

January 7, 2020

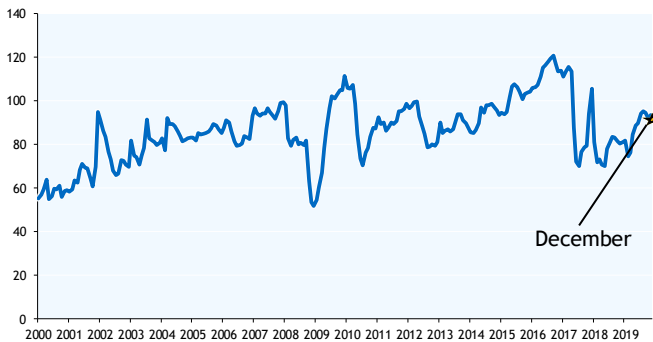
Toronto housing market became more expensive, Vancouver more active in December

2019 ended on a much stronger note than it started for two of Canada’s largest housing markets. Early real estate board-level results showed December home resales rising well above year-ago levels in both the Toronto (up 17.4%) and Vancouver (up 88.1%) areas. This marked an impressive turnaround from the very weak conditions prevailing at the start of 2019. There’s been increasing evidence since then that buyers have adjusted to earlier policy changes—including the mortgage stress test. Modest declines in mortgage rates over the first half of the year also helped spur demand. The bigger issue now is low inventories. Very tight demand-supply conditions in December have led to the strongest rise in property values (+7.3% year-over-year) in Toronto since November 2017. Vancouver’s benchmark price was still down from a year ago (-3.1% in December) but not for much longer—it’s been rising month-over-month over the last five months. Reports from other real estate boards point to generally solid results in December. Home resales rose from a year ago in Ottawa (up 15.3%), Edmonton (up 9.9%), Calgary (up 8.3%) and Victoria (up 7.2%). There were further signs that price declines are easing gradually in Calgary and Edmonton.

The main story in the **Toronto area** throughout the fall of 2019 has been shrinking inventories. This was especially the case in December with new listings falling more than 18% from a year ago, and active listing plummeting 35%. The dearth of supply is making buyers’ property search more challenging. Home resales have levelled off since September on a seasonally-adjusted basis despite demand remaining strong. By our count, home resales fell by approximately 3% between November and December. Because new list-

Toronto-area home resales

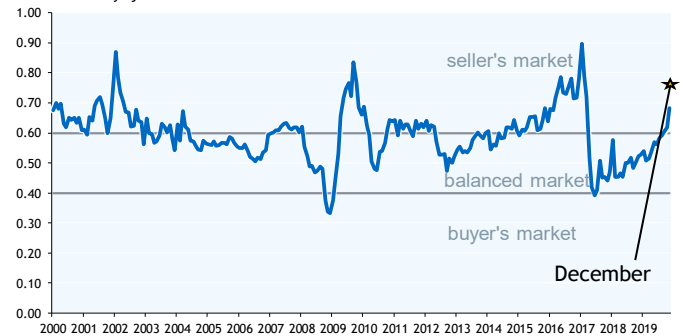
Thousand units, seasonally adjusted annual rate



Source: CREA, RBC Economics

Toronto-area sales-to-new listings ratio

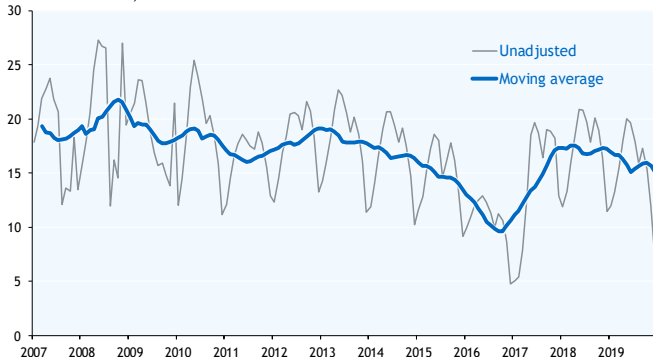
Seasonally adjusted



Source: CREA, RBC Economics

Active listings: Toronto area

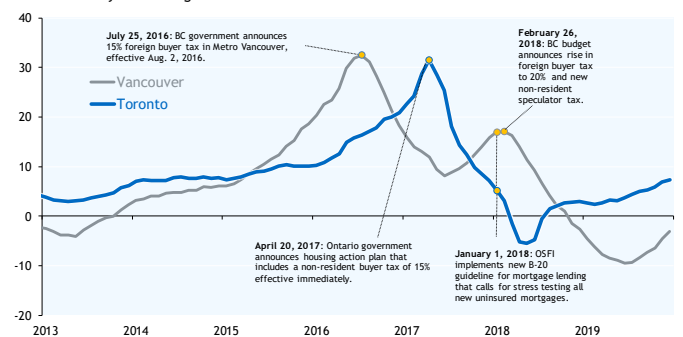
Thousand units, NSA



Source: Toronto Real Estate Board, RBC Economics

MLS Home Price Index

Year-over-year % change



Source: CREA, TREB, REBGV, RBC Economics

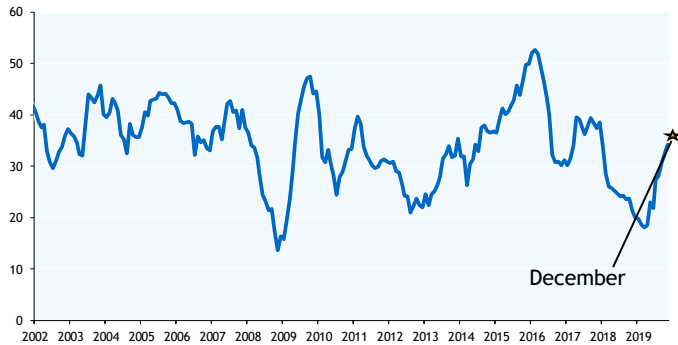
Robert Hogue

Senior Economist | 416-974-6192 | robert.hogue@rbc.com



Home resales: Vancouver area

Thousand units, SAAR



Source: CREAA, RBC Economics

Vancouver-area sales-to-new listings ratio

Seasonally adjusted



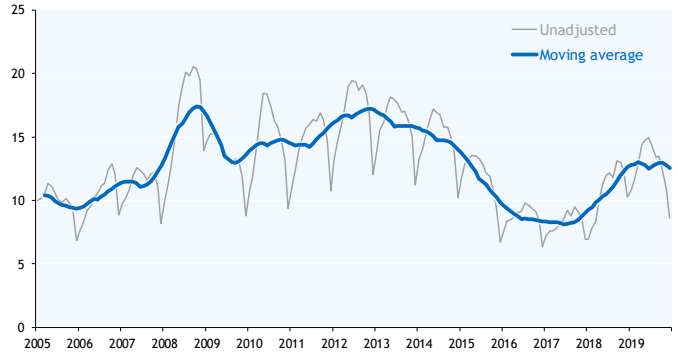
Source: CREAA, RBC Economics

ings fell even more sharply during the month, demand-supply conditions tightened further to a degree unseen since early-2017. So it was no surprise that property values got hotter. In fact, odds are they will continue to heat up at an accelerating rate in the months ahead with sellers squarely in the driver's seat.

The eye-catching, 88% y/y surge in home resales in the **Vancouver area** in December says as much about the depth of the slump in December 2018 as the current, more buoyant state of affairs. A year ago, Vancouver's market was fast approaching its lowest point since the Great Recession, which set a very flattering comparison basis. Still, confidence in the market clearly has returned. All the recent policy and regulatory changes appear to be in buyers' rear view mirror now. We estimate home resales grew for a sixth-straight month in December on a month-over-month basis, rising by more than 4.5% from November. New listings haven't kept up. The market balance is quickly shifting in favour of sellers. Home prices are poised to maintain an upward trajectory in the period ahead—quite possibly rising above year-ago levels by the spring (or even earlier). After seeing some affordability reprieve over the past couple of years, Vancouver buyers will again find harder to achieve their home ownership dream in 2020.

Active listings: Metro Vancouver

Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics