

February 7, 2025

Sellers set the tone in Canada’s housing markets as 2025 rolls in

It seems the new year has brought renewed optimism for Canadian home sellers. Early reports from local real estate boards showed a surge in new listings in January in several of Canada’s largest major markets led by Vancouver, Calgary, Toronto, and Montreal.

Sellers may feel a window of opportunity is opening after holding back somewhat at the end of 2024 as lower borrowing costs and the expectation of additional interest rate cuts by the Bank of Canada, along with recent mortgage insurance changes could drive up demand this spring. Some may also look to get ahead of economic turbulence arising from the threat of tariffs by the new U.S. administration.

The fact that transaction activity generally rebounded in January in Toronto, Edmonton, Calgary, Montreal and Quebec City no doubt reinforces the view that the market remains in recovery mode. We expect this will be the case throughout 2025 barring a trade war ravaging Canada’s economy.

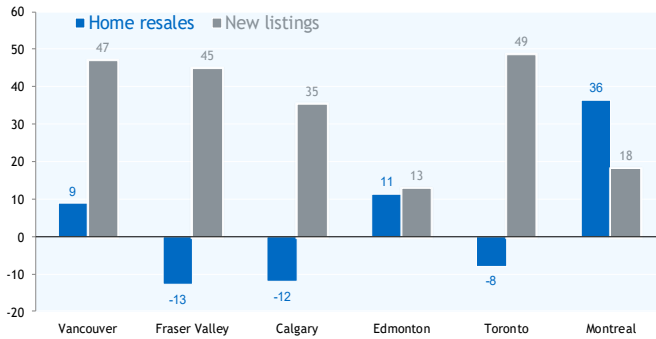
The influx of properties put for sale helps further rebuild inventories, which had plummeted to historical lows in some markets during the pandemic. A wider selection, in turn, relieves pressure on buyers to bid aggressively, keeping prices in check. The MLS Home Price Index showed minimal changes across major cities last month. Edmonton, Montreal and Quebec City still buck the trend, though, with tight supply-demand conditions generating some heat.

We expect little in the way of price appreciation overall in Canada in 2025. We think the trade uncertainty will add a layer of caution.

Major market highlights: January 2025

Market activity

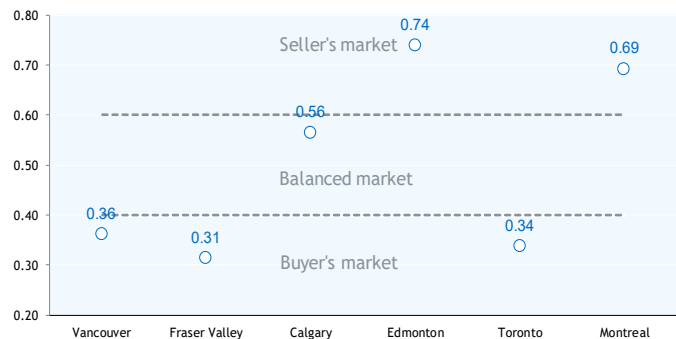
Annual % change, January 2025



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Demand-supply conditions

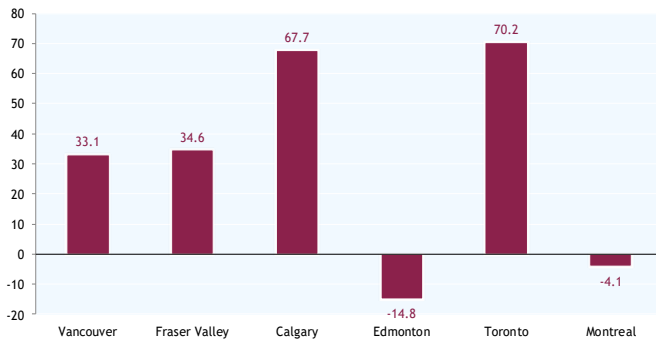
Estimated sales-to-new listings ratio, seasonally-adjusted, January 2025



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Inventories

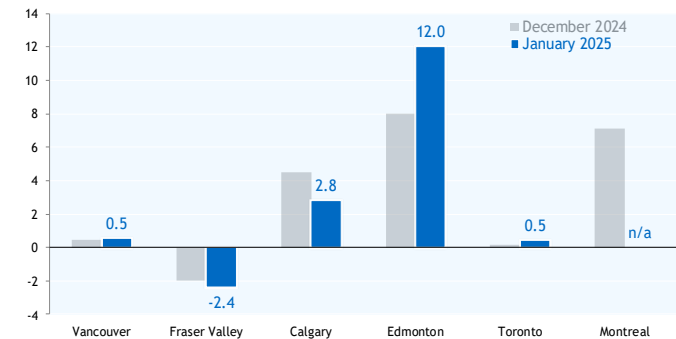
Active listings, annual % change, January 2025



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Home prices

MLS Home Price Index, annual % change



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

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Toronto area: Buyers have a lot more choices now

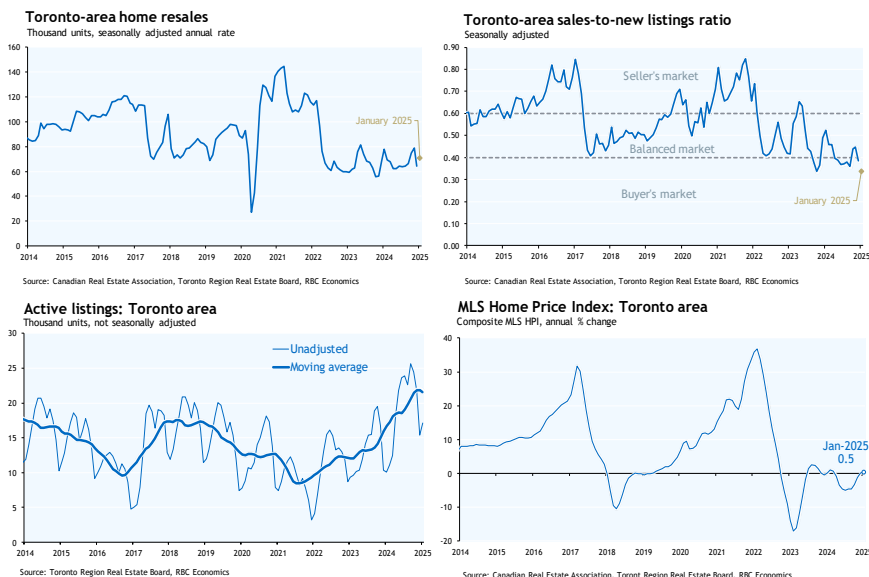
Toronto's housing market bounced back in January with resales jumping a seasonally adjusted 10% from December. This lends credence to our view that the 19% dip at the end of 2024 didn't mark a turning point, but was a bump on the long (and winding) road to recovery.

The bigger story last month was the 26% spike in new listings between December and January. Many sellers may be jostling for position ahead of the spring season in anticipation of a strong rebound in demand.

It could mean that incoming supply has been pulled forward by a couple of months. We don't think it's the start of a destabilizing flood of properties for sale.

Nonetheless, buyers have a lot more choices before them. The number of active listings hasn't been this high since 2009.

And, it limits upward price pressure. The MLS HPI remained unchanged from December and was up only 0.5% year-over-year. Still, condo prices are eroding—down 3.4% from a year ago—in the face of plenty of inventory.



Montreal area: Market recovery is complete

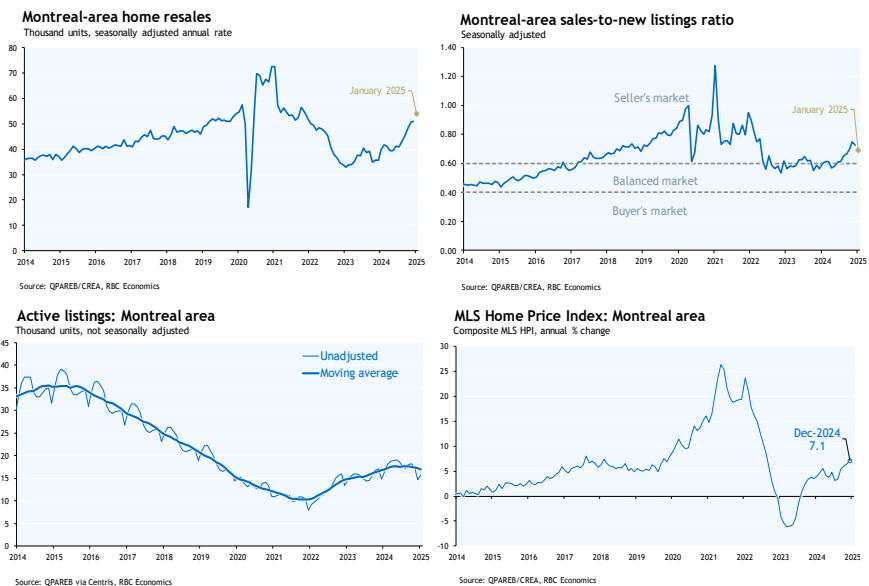
Another strong advance in January effectively sealed the deal on a two-year long market recovery in Montreal. The number of resale transactions—just over 54,000 on a seasonally-adjusted and annualized basis by our count—is now back to where it was before the pandemic. At the time, the city was one of the hottest markets in Canada as now.

More sellers made their way to the market last month. We estimate new listings jumped a seasonally adjusted 11% from December.

Yet, this did little to boost inventory, which has shrunk slightly since mid-2024. Montreal remains among the tighter markets in the country with sellers holding a strong hand in price negotiations.

Therefore, it's no surprise that property values have been appreciating at a solid clip. The median price for a single-family home was up more than 10% from a year ago in January. The gain was close to 8% for a condo apartment.

We expect broad-based price appreciation to continue over the remainder of 2025—possibly accelerating faster.





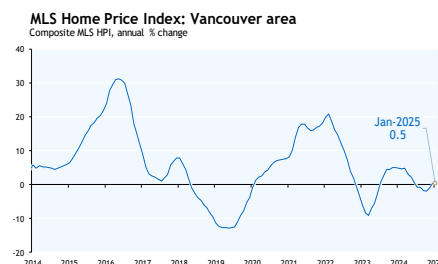
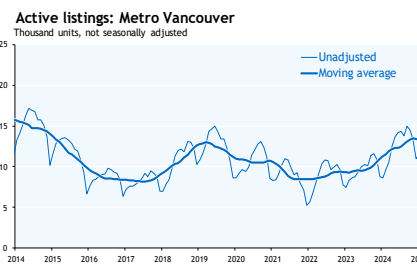
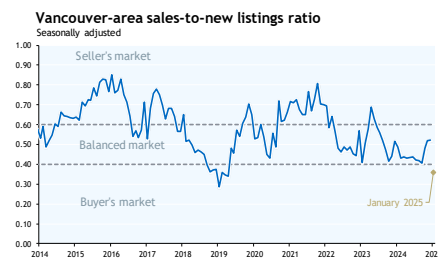
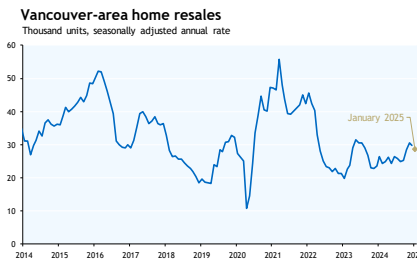
Vancouver area: Supply gush tilts market in buyers' favour

Sellers rushed into the Vancouver market in January, boosting new listings by an estimated 40% from December. While we caution about reading too much into the figure—seasonally adjusted numbers can be volatile during this slow time of year—the supply-demand equation suddenly looks more favourable for buyers.

But, the influx of properties didn't spur much activity last month. We estimate home resales fell some 3% between December and January. This came on the heels of a 2.6% decline the previous month.

Still, we view the last two months' slowdown as a temporary detour on the path to recovery. Extremely strained affordability in the region is likely to make that journey bumpy.

If sustained, the sharp softening in supply-demand conditions in January—and 33% annual rise in active listings—will eventually erode property values. For now, prices remain largely stable overall with the MLS HPI up slightly by 0.5% from a year ago.



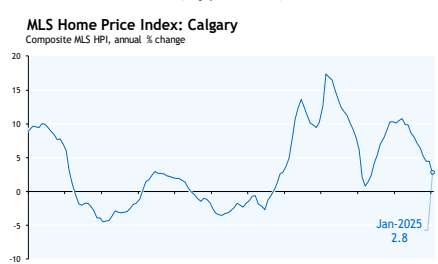
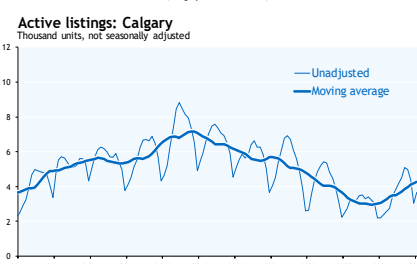
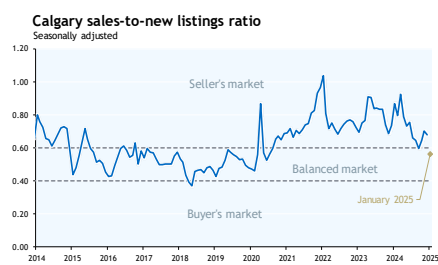
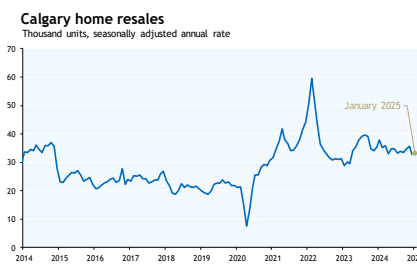
Calgary: Rebalancing process is in full swing

Calgary's housing market activity has levelled off over the past year, but it remains very busy with resale transactions near pre-pandemic highs. The start of 2025 didn't break from that trend with our estimate of seasonally adjusted activity rising 1% between December and January.

As in most other major markets, Calgary sellers have been especially active. We estimate there were 22% more homes on the market in January than in December.

The good news is that it's helping to further rebalance the market—a process that began over a year ago. A sharp 64% increase in new home completions in 2024 significantly contributed to a rise in supply last year. Inventory levels are now 68% higher than a year ago.

The easing in market tightness gradually turned down the heat on prices as well. Calgary's composite MLS HPI has appreciated much less rapidly over the past several months. That deceleration continued in January with a 2.8% annual gain. It's down from nearly 11% in the spring of 2024.



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