

MONTHLY HOUSING MARKET UPDATE

September 15, 2023

Home resales in Canada

Thousand units, seasonally adjusted and annualized



Source: Canadian Real Estate Association, RBC Economics

Sales-to-new listings ratio in Canada

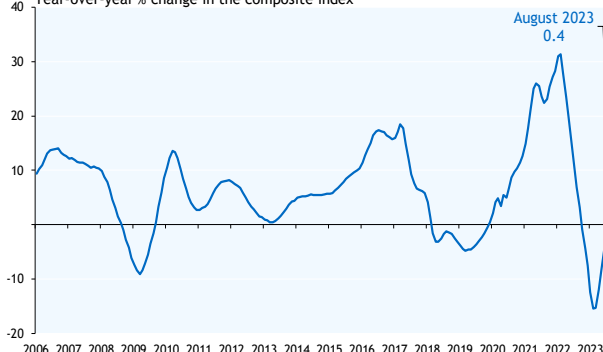
Seasonally adjusted



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

Housing market stagnation setting in

Higher interest rates continue to cool down Canada's housing market following a surprising solid rebound this spring. August marked the second-straight month home resales dipped (down 4.1% from July) and home price gains moderated. Earlier tight demand-supply conditions eased further as the number of homes put up for sale climbed again (albeit slightly). The majority of local markets have sharply rebalanced by now. We think the cooling trend will extend into the fall season despite the Bank of Canada pausing its rate hike campaign.

Sales momentum slows across most major markets

The retreat in home resales last month was sharpest in British Columbia – particularly the Fraser Valley (-12.1% m/m), Victoria (-10.8%), and Vancouver (-8.5%). A softer tone was also present in Ontario where even its more affordable markets (for example, Sudbury and Windsor-Essex) reported material declines. The Greater Toronto Area recorded a modest 1.0% drop though surrounding areas – such as Hamilton-Burlington (-11%) and Kitchener-Waterloo (-7.7%) posted more sizable drops.

Activity in Quebec also hit a soft patch. Month-over-month sales activity contracted across all CMAs except Trois-Rivières.

With the exception of Halifax (-7.5% m/m) and Saskatoon (-0.2%), markets in the Prairie and Maritime regions continued to rebound. Calgary (+4.0) remained one of Canada's hottest markets.

Demand-supply conditions eased across most markets

The supply side of the equation was more varied across markets in August. There was about an equal number of them recording an increase in new listings as a decrease. Still, this didn't stop demand-supply conditions from broadly easing. Most markets in British Columbia, Ontario, and parts of Quebec and Atlantic Canada are in balance territory.

Prairie markets remain generally tight though. Sellers in Calgary, in particular, hold considerable pricing power.

Home price growth reaches slowest pace in five months

More balanced conditions are lessening the degree of competition between buyers, which helps pin down price escalation. Canada's MLS Home Price Index rose at the slowest pace in five months in August, up just 0.4% from July. That's less than a quarter the average rate of 1.8 rec-

August 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	-4.1	5.3	0.8	5.5	0.4	0.4	0.56
Toronto	-1.0	-6.0	1.3	16.7	-0.1	2.5	0.42
Montreal	-4.8	3.8	0.0	-4.4	1.1	0.6	0.62
Vancouver	-8.5	22.1	-1.4	14.4	0.7	2.5	0.54
Calgary	4.0	24.9	3.5	12.2	1.4	7.3	0.82
Edmonton	0.2	19.6	4.6	1.4	0.9	-3.8	0.62
Ottawa	-8.0	5.8	8.1	6.6	1.1	0.4	0.54

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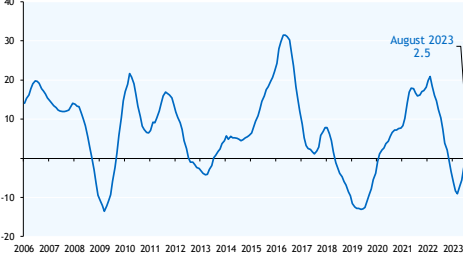
orted between April and June.

Still, prices have now moved above year-ago levels. The national MLS HPI was up 0.4% y/y in August. Halifax (9.5%), Calgary (+7.3%) and Quebec City (+6.4%) lead the country among larger markets on that front.

Quiet activity expected over the back half of the year

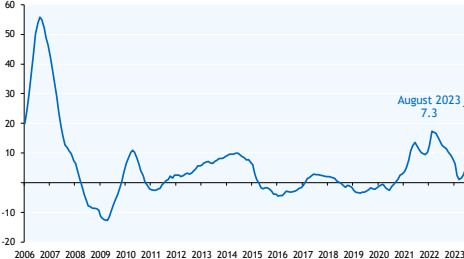
We believe Canada’s housing market is likely to stay relatively calm in the months ahead. High interest rates and homeownership costs are expected to continue crossing the budget line for many potential buyers, and a looming economic downturn is poised to undermine the confidence of market participants. The same factors could also potentially strain existing homeowners – forcing the hand of some of them to list their property. We think more balanced will keep the pace of future price gains muted. Slight declines cannot be ruled out.

MLS Home Price Index - Vancouver
Year-over-year % change in the composite index



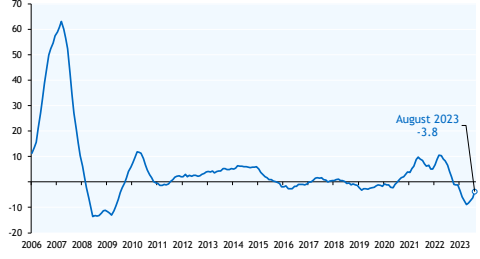
Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Calgary
Year-over-year % change in the composite index



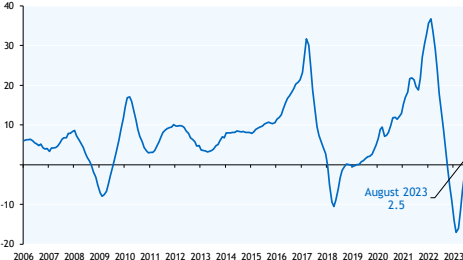
Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Edmonton
Year-over-year % change in the composite index



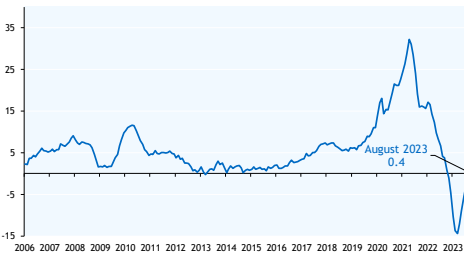
Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Toronto
Year-over-year % change in the composite index



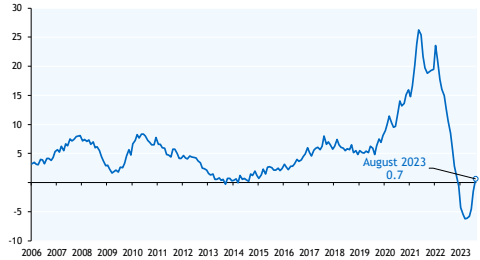
Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Ottawa
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

MLS Home Price Index - Montreal
Year-over-year % change in the composite index



Source: Canadian Real Estate Association, RBC Economics

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