

MONTHLY HOUSING MARKET UPDATE

June 17, 2024

Home resales in Canada

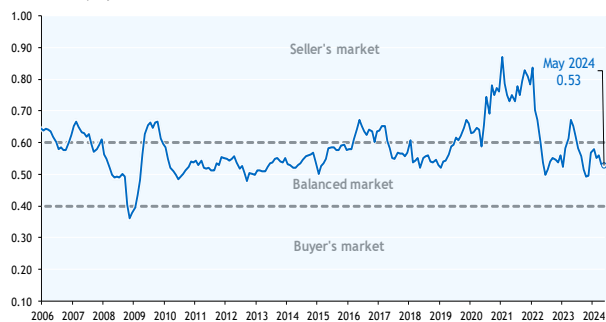
Thousand units, seasonally adjusted and annualized



Source: Canadian Real Estate Association, RBC Economics

Sales-to-new listings ratio in Canada

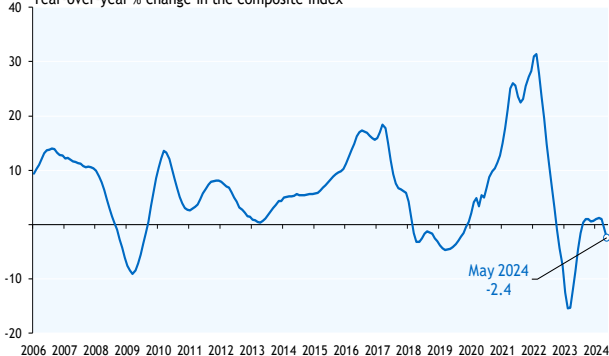
Seasonally adjusted



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

Homebuyers played the waiting game in May

The spring-long stalemate between buyers and sellers stretched into May. Home resales and prices were little changed nationwide last month, edging 0.6% and 0.2% lower m/m, respectively. High interest rates and poor affordability have taken the wind out of the market's sail for some time but a looming rate cut—which the Bank of Canada delivered in early June—likely prompted some buyers to hold off on any purchase until the uncertainty cleared.

Meanwhile, inventories continue to build. Expressed in number of months of sales, they've rebounded to pre-pandemic levels (4.4 months) in Canada. New listings rose m/m for the fourth time in the last five months in May. Broadly speaking, the increase in supply is returning the market into balance, after reaching extreme lows during the pandemic.

Soft spring in Ontario

The housing market situation still varies considerably across the country. The action got especially quiet this spring in Ontario with resales slipping successively, almost entirely reversing last fall's mini-rally in the process. Supply-demand conditions have swung in buyers' favour in a majority of markets in the province and home prices eased m/m in a handful of them, including the Greater Toronto Area.

It's also been a slow spring in British Columbia, Quebec, New Brunswick and Nova Scotia though prices generally held firm. Balanced market conditions continue to provide support for property values despite a steady rise in supply. The MLS Home Price Index appreciated modestly May in Victoria (0.5% m/m), Vancouver (0.3%), Montreal (0.3%), Moncton (0.2%) and Saint John (0.9%). It fell in Halifax (-0.6% m/m), however—following a hefty gain in April.

Prairie markets hectic

Buyers and sellers have stayed busy over the past several months in most of Alberta and Saskatchewan. The volume of home sale transactions handily surpassed pre-pandemic levels in Calgary, Edmonton, Regina and Saskatoon. That was the case still in May even though activity slipped m/m in the last three of these markets. Very tight supply-demand conditions continue to apply strong upward price pressure. Calgary leads the country with a near double-digit annual rate of increase in its MLS HPI (+9.8%).

May 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	-0.6	-5.9	0.5	13.5	-0.2	-2.4	0.53
Toronto	-1.8	-22.2	2.6	22.5	-0.4	-3.5	0.40
Montreal	-1.9	3.6	-2.0	15.8	0.3	3.8	0.57
Vancouver	-6.5	-19.8	-7.2	8.6	0.3	2.3	0.45
Calgary	6.2	-1.2	13.6	14.7	0.9	9.8	0.74
Edmonton	-1.9	19.7	6.1	9.5	0.5	6.1	0.71
Ottawa	-0.3	-9.3	5.9	24.9	0.5	1.2	0.48



Edmonton (+6.1%) isn't far behind. Property values appreciated further m/m in both markets in May. The same wasn't true in Regina and Saskatoon, though, where slight m/m declines were recorded.

More interest rate cuts likely needed to get the market moving faster

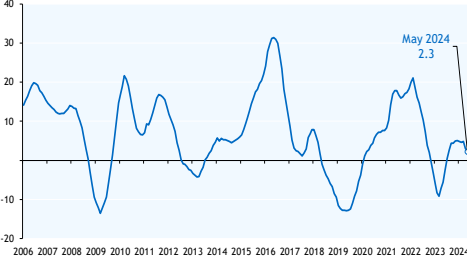
The Bank of Canada's June rate cut could potentially break the stalemate if it pulls in a critical mass of buyers from the market's sidelines. However, our view is a 25 basis-point reduction in the still-high policy rate on its own won't make much of a difference for most (heavily) budget-constrained buyers. Several more cuts—as well as a meaningful drop in longer term rates—would be needed to open the tap into the large pent-up demand that has built over the past couple of years. We think more favourable conditions will emerge later this year and into next. We expect the Bank of Canada to cut its rate a further 75 basis points by the end of this year and 100 basis points in 2025.

Steady flow of sellers to be sustained

Supply is likely to grow in the meantime. Still-high interest rates will continue to sting current mortgage holders, prompting some of them—including investors—to sell. Mounting housing completions are also bringing more properties to market. A flurry of newly completed condo projects in Toronto, for instance, have recently contributed to the growth in inventories in that market.

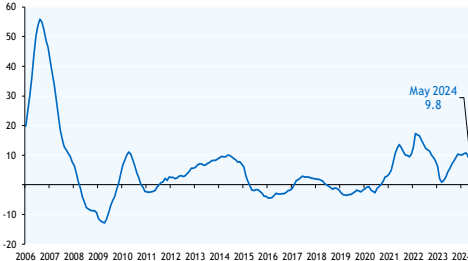
We expect muted demand and growing supply will keep prices largely stagnant in the near term in most markets outside the Prairies.

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



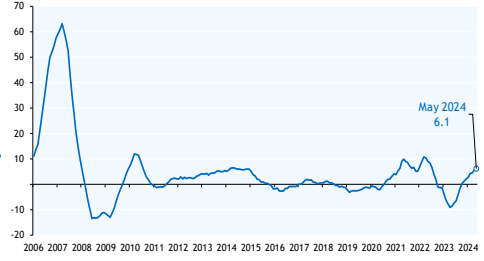
Source: Canadian Real Estate Association, RBC Economics

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



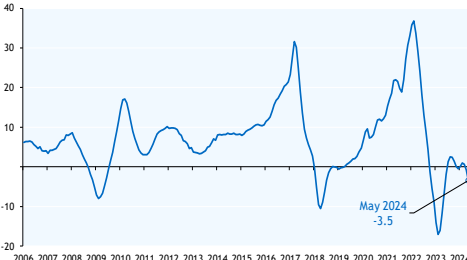
Source: Canadian Real Estate Association, RBC Economics

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



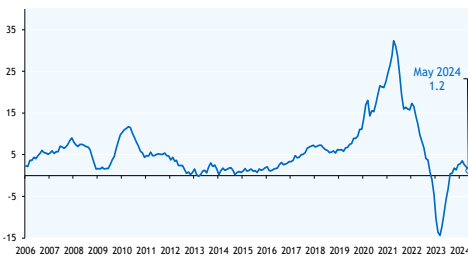
Source: Canadian Real Estate Association, RBC Economics

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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