

Canadian Home Sales — May

NATIONAL MARKET MOVES BACK INTO BALANCE

- National home sales (seasonally adjusted) fell 6.2% m/m in May, with about half of local markets reporting fewer transactions. Sales were down 1.6% from a year earlier.
- New listings edged up 0.3% last month. Building on April's surge in listings, overall market conditions have moved back into balanced territory. The ratio of sales-to-new listings fell to 56.3 in May; a ratio between 40 and 60 is generally considered balanced. The number of months supply edged up to 4.7, from 4.3 in April.
- The aggregate MLS Home Price Index (HPI) rose 1.3% m/m in May, led by gains for condominium units. On a year-over-year basis, HPI price growth eased to 17.9%.

Canada's housing market showed further signs of cooling to close out the spring, though wide regional variations continue to persist. **Toronto and its surrounding municipalities** (including Oakville-Milton, Hamilton-Burlington and Barrie) account for much of the recent slowing in national sales activity. After hitting a record high in March, GTA home sales tumbled 31% in April and May (chart 1). Market sentiment appears to have shifted dramatically in the wake of Ontario's recent policy changes, and the surge in home prices over the past year. The softening in sales has been accompanied by a jump in new listings, especially for single-family homes, as sellers look to lock in recent price gains. Meanwhile, prices remain firm amid a still-low inventory of active listings. Benchmark GTA home prices (HPI) rose 1.2% m/m in May to a new record high, though the pace of acceleration appears to have peaked as sellers and buyers adjust their expectations.

Meanwhile, **Vancouver's** housing market is regaining momentum. While sales were relatively flat m/m in May, this followed a 30% increase over the prior three months. Sales have now reversed much of last year's weakness, and are again trending back above their 10-year average (chart 2). Benchmark prices, after a modest 4% decline from August 2016 through January 2017, have since rebounded 8% to a new record high. The turnaround in sales and pricing is being driven by more affordable condominiums and townhomes. If recent developments in Vancouver's housing market are any guide, the impact of Ontario's recent policy moves may prove short-lived. Home sales and prices also have rebounded solidly in the **Fraser Valley**.

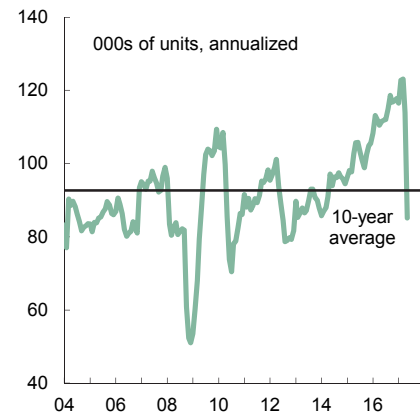
Elsewhere, **Calgary's** housing market is showing further signs of recovery. Supported by strengthening labour market conditions, sales are up 9% from a year earlier, while lower inventory levels have stabilized prices. Improving momentum also is evident in **Montreal** and **Ottawa**. Sales and prices in both markets have accelerated over the past year, underpinned by robust job growth and good affordability.

Low borrowing costs, robust job growth, solid household formation, and better balanced regional economic conditions remain supportive of housing demand. At the same time, the combination of strained affordability in Ontario and British Columbia's largest markets, policy tightening and the potential for higher interest rates is still expected to lead to some moderation in national home sales and price appreciation this year.

CONTACTS

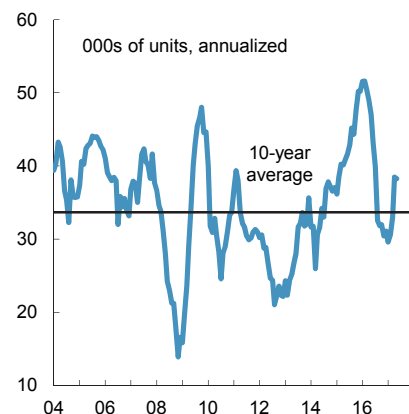
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Chart 1 - Toronto Home Sales



Source: CREA, Scotiabank Economics.

Chart 2 - Vancouver Home Sales



Source: CREA, Scotiabank Economics.

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