

Canadian Home Sales — May

SALES COMPOSITION HIGHLIGHTS REGIONAL MARKET DIFFERENCES

- Canadian Real Estate Association (CREA) [data](#) for May indicate a 0.9% rise in average sales prices (sa m/m); the second consecutive monthly increase leaves home values down 6.5% y/y (nsa) this year.
- The MLS composite home price index (HPI) climbed 1.0% (nsa y/y). Its persistent rise amid declining sales prices largely reflects affordability issues in the Greater Vancouver Area and Greater Golden Horseshoe.
- Residential unit sales decreased for the fifth successive month (sa m/m), with May's 0.1% downturn (sa m/m) bringing home purchases 15.4% lower (nsa y/y) than in the first five months of 2017.
- New listings in May rose 5.1% (sa m/m), pushing the national sales-to-listings ratio down to 50.6%, the fourth consecutive month within the 40–60% range generally consistent with a balanced market.

An early-year slowdown in Canadian housing market activity persists in the wake of rising interest rates and mortgage stress tests that came into effect on Jan. 1st, 2018. Yet recent sales and price movements, across cities and unit types, still indicate diverging regional real estate trends in Canada's largest centres.

Greater Toronto and Greater Vancouver, where a stronger response to policy changes was anticipated given affordability pressures and higher portions of uninsured mortgages, continue to drive sales declines. The former city's 0.9% (sa m/m) increase brought sales prices down 10.3% (nsa y/y) to date this year, with unit sales 32.0% lower (nsa y/y) than a year ago. We look for a modest recovery in Toronto sales activity later in 2018 given strong fundamentals such as income growth, rising immigration and still historically low borrowing costs.

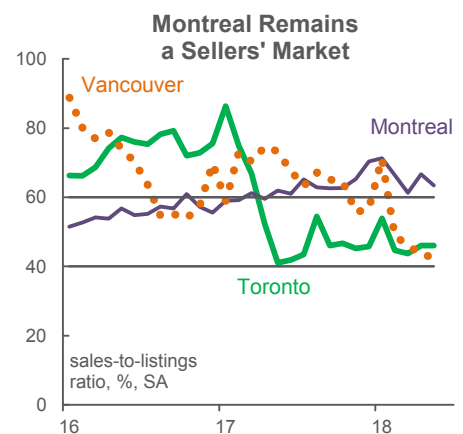
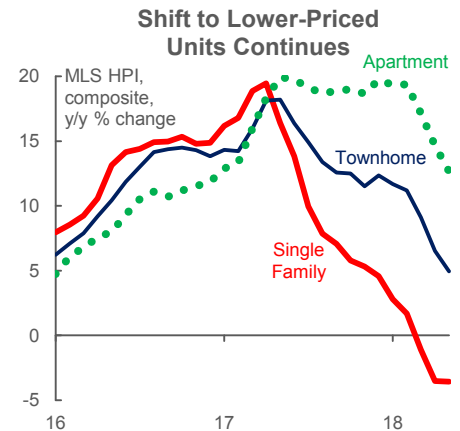
The benchmark MLS HPI, which removes price distortions related to sales mix, continues to rise, albeit at a diminishing pace. Respective HPI gains through May of 8.6% and 16.5% (both nsa y/y) for townhomes and apartments offset a 0.8% (nsa y/y) fall in single family home values (top chart). This mirrors increased preference for lower-cost housing types such as apartments and townhomes, concentrated in Greater Vancouver and Ontario's Greater Golden Horseshoe.

Montreal real estate activity remains elevated. An uptick in May leaves unit sales up 6.0% (nsa y/y), building on a near-record year in 2017, with sales price gains rising 5.7% (nsa y/y). The city in May reported a sales-to-listings ratio of 63.5% (sa), putting it in seller's market territory, but not so much so that we should expect an erosion in affordability comparable to that experienced in other major centres (bottom chart). HPI values also indicate balanced price growth, with modest monthly price gains ranging from 4% to 9% (nsa y/y) over the last six months across all unit types.

Sales are down significantly in Calgary and Edmonton, while prices have fallen more modestly. The gradual recovery forecast for Alberta should assist home prices to improve over the next two years. The HPI for single-family properties has been steady relative to other unit types in both cities, likely a consequence of the resumption of positive job creation, and also bodes well for future home value appreciation.

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Canada	May-18	Apr-18	May-17
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	-0.1	-2.6	-16.2
New listings (% change)	5.1	-3.7	-5.9
Average price (% change)	0.9	0.1	-6.4
MLS HPI (% change) ²	0.6	0.6	1.0
	May-18	Apr-18	May-17
Sales-to-new listings ratio (level) ¹	50.6	53.2	56.2
Months inventory (level) ¹	5.7	5.6	4.7

¹ seasonally adjusted ² not seasonally adjusted

Sources for charts and table: Scotiabank Economics, CREA.

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