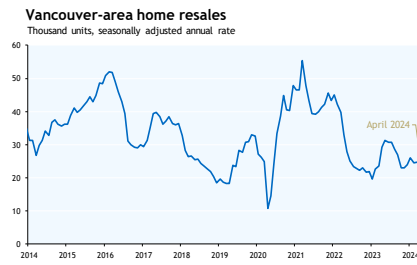
The market rally lost steam in April. We estimate home resales fell 5% m/m (seasonally adjusted) last month, following successive advances totaling 21% since November. Activity began to recover more than a year ago but hit some bumps along the way. April could just be another bump. There's still a long road ahead for home resales returning to pre-pandemic levels—some 30% gap. High interest rates are no doubt still holding back potential buyers at this stage. But historically low inventories may also be restraining the flow of transactions, keeping demand-supply conditions relatively tight. Home prices resumed their ascension this year after a bout of softness in the fall. Single-detached homes so far are seeing the strongest price gains, with the median value up 7.5% in the past three months. The median condo price increased only 2.7% over the same interval. The rate of increase slowed in April for both housing categories, which we see as a sign that prices will flatten in the coming months before re-accelerating later this year once interest rates have come down meaningfully.



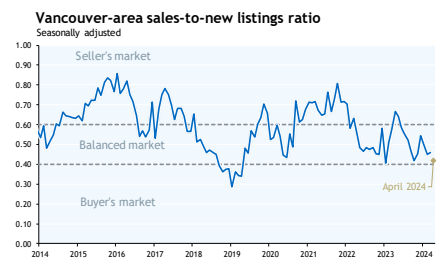


Vancouver area – Seller influx boosts inventories

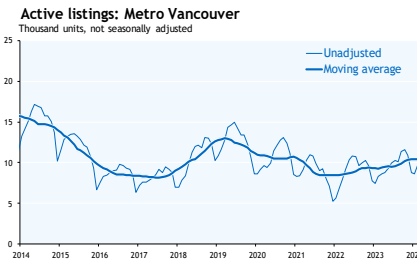
A sharp increase in properties offered for sale was the market's highlight in April. We estimate new listings grew 15% m/m (seasonally adjusted). The increase was significantly larger relative to a year ago at 65%. This material influx boosted active listings to their highest level since September 2020. With buyers seeing more supply to choose from, are they taking the plunge? Some of them did last month. By our calculations, home resales rose 5% m/m in April. But that left most of the new supply unspoken for—loosening demand-supply conditions. Home prices have been essentially flat so far this year. The annual rate of increase in the MLS HPI even decelerated slightly in April to 2.8% from 4.5% in March. Any further rapid supply increase would exert downward pressure on prices. Affording the purchase of a home is extremely difficult in Vancouver and will continue to be a major constraint for buyers.



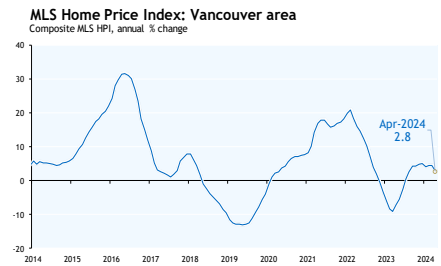
Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics



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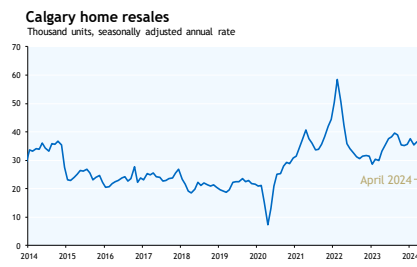
Source: Real Estate Board of Greater Vancouver, RBC Economics



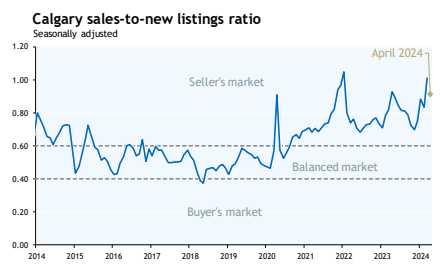
Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

Calgary – Tight supply, strong demand

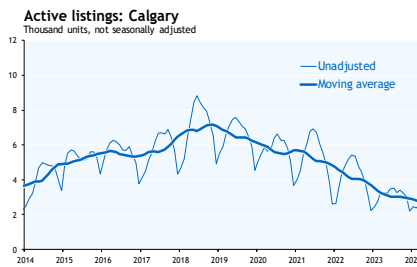
Supply is running short in Calgary and it's restraining activity. Active listings have sunk near decades lows this year, which makes it harder for buyers to find properties that meet their needs and budget. New listings continued to drift lower in April. They fell sequentially for a fifth consecutive time based on our own a seasonally adjustment calculations. Supply constraints may have capped off activity but they did so at a historically high level—more than 50% above pre-pandemic level. So despite some stagnation, Calgary remains Canada's housing hotspot. The annual rate of increase in prices is close to double-digits (9.9% in April) and by far the strongest among the country's bigger markets. We see little that will change this solid picture in the near term. Housing demand remains exceptionally strong in the area, fueled by tremendous population growth.



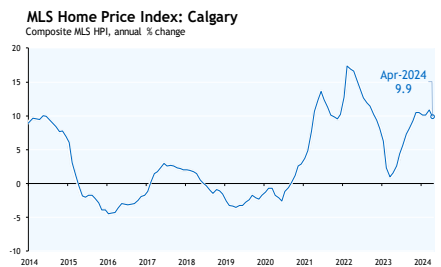
Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics



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