



Highlights

- Higher home sales and prices recorded in Ontario in March
- Ontario manufacturing sales down in February

Ontario home sales and prices edge higher in March

Bryan Yu, Chief Economist

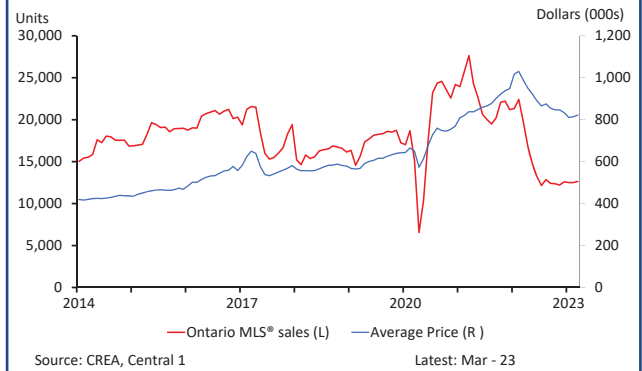
Like the broader national picture, Ontario's resale market firmed in March as home sales increased and prices showed signs of stabilizing despite persistent headwinds of elevated mortgage rates and affordability erosion, as well as the prospects of an economic downturn. MLS® sales rose 1.1 per cent to 12,639 units, seasonally adjusted. Despite the increase Ontario sales were still down 36 per cent from a year ago, 54 per cent from the pandemic peak, and more than 30 per cent off pre-pandemic February 2020. Demand remains heavily constrained by affordability.

Notable sales gains in March were observed in Windsor-Essex (3.0 per cent), Toronto (1.6 per cent), Kitchener-Waterloo (2.8 per cent). The bulk of net growth was due to the rise in Toronto. In contrast, sales fell in Ottawa (-1.6 per cent) and Peterborough (-18 per cent).

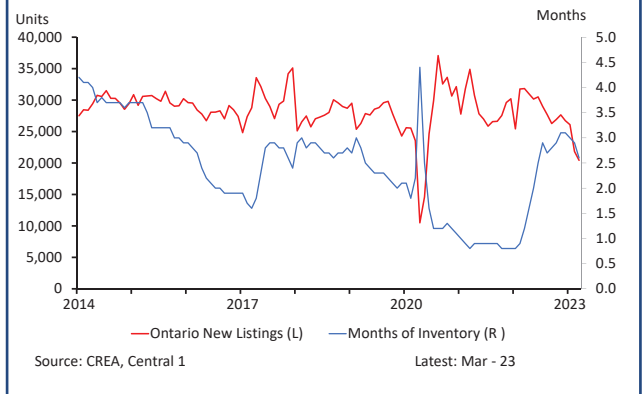
While home sales flow remained low, Ontario's average price rose for a second straight month with a 0.8 per cent gain to \$821,478. That said, this only pared a small portion of the past year's decline and levels were still below December levels. Levels remained 20 per cent lower than the pandemic peak, albeit 23 per cent higher than pre-pandemic February 2020. Housing compositions are significant drivers of average prices, but March saw higher prices in most real estate board market areas. Toronto home values rose 0.8 per cent to \$1.066 million. Prices were flat in Hamilton-Burlington, up 2.0 per cent in Kitchener-Waterloo, 3.0 per cent in London, and about 1.0 per cent in Windsor-Essex.

Benchmark prices, which adjust for housing attributes were mixed pointing to a significant increase in Toronto (1.6 per cent) but steeper declines were reported elsewhere such as Guelph (-1.3 per cent), Kingston (-2.1 per cent) and Simcoe (-3.2 per cent). While benchmark prices tend to trail average price turns, steeper declines in some markets buoyed by afford-

Housing trends steady



Housing inventory declines as listings slump



ability seekers and remote workers over the past year continue to adjust lower.

While sales remain low, home prices are at or near bottom for the province due to low housing inventory. The flow of new listings continued to slump as owners are choosing to stay on the sidelines in this demand environment. 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 6.4 per cent in March after a 16.3 per cent drop in February. This contributed to a drop in months of inventory to 2.6 months, down from 2.0 months in January. This is a relatively normal level historically.

Home prices are likely to remain steady here on out. There is a downside risk coming from a slowing economy and uncertainty around interest rates, but strong population growth and low inventory are

supporting factors. We forecast a steady Bank of Canada policy rate through 2023, albeit with declining fixed rates as lower bond yield filter into mortgage rates. Upside risk to rates reflect stickier inflation and if housing prices move strongly higher which could drive housing replacement costs and inflation.

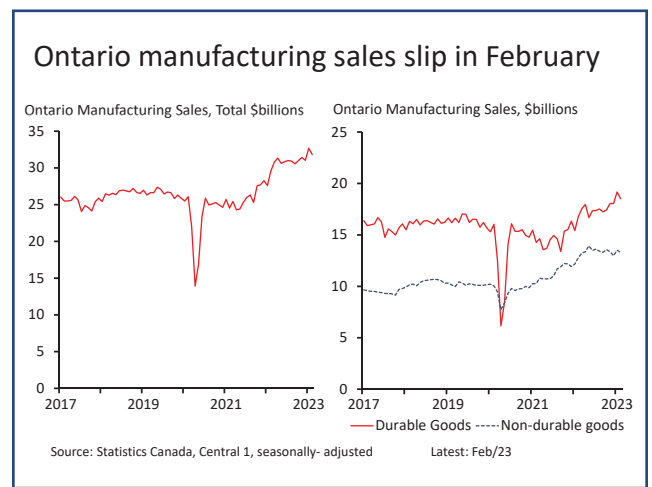
Sales dipped in Ontario's manufacturing industries in February

Eloho Ennah, Economic Analyst

Following a strong start in January, manufacturing sales in Ontario declined in February. On a seasonally adjusted basis, manufacturing sales were down 2.6 per cent to \$31.8 billion in February after the 5.2 per cent increase in the previous month. Durable goods sales fell the most, decreasing by 3.3 per cent while non-durable goods sales fell by 1.5 per cent. On a yearly basis, manufacturing sales increased 7.7 per cent with durable goods sales rising 10.5 per cent while non-durable goods sales rose 4.1 per cent. Unadjusted for seasonality, manufacturing sales were up 7.4 per cent year-over-year, with sales of durable goods up by 10.4 per cent and sales of non-durable goods up by 3.4 per cent.

Within the ten durable goods industries, five of these showed decreases in seasonally adjusted sales. Transportation equipment manufacturing sales fell by 7.0 per cent in February following the increase of 8.6 per cent in January. Fabricated metal product manufacturing saw a decline in sales of 2.7 per cent while non-metallic mineral product manufacturing sales declined by 2.2 per cent in February. Primary metal manufacturing dropped 4.7 per cent and computer and electronic product manufacturing sales fell by 6.6 per cent. Countering the decreases, where increases in sales in five other industries. Sales in electrical equipment, appliance and component manufacturing industries increased the most, up by 14.3 per cent in February and ahead of the 4.9 per cent increase in the prior month. Furniture and related product manufacturing sales were up 3.5 per cent and machinery manufacturing sales were also up by 2.6 per cent. Wood product manufacturing sales increased by 0.2 per cent while sales in miscellaneous manufacturing industries rose 4.8 per cent.

Amongst the non-durable goods industries, textile product mills sales saw the largest decrease of 15.2 per cent in February. Other sales decreases were in the petroleum and coal product manufacturing industries, where sales were down 4.2 per cent, in chemical manufacturing where sales declined by 3.4 per cent and in paper manufacturing where sales



dropped by 0.9 per cent. Sales in food manufacturing and beverage and tobacco product manufacturing industries also fell by 0.2 per cent and 1.2 per cent respectively. Balancing the decreases in sales, was a rise in sales in the leather and allied product manufacturing industry, where sales jumped 28.7 per cent. Printing and related support activities sales also rose 5.9 per cent while apparel manufacturing sales rose 3.1 per cent. Textile mills sales increased by 1.9 per cent and plastics and rubber products manufacturing industry saw a minor increase of 0.1 per cent in sales in February.

With regards to Ontario's metropolitan areas, manufacturing sales increased by 4.3 per cent in Kitchener-Cambridge-Waterloo and were up by 1.1 per cent in Toronto in February. Manufacturing sales were down in Windsor by 5.2 per cent, in Ottawa-Gatineau by 2.5 per cent and in Hamilton by 0.7 per cent during the month.

For more information, contact economics@central1.com.