

August 6, 2020

Spring housing market blooms in July

It increasingly appears most real estate transactions that didn't take place in March through May were simply delayed. Canada's housing market ramped up significantly in June as provincial governments further reopened the economy, and market participants adapted to buying and selling homes during a pandemic. These factors bolstered the market even more in July. Local real estate boards are now reporting supercharged activity last month—traditionally a quieter mid-summer period—with resale increases ranging from 12% y/y (Calgary) to 46% (Montreal). On a seasonally-adjusted basis (which will be officially published later this month), July activity could well be the strongest ever seen in Toronto and Montreal. We suspect Ottawa was in the same camp (July figures for Ottawa have yet to be released). Buyers who bid their time at the height of the pandemic clearly have played catch-up these past couple of months, displacing the spring season into the summer. But so have sellers. New listings also rose markedly in most markets in July. In contrast to June, though, the increase generally wasn't quite as strong as the rise in resales. This tightened demand-supply conditions and propelled home prices higher. We expect the market's vigour to continue in August and perhaps September. We believe there's still some pent-up demand left to satisfy. The plunge in activity at the seasonal high point (spring) potentially delayed as many as 70,000 transactions that would have otherwise occurred across Canada during this period. We expect the phasing out of CERB and other financial support programs, high unemployment and lower in-migration to cool housing demand later this year.

Toronto area: The market surged further to (quite possibly) a record high in July. The Toronto Region Real Estate Board

Toronto-area home resales

Thousand units, seasonally adjusted annual rate



Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

Toronto-area sales-to-new listings ratio

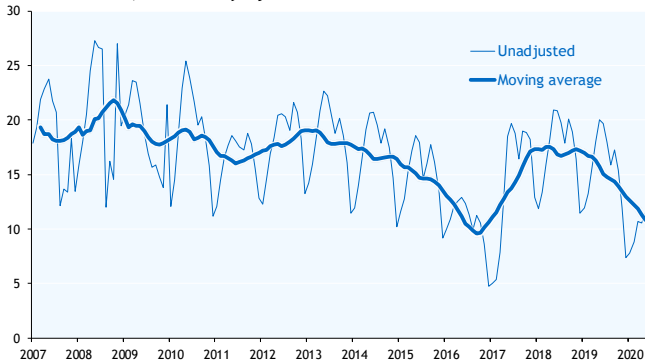
Seasonally adjusted



Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

Active listings: Toronto area

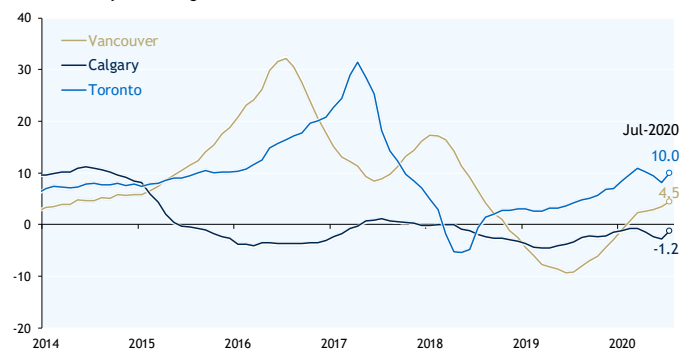
Thousand units, not seasonally adjusted



Source: Toronto Region Real Estate Board, RBC Economics

MLS Home Price Index

Year-over-year % change



Source: CREA, TRREB, REBGV, CREB, RBC Economics

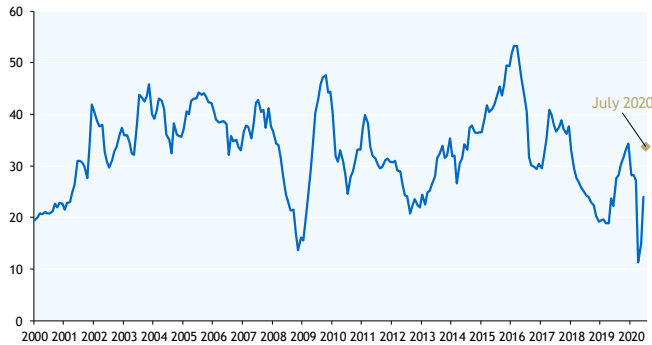
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Vancouver-area home resales

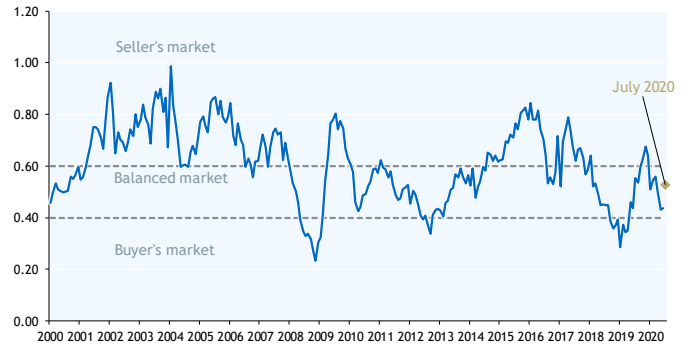
Thousand units, seasonally adjusted annual rate



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

Vancouver-area sales-to-new listings ratio

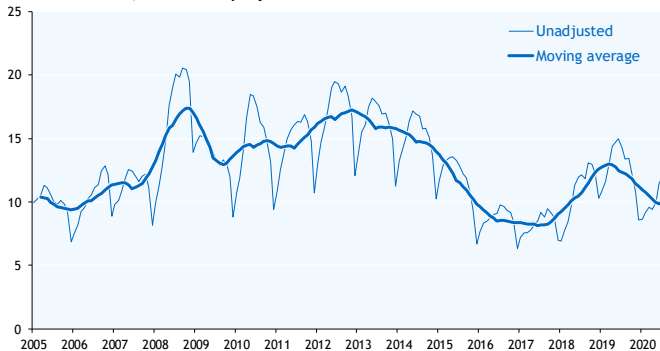
Seasonally adjusted



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

Active listings: Metro Vancouver

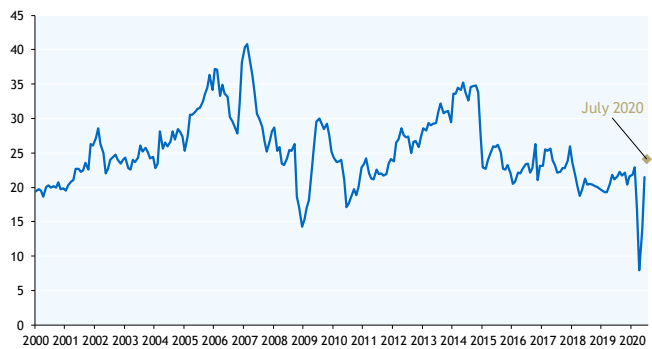
Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics

Calgary home resales

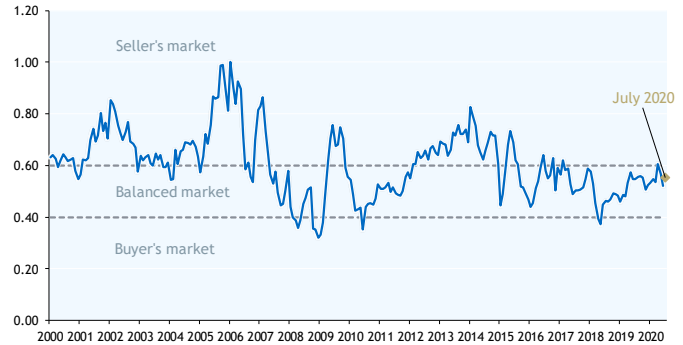
Thousand units, seasonally adjusted annual rate



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

Calgary sales-to-new listings ratio

Seasonally adjusted



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

said home resales jumped 29.5% from a year ago, and 49.5% from May on a preliminary seasonally-adjusted basis. Sales of low-rise homes were particularly strong in the 905 area (were single detached sales soared 48% y/y), which supports the notion the pandemic is driving more buyers to the suburbs. Condo sales rose modestly (up 6.7% y/y overall). Supply has not kept up with demand. We estimate the GTA market swung back into a position favouring sellers. Home prices have accelerated in July with the MLS HPI rising 10.0% y/y, from 8.2% in June.

Vancouver area: Activity has returned to pre-COVID levels. The Real Estate Board of Greater Vancouver reported a 22.3% y/y sales increase last month. According to our own calculations, this puts the monthly advance at more than 40%, and seasonally-adjusted level some 20% above where it was in February 2020. Detached homes saw a larger gain (33% y/y) than condos (up 13%). Demand-supply conditions remained balanced, however, as new listings rose a strong 29% y/y. Home prices continued to drift higher, albeit at a slightly faster rate of 4.5% y/y.

Calgary area: The market also fully reversed the COVID-related losses last month. Home resales were up nearly 12% y/y, which translates into a 13% gain from June on a seasonally-adjusted basis. It's important to remember activity levels were on the soft side pre-COVID so the market still isn't out of the woods yet. Property values continue to fall (relative to a year ago) but the pace slowed in July thanks to a modest strengthening in demand-supply conditions in recent months. Calgary's MLS HPI was down 1.2% y/y in July compared to a 2.8% decline in June.