

May 5, 2020

Super quiet April could be the cyclical low point

As expected, social distancing orders definitely quieted down Canada’s housing market in April. Local real estate boards are reporting dramatic 40%-70% declines in home resales to generational lows, as both buyers and sellers prudently opted to sit things out. Prices generally held up though the mix of transactions was skewed toward less expensive neighborhoods. April could prove to be the cyclical low point for home resales. Some provinces are now beginning to ease social distancing restrictions, which we believe will help house hunting function a little more normally going forward in parts of the country. Any recovery will be gradual at first. Health considerations and concerns about job prospects will remain top of mind. The risk of a sharp price decline is low near term—except in Calgary and other harder-hit markets where property values were already depreciating before COVID-19—thanks in part to the extraordinary policy response from all levels of government and the Bank of Canada, as well as accommodating measures offered by financial institutions. That said, the odds rise the deeper and longer the recession gets.

Toronto-area home resales plummeted to their lowest level in 30 years in April. The Toronto Region Real Estate Board reported a 67% plunge compared to a year ago, and 66% from March on a seasonally-adjusted basis—both the largest declines on record. Clearly, COVID-19 sent many homebuyers to the sidelines. It did the same to home sellers as well. New listings nose-dived 65% y/y. Strong reactions on both sides of the market kept demand-supply conditions in balance, maintaining support for prices. That support softened a little, though. The area’s MLS home price index decelerated marginally from an 11.1% y/y increase in March to a

Toronto-area home resales

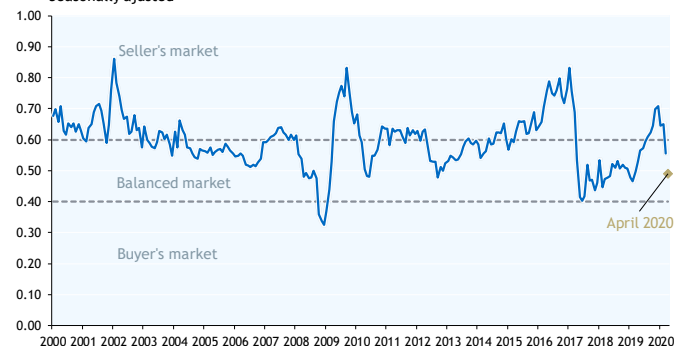
Thousand units, seasonally adjusted annual rate



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

Toronto-area sales-to-new listings ratio

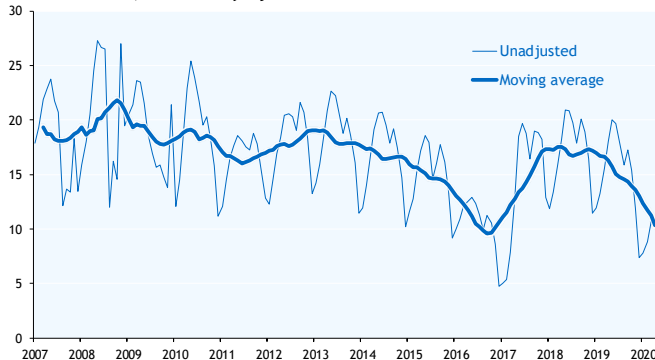
Seasonally adjusted



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

Active listings: Toronto area

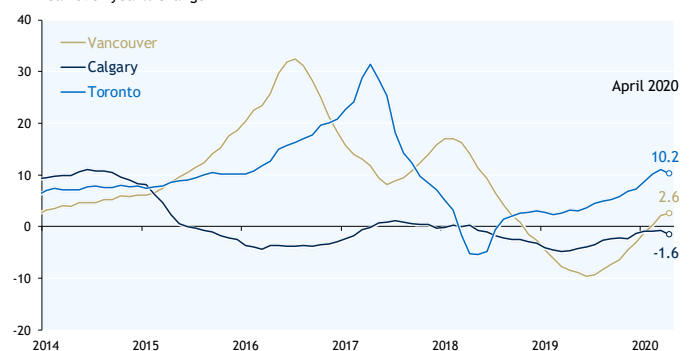
Thousand units, not seasonally adjusted



Source: Toronto Region Real Estate Board, RBC Economics

MLS Home Price Index

Year-over-year % change



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

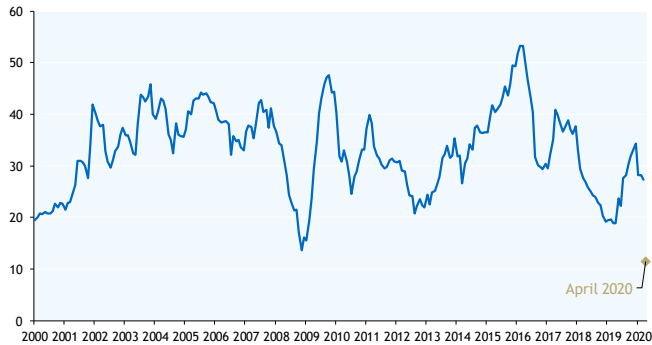
Robert Hogue

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



Vancouver-area home resales

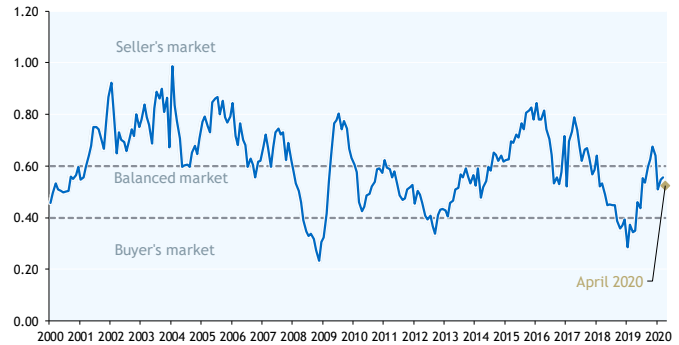
Thousand units, seasonally adjusted annual rate



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

Vancouver-area sales-to-new listings ratio

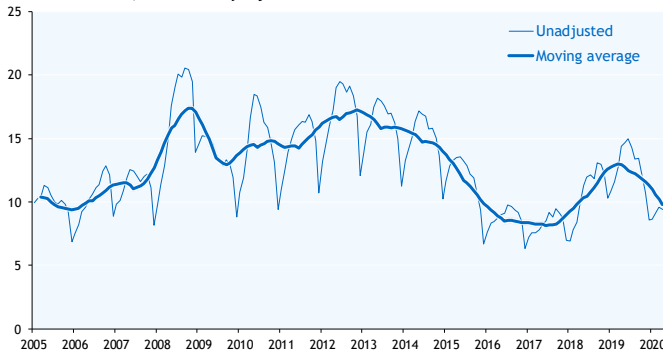
Seasonally adjusted



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

Active listings: Metro Vancouver

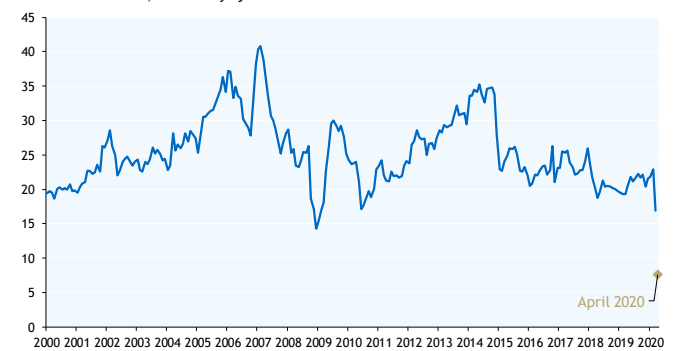
Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics

Calgary home resales

Thousand units, seasonally adjusted annual rate



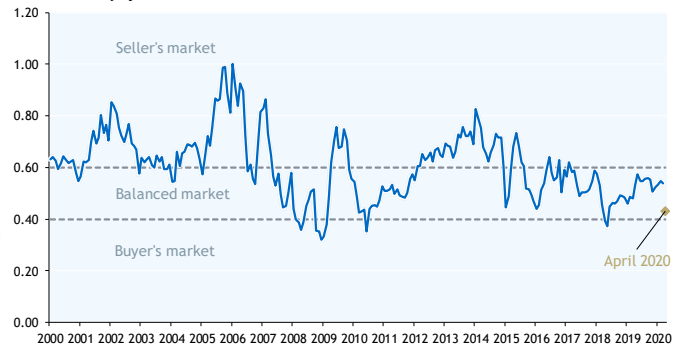
Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics

still-strong 10.2% y/y gain in April. Average prices fell in segments of the city of Toronto but continued to rise in less expensive parts of the Greater Toronto Area. We expect price support to continue to soften gradually in the weeks ahead but not enough to threaten the stability of the market.

In the **Vancouver area**, activity slumped to a 36-year low last month. If the 39% y/y resales decline reported by the Real Estate Board of Greater Vancouver isn't as dramatic as the plunge in the Toronto area it's because the year-ago comparison point was weak in Vancouver. We estimate resales plunged almost 60% from March on a seasonally-adjusted basis. This was paralleled by a nearly similar-sized decline in new listings, leaving the demand-supply balance little changed. Vancouver's MLS HPI accelerated slightly from 2.1% y/y in March to 2.6% in April. We expect price gains to be remain limited at best in the period ahead.

Calgary sales-to-new listings ratio

Seasonally adjusted



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

COVID-19 also greatly disrupted **Calgary's** market. The oil price collapse compounding the impact. The Calgary Real Estate Board indicated April resales fell 63% from a year ago. By our own calculation this translated into a 55% drop from March to the lowest level since March 1986 on a seasonally-adjusted basis. Calgary property values are vulnerable to a material decline. They were already trending lower prior to this crisis—the result of a soft provincial economy and high inventories. Calgary's MLS HPI fall quickened in April to -1.6% y/y from -0.8% in March. We expect even larger declines in the period ahead.