



February 7, 2024

Early signs of a housing market upturn emerge across Canada

January marked the second consecutive month residential transactions increased in major markets across Canada. The uptick seen in early results from local real estate boards was from depressed levels in most cases and did little to alter the generally soft state of affairs in the housing sector (with a few key exceptions). But it suggests the downturn that started in the spring of 2022 may have run its course.

Interest rate drops for fixed-rate mortgages since November have cracked the door open for buyers. And growing expectations the Bank of Canada's next move will be a rate cut are tentatively bolstering (low) confidence. Nonetheless, we [think](#) a more vigorous, sustained recovery won't take shape before interest rates fall more meaningfully—something we peg for the second half of 2024.

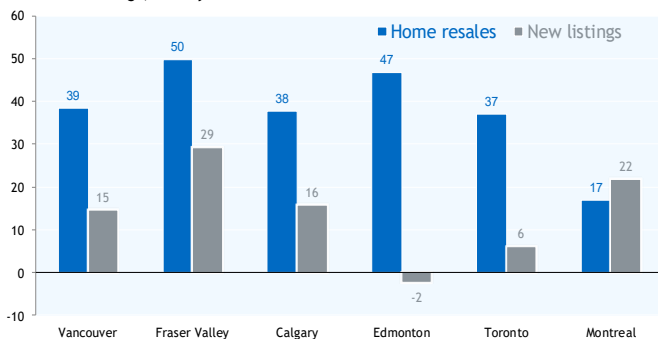
Early results for January also show no evidence of any spike in sellers. If anything, new listings were on the weak side, working to tighten demand-supply conditions. There's a risk mortgage renewal payment shocks could set off a wave of distressed sales.

For now, the sharp loss of affordability during the pandemic continues to weigh on property values in most markets. The MLS Home Price Index generally fell month-over-month again in January—Calgary remains an exception where prices maintain an upward trajectory. Our latest [housing market forecast](#) has annual prices falling 1% nationwide in 2024 before rising 3.1% next year. The outlook for this year varies considerably by province, though, with prices project to rise 2.2% in Alberta and fall 2.0% in Ontario.

Major market highlights: January 2024

Market activity

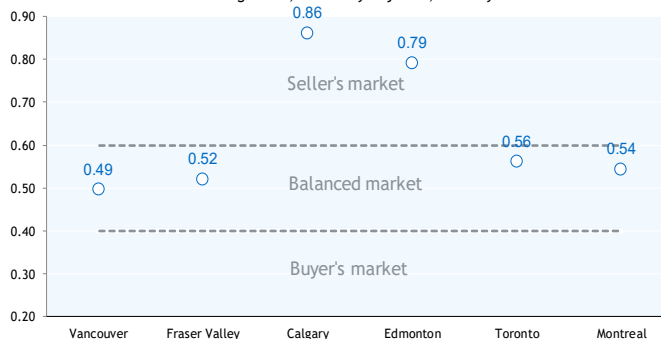
Annual % change, January 2024



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

Demand-supply conditions

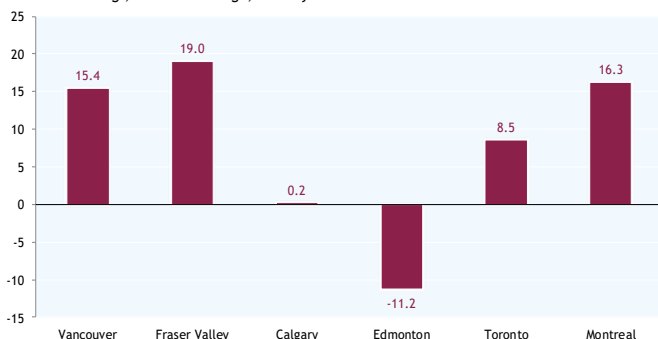
Estimated sales-to-new listings ratio, seasonally-adjusted, January 2024



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

Inventories

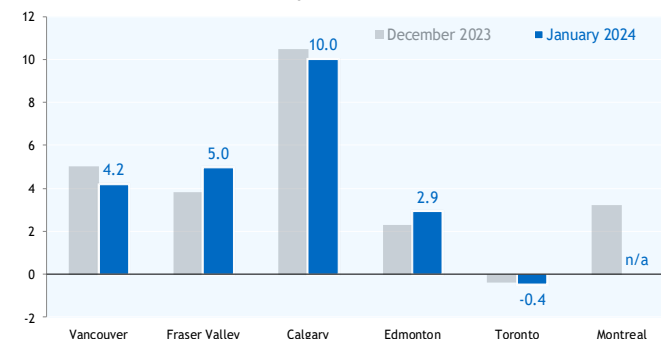
Active listings, annual % change, January 2024



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

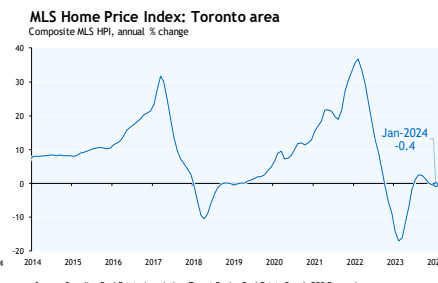
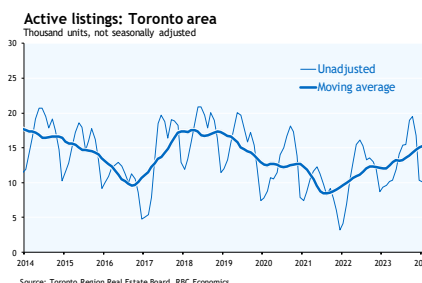
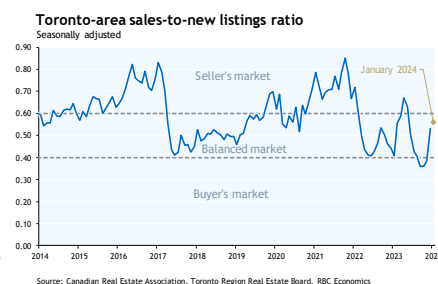
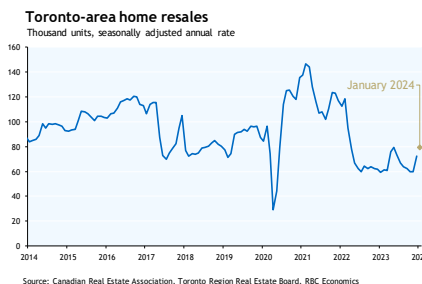
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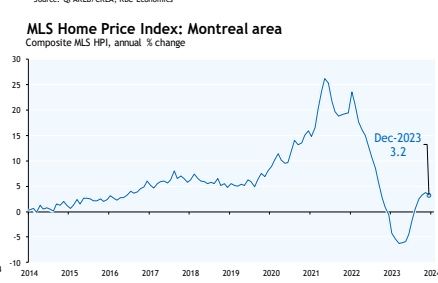
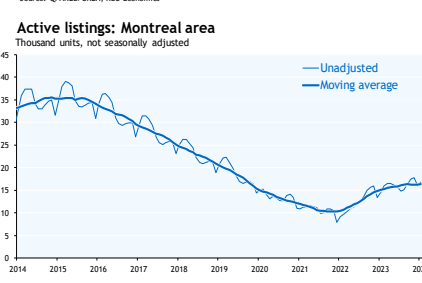
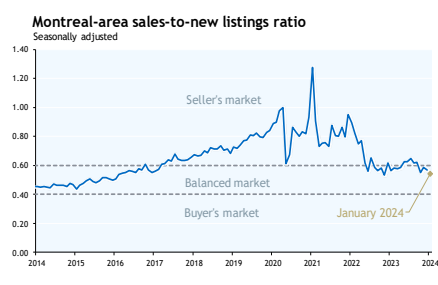
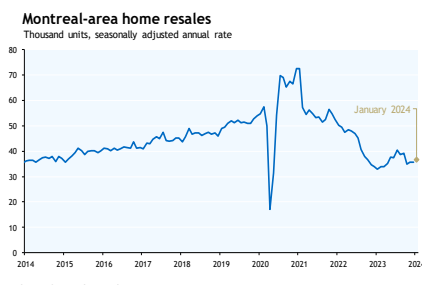
Toronto area—Turning a corner?

The pace of residential transactions picked up in the past couple of months, following a very quiet fall market. It could be that the recent drop in fixed mortgage rates was just what some buyers were waiting for to seal a deal. Or that unusually mild weather put them in a spring-like upbeat mood. Whether the back-to-back rises in home resales—which included a 9.6% m/m increase in January—will be a launching point for the market remains to be seen though. Stretched affordability conditions are likely to keep many potential buyers on the sidelines until interest rates or property values (or both) fall more meaningfully. We think that window will open more widely in the latter half this year. For now, prices continue to drift lower. The MLS HPI eased a further 1.2% m/m in January—making it the sixth consecutive monthly decline, for a total drop of \$84,000 (or 7.2%) since July. That trend may not persist much longer if the recent tightening in demand-supply conditions is sustained. We expect prices will reach their bottom this spring and gradually recover over the second half of 2024.



Montreal area—In a holding pattern

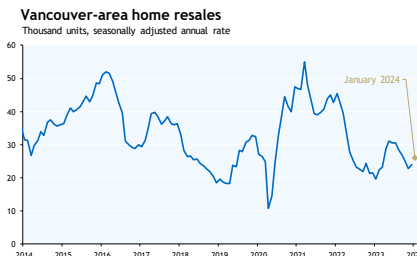
The market started 2024 largely the same way it ended 2023: in a holding pattern. Home resales were little changed last month, and so were the balance between supply and demand, and prices. The overall tone is subdued at this stage with transaction activity only modestly above the cyclical low point reached in early-2023. It will take more convincing to get more buyers going. A soft provincial economy—and increased labour relation tensions of late—are undoubtedly on the mind of many of them. Lower interest rates will eventually help but that's most likely a story for the second half of 2024. Meantime we expect home prices to stay flat, just below end-of-summer levels.



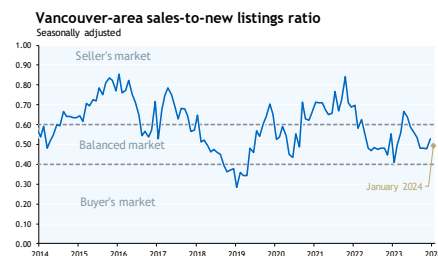


Vancouver area — A little busier

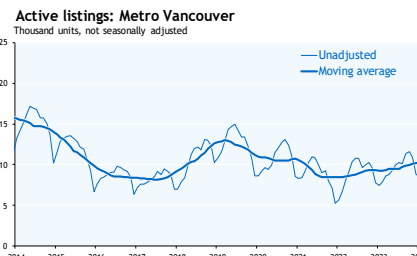
Buyers and sellers got a little busier in January. We estimate home resales grew 8% m/m on a seasonally-adjusted basis. While possibly a sign the market is on the mend, there's still a long way to go before activity returns to pre-pandemic levels. The recent drop in fixed mortgage rates could have motivated some buyers to make a move last month. But so could have the higher number of sellers entering the market. We estimate new listings jumped 15% m/m, offering more purchasing opportunities. Demand-supply conditions softened slightly as a result, which has kept prices on a slight easing trend. The MLS HPI is now down some \$47,000 (or less than 4% unadjusted) in the past four months. We think there's room for further easing in the near term. Vancouver buyers are challenged by the worst affordability conditions ever seen in Canada. This is likely to continue to weigh heavily on prices.



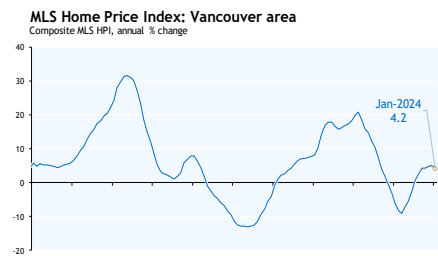
Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics



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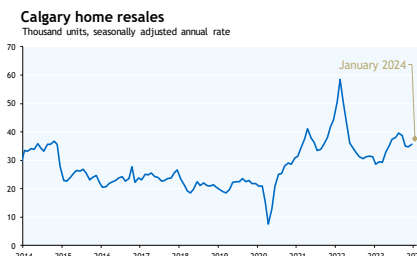
Source: Real Estate Board of Greater Vancouver, RBC Economics



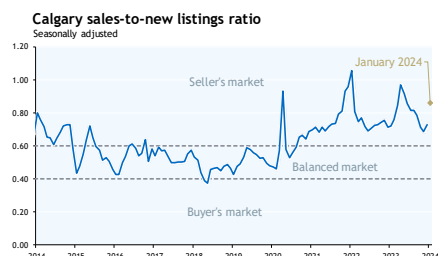
Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

Calgary — Canada's housing hotspot

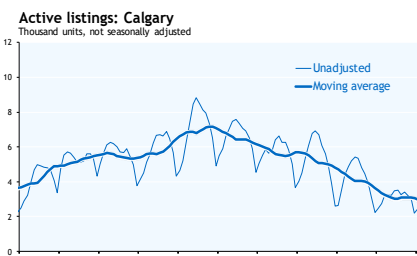
Calgary is maintaining its status as Canada's housing hotspot. Solid sales results in January lifted activity almost 80% above pre-pandemic levels. Demand-supply conditions are by far the tightest in the country, as inventories continue to trend lower. The MLS HPI in January was up 10% from a year ago, and is one of the few that are still rising on a month-to-month basis among major markets. We think eventual rate cuts by the Bank of Canada will keep the wind in Calgary's sail. We see prices appreciating further in the period ahead.



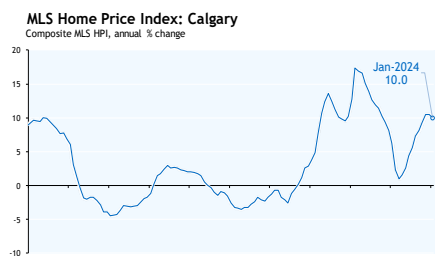
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