



## Housing market remains firm through June, but slowdown is anticipated

Monthly housing market data has taken on newfound importance with the Bank of Canada flagging home prices and activity as troubling wrench in its inflation fight. The latest MLS® housing data for June released by the Canadian Real Estate Association showed positive but slowing sales momentum, and broadly positive pricing conditions.

With mortgage rates shooting higher following June's Bank of Canada hike and expectations for the now realized July increase, activity remained robust but stabilized. Sales growth decelerated as more buyers were again priced out of the market and others stepped back amidst uncertainty. At the same time, lack of inventory and strong population continued to support activity. MLS® sales increased 1.5 per cent to a seasonally-adjusted 40,400 units, which was a follow up to May's 4.6 per cent increase and a fifth consecutive gain. Sales remained slightly below pre-pandemic levels and 37 per cent below pandemic peak.

Sales rose in most provinces, led by a 7.5 per cent increase in Nova Scotia, and gains of 4.5 – 5.0 per cent in B.C., Alberta, and Manitoba. Sales in Calgary rose 7.1 per cent. In contrast, Ontario sales fell by 1.3 per cent, led by a 6.9 per cent decline in the Greater Toronto Area (GTA). Relative to pre-pandemic levels, Alberta is outperforming all other provinces with sales up 56 per cent, with Saskatchewan not far behind. Relative affordability has drawn many Canadians to relocate to Alberta.

Prices showed mixed signs of growth. The average MLS® price fell 0.7 per cent to \$709,100 but followed large gains in the prior three months. Year-over-year, prices rose 6.5 per cent. While declining from May, a substantial portion of this was likely owed to composition as GTA sales pulled back. In fact, average seasonally-adjusted prices in all provinces except B.C. (-0.6 per cent) and PEI (-0.3 per cent) recorded higher average prices relative to May. New Brunswick sales rose 3.4 per cent, followed by Saskatchewan (1.4 per cent) and Manitoba (1.0 per cent).

The constant-quality measure of home values (housing price index) jumped 2.0 per cent with stronger growth in B.C. markets (contrasting with average values), albeit with broad-based growth among markets across the country. However, this tends to lag changes in average prices.

Supply conditions in the existing home market provided some relief and helped dampen price growth modestly as more new listings came to market to provide buyers more choice. New listings rose 5.9 per cent. However, this was still outpaced by the combination of sales and de-listing of properties which kept months of inventory at a dismal 3.1 months for a second straight month. A normal environment is closer to 4-6 months of inventory. June's housing performance will contribute to a heightened sense of alert on the part of the Bank of Canada, but market conditions are expected to cool sharply in the coming quarters. Recent buyers are working off pre-approved rate offers which will expire and reprice at much higher levels. Affordability has further eroded and is keeping potential buyers out of the homeownership market. At the same time, this is unlikely to trigger a severe reduction in prices. As we have seen recently, buyers are more than willing to pay high prices and any move down in prices or rates is likely to draw in the swelling pool of buyers in the market. This is particularly the case in the largest urban markets, albeit with more downside demand risk in smaller markets.

Slowing in the existing home sales due to higher rates is also likely to trigger more upside pressure in the rental market as vacancy rates shrink and rents continue to move higher. Relief is unlikely in new home markets which are wilting under the heat of higher interest rates and construction costs despite high 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			
	2023M06	2023M05	2023M06	2023M06	2023M06	2023M05	2023M06	2023M06	2023M06	2023M06
Canada	40.4	4.6	<b>1.5</b>	<b>5.4</b>	709.1	2.7	<b>-0.7</b>	<b>6.5</b>	63.6	3.1
British Columbia	7.4	5.9	<b>4.5</b>	<b>24.2</b>	997.7	5.1	<b>-0.6</b>	<b>4.2</b>	61.4	3.5
Alberta	6.7	8.1	<b>4.7</b>	<b>2.3</b>	456.2	0.7	<b>0.7</b>	<b>3.8</b>	77.7	2.7
Saskatchewan	1.2	9.1	<b>0.2</b>	<b>-8.4</b>	306.4	4.1	<b>1.4</b>	<b>0.0</b>	61.8	4.8
Manitoba	1.2	1.0	<b>4.8</b>	<b>-12.5</b>	344.9	0.9	<b>1.0</b>	<b>-4.0</b>	65.1	3.0
Ontario	15.1	2.0	<b>-1.3</b>	<b>14.3</b>	910.0	3.3	<b>0.9</b>	<b>2.9</b>	57.9	2.1
Quebec	6.6	6.2	<b>0.4</b>	<b>-10.0</b>	480.7	1.5	<b>0.4</b>	<b>-1.4</b>	66.1	4.9
New Brunswick	0.7	4.0	<b>-1.6</b>	<b>-20.9</b>	301.1	3.8	<b>3.4</b>	<b>7.0</b>	78.1	3.2
Nova Scotia	0.9	0.8	<b>7.5</b>	<b>-11.2</b>	429.1	3.5	<b>1.0</b>	<b>5.8</b>	82.4	3.0
Prince Edward Island	0.2	19.6	<b>-7.3</b>	<b>4.5</b>	380.1	-0.0	<b>-0.3</b>	<b>-8.8</b>	61.4	5.2
Newfoundland & Labrador	0.5	3.8	<b>19.0</b>	<b>-10.9</b>	280.2	-7.8	<b>3.1</b>	<b>-5.0</b>	59.7	5.6