Canadian Existing Home Sales — August

Balancing Act

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This is one of those rare occasions when the Canadian housing market is a bit of a yawner, neither drastically hot nor desperately cold. The national results for August showed that existing sales, most measures of prices, and even new listings were again little-changed from year-ago levels. That's quite a change from the wild swings in all measures in recent years. However, the outward calm masks some still-serious regional shifts beneath the placid surface. A stabilization in the Toronto area stands in the middle of a renewed correction in Vancouver area sales, but budding strength in some other central Canadian markets. From an overall macro standpoint, the key take-away is that the housing market is for now no longer a major source of concern for policymakers, especially with household borrowing decelerating notably.

Canadian existing home sales rose 0.9% in seasonally adjusted terms in August from the prior month, a fourth consecutive month of recovery after the deep dive in the first four months of 2018. Yet, in a show of just how sharp the earlier drop was, sales are still down 3.8% from a year ago, and off 11.7% so far this year from 2017 levels. With new listings unchanged last month, the sales/listings ratio managed to improve a bit further to 56.6%, and is again a tad firmer than the long-run average (but still considered in the "normal" range). In a similar vein, months of existing inventory again nudged lower to 5.2 (actually a snick above a year ago, and slightly weaker than the long-run average).

Given the overall calm in national sales and market balance, it's not surprising that **prices aren't doing much either**. The MLS Home Price Index has managed to pull out of its year-long descent, and is now up a modest 2.5% y/y, or slightly above overall core inflation. The usually much more volatile average transactions price measure also remains weirdly calm, up just 1.0% y/y for the second month in a row. Digging into the details, most cities have also seen little drama on the price front recently, with 19 of the 26 reporting cities posting single-digit changes from a year ago. The hottest region of the country, by far, continues to be Southwestern Ontario, where each of Windsor (+19%), London (+18%) and now Kitchener-Waterloo (+15%) have posted rare double-digit price gains in the past year. On the flip side, the only price declines in the country last month were all found in the Prairies, as each of Edmonton, Regina and Saskatoon saw modest y/y drops.

Toronto continues to stabilize after the heavy hit last spring, with sales rising another 2.2% m/m on an adjusted basis, and now up 7.6% from sluggish levels a year ago. Average prices also managed to stay nicely above year-ago levels, although that gain is aided by a change in the mix of sales (as the HPI is up just 1.5% y/y). Market balance in the GTA is

Existing Home Sales

Canada (% change)	Sales			Prices	
August	m/m [1]	y/y	y-t-d-2018	y/y	y-t-d-2018
Canada	0.9	-3.8	-11.7	**1.0**	**-4.9**
Montreal	2.8	8.5	4.8	**6.4**	**5.4**
Ottawa	2.1	4.0	3.5	**2.3**	**3.3**
Vancouver	2.9	-36.7	-27.4	**2.9**	**2.5**
Winnipeg	-1.0	-3.8	-6.6	**1.4**	**1.9**
Halifax	-8.2	-5.5	7.5	**3.3**	**1.8**
Calgary	1.9	-6.5	-13.6	**1.1**	**-0.8**
Edmonton	6.7	2.4	-2.8	**-2.5**	**-1.7**
Regina	-8.4	-15.7	-5.6	**-7.6**	**-4.6**
Toronto	2.2	7.6	-19.9	**4.5**	**-7.1**
MLS Home Price Index (national)				**2.5**	**3.0**

[1] (seasonally adjusted) Source: Canadian Real Estate Association

quite close to the national average and close to long-run norms. In other words, Toronto is very close to having a "normal" market at this point. Policymakers could not have asked for a better outcome, achieving the proverbial soft landing—at least so far.

Vancouver and other B.C. cities continue to post some of the biggest sales declines in the country, with the province hit by a number of measures to cool the local market. Sales in Vancouver nudged up in August on a monthly basis but are still down a towering 36.7% y/y. The only region with a bigger decline is right next door in the Fraser Valley, with a 39.5% drop. While listings are still down from year-ago levels in those regions, they crept up again in August, and prices are now just hanging onto small gains from year-ago levels. Suffice it to say, the days of double-digit gains are drawing to a close. But before getting too concerned, note that by the HPI measure, the Fraser Valley (+10.7% y/y) and Vancouver Island (+13.6% y/y) still boast the fastest price gains in the country on that specific metric.

A very different dynamic is at play in **the Prairies**, but with similar results on activity. Sales remain locked below year-ago levels in each of Calgary, Regina, and Winnipeg, while market balance and prices remain soggy across the region. Firm global oil prices aren't helping much amid pronounced weakness in Canadian prices and persistent pipeline uncertainty. Average prices and sales are consistently down this year in both Alberta and Saskatchewan.

We have consistently highlighted **Montreal and Ottawa** as regions of strength in 2018, and that story hasn't really changed. Sales rebounded nicely in Montreal last month and are now up 8.5% y/y, one of the best gains in the country, and prices continue to chug along with gains of better than 5% y/y. Ottawa's sales have continued to firm (up 4% y/y last month) helping propel steady price gains—the HPI for that city is now up 7.2% y/y, matching the fastest rise this side of B.C. for cities reporting this metric.