

## MONTHLY HOUSING MARKET UPDATE

July 15, 2020

### Home resales in Canada

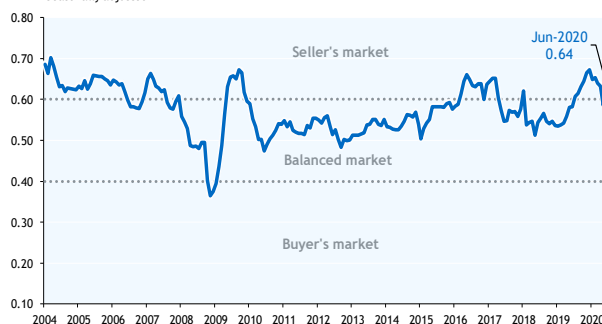
Thousand units, seasonally adjusted and annualized



Source: CREA, RBC Economics

### Sales-to-new listings ratio in Canada

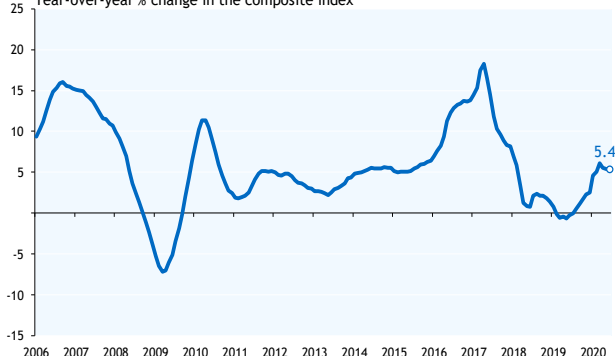
Seasonally adjusted



Source: CREA, RBC Economics

### MLS Home Price Index - Canada

Year-over-year % change in the composite index



Source: CREA, RBC Economics

### Pent-up demand pushed home resales higher in June

- **Home resales rebounded in June:** Easing in social-distancing measures produced a quicker-than-expected recovery in home resales in June. Sales increased 63% from May, and were up 15% year over year. The year-over-year gain benefited from 2 additional weekdays this June relative to last.
- **New listings continued to rise in June, but less than resales:** New listings rose another 50% in June after surging 66% in May from April's trough. In June, listings climbed back to within +90% of pre-shock February levels on a seasonally adjusted basis. The sales-to-new listings ratio bounced back to 0.64 after slipping to 0.58 in May.
- **Prices holding up to-date:** The composite price index rose 0.5% from May in June after holding flat the prior month. Prices were up 5.4% from a year ago, little changed from May. Price growth remained strong in Toronto and Montreal, but continued to decline from a year ago in Calgary.
- **Despite more robust initial bounce-back, long-run housing market outlook still cloudy:** Pent-up demand and supply over March and April, alongside lower interest rates and unprecedented government income supports, will maintain the floor for housing activity in the near-term. But longer-run risks remain given the possibility that labour market weakness outlives exceptional policy supports.

### Resale activity continued to rebound impressively in June

A significant bounce-back in home resales in June had already been flagged by improvement from local real-estate boards, but is nonetheless impressive given the scale of the downturn over March and April. The 15.2% year-over-year surge in resales benefitted from 2 additional weekdays this June relative to a year ago. All major markets posted double-digit increases in resales from May – sales in Quebec and BC were substantially above year-ago levels (led by Montreal and Vancouver). Toronto sales were still slightly below year-ago levels, likely reflecting the region lagging in terms of early easing of containment measures.

### Markets shifting to give sellers the upper hand – but not evenly by region

Canada-wide new listings rose by less than resales (+5.4% year-over-year). The resulting increase in the sales-to-listings ratio tilted supply/demand conditions more significantly in favour of sellers in June – the sales-to-listings ratio edged up to 0.64 from 0.58 in May. In Ontario the increase in home listings has been stronger resulting in the sales-to-listings ratio below the national average. And the ratio remained relatively

### June market snapshot

Region	Home resales	New listings	MLS HPI (Composite)	Sales-to-new listings ratio
	Y/Y %change	Y/Y %change	Y/Y %change	
Canada	15.2	4.8	5.4	0.64
Toronto	-1.8	2.1	8.2	0.55
Montreal	14.8	36.7	11.8	0.65
Vancouver	19.0	21.5	3.5	0.44
Calgary	1.0	6.8	-2.8	0.52



low in Vancouver.

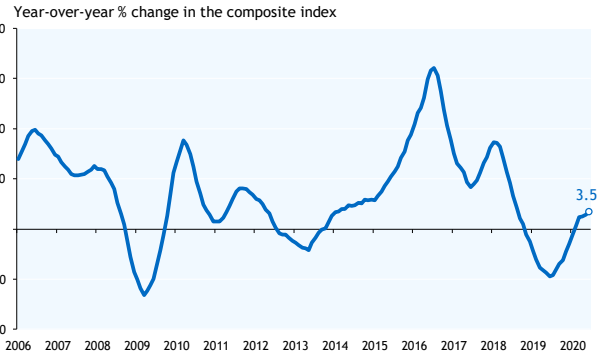
**Low interest rates and policy supports keeping a floor under market near-term**

The resilience of housing markets near-term is in sharp contrast to a labour market backdrop that, even with partial rebound over May and June is still exceptionally weak by historical comparison. But interest rates are also exceptionally low, household income supports (like CERB) have been unprecedentedly large, and the sharp pull-back in March and April almost certainly delayed transactions that would have occurred if not for containment measures. So part of the near-term bounce in June likely reflected the release of pent-up demand. Nonetheless, the early housing market recovery has been stronger than most expected, and it would not be surprising to see the momentum continue in July.

**Yet longer-run outlook still clouded by uncertainty**

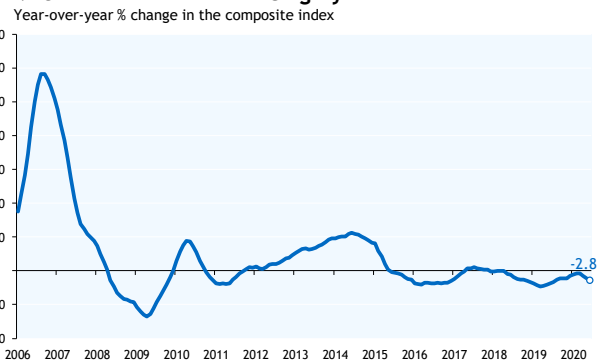
The broader bounce-back in economic activity to-date appears to have been stronger-than-expected, but the pace and magnitude of the recovery going forward remains largely uncertain. That was one of the reasons the Bank of Canada signaled today that interest rates will stay low for the foreseeable future – but it also raises the risk that labour market weakness remains once past the expiry of mortgage deferrals and the phasing out of government support programs (including CERB) later this year. And disruptions to immigration flows could significantly weigh on housing demand relative to pre-shock expectations. We continue to expect the housing market to eventually soften once again – and for prices to decline modestly. But the near-term bounce-back in activity has been impressive nonetheless.

**MLS Home Price Index - Vancouver**



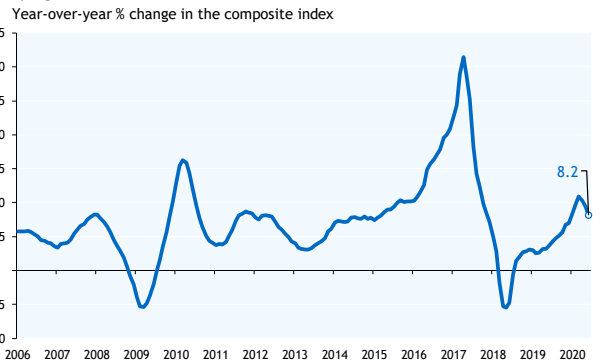
Source: CREAA, RBC Economics

**MLS Home Price Index - Calgary**



Source: CREAA, RBC Economics

**MLS Home Price Index - Toronto**



Source: CREAA, RBC Economics

**MLS Home Price Index - Montreal**



Source: CREAA, RBC Economics

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.