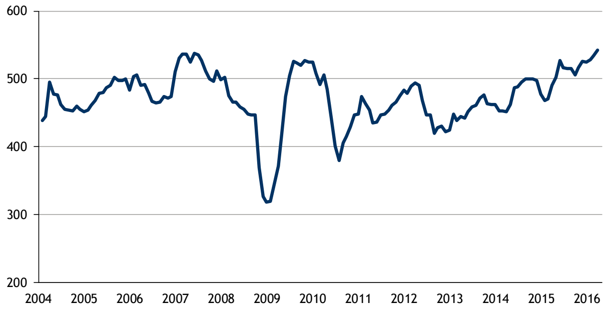
MONTHLY HOUSING MARKET UPDATE

April 15, 2016

Canada's home resale market still going strong in March

Home resales in Canada

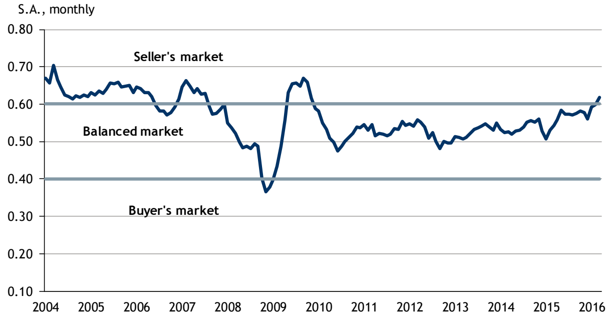
Thousand units, S.A.A.R.



Source: CREA, RBC Economics Research

Sales-to-new listings ratio in Canada

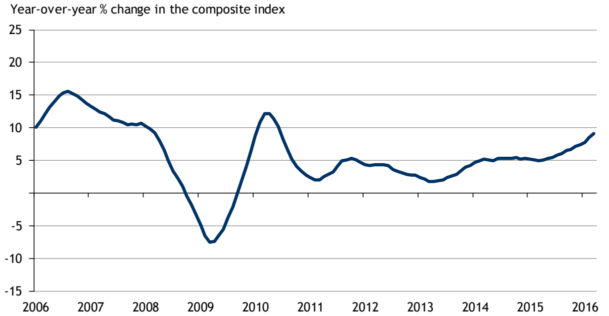
S.A., monthly



Source: CREA, RBC Economics Research

MLS Home Price Index - Canada

Year-over-year % change in the composite index



Source: CREA, RBC Economics Research

- Canada's existing home market remained strong overall in March, recording its highest sales result ever for the month (541,600 units, seasonally-adjusted and annualized). Home resales rose 1.5% from February and stood 12.2% above year-ago levels.
- Interestingly, it was markets other than Vancouver and Toronto that contributed to this latest monthly gain. The advance came from a variety of areas including currently challenged markets such as Edmonton, Calgary, Regina and Saskatoon. Victoria and Montreal also saw increases.
- Resales were virtually flat month-over-month in the Vancouver area and moderated slightly in the Toronto area. Activity in both markets likely was restrained by declines in new listings. The slowing did not appear to have resulted from the changes to mortgage insurance rules implemented in February.
- Very tight demand-supply conditions kept sellers in the driver's seat last month in Vancouver and Toronto, which continued to fuel strong price increases in both markets. The year-over-year rise in the composite MLS Home Price Index (HPI) accelerated further to 23.1% in the Greater Vancouver Area and 12.6% in the Greater Toronto Area.
- Demand-supply conditions have tightened up in other pockets of British Columbia (e.g. Fraser Valley, Victoria) and Ontario (e.g. Hamilton).
- Market conditions elsewhere in Canada remained generally balanced, although high levels of inventory relative to sales in markets within Alberta and Saskatchewan resulted in further price weakness in these provinces. The rate of decline in Calgary's MLS HPI accelerated to -3.7% in March from -3.5% in February.

March Snapshot

Region	Home resales Y/Y %change	New listings Y/Y %change	MLS HPI (Composite) Y/Y %change	Sales-to-new listings ratio
Canada	12.2	-2.5	9.1	0.62
Toronto	15.5	-4.3	11.6	0.72
Montreal	5.1	-11.1	1.5	0.56
Vancouver	28.3	4.5	23.1	0.86
Calgary	-11.7	9.1	-3.7	0.51

Robert Hogue
Senior Economist
(416) 974-6192
robert.hogue@rbc.com

Another month, another strong showing at the national level

Every delivery of statistics on Canada's housing market in the past year has told more or less the same story—Vancouver and Toronto are hot, markets sensitive to the energy sector are cold, and most other markets are somewhere in between—and the March statistical report from the Canadian Real Estate Association was no exception this morning. It continued to show the prevalence of very tight demand-supply conditions and rapid (and still accelerating) price increases in Vancouver and Toronto. Although rising from February, resale activity remained on a weakening trend in March in markets such as Calgary, Edmonton, Regina and Saskatoon, which intensified downward pressure on prices in these areas. As for the rest of Canada, it was still a mixed bag with Montreal showing further signs of gathering some steam, Ottawa and Winnipeg moving mostly sideways and Halifax struggling to sustain any kind of forward momentum. The net effect of it all at the national level was the strongest March ever in terms of resales and further acceleration in the rate of home price increases—to 9.1% year over year from 8.5% in February (based on the composite MLS HPI).

No apparent slowdown resulting from the recent changes to CMHC rules

A key point of interest in today's report was whether we could find any evidence that the minimum down payment rule change implemented on February 15—raising the minimum down payment for properties valued between $500,000 and $1,000,000 from 5% to 10%—would result in slower sales of upscale properties in Canada's higher priced markets. In the event, CREA reported that sales of single-family homes valued at more than $500,000 were the highest ever for the month of March in both the Vancouver and Toronto areas. While it is still premature to reach a verdict on the efficacy of this measure to cool Canada's two hottest markets, the early evidence suggests that it had little effect to date. Nonetheless, we believe that the measure has enhanced the degree of prudence in the mortgage adjudication process.

Where do we go from here?

We expect that the current set of housing trends—running in different directions depending on where you are in the country—will persist in the near term. Support from interest rates is likely to remain steady—our interest rate outlook calls for the Bank of Canada to leave its overnight rate unchanged at the exceptionally low level of 0.5% until the second quarter of 2017—and we expect contrasting economic prospects between oil-producing and net oil-consuming provincial economies to prevail throughout 2016. In our view, these factors will maintain strong resale activity and prices this year in British Columbia and Ontario, as well as further weakness in the Alberta, Saskatchewan and Newfoundland markets. Nationally, our most recent forecast calls for home resales to moderate to 503,600 units in 2016 from 506,300 units last year. With respect to prices, our forecast calls for 2016 for a gain of 3.1% nationally, down from an increase of 4.8% in 2015.