



December 5, 2024

Canada’s housing market ends the fall season on an upswing

Lower interest rates—and the prospect of further cuts in the coming year—are increasingly converting large pent-up demand for housing into homebuying transactions. Early market results for November from local real estate boards generally show a strong close to the fall season. Most major areas reported rises in resales and prices from October, adding to gains realized the previous month.

Activity was up tremendously from historically low levels a year ago (except in Calgary where momentum was brisk in the fall on 2023), highlighting the significant distance local markets have traveled on the path to recovery to date.

We expect the upswing will continue in 2025, as interest rates fall further.

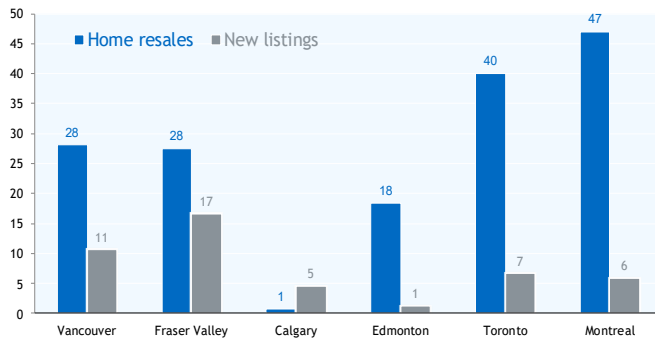
The buildup of inventories this year has also served the fall season well. It offered buyers more options to consider and facilitated the resale upswing. The increase constituted a step toward healthier levels after reaching a state of scarcity unseen in decades, and not a sign of overabundance—though Toronto condos for sale seem ample at this juncture. Active listings were generally little changed in November from October.

Price pressures remain tame for the most part. There’s evidence in Toronto (mainly in the single-detached category) and Montreal that property values heated up somewhat last month. Our view is that any appreciation in these and other markets will be gradual until interest rate cuts restore ownership affordability more significantly next year.

Major market highlights: November 2024

Market activity

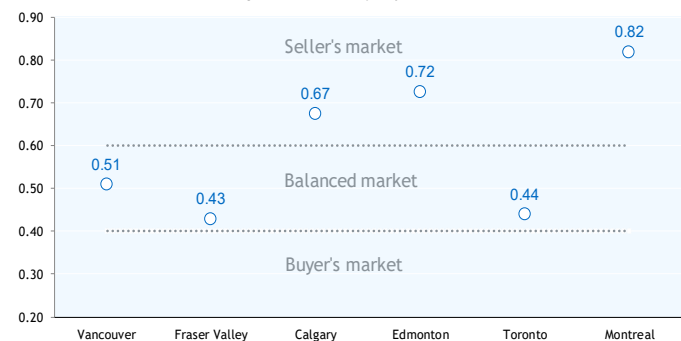
Annual % change, November 2024



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

Demand-supply conditions

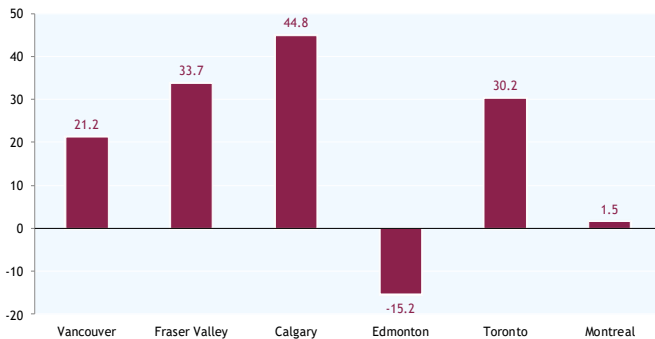
Estimated sales-to-new listings ratio, seasonally-adjusted, November 2024



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

Inventories

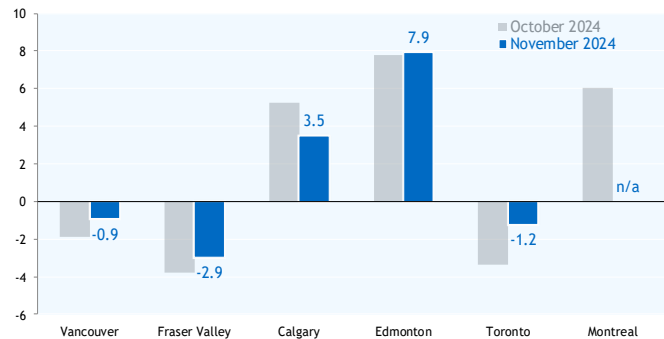
Active listings, annual % change, November 2024



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: Gathering momentum

The Toronto area's incipient market recovery gained further traction in November with home resales rising 1.9% from October on a seasonally adjusted basis. This came on the heels of a solid 12% advance the previous month. Severe affordability strains had kept market action weak until the fall.

It appears declining interest rates have eased tensions sufficiently for some buyers to jump into the fray, while the lack of affordability remains a major issue in the area.

The single-detached and townhouse categories have been in focus this fall, recording heftier sales gains compared to a year ago—up 44% and 46%, respectively, in November. Condo sales growth has been somewhat more subdued at 36%.

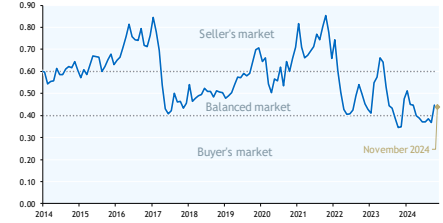
After months of stability, prices may be at an inflection point. The composite MLS Home Price Index rose 0.8% between October and November. Generally balanced supply-demand conditions are likely to support further modest price appreciation overall in the period ahead. However, swelling condo inventories this year may continue to pull prices down in the near term. Condo prices are down 5% from a year ago.

Toronto-area home resales
Thousand units, seasonally adjusted annual rate



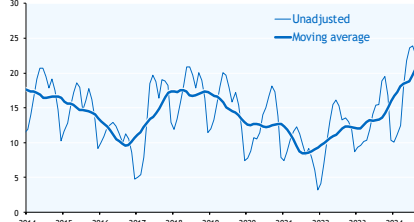
Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

Toronto-area sales-to-new listings ratio
Seasonally adjusted



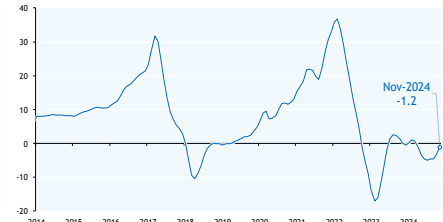
Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

Active listings: Toronto area
Thousand units, not seasonally adjusted



Source: Toronto Region Real Estate Board, RBC Economics

MLS Home Price Index: Toronto area
Composite MLS HPI, annual % change



Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

Montreal area: Taking flight

Action in November provided further compelling evidence that the Montreal area is on course for a rapid recovery. By our count, home resales jumped roughly 15% between October and November (seasonally adjusted), bringing the number of transactions nearly back to where it was just before the pandemic. We thought it might take another three or four months to get there.

This occurred despite fewer sellers putting their homes up for sale last month, and inventories no longer growing.

Lower interest rates are no doubt a prime motivating factor for many homebuyers to strike deals. The determination to do so is heightening competition in the bidding process. Prices have heated up a few degrees as a result.

The median price of single-family homes sold in November rose to \$600,000, up a solid 11% from a year ago. The median price for a condo apartment was \$425,000, up 8%.

We think the current pace of demand growth is unlikely to be sustained with poor affordability still stinging many potential buyers. But tightening of supply-demand conditions is poised to sustain firm price gains in the period ahead.

Montreal-area home resales
Thousand units, seasonally adjusted annual rate



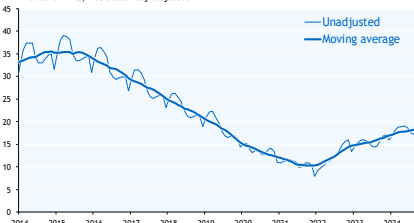
Source: QPAREB/CREA, RBC Economics

Montreal-area sales-to-new listings ratio
Seasonally adjusted



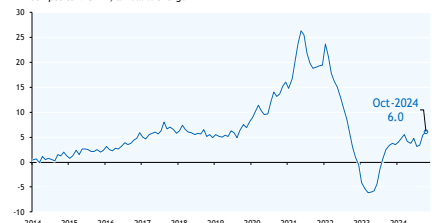
Source: QPAREB/CREA, RBC Economics

Active listings: Montreal area
Thousand units, not seasonally adjusted



Source: QPAREB via Centris, RBC Economics

MLS Home Price Index: Montreal area
Composite MLS HPI, annual % change



Source: QPAREB/CREA, RBC Economics

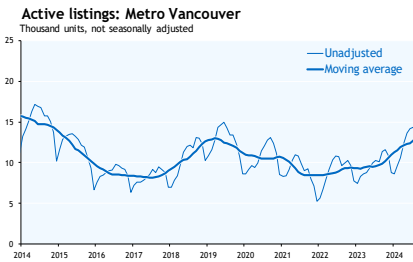
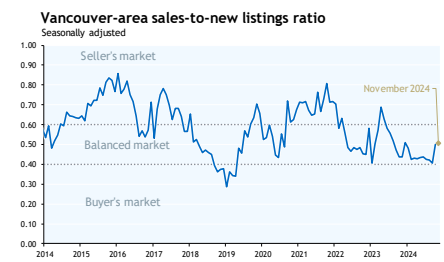
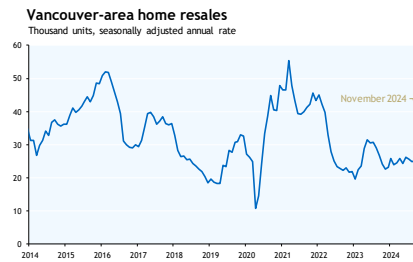


Vancouver area: Breaking out of its slump

October's sudden burst of energy in the Vancouver area is being sustained. After jumping nearly 20% between September and October, home resales climbed another 1% in November, based on our own seasonally adjusted estimates. We believe this is a sign the market is finally breaking out of its prolonged slump.

Still, the pace of recovery is likely to be measured in the period ahead. Daunting affordability challenges will continue to restrain demand growth even as interest rates drift lower.

Property values haven't budged much this year, and that remained the case in November. The composite MLS HPI is down a modest 0.9% from a year ago. Detached home prices have been a little firmer than prices for condos due to their relatively tighter supply-demand conditions. We expect these trends to persist in the near term.



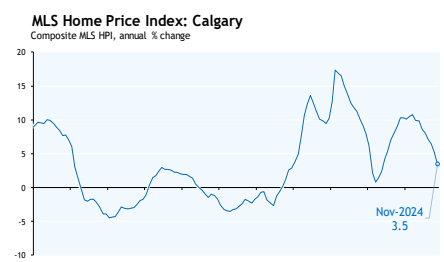
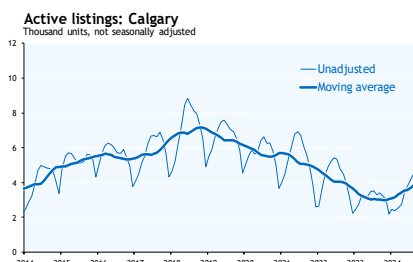
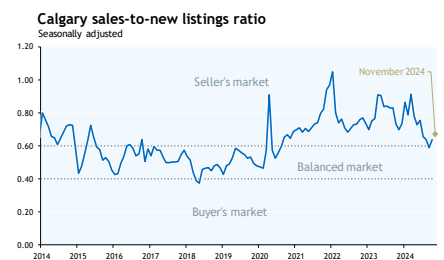
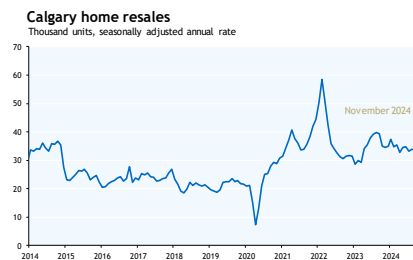
Calgary: Booming homebuilding helps restore inventories

Calgary may be losing the crown as Canada's hottest housing market to Edmonton, but the city is still riding high. Home resales are brisk—some 50% above pre-pandemic levels and climbing a further 4% between October and November. And, demand is strong compared to supply, keeping sellers in the driver's seat.

However, price gains have moderated this year. In November, the composite MLS HPI was up 3.5% from a year ago. That's about a third of the rate of increase in March.

Growing inventories provided buyers with more options to choose from, which helped reduce upward price pressure. Calgary homebuilders have been frantically responding to strong demand this year with both housing starts and completions on track to set new all-time highs.

We expect booming housing construction will help contain price appreciation in the year ahead.



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