

November 5, 2019

## Vancouver housing market heating up in October; supply was an issue in Toronto

Early real estate board-level results for October continued to paint a fairly robust picture for Canada's housing market. Developments in Vancouver stood out with home resales surging to a two-year high and prices giving the strongest signs yet of turning around. In Toronto, the bigger story was a dearth of new listings. This restrained activity and further tightened demand-supply conditions all at once. Sellers have regained a lot of pricing power over the past few months in both markets, though Toronto is well ahead of Vancouver in the pricing up-cycle (Vancouver prices are still down on a year-over-year basis). The Calgary and Victoria boards were two other early reporters that showed continuing (albeit modest) market recovery in October. The fall season so far has looked generally solid in Canada. We expect overall activity and prices to follow upward trajectories in the year ahead.

New listings fell 9.6% in October from a year ago in **Toronto**, which no doubt held back many would-be buyers. While home sales still rose 14% year-over-year, this was down from an increase of 21% in September and implied a month-to-month decline of more than 10% between September and October on a seasonally-adjusted basis. Perhaps more importantly, the drop in new listings significantly tightened demand-supply conditions with the sales-to-new listings climbing to a two-and-a-half-year high of 0.66 (based on our own preliminary calculations), tilting the scale favour of sellers in the Greater Toronto Area. And prices are responding in kind. The MLS benchmark price in October increased at its fastest rate (5.8% year-over-year) since December 2017. This trend applied to all housing types and most neighbourhoods across the region. The situation is largely manageable but soon enough—possibly sometime early

**Toronto-area home resales**

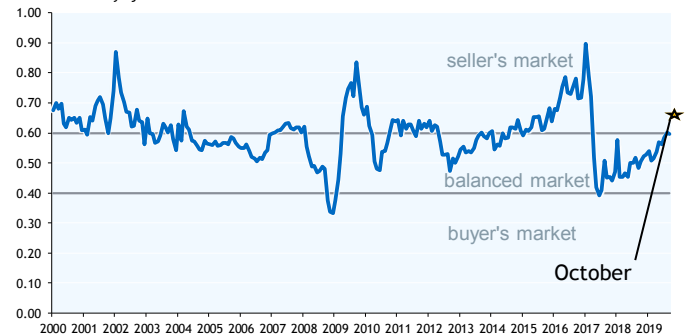
Thousand units, seasonally adjusted annual rate



Source: CREA, RBC Economics

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

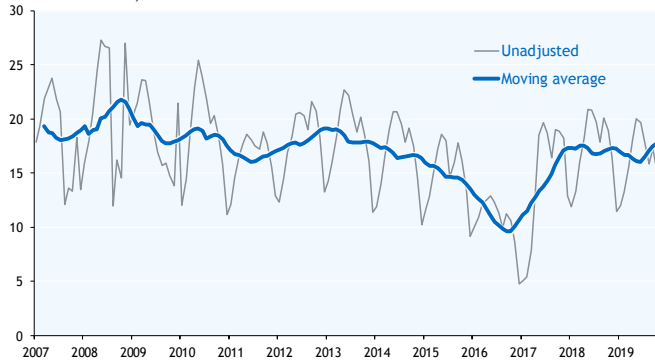
Seasonally adjusted



Source: CREA, RBC Economics

**Active listings: Toronto area**

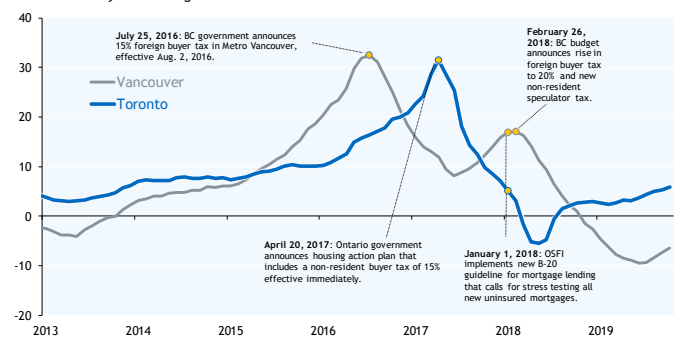
Thousand units, NSA



Source: Toronto Real Estate Board, RBC Economics

**MLS Home Price Index**

Year-over-year % change



Source: CREA, TREB, REBGV, RBC Economics

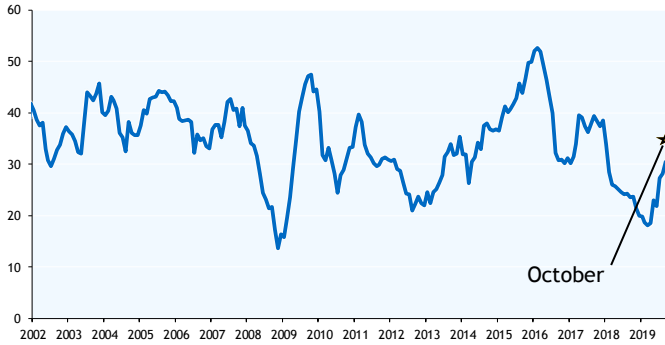
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**Home resales: Vancouver area**

Thousand units, SAAR



Source: CREA, RBC Economics

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

Seasonally adjusted



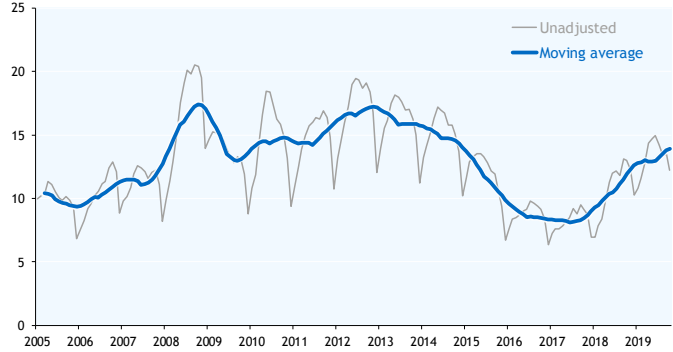
Source: CREA, RBC Economics

next year—the GTA could be back as the market with the strongest price appreciation in Canada. That possibility would certainly catch the attention of policymakers.

Strong October results in **Vancouver** will further fuel the more bullish market sentiment that emerged in recent months. Home resales jumped 45% from a year ago, which translates to a 7% month-to-month rise from September (based on our rough calculations)—the sixth increase in the past seven months. The Real Estate Board of Greater Vancouver noted that October resales were nearly 10% above the 10-year average for the month, so they came in on the hotter side of the spectrum for the first time in almost two years. The heat is beginning to transfer to prices with the MLS benchmark rising on a month-to-month basis for a third-straight time, though it's still down (-6.4%) relative to a year ago. We expect tighter demand-supply conditions—the sales-to-new listings ratio crossed into seller's market territory in October—to continue to heat up prices in the period ahead. If the current trend is sustained, look for the year-over-year comparisons to turn positive by late-spring next year. This, too, will undoubtedly catch the attention of policymakers.

**Active listings: Metro Vancouver**

Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics