

CANADA'S HOUSING MARKET

June 4, 2018

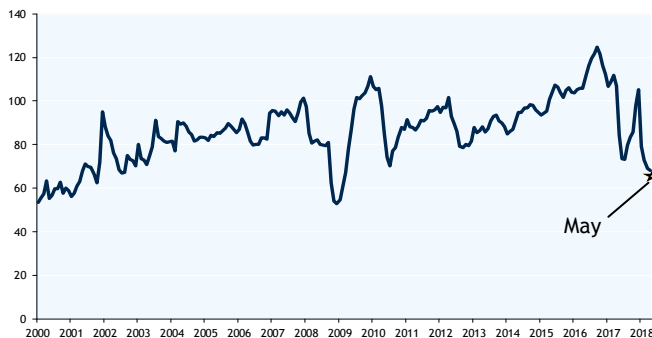
Toronto and Vancouver housing market activity still soft in May

It increasingly looks like the new stress test is causing more than just a temporary dip in housing market activity in the greater Toronto and Vancouver areas. Home resales were weak again in May for a fifth-straight month in both markets. The Toronto Real Estate Board reported that resales were down 22.2% from the same period a year ago while the Real Estate Board of Greater Vancouver reported an even steeper drop of 35.1%. We don't make much of the fact that this represented the slowest year-over-year rate of decline in four months in Toronto. As a matter, we fully expected such a slowdown because May 2017 provided a significantly lower base for year-ago comparisons. May 2017 was when activity really started to nosedive in the Toronto area following the introduction of Ontario's Fair Housing Plan in late-April. In Vancouver, market-cooling measures announced in the 2018 provincial budget in February also likely weighed on May resales.

We aren't overly concerned by what is becoming a more extensive market correction in two of Canada's largest markets. At this stage, we still believe that neither is in a death spiral. Despite sharply lower levels of activity, demand-supply conditions (as depicted by the sales-to-new listings ratio) remain balanced. Benchmark prices are rising modestly on a month-to-month basis: we've seen 14-straight rises in Vancouver and four-consecutive increases in Toronto including in May. Prices were down by 5.4% in May on a year-over-year basis in Toronto though this reflects a streak of declines that occurred over the second half of last year. If anything the year-over-

Toronto-area home resales

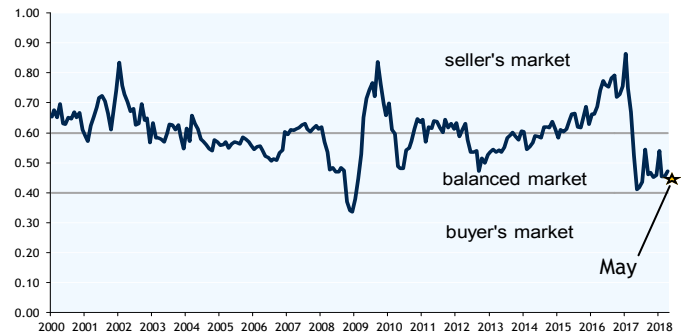
Thousand units, seasonally adjusted



Source: CREA, RBC Economics Research

Toronto-area sales-to-new listings ratio

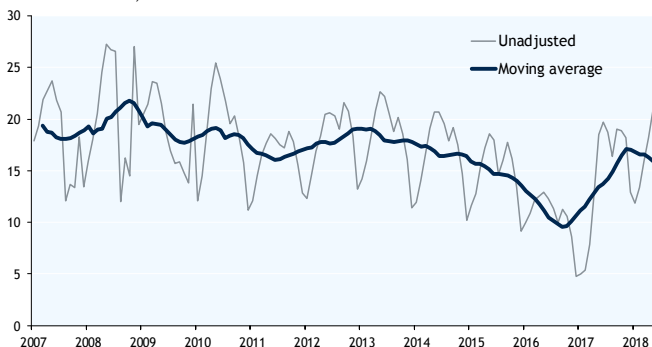
Seasonally adjusted



Source: CREA, RBC Economic Research

Active listings - Toronto area

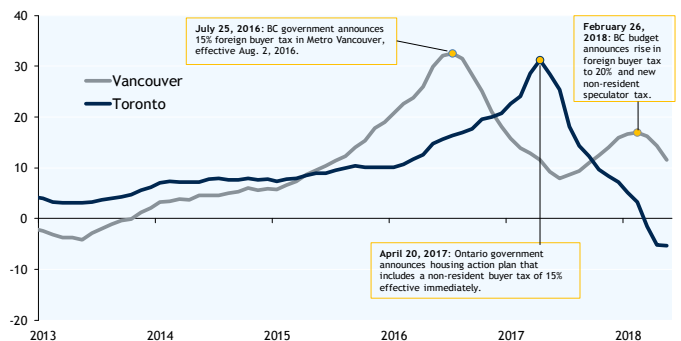
Thousand units, NSA



Source: Toronto Real Estate Board, RBC Economic Research

MLS Home Price Index

Year-over-year % change



Source: CREA, TREB, REBGV, RBC Economic Research

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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

year decline should be seen as a positive development considering how high prices had climbed previously. The road ahead is likely to be bumpy for both the Toronto and Vancouver market. Still, we expect that as long as the economy continues to grow they will manage to stay on track.

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