

MONTHLY HOUSING MARKET UPDATE

May 15, 2023

Home resales in Canada

Thousand units, seasonally adjusted and annualized



Source: Canadian Real Estate Association, RBC Economics

Sales-to-new listings ratio in Canada

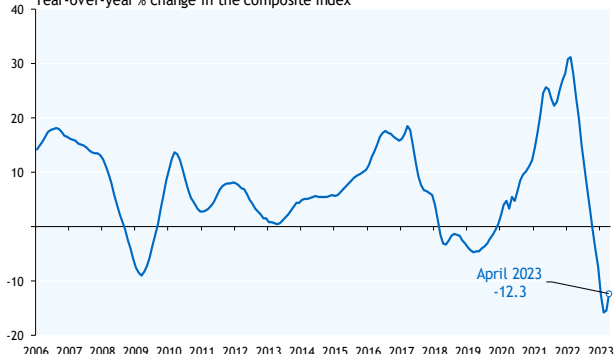
Seasonally adjusted



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

'Game on' for Canada's housing market?

Spring 2023 increasingly looks like the turnaround point for Canada's housing market after a year-long slump. April home resales spurted 11.3% m/m nationwide, marking the strongest monthly advance almost three years. Prices rose in back-to-back months (including a 1.6% gain in April for the MLS Home Price Index) for the first time since early 2022—with the vast majority of local markets contributing. And perhaps more importantly, demand-supply conditions suddenly appear tight. Resurging demand and low inventories have put sellers back in the driver's seat in most major markets, including Toronto, Vancouver, Calgary and Halifax.

Activity is still running (11%) cooler than just before the pandemic but possibly not for long, especially if more sellers enter the market. The latter have so far remained hesitant to make a move. New listings significantly lagged resales, rising just 1.6% m/m in April on the heels of a sharp 13.6% decline between January and March.

Rising prices could spur more sellers into action. We suspect many have been waiting out the correction until conditions turned in their favour. A rise in supply would help unlock more of the pent-up demand that built over the past year.

Spring fever hits buyers in Toronto and Vancouver...

Earlier tentative signs of a turnaround in Toronto and Vancouver were confirmed in a big way in April. Home resales jumped 27% and 25% m/m, respectively, rolling back roughly one-quarter of the correction in one go. It appears buyers are quickly regaining confidence in both markets now that the Bank of Canada has paused its aggressive rate hike campaign.

...and turns up the heat in other markets

The mood is becoming more upbeat in many other markets too. Resales also picked up solidly in Victoria (up 13% m/m), Calgary (up 12%), Hamilton (up 18%), Kitchener-Waterloo (up 16%), London (up 15%), Ottawa (up 14%) and Halifax (up 17%). These advances occurred despite further declines in homes listed for sale in most cases.

Price correction is over: property values are rising across the country

Demand-supply conditions have tightened in the majority of places in April,

April 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	11.3	-19.5	1.6	-26.3	1.6	-12.3	0.70
Toronto	27.0	-5.9	6.5	-38.3	2.4	-12.1	0.78
Montreal	1.6	-26.1	1.4	-11.0	0.7	-6.0	0.58
Vancouver	25.3	-16.5	5.9	-29.8	1.8	-7.4	0.70
Calgary	12.3	-24.2	-4.8	-31.8	1.0	1.3	1.04
Edmonton	3.6	-31.4	-2.0	-27.6	-0.4	-9.0	0.65
Ottawa	14.2	-20.7	-2.0	-24.5	1.5	-12.2	0.72

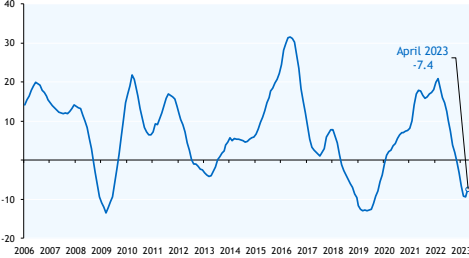


giving sellers more pricing power. And they wasted no time using it. By our count, the MLS HPI increased in over three-quarters of local markets from March levels. Some of those gains were sizable. The index jumped 5.4% m/m in Hamilton, 5.1% in Cambridge and 3.9% in Kitchener-Waterloo for example. In Toronto, a 2.4% rise was the second in as many months, adding more than \$35,000 to the benchmark price in the process (now sitting at \$1.11 million). It was a similar story in Vancouver where the benchmark price is up \$23,000 (or 2.0%) over the last two months. The rebound was more subdued in Montreal, though, with the MLS HPI appreciating just 0.7% (\$3,500).

Upside risk to our forecast

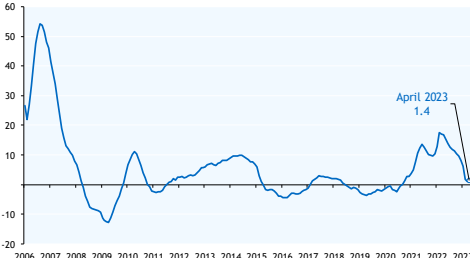
April’s widespread vigour is a surprise to us. While we did expect the market to reach its cyclical bottom this spring, we thought it would take a while for the heat to return. Our view was—and remains—that the significant loss of affordability in the past year would keep buyers timid for some time. First-time buyers, in particular, continue to face major hurdles. Perhaps soaring immigration and a boiling hot rental market are becoming the primary driving forces fueling homebuyer demand. In which case, we could see prices extending April’s gains—possibly materially.

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



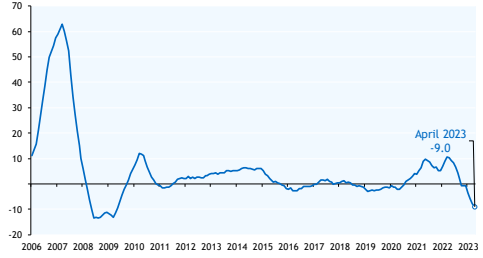
Source: Canadian Real Estate Association, RBC Economics

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



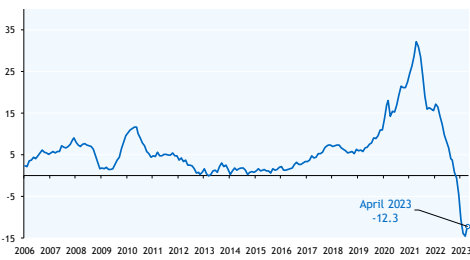
Source: Canadian Real Estate Association, RBC Economics

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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