



Highlights

- Housing market activity in Ontario continued to weaken in May; prices unchanged
- Housing starts up in Ontario
- Population growth in Ontario driven by international migration
- Retail spending up in Canada but down in Ontario
- Number of travelers entering Ontario increased in April

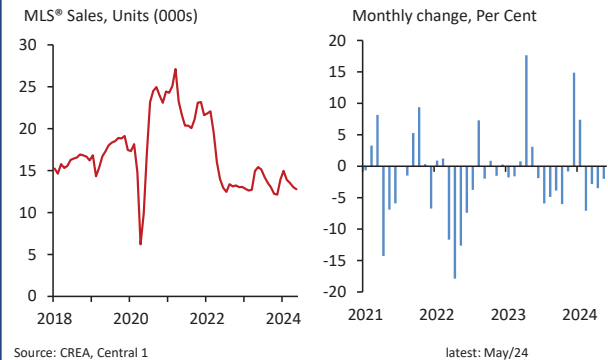
Ontario home sales continued to diminish in May

Eloho Ennah, Economic Analyst

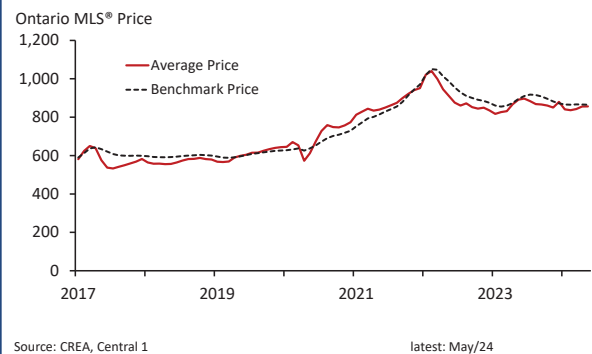
Ontario home sales fell again in May, marking the fourth consecutive decline as housing market activity continued to deteriorate amidst still elevated interest rates and weaker buyer confidence. Seasonally adjusted MLS® home sales reached 12,782 transactions, translating to a 2.0 per cent decline from the prior month. In addition, total monthly sales also fell by 17.1 per cent from a year ago. Aside from early in the pandemic, this level of sales was last seen during the 2008-09 financial crisis and the early 2000s, despite significant population gains. That said, home prices remained unchanged from the previous month but remained on a downward trend.

Among Ontario's economic regions, home sales declined in most of Ontario's economic regions. Based on Central 1 calculations, Toronto Economic Region home sales fell by 2.2 per cent in May to drive the provincial decline. Other areas to see declines were Hamilton-Niagara Peninsula (-5.4 per cent), Windsor-Sarnia (-4.7 per cent), London (-1.3 per cent), Stratford Bruce Peninsula (-1.3 per cent), Muskoka Kawartha (-10.5 per cent), the Northeast (-2.2 per cent) and the Northwest (-6.1 per cent). On the other hand, a few regions recorded increasing sales transactions during the month: Ottawa (1.9 per cent), Kitchener-Waterloo Barrie (2.6 per cent), and Kingston-Pembroke (0.2 per cent).

Home sales fall further in Ontario



Home values unchanged in Ontario



Home values in the province were relatively unchanged in May, at \$856,142. Prices have remained stable in recent months but are down 17.7 per cent from their all-time high. Amongst Ontario areas, most economic regions saw lower prices during the month. The largest price drop was seen in the Northwest economic region, down by 4.2 per cent. Prices also dropped in Ottawa (-2.5 per cent), Kingston-Pembroke (-2.8 per cent), London (-1.4 per cent), Windsor-Sarnia (-2.0 per cent) and Hamilton-Niagara Peninsula (-1.4 per cent). In contrast, home prices in Toronto and Stratford Bruce Peninsula economic regions both increased by 0.3 per cent while up in Muskoka-Kawarthas by 4.5 per cent.

When taking into account factors like the size, location, and type of homes, the overall benchmark prices for homes adjusted for seasonal variations decreased slightly by 0.1 per cent in May. This decrease was consistent with the rate of decline from the previous month, indicating a stable trend in price adjustments. Some areas where the MLS® Housing Price Index Benchmark declined were Toronto (-0.4 per cent) and Brantford (-1.5 per cent). Almost all other regions reported benchmark price increments during the month.

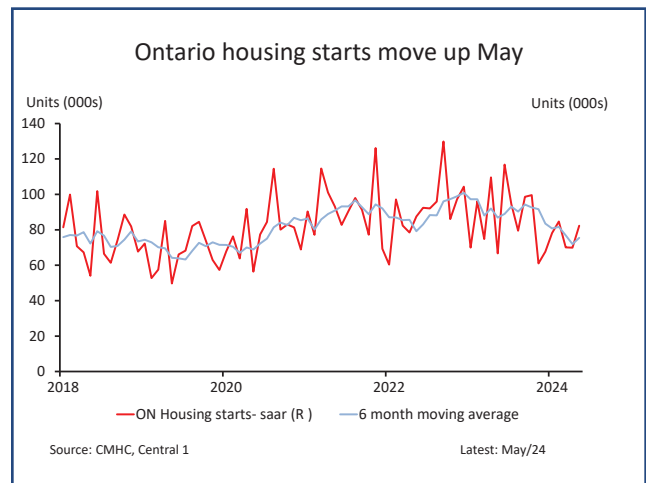
Residential new listings in Ontario increased in May by 1.6 per cent while the sales-to-new listings ratio edged down from 44.2 per cent to 42.7 per cent. At the moment, homeowners in Ontario are under elevated financial stress following mortgage renewals. This may cause more financially strained homeowners to list in the coming months. The first interest rate cut which occurred early June will provide more hope to prospective buyers on the sidelines although it will take several rate cuts to see significant momentum in the housing market.

Multifamily homes up but single family units still weak

Alan Chow, Business Economist

Ontario's urban centres housing saw more housing starts in May compared to April. On a seasonally adjusted basis and at an annual rate, Ontario saw 82,318 housing starts in May compared to the 69,922 the previous month. This is the second highest monthly rate in the last seven months and moves the six-month average from 71,924 to 75,469 — the first increase in three months. Single family units saw a monthly decline of 2.5 per cent from 13,249 to 12,909 units. They are still lower than they were last year, suggesting that high interest rates continue to affect demand for higher-priced homes. Multifamily units saw an increase from 56,673 to 69,409 units.

Of Ontario's 16 metro areas, half saw an increase in housing starts. In May, Toronto recorded a significant increase housing starts, with numbers rising to an annual rate of 54,279 up 46.7 per cent from 36,989 in April. This number is above the average monthly housing starts seen in 2023, which is around 47,000. Ottawa saw 8,203 units started in May, up from the 4,856 units started in April. London saw a decline in housing starts from 5,118 units to 1,771 units. After seeing two months with housing starts below 1,000 units, Hamilton experienced a surge of activity with 5,371 housing starts in May. Oshawa recorded 1,790 housing starts, which is very close to the monthly average for 2024. While Kitchener-Cambridge-Waterloo only saw 770 housing starts. This is the lowest monthly rate seen in the last three years.



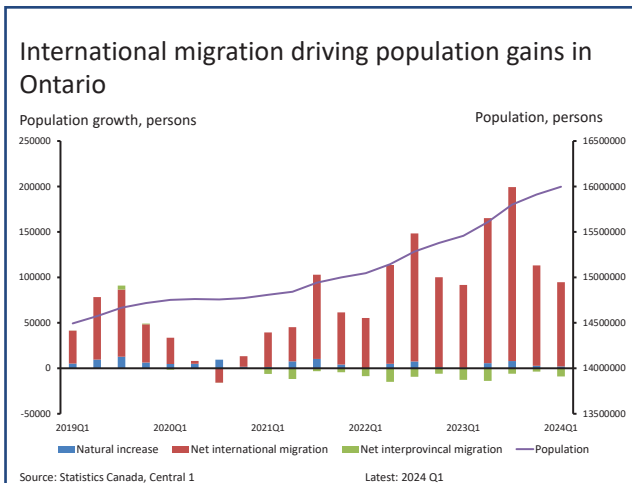
Year to date, the actual number of housing starts (unadjusted) as May was 30,311 units, which represents a 6 per cent decrease from the 32,095 units recorded over the same period last year. The number of multifamily units starts was 25,971, slightly down from the 26,395 units seen last year. The number of single detached homes started saw a more significant decrease, with 4,340 housing units compared to 5,700 housing units started a year earlier. While all levels of government are pushing to build more housing, the environment of higher interest rates, building costs, and low pre-sales are holding back activity.

Ontario population continued to grow in first quarter of 2024

Eloho Ennah, Economic Analyst

Canada's population reached a new milestone in the first quarter of 2024, growing by 0.6 per cent to reach more than 41 million people. In Ontario, Canada's most populous province, the population grew by 0.5 per cent during the same period and reached 15,996,989 persons. Although this was a slower pace compared to the prior quarter, a similar quarter-over-quarter growth rate was observed in the first quarter of 2023. In addition, same-quarter year-over-year growth has held at a consistent pace of 3.5 per cent for the last two quarters, marking the highest rate on record to date.

International migration continues to fuel population growth in the province. Net international migration in the first quarter of 2024 reached 92,722 persons. Compared to same quarter in 2023, there was an increase of 1.7 per cent. However, this also represented a decline of 16.1 per cent from the fourth quarter of 2023. Ontario welcomed more non-permanent residents this quarter, totaling 45,724 people, a 3.8 per cent increase largely due to higher work permit holders, accounting for 34,452 people relocating to the province. On the other hand, the number of study permit holders arriving in the province declined. Although



this is common in the first quarter, this year's decline (-15,919 persons) was higher than that recorded in the prior year (-10,854 persons). Non-permanent residents arriving in the province may reduce in coming quarters given the new cap on permits issued for non-permanent residents.

The province continued to lose a portion of its population to other regions in Canada, especially to Alberta. Ontario recorded a net loss of 9,020 persons to other regions. This reflects a search for affordability by relocators, a trend that has been ongoing since the start of 2020.

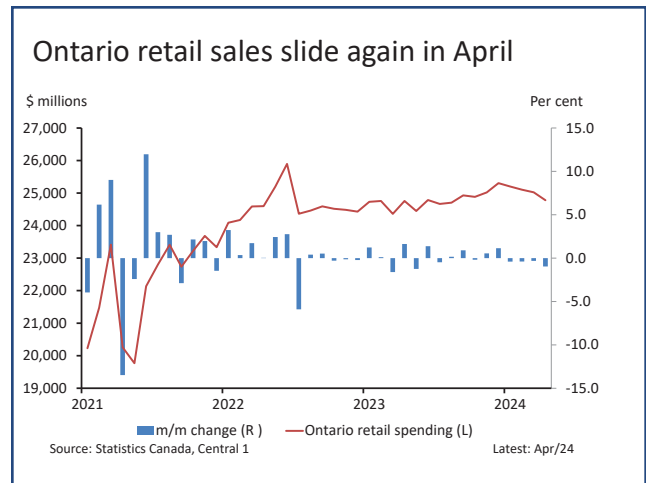
Ontario retail sales slowed further in April

Alan Chow, Business Economist

Consumer demand strengthened at the start the second quarter, as retail spending in Canada increased in April, marking the first rise in four months. Seasonally adjusted sales increased 0.7 per cent in April from March to \$66.8 billion, the highest monthly sales this year and the second highest monthly sales in the last 12 months. Year to date, unadjusted sales are up 1.8 per cent.

In April, seven out of the nine subsectors saw higher sales. A notable increase was seen in gasoline stations and fuel vendors, which were up 4.5 per cent. Higher retail sales were also reported from food and beverage retailers, which increased 1.9 per cent. Sporting goods and hobby retailers also saw a 3.3 per cent increase in sales for April. On the other hand, weaker retail sales were reported at motor vehicle and parts dealers, down 2.2 per cent and building material and garden equipment and supplies dealers, down 1.4 per cent.

In contrast, Ontario seasonally adjusted retail sales fell 1.0 per cent in April from March, marking a fourth consecutive monthly decline after numbers were revised. Despite the recent decline, year to date unadjusted



retail sales in Ontario were up 2.3 per cent over the same period last year.

Five out of the nine subsectors in Ontario reported lower year-over-year sales in April. Food and beverage retailers reported a decline in monthly sales (-4.7 per cent) in April to an unadjusted \$4.4 billion, down 2.6 per cent from the same month last year. Clothing, shoes, jewelry and luggage retailers, along with sporting goods, hobby, musical instruments retailers, reported year-over-year monthly decline of 7.7 per cent and 7.6 per cent, respectively. However, they saw a month-over-month increase of 7.3 per cent and 1.9 per cent, respectively. Health and personal care retailers, however, saw a 11.4 percent increase over the same month last year and a 6.4 percent increase over the previous month.

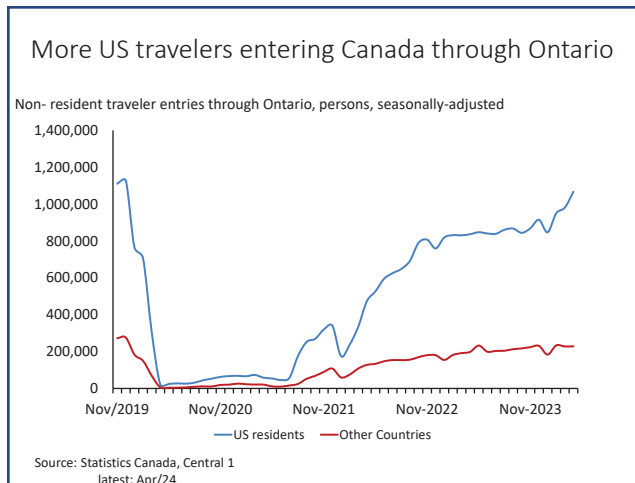
Regionally, the Toronto metro area had a 2.5 per cent decline in seasonally adjusted retail sales on a month-over-month basis in April. Additionally, there was a year-over-year unadjusted monthly sales decrease of 2.4 per cent. However, year-to-date unadjusted sales were up 1.1 percent to \$41.2 billion. In Ottawa, unadjusted monthly sales saw an increase of 1.6 per cent, with year-to-date sales up 5.3 per cent to \$7.7 billion.

Advanced estimates for May suggest sales declined in May but this figure is likely to be revised.

Strong growth in visitors, particularly from the US.

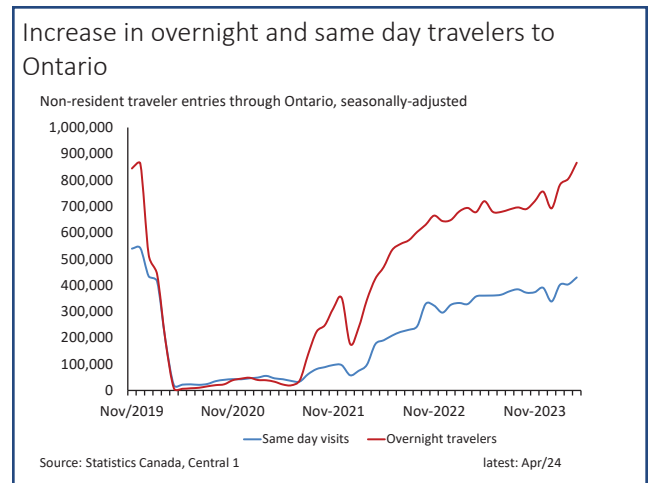
Alan Chow, Business Economist

The number of non-resident visitors entering Canada through Ontario increased in April. On a seasonally adjusted basis, there were 7.5 per cent more non-resident visitors in April than in March, increasing from 1.2 to 1.3 million people. This was the highest number of visitors since the beginning of the pandemic. The number of same day excursions increased by 6.5



per cent to 429,571. This is still well below the 2019 monthly average of 527,835. The number of overnight tourists increased by 7.5 per cent to 865,790, which is slightly above the 2019 average of 842,055.

The number of U.S residents visiting Canada through Ontario was up 8.7 per cent from March to April and represents an increase to 1,066,809 people, well above the 2019 average of 995,809. Over the same period, the number of residents from countries other than the U.S. increased marginally by 0.4 per cent to around 228,552 people. This figure is below the 2019 monthly average of 245,651. Amongst U.S. residents, there was an increase of about 10 per cent in overnight tourists, totaling 648,082. This number was well



above the 2019 average of 584,261. There was slightly smaller increase of in U.S. residents going on same day excursions, totaling 7.0 per cent or 418,727 people. Again, this is well below the 2019 average of 512,144. Air travel from U.S. residents to Ontario increased 8.6 per cent while automobile and other modes increased 8.3 per cent and 16.3 per cent, respectively. Residents from countries other than the U.S. saw a 10.6 per cent decline with same day excursions and a 1.0 per cent increase in overnight tourist. There was a 2.9 per cent increase in the number of non-residents from countries other than the U.S. arriving by air during the month. Meanwhile, over the same period, there was a 7.8 per cent decline in those arriving by land and sea.

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