



March 7, 2025

Trade turbulence shakes Canada's housing market foundations

Any signs of market optimism that emerged in January (mostly from sellers) quickly vanished in February as concerns about the economic consequences of a trade war with the U.S. sent chills through participants. Rough weather conditions in large parts of the country also likely kept house hunters at bay.

Early reports from local real estate boards showed a widespread drop in the number of homes sold between January and February. The Toronto market took the biggest hit with transactions plunging to a new cycle low. Activity fell notably in Vancouver, Fraser Valley, Calgary and Montreal.

Buyers now have the widest selection of available homes in years thanks to a surge of properties listed for sale in January. This is especially true in Vancouver, Fraser Valley and Toronto where bargaining power has clearly shifted in buyers' favour.

Sure enough, those forces are causing property values to sag. The MLS Home Prices Index is down below year ago levels in all three markets. Toronto's index fell the most in 15 months in February on a sequential basis.

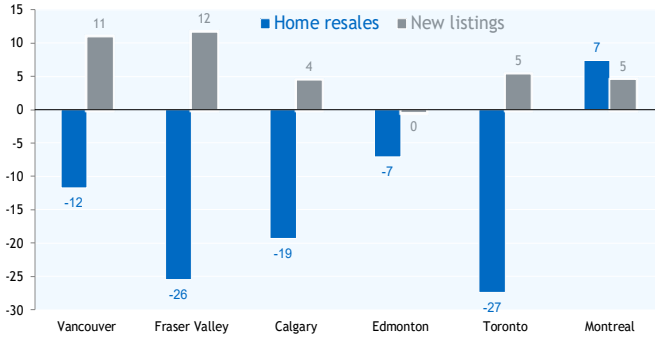
Edmonton continues to be one of the stronger markets in the country with prices still rising at a brisk pace, even though its not immune to the generalized slowdown in activity.

The trade war launched in March by the U.S. against Canada (Mexico and China) threatens to further erode market confidence, up-end buyers' plans and quiet a usually busy spring season. The impact would intensify the longer trade uncertainty rages.

Major market highlights: February 2025

Market activity

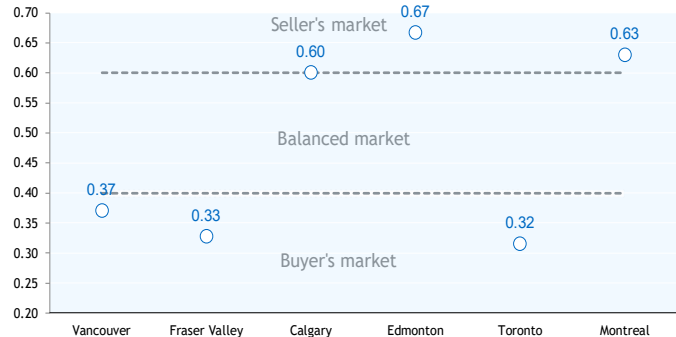
Annual % change, February 2025



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

Demand-supply conditions

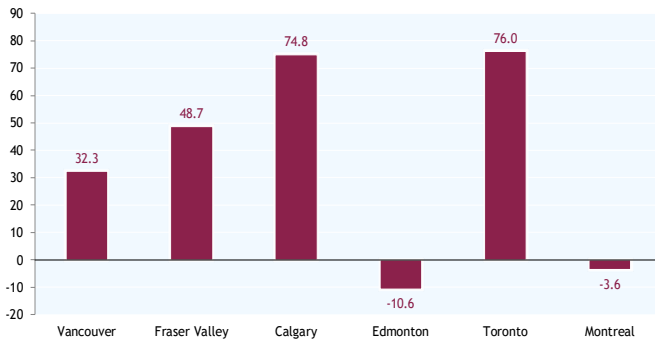
Estimated sales-to-new listings ratio, seasonally-adjusted, February 2025



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

Inventories

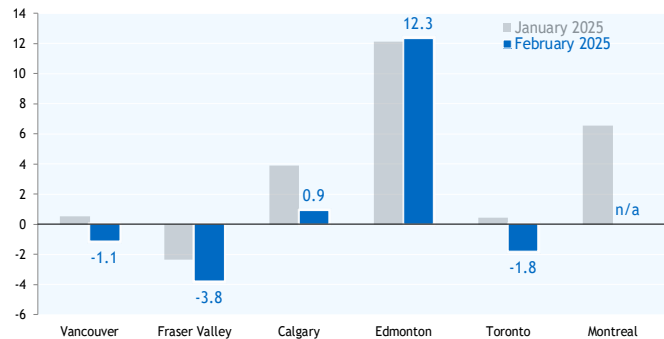
Active listings, annual % change, February 2025



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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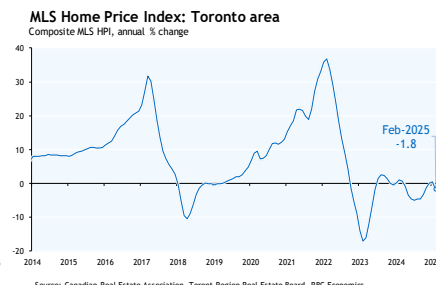
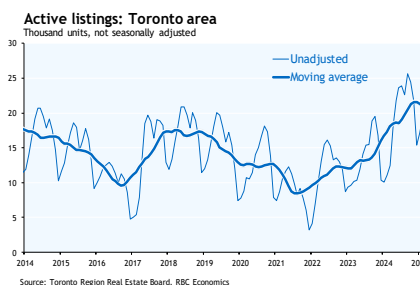
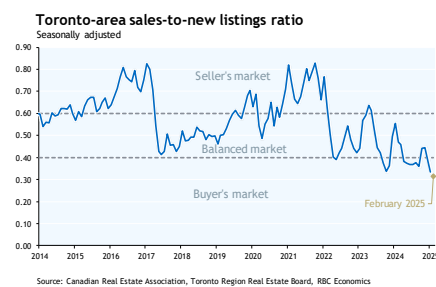
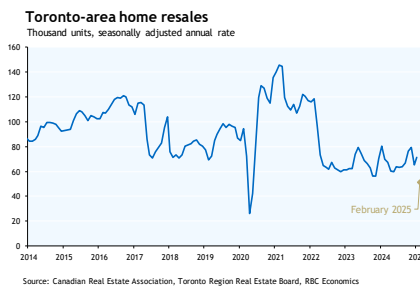


Toronto area: Activity tumbles to new cycle low

Market participants' focus shifted sharply from declining interest rates (a morale booster) to the threat of a trade war in the past month. A series of major snow storms also likely made house hunting more difficult.

These factors contributed to home resales tumbling 29% seasonally adjusted between January and February—the biggest one-month drop since the early days of the pandemic. The level is the lowest this cycle. The turn of events raises serious questions about the market's ability to continue on its bumpy recovery path in the near term.

Earlier rises in property listings have markedly boosted supply, putting buyers in a strong position to extract price concessions from sellers. Toronto's composite MLS HPI fell a hefty 1.5% from January to February. The index is down 1.8% from a year ago with condo prices accounting for much of the decline. The condo segment has contended with a wave new completions in the past year, while many investors moved to the sidelines. Downward price pressure could intensify if the trade war causes job losses and other material economic damage.



Montreal area: Trade anxiety, storms take a toll

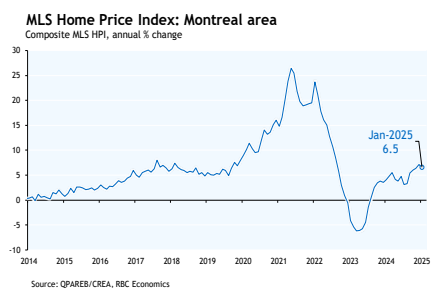
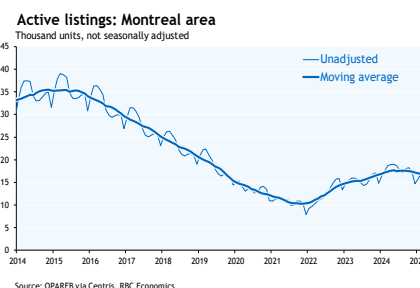
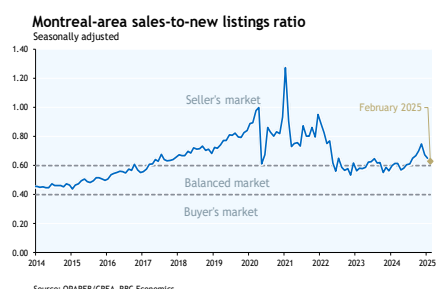
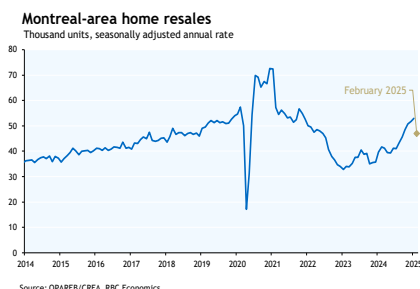
Trade war-related anxiety and big snow storms also took a toll in Montreal in February. They contributed to the biggest drop in transactions in four years, down an estimated 11% from January (seasonally adjusted).

This put a sudden halt to a long, sustained rebound since 2023 that had returned activity to pre-pandemic levels at the start of this year.

Supply-demand conditions are now easing, but they remain relatively tight. Earlier brisk demand and levelling inventories increased competition between buyers and turned up the heat on prices.

Median prices for single-family homes and condo apartments are up solidly from year-ago levels—8.9% and 6.3%, respectively.

We expect some of this heat will dissipate in the period ahead and the pace of appreciation will moderate. Any sizable economic shock ensuing from the trade war could accelerate this cooling.





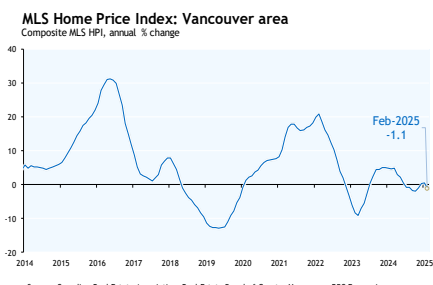
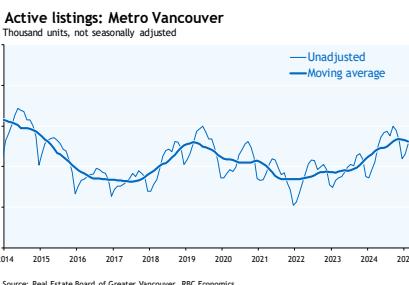
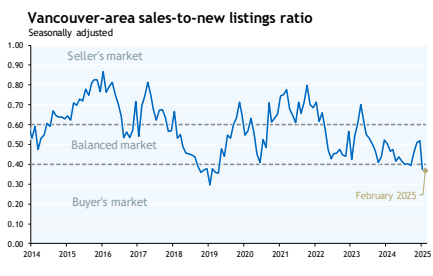
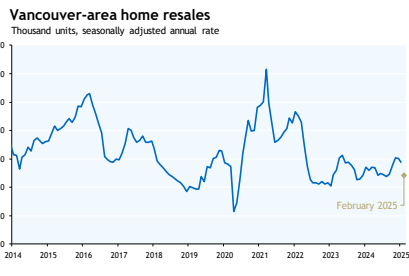
Vancouver area: Setback rekindles downward price pressure

The market recovery in the Vancouver area had a significant setback in February, and we estimate homes resales fell more than 15% from January (seasonally adjusted). This essentially reverses the progress made in activity the past six months.

Both buyers and sellers seem to have retreated last month—likely unnerved by the threat of a trade war—but the prior inventory rebuild has left the market well supplied relative to current soft demand.

Mild downward price pressure has also been rekindled. The Vancouver-area MLS HPI slipped 1.1% from a year ago in February after rising slightly higher in the previous two months. Most of the softening has occurred in the condo segment where the index is down 2.8% as detached home values continue to slowly appreciate, up 1.8%.

Trade turbulence clearly adds downside risks to activity and property values for a market that was already challenged by extremely strained affordability.



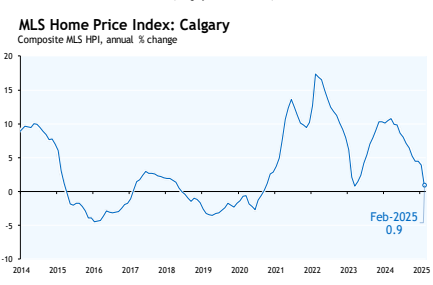
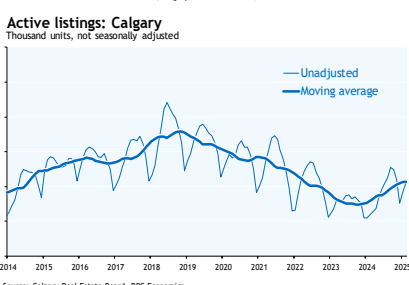
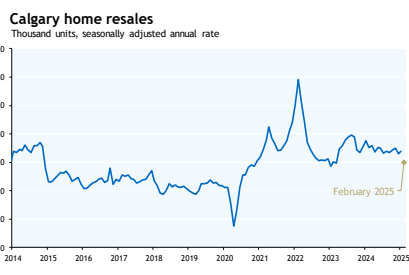
Calgary: In cooling mode

Calgary's market was also shaken up last month by looming U.S. tariffs. Resale activity dipped roughly 12% from January (seasonally adjusted), while still running at a historically robust level. This represented the steepest decline in 16 months.

With inventory rebuilding over the past year—thanks in part to strong housing construction—the market is now more balanced after being among the tightest in the country over the better part of the last four years.

This shift has considerably lowered the heat on prices. Calgary's composite MLS HPI is up just 0.9% from a year ago. That's markedly down from nearly 11% in spring 2024.

We expect further cooling while the trade war with the U.S. heightens economic worries.



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