



Canadian housing slows, but remains surprisingly resilient in July

Canadian housing activity held up better than expected in July despite slumping activity in several larger urban markets reported earlier this month. While recent interest rate hikes are pricing more prospective buyers out of the market and uncertainty around future rate movements weigh on confidence, resale housing demand remains supported by exceptionally elevated levels of immigration, a firm labour market, high rents, and supply shortages.

July MLS® home sales came in at a seasonally-adjusted 40,030 units. This was a touch below June levels (-0.7 per cent) but 10 per cent higher than same-month 2022. Compared to pre-pandemic 2020, sales are off by about seven per cent. Lower sales point to a general softening of activity after the early year rebound, but patterns were highly regional. Toronto area sales fell 8.7 per cent but Ontario were down a more modest five per cent. B.C. home sales declined 2.6 per cent owing to a retreat in the Fraser Valley. In contrast, the prairie provinces recorded a bump in sales including a nine per cent jump in Saskatchewan, with Manitoba (5.2 per cent), and Alberta (4.0 per cent) not far behind. Quebec sales rose 5.1 per cent. Divergence owes to Canadian mobility patterns as households seek refuge from high priced markets in B.C. and Ontario and relocate to lower-priced provinces. Increase in remote work has contributed to these patterns.

The average national MLS® home price fell two per cent to \$690,900 marking a second straight decline. That said, with sales declines in the high-priced Toronto and Vancouver area markets, sales composition did factor into the decline. Price patterns among provinces were mixed with 6 of 10 posting price gains. Ontario's average price fell 0.9 per cent. Nationally, the average price was up 6.5 per cent from a year ago. The quality-adjusted price index published by the Canadian Real Estate Association slowed to a 1.1 per cent advance from 1.9 per cent. That said, averages typically lead benchmark price patterns.

Broadly supply improved slightly, pointing to easing market conditions. New listings (up 5.7 per cent) rose for a fourth consecutive month, although levels are normalizing to historic trends rather than surging. This pattern is playing out in most provinces. Months of inventory crept slightly higher from 3.1 months to 3.2 months but can hardly be considered a bloating of supply. A balanced market is typically between 4-6 months. Outside Ontario, inventory was either flat or declining, with the latter especially evident in the prairies. Despite the uptick months of inventory in Ontario came in at 2.5 months, Alberta was at 2.6 months and B.C. above the national average at 3.7 months.

The housing market is anticipated to slow through the fall months as higher interest rates and affordability deterioration maintain a lid on purchasing activity and the risk of further rate hikes weigh on sentiment. That said, there are plenty of buyers waiting in the wings amidst elevated levels of population growth. Indeed, buyers were already jumping back early this year when fixed mortgage rates had moved slightly lower and any improvement in affordability draws buyers back in.

Home prices are expected to drift lower but not by a material amount given underlying demand. Moreover, supply conditions are likely to remain tight. New listings are not high, and many owners are unlikely to hold off on selling or moving. Supply is further restricted by interest rates that make new construction uneconomical, and highlighted by urban housing starts which fell 10 per cent in July and 8 per cent year-to-date. Insufficient supply is likely to support home values and future increase when rates decline.

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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			
	2023M07	2023M06	2023M07	2023M07	2023M07	2023M06	2023M07	2023M07	2023M07	2023M07
Canada	40.0	1.2	-0.7	10.1	690.9	-0.9	-2.0	6.5	59.2	3.2
British Columbia	7.2	4.2	-2.6	29.8	998.9	-0.6	0.1	5.3	57.3	3.7
Alberta	6.9	4.7	4.0	13.1	452.4	0.6	-0.7	4.1	73.9	2.6
Saskatchewan	1.4	0.3	9.0	9.0	299.6	1.7	-2.4	-1.7	67.6	4.3
Manitoba	1.3	4.9	5.2	-10.3	349.2	0.8	1.1	-0.3	66.3	2.9
Ontario	14.0	-2.1	-5.5	12.9	895.1	0.9	-0.9	3.2	49.7	2.5
Quebec	7.0	0.9	5.1	-1.4	489.4	0.4	1.8	2.6	68.2	4.5
New Brunswick	0.7	-2.0	-1.5	-11.3	301.4	3.6	-0.1	8.1	74.5	3.2
Nova Scotia	0.9	6.5	-1.6	-9.5	437.6	1.2	1.7	13.8	72.4	3.1
Prince Edward Island	0.2	-5.7	7.3	27.5	402.6	-0.1	5.9	1.0	63.8	4.9
Newfoundland & Labrador	0.4	20.7	-9.9	-19.3	289.5	3.5	2.9	-1.8	53.8	6.2

MLS® Housing Market Summary, Select Metro Areas

	MLS® Sales				MLS® Price				Sales-to-New Listings
	Unit Sales (k)		m/m % ch		Price (\$k)		y/y % ch		
	2023M07	2023M06	2023M07	2023M07	2023M07	2023M06	2023M07	2023M07	2023M07
Fraser Valley, BC	1.4	17.9	-11.1	40.6	1,022.2	4.2	-7.8	0.3	55.3
Greater Vancouver, BC	2.6	-0.7	-0.8	31.3	1,294.2	-0.3	1.3	5.1	56.2
Calgary, AB	3.2	7.1	2.1	16.9	554.0	1.5	-0.4	7.6	82.3
Edmonton, AB	2.3	3.1	6.7	14.3	388.9	-1.3	0.1	-1.3	65.6
Saskatoon, SK	0.6	-0.7	8.1	16.2	357.0	0.2	-1.6	0.1	70.9
Winnipeg, MB	1.1	3.5	3.0	-13.4	369.0	1.0	1.1	0.4	67.6
Toronto, ON	5.6	-8.5	-8.7	11.1	1,153.5	1.5	-0.7	4.2	44.0
Ottawa, ON	1.3	0.2	-1.5	17.5	695.1	1.7	6.2	5.3	63.9
Halifax, NS	0.4	9.3	-4.0	-4.7	580.7	1.3	2.4	12.2	82.5