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Canadian home sales drop 40 per cent in February compared with year ago



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February's home sales plummeted 40 per cent from a year ago to levels not seen since before the pandemic as new listings and prices also dropped in what one economist called "hints of a bottoming process."

The plunge in sales came as actual average home prices declined 18.9 per cent compared with the all-time record posted in February 2022, the Canadian Real Estate Association said Wednesday.

The actual average home price in Canada was \$662,437 in February, down from \$816,578 a year earlier, the association said.

Compared with January, national home sales rose 2.3 per cent in February from January, powered by gains in Toronto and Vancouver, while the number of newly listed properties dropped 7.9 per cent month over month.

The drop in transactions in February brought sales in line with what was recorded in 2018 and 2019, suggesting the rise in interest rates over the past year “has blown off some of the pandemic era froth in Canada's housing market,” BMO chief economist Douglas Porter said in a note to investors.

Canada's housing market has been sluggish for many months as the Bank of Canada hiked the interest rate eight times in roughly a year, pushing up mortgage rates and scaring off potential buyers. Sellers have also been deterred from the market because they won't fetch as much now as their neighbours did for homes sold when prices were soaring to new highs during the pandemic.

Now that the central bank has paused rate hikes conditional on economic data, and some believe prices are at or near their bottom, many are expecting buyers and sellers to get off the sidelines this spring, if they haven't already moved in that direction.

Tirajeh Mazaheri, a Coldwell Banker Prestige Realty agent in Vancouver, characterized January as “extremely slow,” but said as soon as the Bank of Canada signalled an end to hikes, she saw “the market completely began to shift.”

“All of a sudden in a span of one to two weeks, things were starting to fly off the shelf and we were seeing multiple offers,” she said.

Mazaheri saw a condo listed for \$699,000 garner 11 offers and a house listed for \$2.8 million snag five bids last month.

She sees this as a sign that the market is coming back, but warns that inventory is still very low.

February's new listings totalled 51,366, down 26 per cent from a year ago.

“Because we don't have much supply, people are frantically going for whatever comes on the market,” she said.

Despite sales remaining “deep in the doldrums” last month, Porter has recently detected a positive shift in market dynamics and a possible “bottoming.”

“There are signs that sales activity and prices may be close to a nadir,” he said.

“The recent sudden plunge in global bond yields, alongside the Bank of Canada's step to the sidelines, look to provide some support for housing, as does the ongoing job market strength.”

While prices have softened to some degree almost everywhere across Canada, Calgary, Regina, Saskatoon, and St. John's stand out as markets where home prices are barely off their peaks, CREA said.

Overall, prices began to stabilize last fall in the Maritimes, and some markets in Ontario seem to be doing the same now.

The months to come will provide a clearer idea of whether buyers are absorbing the higher interest rate environment, said Penelope Graham, a content director with mortgage comparison site Ratehub.ca.

“Given the pent-up demand among buyers, any improvement in affordability will fuel market activity and put upward pressure on home prices,” she said in a statement.

CREA chair Jill Oudil also foresees a more robust market on its way.

“While we're not seeing it in the sales or listings data just yet, I would expect homeowners are getting properties ready for the market and prospective buyers are getting mortgage pre-approvals,” she said in a statement.

Shaun Cathcart, CREA's senior economist, added that prospective sellers and buyers are likely biding their time until the optimum conditions to list materialize.

“For most, that's in the spring,” Cathcart said in a statement.

“Will buyers jump off the fence to snap homes up in 2023 once they finally start to hit the market? They did in 2019.”