

Canadian Existing Home Sales — March

Not to (B)ruin a Good Story, Some Re-Leaf Ahead for Housing

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Canadian existing home sales nudged up **0.9%** in seasonally adjusted terms in March from the prior month, after a nasty spill in February. With only a modest rebound, sales remain stuck close to the lowest levels in roughly six years in adjusted terms and are still down 4.6% from a year ago. Overall, today's results are a tad disappointing, and reinforce the view that the housing market is still adjusting to the many policy changes in recent years...that, and the weather. There is little doubt that a tough winter across most of the country snowed in an already sluggish market—the real test will be whether sales revive over the crucial spring season. We continue to believe that activity will improve (on a seasonally adjusted basis), for a few reasons above and beyond the weather. The three main areas of support we look to are: 1) rate relief—after being a headwind through last year, interest rates have turned into a mild tailwind for sales; 2) population growth—it's now running at the fastest pace in a generation, and 3) this year's Federal Budget measures will provide some modest support for demand as well.

The still-chilly March results left some of the key metrics of market balance on the cold side. For instance, the sales-to-new listings ratio dipped again to 54.2% as listings rose nicely—and yet it is still a bit above its long-run average. In a similar vein, the months' supply of inventory held close to its highest level in more than three years at 5.6, although it did dip slightly from February. Pricing power remains soft, with the benchmark MLS index slipping 0.5% y/y last month and the average transaction price was again down 1.8% y/y (although that was less weak than earlier this year). Note that the median city saw a modest 3% rise in prices from year-ago levels last month, and fully three cities reported double-digit price *gains* (London, Windsor and Halifax).

We would again stress that there remains a massive fault line in the middle of the country in terms of which markets are weak and which are strong. Put it this way, all 8 major reporting cities west of Ontario saw average price declines from a year ago in March. Of the 18 reporting cities in central and eastern Canada, only 3 reported price drops.

The Bottom Line: Canadian housing activity remains lacklustre, at best. However, there are a few crucial caveats. First, the regional divide is wide. Second, fundamentals actually look to become a bit more supportive in the year ahead, with the policy tightening likely having run its course. And, finally, the weather can't get any worse...right? We continue to contend that prices, sales and starts are likely to hold broadly stable nationally in 2019 amid the many moving parts for the market.

Existing Home Sales					
Canada (% change)	— Sales —			Prices	
March	m/m ¹	y/y	y-t-d-2019	y/y	y-t-d-2019
Canada	0.9	-4.6	-4.1	-1.8	-3.8
Halifax	-2.8	-3.6	-0.1	13.7	5.6
Ottawa	3.9	-7.9	0.4	6.0	5.3
Montreal	-0.1	1.4	6.1	6.7	4.5
Toronto	1.8	-0.6	-1.2	0.5	1.1
Winnipeg	-0.1	2.7	6.4	-0.5	0.2
Regina	-6.8	10.7	5.6	-2.3	-1.2
Edmonton	-2.2	-11.6	-11.9	-2.0	-4.2
Calgary	-0.9	-2.4	-9.6	-4.4	-4.6
Vancouver	-4.1	-31.6	-34.1	-3.9	-6.6
MLS Home Price Index (national)				-0.5	0.1

¹ (seasonally adjusted) Source: Canadian Real Estate Association

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