

Canadian Home Sales — July

NATIONAL MARKET BACK IN BALANCE

- National home sales (seasonally adjusted) declined for a fourth consecutive month in July, down 2.1% m/m and 11.9% y/y. Sales declined in about two-thirds of local markets last month.
- The number of new listings fell for a second consecutive month in July, partially reversing the strong run-up in new supply seen through the spring. The national sales-to-new listings ratio remained firmly in balanced territory at 53.5. A ratio of between 40 and 60 is generally consistent with balanced market conditions. The number of months supply edged up further to 5.2, from a low of 4.1 in March.
- The aggregate MLS Home Price Index (HPI) edged down 1.5% m/m in July, with the 12-month increase slowing to 12.9% y/y. The median house price increase across major markets was 6.0% y/y.

The cooling in national sales activity through the spring and summer continues to be led by the **Greater Toronto Area and its surrounding municipalities** where sentiment has shifted abruptly in the wake of Ontario's recent policy changes. GTA home sales have tumbled 44% from their record high in March, and benchmark prices are inching lower (though they remain well above year-ago levels). The softening has been most pronounced at the high end of the market (chart 1).

At the same time, the GTA market is showing some tentative signs of stabilizing. The monthly sales decline in July was the smallest since the new rules were announced in April, and the initial surge in new listings has begun to reverse. Indeed, the trajectory in sales and prices may well mirror **Vancouver's** experience after the imposition of new taxes on foreign buyers by the BC government. After a roughly six-month downward adjustment, Vancouver home sales over the spring and summer have returned to more typical levels, and prices are edging up again (chart 2). The turnaround is being driven by more affordable condominiums and townhomes.

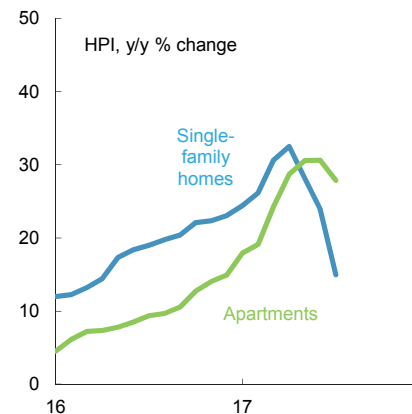
Elsewhere, **Calgary's** housing market is showing further signs of stabilization amid strengthening labour market conditions, though elevated supply is expected to continue to slow the recovery in prices. **Montreal** and **Ottawa** remain outperformers, with growing housing demand underpinned by robust job growth and good affordability.

As we transition out of the typically slow summer buying season, 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, and modestly higher variable and fixed mortgage rates could lead to some further moderation in national home sales and price appreciation. Proposed new rule changes by OSFI expected to be unveiled later this year, including more stringent stress test requirements for uninsured mortgages, also have the potential to impact the market more broadly.

CONTACTS

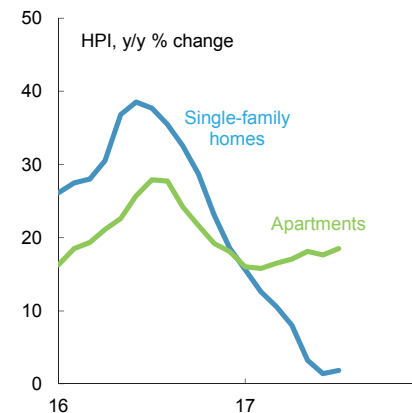
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Chart 1 - Toronto House Prices



Sources: Scotiabank Economics, CREA.

Chart 2 - Vancouver House Prices



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