

MONTHLY HOUSING MARKET UPDATE

December 14, 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

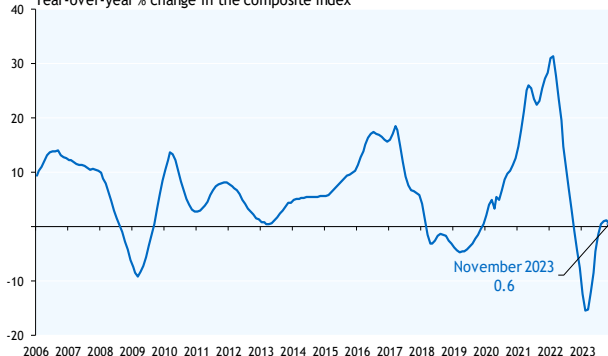
Seasonally adjusted



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

Canada's housing market downturn is spreading

Canada's housing market downturn spread further in November. Most markets are now in correction mode with high interest rates, the loss of affordability, and mounting economic uncertainty holding back homebuyer demand, and supply-demand conditions having significantly eased since spring.

Though home resales (-0.9% m/m) were off just slightly from October in Canada, the lagged impact of market softening in prior months continued to weigh on home prices. The national MLS Home Price Index dropped for a third consecutive month (-1.1% m/m) in November, representing the largest month-over-month drop in nearly a year.

Affordability issues keep sales activity muted

Home resales have now declined 13% since June—reversing almost entirely the spring rebound. Activity has contracted in most markets west of New Brunswick in the past two to three months, led by steeper drops in parts of B.C.

Resilience has finally waned in the Prairies too with resale activity down in all three provinces (though still up markedly from pre-pandemic levels in Alberta and Saskatchewan).

While stable, activity in the Maritime region remains below pre-pandemic levels overall.

Market conditions have shifted to favour buyers across more regions

An influx of supply has contributed to the softening in demand-supply conditions, though the rebound in new listings hasn't been excessive. In fact, new listing fell-back-to-back in October and November in Canada, staying within the 2019 range.

Nevertheless, softening demand-supply conditions have kept buyers in the driver's seat in almost all Ontario markets that we track and in parts of B.C.

Market conditions have loosened in Manitoba as well. With softer sales setting over the Prairie region, we think supply-demand conditions will ease in Alberta and Saskatchewan too in the coming months.

November 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	-0.9	-0.9	-1.8	10.5	-1.1	0.6	0.50
Toronto	1.7	-6.7	-5.5	18.4	-1.7	0.1	0.37
Montreal	1.6	-1.3	-3.7	3.3	0.1	3.7	0.58
Vancouver	-7.5	4.9	-5.9	5.7	-0.2	4.9	0.46
Calgary	-1.4	9.5	3.4	37.0	1.2	10.5	0.68
Edmonton	3.7	27.5	4.1	6.0	0.5	1.3	0.61
Ottawa	3.5	-2.3	1.3	2.8	-0.7	1.4	0.47

Robert Hogue

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

Rachel Battaglia

Economist | 416-974-6641 | rachel.battaglia@rbc.com



Property values under pressure

Property values are coming under increasing downward pressure across large parts of Canada. This is particularly the case in Ontario (-1.7% m/m) where the MLS price index has been declining since August, falling at accelerating rates on a month-over-month basis.

Similar softening dynamics are developing in other provinces, albeit with a slight lag. Price declines accelerated for a second consecutive month in B.C. (-0.4% m/m) and Manitoba (-0.9%) in November. And, for the first time since March, prices in Nova Scotia succumbed to the downturn (-2.0% m/m) as well.

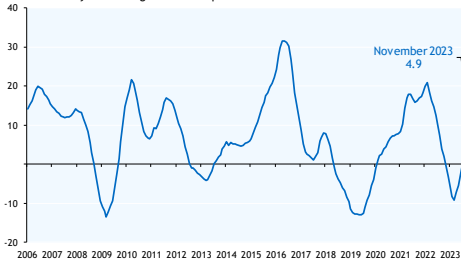
Price gains in Quebec and New Brunswick have ground to a halt, leaving few markets bucking the weakening price trend. Though price growth remains strong in Calgary, we think it's only a matter of time before easing supply-demand conditions and changing market sentiment rein in price gains there as well.

Sluggish activity to linger into 2024

With interest rates likely to stay high in the near term, we expect elevated ownership costs to remain a deterrent for homebuyers. That should keep activity very soft in Ontario and B.C. – where affordability is most stretched.

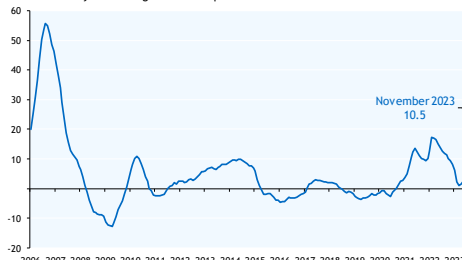
But with high rates impacting buyers from coast to coast, we see activity in other regions continuing to gradually moderate—triggering price declines in more markets in the months ahead.

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



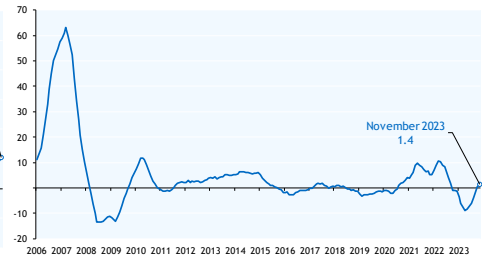
Source: Canadian Real Estate Association, RBC Economics

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



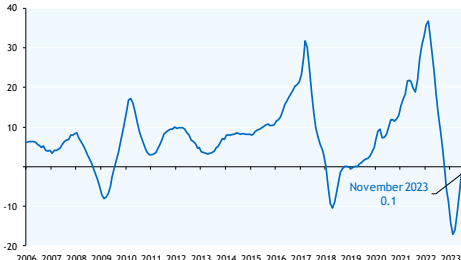
Source: Canadian Real Estate Association, RBC Economics

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



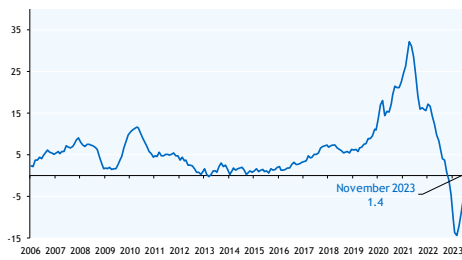
Source: Canadian Real Estate Association, RBC Economics

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

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.