

ECONOMIC NEWS

Canada: How Low Can the Housing Market Go?

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HIGHLIGHTS

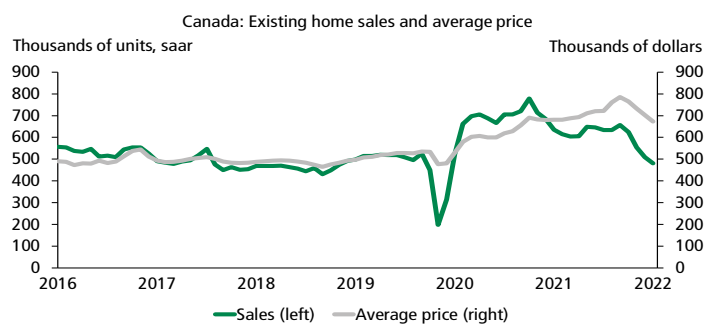
- ▶ Existing homes sales fell 5.6% in June on a seasonally-adjusted basis – for the fourth consecutive monthly decline. On a nonseasonally-adjusted basis, sales in June were 23.9% below the record level reached in June 2021.
- ▶ Sales were down in three quarters of local markets in the month, led by declines in the largest cities including the Greater Toronto Area, Greater Vancouver, Calgary, Edmonton, Ottawa and Hamilton-Burlington.
- ▶ Meanwhile, the average sale price of an existing home fell by 4.3% in June to \$673K on a seasonally-adjusted basis, making it four monthly declines in a row. Looking to the composite benchmark price, which adjusts for market composition, the purchase price of a home was down 1.9% from May 2022 but was still up 14.9% y/y.
- ▶ The number of new listings rose 4.1% over May, pushing the sales-to-new listings ratio down further to 51.7% – its lowest level since January 2015 and settling on nearly exactly what constitutes a balanced market.

COMMENTS

As we anticipated, both national existing home sales and prices posted meaningful declines again in June. The downturn continues to broaden as the impact of higher interest rates are being felt in household pocketbooks. Notably, there are some markets that continue to demonstrate resiliency that benefitted from migration to more spacious and affordable parts of the country during the pandemic, such as the Maritimes and cottage country outside of major centers. But these too are expected to feel the impacts of rate hikes as households continue to become squeezed.

GRAPH

The Canadian housing market continues to roll over



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

IMPLICATIONS

The Canadian housing market continues to roll over as borrowing costs keep ratcheting up. And this week's colossal 100 bps increase in the overnight rate by the Bank of Canada has yet to be felt or reflected in these numbers. With more rate hikes on the horizon, it's tough to see relief coming any time soon for homeowners. Indeed, we are now of the view that there are roughly even odds of a recession in 2023 (see recent [Economic Viewpoint](#)), with residential investment providing the primary drag on the outlook.