



Canadian home prices rebound in March

As we saw earlier this month with release of major metro market data, the housing market looks to be rebounding despite the headwinds of elevated interest rates and risks of an economic downturn. MLS® data published by the Canadian Real Estate Association showed further recovery in both home sales and prices.

Sales rose 1.4 per cent to 33.8k units in March. This was the highest level since December but still very low, with sales down 35 per cent y/y, 47 per cent from the pandemic peak and 20 per cent below February 2020. The largest gain among provinces came in B.C (up 10 per cent) driven by a rebound in the Fraser Valley (40 per cent), while Ontario and Quebec both increased near 1 per cent. Toronto area sales rose 1.6 per cent. Sales fell in Alberta (-1.1 per cent) and Saskatchewan (-2.9 per cent), and throughout the Atlantic.

While sales are scraping off their lows and remain weak, home prices are gaining traction. The average value rose 2.0 per cent to \$648,088. This was a second straight gain and marked the highest level since September. Levels are now 17.5 per cent off the peak, and 22.7 per cent higher than February 2020. The average price rose in 7 of 10 provinces, and led by B.C. (1.1 per cent), Alberta (1.6 per cent), Quebec (1.6 per cent). Sales composition plays a role but the benchmark price, which controls for housing attributes, also edged up 0.2 per cent after 12 consecutive declines albeit with substantial deviation among areas, with a sharp increase in Toronto (1.6 per cent) leading the way. Benchmark values tend to lag turning points in average prices.

Low sales but stabilizing/increasing home values is a housing inventory story. Undoubtedly, many buyers are still priced out of the current market due to high mortgage rates and pandemic era price growth. At the same time, supply has only declined. A tight labour market and lack of job losses means most homeowners are not in a need to sell, while rental markets remain strong. Distressed owners due to higher mortgage rates (particularly variable products) are being supported reportedly by lender flexibility including extended amortizations.

New listings fell nearly 6 per cent and lowest since earlier in the pandemic when the market froze. Months of inventory slipped to 3.9 months from 4.1 months. Impatient buyers are anteing up their bids to secure properties in this market, putting a floor on prices. A swath of potential buyers from rapid inflows of immigrants and temporary residents is also putting upward pressure on prices.

Firmer home prices provide even more reason for the Bank of Canada to hold its policy rate at the current time and maintain an upward bias. Home prices feed through inflation through replacement cost and any further upside could slow the inflation decline, not to mention lift consumer spending and demand.

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MLS® Housing Market Summary

	MLS® Sales				MLS® Price				Sales-to-New Listings	Months of Inventory
	Unit Sales (k)		m/m % ch		Price (\$k)		y/y % ch			
	2023M03	2023M02	2023M02	2023M03	2023M03	2023M02	2023M03	2023M03	2023M03	2023M03
Canada	33.8	1.5	1.4	-34.6	648.1	0.8	2.0	-14.2	63.5	3.9
British Columbia	5.7	7.3	10.0	-37.1	911.0	3.1	1.1	-12.0	61.1	4.7
Alberta	5.3	-0.4	-1.1	-42.5	431.3	-0.4	1.3	-4.8	70.1	3.8
Saskatchewan	1.1	5.2	-2.9	-21.5	299.7	0.2	1.6	-1.5	61.3	5.4
Manitoba	1.1	-6.4	1.2	-27.9	326.3	-2.6	-0.2	-11.3	59.2	3.5
Ontario	12.6	-0.1	1.1	-36.0	821.5	0.5	0.8	-16.9	61.8	2.6
Quebec	5.9	2.1	0.8	-24.5	471.4	0.8	1.6	-3.8	63.5	5.7
New Brunswick	0.8	0.8	-0.7	-27.6	289.5	0.6	5.3	-6.2	78.3	3.6
Nova Scotia	0.8	-1.4	-8.2	-37.2	381.2	1.9	-4.2	-10.5	66.1	4.2
Prince Edward Island	0.1	1.4	0.0	-27.9	401.9	2.9	6.5	-2.7	53.0	7.0
Newfoundland & Labrador	0.5	17.0	-15.8	-18.7	283.3	1.0	-2.9	-1.2	68.4	5.1