Canada’s housing markets heat up this spring

There were hints for some time the cyclical bottom would be reached this spring but April pretty much sealed the deal. Early results from real estate boards gave strong indications local markets turned a corner last month. In most cases, activity ramped up significantly (from depressed levels in March) and prices ticked higher. Toronto, Vancouver and Calgary led the way though Montreal wasn’t far behind. While still beset by a sharp loss of affordability in the last couple of years, buyers appear more confident to house hunt now that the Bank of Canada has paused its aggressive rate hike campaign (for good we believe). There were also more properties put up for sale last month. Not a whole lot but probably enough to whet buyers’ appetite.

The coming months should be quite interesting. The other side of the valley promises a better environment for sellers who might have previously been reluctant to sell in a down market. This will hopefully bring in more supply and prop up historically low inventories. The end of price corrections is also poised to spur some market-timing buyers into action. Both factors would sustain or even extend April’s gains. That said, the lack of affordability will remain a huge issue, especially for first-time buyers. Our view is this will significantly limit any recovery at first.

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Toronto area—Buyers (and a few sellers) back in the game

The market got notably busier in April with resales jumping 27% from March (seasonally adjusted). A 6.5% rise in new listings gave buyers more options to bid on. Still, new sellers only met rebounding demand partway. Demand-supply conditions tightened for a fifth-straight month and now look as firm as they were before the market’s downturn. This helped push the burgeoning price recovery forward. The GTA’s MLS HPI rose for the second consecutive month by 2.4% m/m in April. Further increases are likely to follow if conditions stay this tight. Sellers hold the key to the market’s trajectory to a large extent. Much will depend on the degree to which they make their way back in the game and reshape (currently low) inventories. Our view is that a growing number of them will indeed list their home for sale now that property values have turned a corner. And this should keep any price appreciation relatively contained.

Montreal area—Spring is in the air

Warmer seasonal temperatures—and the Bank of Canada’s hitting the pause button—pulled the market out of its deep slumber in April. Resale transactions shot up an estimated 12% m/m, reversing part of the sharp 34% decline since early 2022. Spring—but more so the growing perception the market is bottoming—also reinvigorated sellers but the energy was more subdued on that side of the equation. Resulting fiercer competition for each property available contributed to end the year-long price slide. Median prices for both single-family homes and condominiums rose modestly between March and April. We think tighter demand-supply conditions will support further slight increases in the period ahead.
Vancouver area—Correction officially over?

Activity picked up solidly last month as more buyers stepped back into the market—likely sensing the correction has run its course. An influx of properties up for sale possibly added some excitement though the increase in new listings (which we estimate at 9% m/m on a seasonally adjusted basis) didn’t come close to the estimated 30+% jump in resales. Faster-rising demand than supply put heat on prices. After falling nearly 10% since its March 2022 peak, the area’s MLS HPI went up in the past two months, including a firm 2.3% m/m increase in April. Tighter demand-supply conditions will likely keep prices on an upward trajectory in the period ahead. But we continue to believe that extremely poor affordability will significantly limit the speed at which they will rise.

Calgary—Kicking it up a notch

The downturn—if there ever really was one—appears to be done. Home resales rebounded a strong 28% m/m in April (based on our calculation of seasonally-adjusted values). And prices ticked slightly higher. The thing is that the market remained impressively robust over the past year despite the sharp drop in activity. Resales never fell below pre-pandemic levels and the MLS HPI kept a holding pattern, bucking the declining trend seen in virtually every other market in Canada. Calgary’s price index in April still stood 1.2% above where it was a year ago. With market conditions tightening in the past three months—and now favouring sellers—odds are prices will appreciate some more in the period ahead.