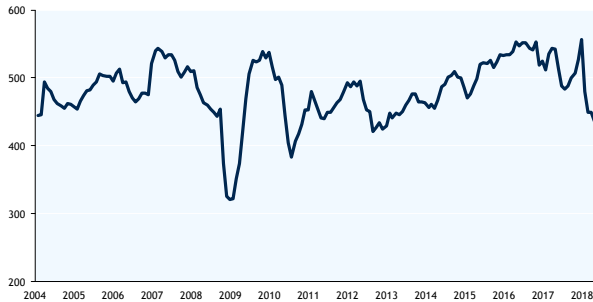


MONTHLY HOUSING MARKET UPDATE

May 15, 2018

Home resales in Canada

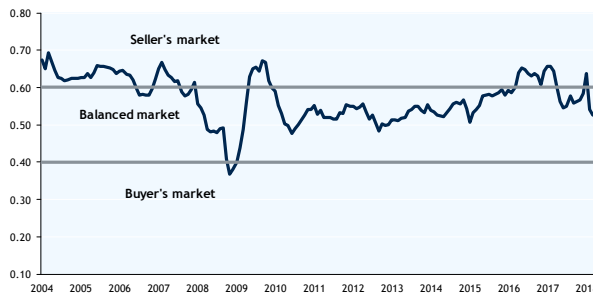
Thousand units, S.A.A.R.



Source: CREA, RBC Economics Research

Sales-to-new listings ratio in Canada

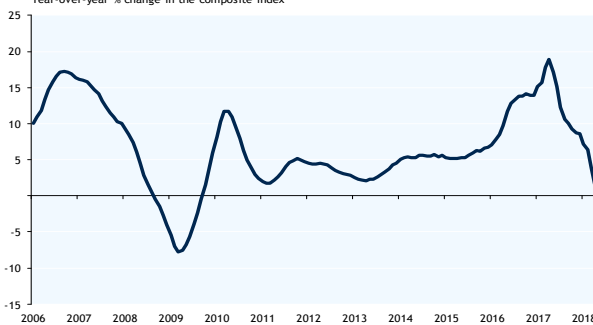
S.A., monthly



Source: CREA, RBC Economics Research

MLS Home Price Index - Canada

Year-over-year % change in the composite index



Source: CREA, RBC Economics Research

Soft start to the 2018 spring housing market in April

- Existing home sales slipped 2.9% lower in April, building on a 0.2% dip in March. Declines over the last two months were still much more modest than the 19% plunge over January and February as new required mortgage stress tests took a toll on sales.
- We continue to expect most of the adjustment to the new stress tests is behind us. The persistence of soft resale data also, though, adds to the evidence that the cooling impact on housing activity could be longer-lived than prior regulatory moves.
- The largest drop in sales in April was in Ontario (-5.3%) although declines were posted in most regions. Only Saskatchewan (+8.7%), New Brunswick (+4.9%) and Prince Edward Island (+14.7%) posted sales increases in April.
- New listings fell by 4.8% in April. That outpaced the drop in sales so the national market still tightened slightly on average. At 0.54, the national sales-to-listings ratio is still firmly in 'balanced market' territory.
- Most local markets are still in the 'balanced' to 'tight' range from a sales-to-listing ratio perspective despite widespread sales declines.
- Year-over-year growth in the national benchmark price decelerated to just 1.5% in April — the lowest since October 2009 and a dramatic shift from a year ago when annual price growth was 18.9%. If recent month-over-month growth trends are maintained, though, it is probably close to its low and could start to drift slightly higher over the summer. April last year marked the peak in year-over-year price growth ahead of new foreign buyer tax implemented in Ontario.

Home resales still soft in April

Home resales declined for a fourth straight month in April — although there is still little indication that the market is coming 'unhinged.' The 2.9% and 0.2% declines in April and March, respectively, still pale in comparison to the 19% drop over January and February. That still suggests that the drag from the initial effect of the new required stress tests on mortgages that took effect on January 1 is fading somewhat. At the same time, there is little evidence that demand is poised to bounce back quickly. It increasingly looks like the dampening impact of the new stress test earlier this year will be more long-lasting than some of the earlier policy measures — particularly considering interest rates both in Canada and abroad also seem to be drifting more sustainably upward.

April snapshot

	Home resales	New listings	MLS HPI (Composite)	Sales-to-new listings ratio
Region	Y/Y %change	Y/Y %change	Y/Y %change	
Canada	-13.9	-5.6	1.5	0.54
Toronto	-33.0	-24.8	-5.1	0.47
Montreal	13.2	1.5	6.3	0.65
Vancouver	-27.3	18.1	14.3	0.44
Calgary	-20.8	7.0	0.1	0.39



Markets still ‘balanced’...

Sellers have also moved to the sidelines early in 2018. That has left most markets still in ‘balanced’ to ‘tight’ territory from a sales-to-listings perspective. Nationally, new listings fell 4.8% in April, outpacing the drop in home resales and pushing the national sales-to-listings ratio up slightly to 0.54. That is still firmly in the 0.4 to 0.6 range that typically is thought to constitute a ‘balanced’ market. Only about 14% of markets covered by CREA were buyer’s markets by our count in April, with the rest roughly split between ‘balanced’ and ‘tight.’

... so prices still have been impacted less than sales

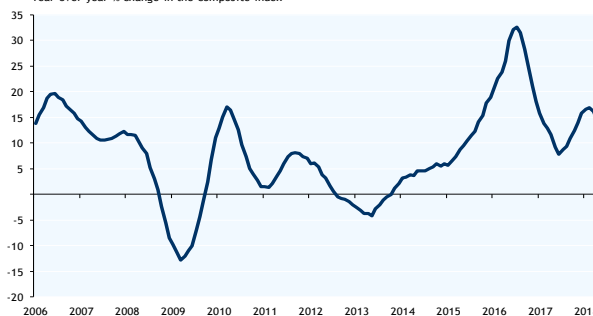
The MLS composite price measure for Canada was still up 1.5% from a year ago in April. That’s still a dramatic shift from a year ago when annual price growth was almost 20%, and is the lowest annual pace of growth since 2009. If more-recent month-over-month trends hold, though, the measure is probably close to its low and could even start to inch higher over the summer. Last April marked the peak in year-over-year price growth prior to Ontario’s foreign buyer tax taking effect. Year-over-year price growth in Toronto has swung dramatically to a –5.1% rate in April from +31% a year ago — but, like the national measure, is probably close to as low as it will get in the near-term. Growth in Vancouver prices slowed, but prices were still up 14.3% from a year ago. Bucking the flat-tish to slowing trend in other major markets, price growth continued to strengthen in Montreal (6.3%) and Ottawa (8.3%) in April.

Housing market still cooling but manageable

Our view is that new regulations as well as the measures announced in the BC 2018 budget and our expectation for further interest rate increases will result in more subdued housing market activity this year. Most markets are still ‘balanced’ to ‘tight’ from a sales-to-listings perspective, though. We don’t expect outsized price growth in recent years to be repeated but we also aren’t assuming big declines. Our forecast is for resales to decline 4.3% in Canada in 2018. We expect prices to edge up just 1.8% after an 11% jump in 2017 — led by an expected 3.1% increase in Quebec and a 5.2% increase in British Columbia. We look for prices in Ontario to be little changed in the year as a whole.

MLS Home Price Index - Vancouver

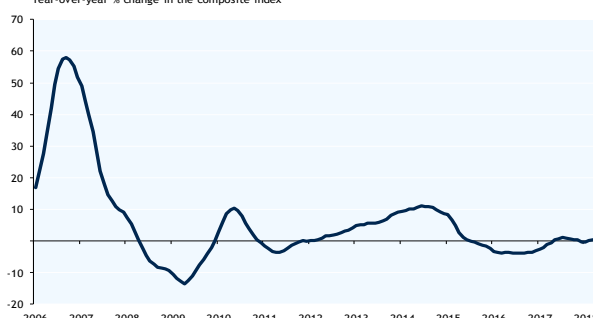
Year-over-year % change in the composite index



Source: CREA, RBC Economics Research

MLS Home Price Index - Calgary

Year-over-year % change in the composite index



Source: CREA, RBC Economics Research

MLS Home Price Index - Toronto

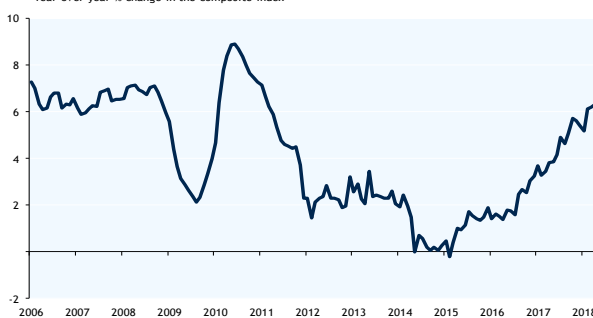
Year-over-year % change in the composite index



Source: CREA, RBC Economics Research

MLS Home Price Index - Montreal

Year-over-year % change in the composite index



Source: CREA, RBC Economics Research

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