

# CANADA'S HOUSING MARKET

March 5, 2019

## February further chills Toronto and Vancouver housing markets

Early results are in for the Toronto and Vancouver housing markets in February and they're likely to disappoint anyone hoping for signs of thawing. Resale activity fell last month to its lowest level for a February since 2009 in both markets. The month-over-month declines were substantial: home resales dropped by nearly 8% (on a preliminary seasonally-adjusted basis) in Toronto and by more than 7% in Vancouver (based on our own calculations). Soft demand-supply conditions kept home prices under downward pressure—especially in the Vancouver area where buyers are clearly in control. Vancouver's composite MLS HPI is now down 8% from its June 2018 peak. And the correction probably isn't over. In Toronto, the MLS HPI in February was still 2.3% above its level a year ago, though it has decelerated in the past couple of months from 3.0% in December.

So is it time to ease off on the various market cooling measures that were introduced over the past few years? We would caution to jump to any conclusions too quickly in the middle of winter when the market is at its seasonal low point. Demand weakness can be easily exaggerated by blasts of bad weather. And February was particularly brutal across Canada this year. Torontonians, as well as many others, dug themselves up from several snowstorms. Don't count out buyers returning to market as spring weather sets in. The coming few months will be more telling of the true state of the Vancouver and Toronto housing markets. Both are clearly soft but may

**Toronto-area home resales**

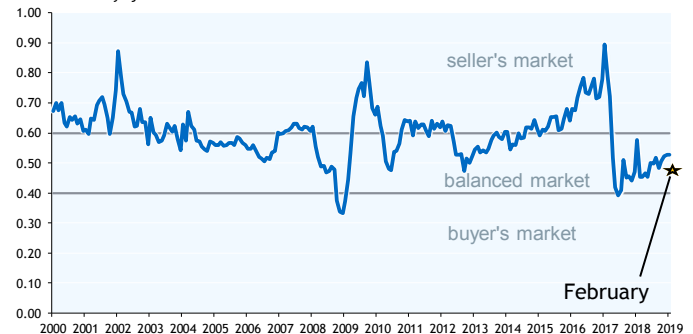
Thousand units, seasonally adjusted annual rate



Source: CREA, RBC Economics Research

**Toronto-area sales-to-new listings ratio**

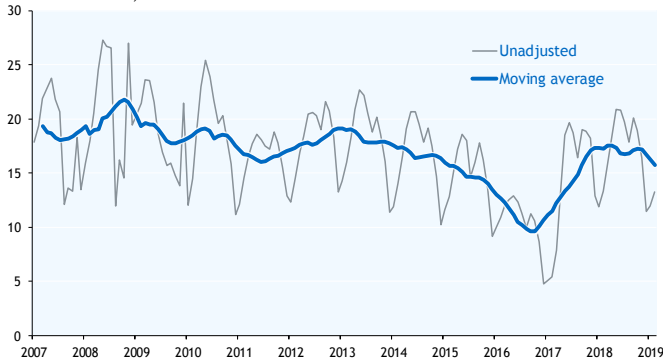
Seasonally adjusted



Source: CREA, RBC Economic Research

**Active listings: Toronto area**

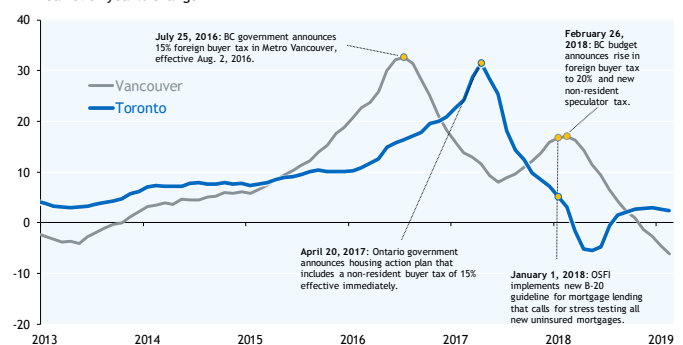
Thousand units, NSA



Source: Toronto Real Estate Board, RBC Economic Research

**MLS Home Price Index**

Year-over-year % change



Source: CREA, TREB, REBGV, RBC Economic Research

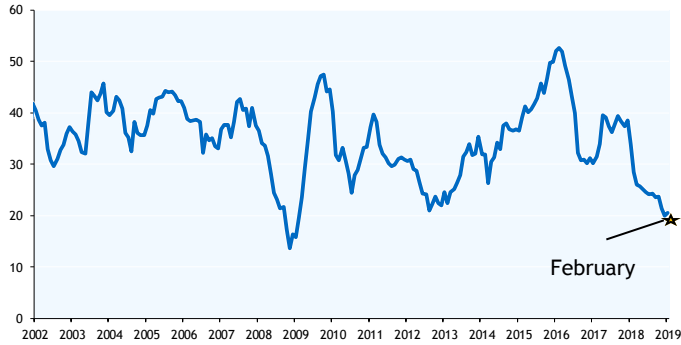
**Robert Hogue**

Senior Economist | 416-974-6192 | robert.hogue@rbc.com



**Home resales: Vancouver area**

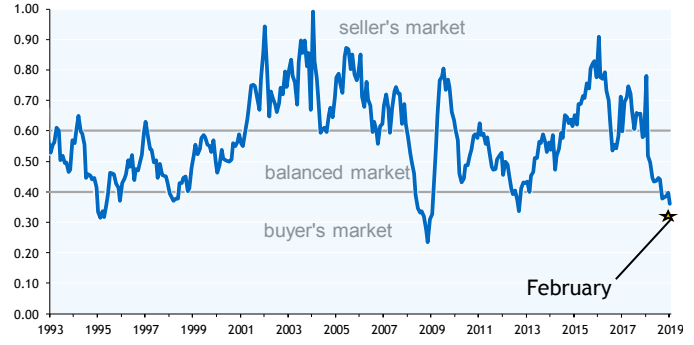
Thousand units, SAAR



Source: CREA, RBC Economics Research

**Vancouver-area sales-to-new listings ratio**

Seasonally adjusted



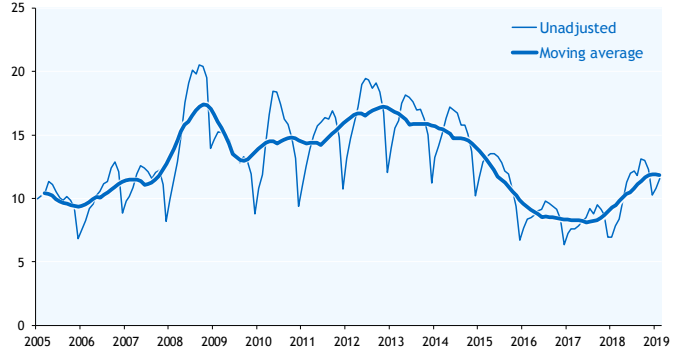
Source: CREA, RBC Economics Research

not be as weak as the latest statistics suggest.

Perhaps more fundamentally, though, we'd argue that any lasting improvement in housing affordability in both markets can only be achieved after a period of looser demand-supply conditions. Our preference is to see policy focus on the supply side to address gaps in the mix of housing options. But until better supply solutions are provided, it would be unwarranted to ease demand-side measures—as long as markets remain hinged that is. And, at this stage, we see few signs that either Toronto or Vancouver are at risk of becoming unhinged. We continue to believe that a full-blown housing collapse is highly unlikely given the strength of their economies and demographic underpinnings.

**Active listings: Metro Vancouver**

Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics Research