

## MONTHLY HOUSING MARKET UPDATE

June 15, 2021

### Home resales in Canada

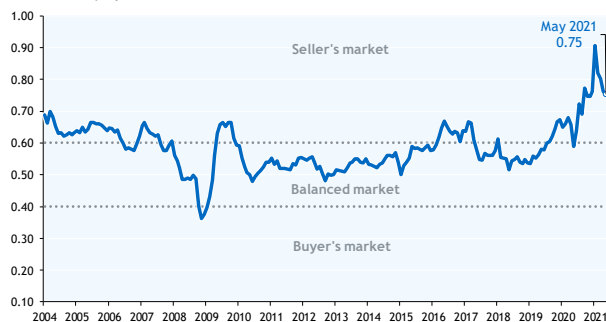
Thousand units, seasonally adjusted and annualized



Source: Canadian Real Estate Association, RBC Economics

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

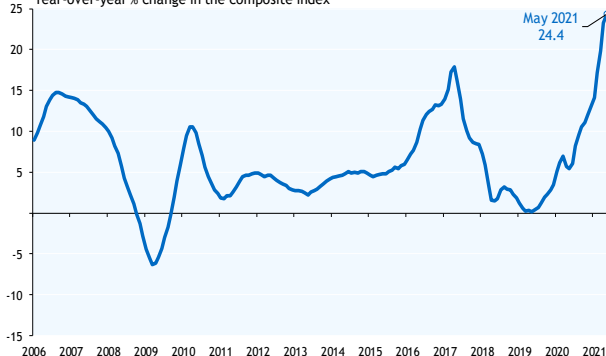
Seasonally adjusted



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

### Home prices haven't peaked yet in Canada

It increasingly looks like March's stratospheric activity level will be the cyclical peak in Canada. Home resales have moderated in April and May, as buyers found it more difficult to find suitable options that meet their budgets with third-wave restrictions possibly holding back some sellers. Peak prices have yet to be reached, however. The national composite benchmark (MLS Home Price Index) accelerated further in May to 24.4%—setting yet another record high. While there may have been fewer buyers participating in them, bidding wars were still the norm in most markets. Strong competition between buyers is keeping intense upward pressure on property values at this stage. We'll need to see a much more significant market rebalancing before prices can stabilize. We expect this to occur late this year at the earliest.

### Property values rise broadly... again

Virtually all local markets saw benchmark prices go up from April. Gains were especially strong in BC ranging from \$14,700/m<sup>2</sup> in the Vancouver area to \$24,100 on Vancouver Island. Parts of Ontario (e.g. Bancroft, Woodstock-Ingersoll and Ottawa), Quebec (e.g. Montreal) and New Brunswick (e.g. Moncton, Saint John and Fredericton) also recorded outsized value appreciation. Increases over the past 12 months have been nothing short of stunning in many markets, including Ottawa (up 34.4%), Moncton (up 33.0%), Saint John (up 26.6%), Montreal (up 28.6%) and the Fraser Valley (up 23.1%). Yet, it's smaller markets in Ontario that take the prize. An influx of buyers leaving the more expensive Greater Toronto Area propelled property values up by more than 40% y/y in half the local markets in the province. While on a completely different scale, prices in Prairie markets also continued to pick up steam. Gains in Winnipeg (up 15.4% y/y), Calgary (11.3%) and Saskatoon (10.4%) are in the double-digits, and Edmonton and Regina aren't far behind.

### Activity pulling back from unsustainably high levels

The second-straight monthly decline in home resales was entirely expected. The sky-high levels reached this past winter were clearly unsustainable. In fact, we expect May's 7.4% m/m resales drop will be followed by further moderation in the near term. Yet activity will remain historically strong. Low interest rates, changing housing needs and high household

### 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	-7.4	103.6	-6.4	55.4	1.0	24.4	0.75
Toronto	-8.9	159.4	-8.6	104.1	0.9	18.8	0.68
Montreal	-0.5	65.2	-1.9	36.0	2.4	28.6	0.76
Vancouver	-12.0	188.6	0.2	92.3	1.3	14.0	0.61
Calgary	-9.1	178.1	-4.0	82.7	0.9	11.3	0.71
Edmonton	-6.4	140.7	-8.6	39.0	0.5	8.5	0.69
Ottawa	-9.2	71.4	-5.1	90.3	2.2	34.4	0.72

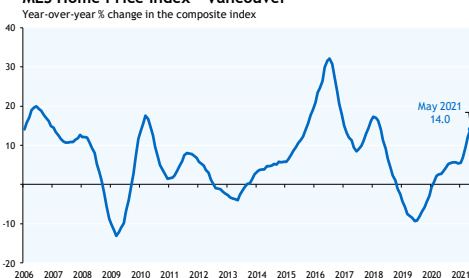


savings will continue to fuel demand. The bigger question is on the supply side: will more sellers step in? We think significant vaccination progress and the easing of restrictions will draw in sellers who stayed on the sidelines during the third wave of the pandemic. Higher prices will also be a powerful inducement. Still, any bump in new listings is poised to come short of rebalancing most markets in the near term. In fact, we see low inventories restraining activity in the months ahead and sustaining intense competition between buyers leading to further price gains in the coming months.

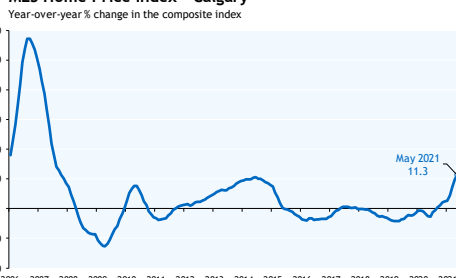
## May market highlights

- Second-consecutive decline in home resales in May:** Resales in Canada fell 7.4% from April to 673,900 units (seasonally adjusted and annualized). The pullback was widespread, led by Halifax-Dartmouth (down 28.9% m/m), Greater Vancouver (down 12.0%) and Winnipeg (down 11.8%). Still, activity remained historically strong virtually everywhere. The Fraser Valley (up 4.8% m/m), Sherbrooke (up 4.0%) and Kitchener-Waterloo (up 1.0%) were among the few markets that recorded an increase.
- Demand-supply conditions remain very tight despite easing marginally:** The sales-to-new listings ratio in Canada edged lower from 0.76 in April to 0.75 in May. This represented a fourth-straight loosening though still indicated sellers were still firmly in command both nationally and virtually in all local markets.
- Fewer homes listed for sales:** New listings slipped 6.4% nationwide in May to a still-solid 893,600 units (seasonally adjusted and annualized). Halifax-Dartmouth (down 32.4% m/m), Hamilton-Burlington (down 14.3%) and the Niagara region (down 11.0%) recorded the largest declines. A few markets saw an increase, including Windsor-Essex (up 6.3% m/m), Winnipeg (up 3.5%) and Regina (up 0.7%).
- Home prices keep escalating:** Canada's composite MLS Home Price Index rose a further 1.0% (or \$7,300) in May to \$728,800 nationally. The index was up 24.4% from a year ago, the strongest rate of increase ever for the index, and a further acceleration from 23.3% in April. The single-family home index soared 29.1% y/y and the condo index accelerated for the fourth-straight month to 10.6%.

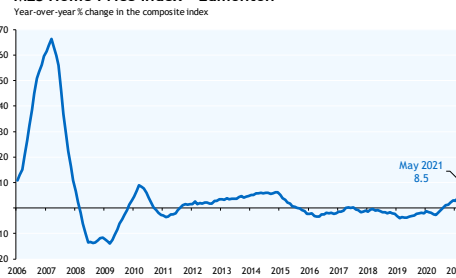
MLS Home Price Index - Vancouver



MLS Home Price Index - Calgary



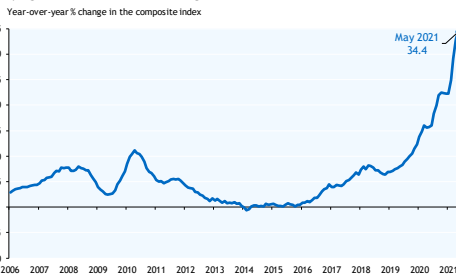
MLS Home Price Index - Edmonton



MLS Home Price Index - Toronto



MLS Home Price Index - Ottawa



MLS Home Price Index - Montreal



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.