

MONTHLY HOUSING MARKET UPDATE

July 12, 2024

Home resales in Canada

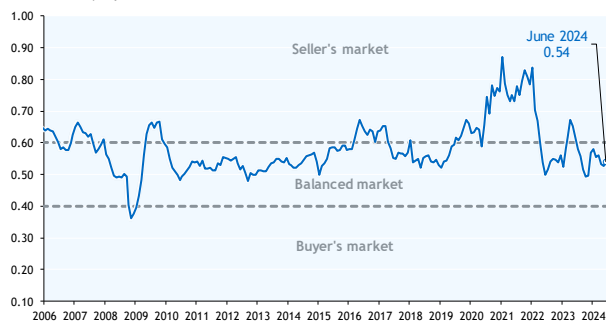
Thousand units, seasonally adjusted and annualized



Source: Canadian Real Estate Association, RBC Economics

Sales-to-new listings ratio in Canada

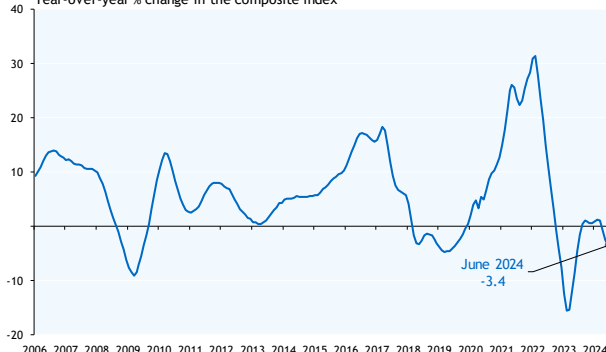
Seasonally adjusted



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

Rate cut gives small boost to Canada's housing market

The first Bank of Canada interest rate cut in four years brought some energy to Canada's housing market in June but it came well short electrifying activity—which remains generally soft. Home resales last month were still within the range they've been in since the spring of 2023 despite picking up 3.7% from May. It's still 9% below pre-pandemic levels nationwide.

The modest bump in sales was widespread with just a few markets (Winnipeg, Trois-Rivières and St. John's) bucking the trend. In most cases, the rise wasn't sufficient to reverse earlier monthly declines, leaving current activity weaker than a year ago.

Encouraging news on interest rates may not have been the only factor motivating buyers. Rising inventories have provided more purchasing options. Sellers have come to market in greater numbers this year, including in June. New listings rose sequentially for the fifth time in the past six months across Canada. There were notable increases in the Fraser Valley (12.1% from May), Toronto (9.8%) and Vancouver (8.4%).

The rebalancing of supply and demand from previously tight conditions is stabilizing prices. The national aggregate MLS Home Price Index has essentially flattened this spring—below levels from a year ago. The HPI benchmark was \$717,700 (seasonally adjusted) in June, up a marginal 0.1% from May and little changed since March.

Prices in many Prairie markets continue to outpace the national average owing to strong demand and scarce inventories. Explosive population growth in Calgary, and to a lesser extent Edmonton, in particular, puts tremendous pressure on local housing stocks, driving up property values.

Price trends are largely stagnant in Ontario and British Columbia. Buyers in some of these markets are the most severely challenged by the affordability crisis. Property values continue to appreciate—albeit just barely—in both Toronto and Vancouver. However, they have come down more than 5% in the Fraser Valley since September.

The price picture is one of sustained modest gains in most of Quebec and the Atlantic provinces. Supply-demand conditions generally remain tight in these markets despite inventories gradually increasing from historically low levels.

June 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	3.7	-9.4	1.5	2.9	0.1	-3.4	0.54
Toronto	4.1	-16.9	9.8	13.2	0.4	-4.6	0.37
Montreal	3.9	6.4	0.1	7.6	1.0	4.7	0.60
Vancouver	8.3	-19.1	8.4	7.2	0.0	0.5	0.45
Calgary	1.0	-11.4	-4.5	-2.5	0.3	8.6	0.79
Edmonton	0.6	7.3	-2.9	-0.4	1.2	7.1	0.74
Ottawa	10.3	-2.0	-5.7	3.5	0.0	-0.5	0.58

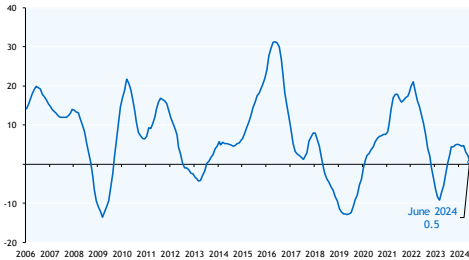


Slow recovery in view

Additional interest rate cuts are poised to stimulate homebuyer demand across the country. But the boost will likely be incremental. We believe rates must come down materially before they make a meaningful dent in ownership costs, especially in Canada’s most expensive markets. For this reason, we expect the housing market recovery to be slow through the remainder of this year before accelerating somewhat next year once both short and long-term rates are materially lower.

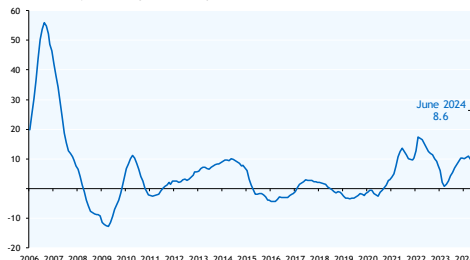
We see the same for prices though some markets such as Toronto could experience renewed downward pressure in the near term if inventories build up more significantly.

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



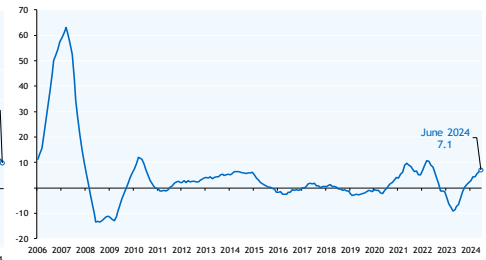
Source: Canadian Real Estate Association, RBC Economics

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



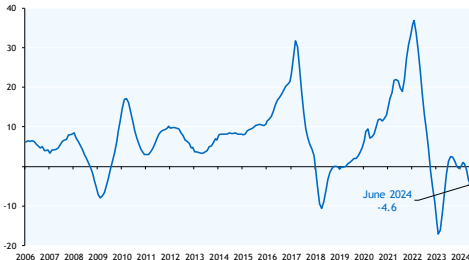
Source: Canadian Real Estate Association, RBC Economics

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



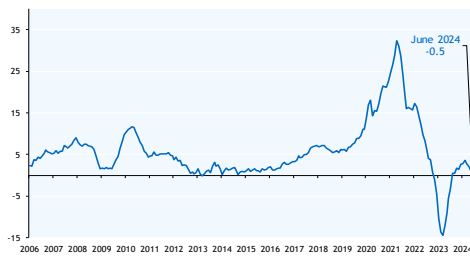
Source: Canadian Real Estate Association, RBC Economics

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



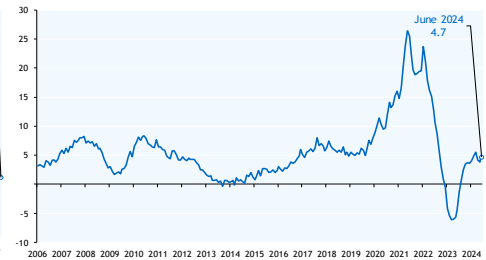
Source: Canadian Real Estate Association, RBC Economics

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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