Economic Commentary

July 12 2024

central 1 Economics

Summer heat, but housing market remains cool in June

Consistent with early month metro market data, the Bank of Canada's June rate provided a small boost to sales but did little to propel an immediate and vigorous increase. That said, prices are showing further signs of resilience as sellers remain firm with their expectations given pent up demand on the sidelines.

The latest MLS® sales published by the Canadian Real Estate Association showed a modest sales increase of 3.7 per cent to reach 38,916 units. While this was the strongest pace and first increase since January, sales were down 3.3 per cent from a year ago and eight per cent lower than levels preceding the pandemic. On a per capita basis, sales are trundling at a recessionary pace. While lower rates are lifting sales, a swelling number of potential buyers are on the sidelines due to unaffordable conditions and difficulties in saving down payments. Expectations of future rate cuts are also holding some buyers back in hopes of better entry points.

Among large provinces, Ontario (6.1 per cent) and Quebec (4.2 per cent) led the sales uptick in June, with growth of 2.7 per cent in B.C. and 1.4 per cent in Alberta. Year-over-year, activity was down 14 per cent in B.C. and 9.7 per cent in Ontario, which were the key drags. Sales in Greater Vancouver rose 8.3 per cent m/m, with Toronto (4.1 per cent), and Ottawa (10.3 per cent) among the big city highlights. Among other regions, Prince Edward Island reported a 15 per sales decline, with other provinces higher.

The limited sales recovery is coinciding with a six-month upward trend in new listings, providing more choice for buyers and weaker market conditions. New listings rose 1.5 per cent m/m and 11 per cent y/y (seasonally adjusted) led by B.C. and Ontario, albeit within a historically normal range. The months of inventory held steady at 4.2 per cent but with higher months of inventory in B.C. (5.8 months) and Quebec (5.4 months).

Despite incrementally more supply, prices are holding firm. The average national MLS® price increased 1.5 per cent to $687,700, and while down 1.9 per cent y/y, levels have been range bound over the past year after downshifting from the 2022 record high. Levels are still 30 per cent higher than in February 2020. Aside from New Brunswick and PEI, average values rose across all provinces led by a near 2.5 per cent increase in Manitoba and Nova Scotia. Ontario and B.C. rose 1.6 and 1.4 per cent. Among metros, Greater Vancouver's price jumped 2.3 per cent to $1.34 million with Toronto up 1.8 per cent to $1.13 million.

Average prices can mask compositional sales effects, but firm prices were also observed in the benchmark price index which rose for the first time in more than a year (0.1 per cent). Gains were seen across markets. That said, local area data points to weaker conditions in condo markets as investors and lower equity owners face greater challenges from rising interest rates.

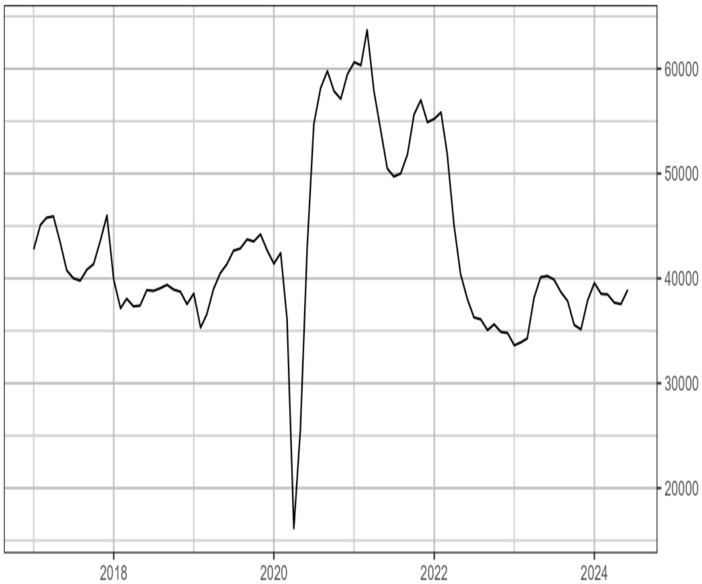
While sales remain weak, the latest data points to early momentum as interest rate cuts are realized and incentivizes more buyers to jump off the sidelines. With more than 2 million newcomers in recent years, there are plenty waiting to take the plunge. We expect the sales flow to pick up more rapidly in the fourth quarter, although home buyers will continue to face challenges of affordability. Home prices are forecast to remain steady through most of 2024 but find more traction in 2025. While supply is rising, this will be absorbed by rising sales, and the main theme of undersupply of housing remains for the Canadian housing market.

Bryan Yu
Chief Economist
Central 1 Credit Union
byu@central1.com

Canada MLS Activity

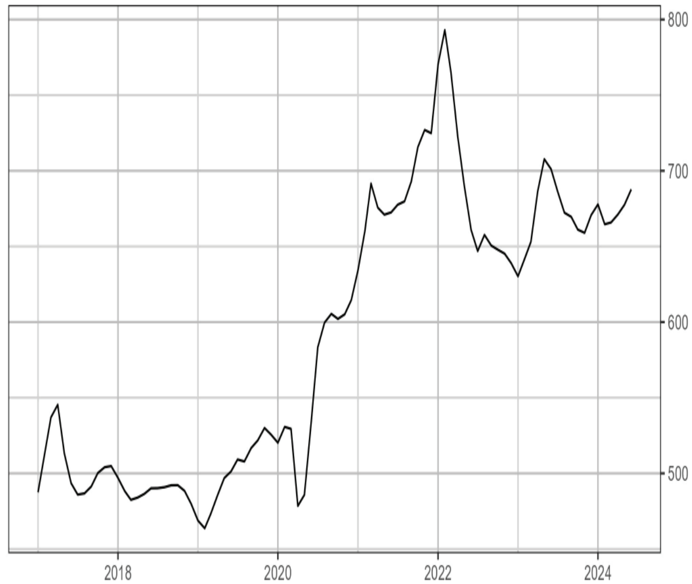
MLS unit sales

Last data point: 2024-06-01



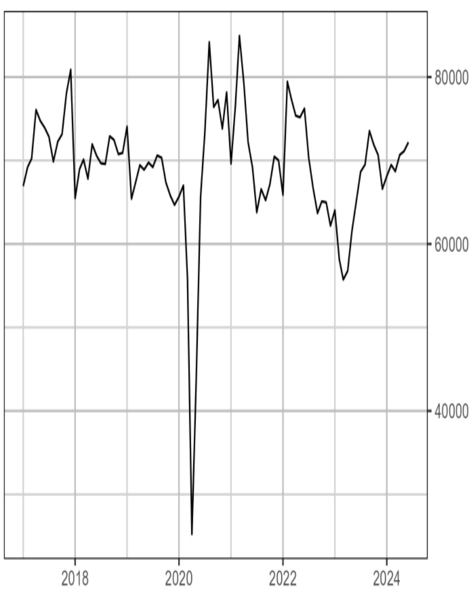
Average MLS Price, $000s

Last data point: 2024-06-01



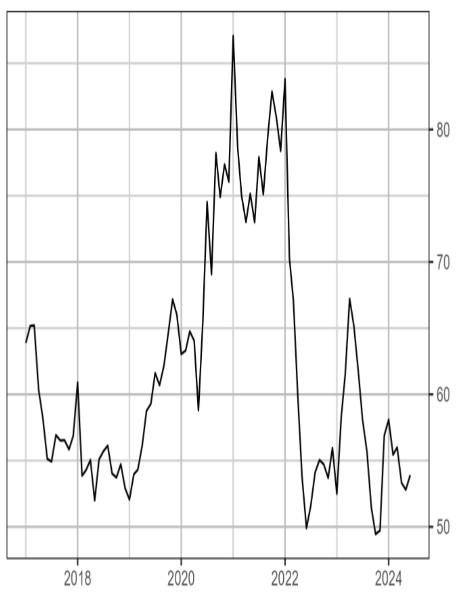
MLS new listings

Last data point: 2024-06-01



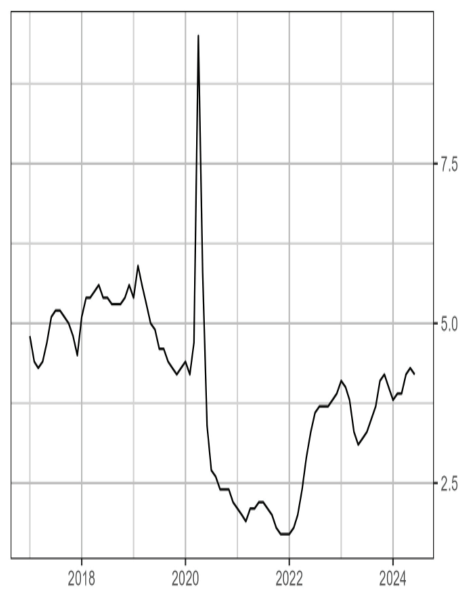
MLS sale-to-new listings

Last data point: 2024-06-01



MLS months of inventory

Last data point: 2024-06-01



CREA, Central 1

MLS® Housing Market Summary

	MLS® Sales				MLS® Price				Sales-to-New Listings	Months of Inventory
	Unit Sales (k)	m/m % ch		y/y % ch	Price ($k)	m/m % ch		y/y % ch		
	2024M06	2024M05	2024M06	2024M06	2024M06	2024M05	2024M06	2024M06	2024M06	2024M06
Canada	38.9	-0.4	3.7	-3.3	687.7	1.0	1.5	-1.9	53.9	4.2
British Columbia	6.2	2.3	2.7	-14.3	1,000.3	1.7	1.4	0.8	45.8	5.8
Alberta	7.0	2.4	1.4	3.2	490.6	1.2	1.2	9.0	75.5	2.4
Saskatchewan	1.4	-4.5	2.7	9.7	317.5	-0.5	1.6	4.1	73.1	3.7
Manitoba	1.3	4.6	-2.7	5.6	364.7	-2.2	2.4	5.7	68.6	2.6
Ontario	13.6	-1.9	6.1	-9.7	872.7	0.2	1.6	-2.5	43.9	3.8
Quebec	7.2	-2.0	4.2	11.3	514.9	-0.1	1.2	6.2	64.5	5.4
New Brunswick	0.8	-8.7	7.1	8.4	311.9	0.6	-0.4	3.7	70.1	3.6
Nova Scotia	0.9	3.3	3.9	1.1	441.2	-0.5	2.5	3.6	66.4	4.2
Prince Edward Island	0.1	1.2	-15.7	-17.2	379.1	3.1	-2.9	-0.3	49.5	8.0
Newfoundland & Labrador	0.4	1.1	-4.0	-6.7	311.8	1.6	1.1	10.6	57.4	6.0

MLS® Housing Market Summary, Select Metro Areas

	MLS® Sales				MLS® Price				Sales-to-New Listings
	Unit Sales (k)	m/m % ch		y/y % ch	Price ($k)	m/m % ch		y/y % ch	
	2024M06	2024M05	2024M06	2024M06	2024M06	2024M05	2024M06	2024M06	2024M06
Fraser Valley, BC	1.1	6.2	-1.1	-27.1	1,028.3	1.4	-0.2	-7.2	42.4
Greater Vancouver, BC	2.2	-6.5	8.3	-13.2	1,345.6	3.0	2.3	5.8	44.7
Calgary, AB	2.9	6.0	1.0	-7.5	623.3	1.3	1.5	12.8	78.9
Edmonton, AB	2.5	-1.9	0.6	18.2	413.7	1.0	0.2	6.9	74.1
Saskatoon, SK	0.6	-3.7	4.0	6.5	373.9	-0.8	0.1	3.6	78.6
Winnipeg, MB	1.1	5.8	-3.9	5.1	384.9	-1.7	2.2	5.5	69.3
Toronto, ON	5.4	-1.7	4.1	-12.6	1,131.4	0.3	1.8	-1.8	37.1
Otawa, ON	1.3	0.4	10.3	2.6	660.2	0.2	1.5	1.4	57.6
Halifax, NS	0.4	-6.0	7.9	-3.7	580.0	1.6	1.2	2.9	77.4