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Posthaste: Housing market faces 'bumpy' road amid high interest rates, RBC says

Bank of Canada hikes put brakes on housing rebound, except for in the Prairies

Victoria Wells || Aug 09, 2023

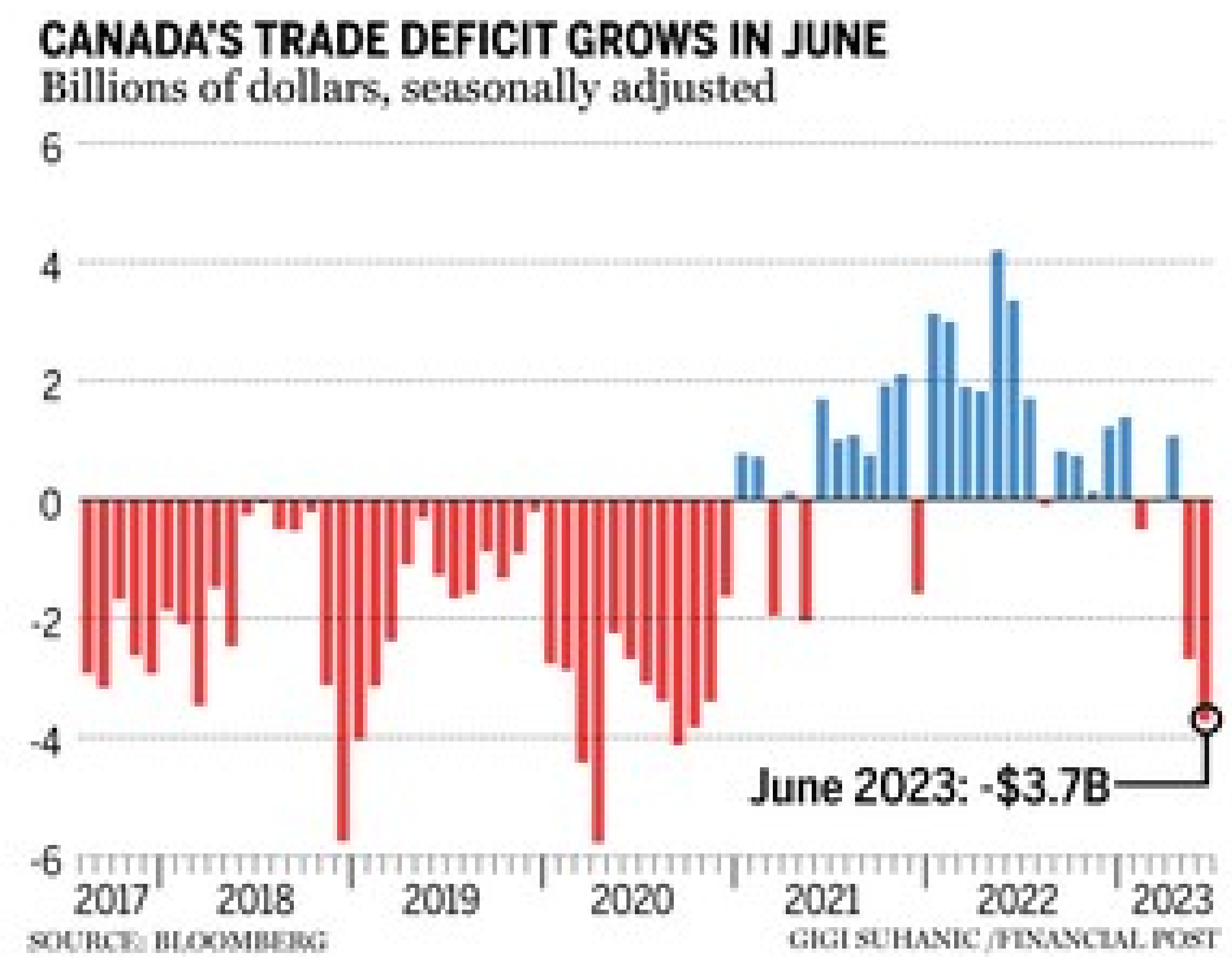
Housing activity slowed between June and July in many major real estate markets. PHOTO BY PETER J. THOMPSON/FINANCIAL POST

The Bank of Canada's latest interest rate hikes appear to have put the brakes on the housing market rebound in many cities and the road ahead for further recovery is expected to be rocky, say economists at the Royal Bank of Canada.

"We think the path ahead is more likely to be slow and bumpy, with the recovery gaining momentum when interest rates come down — a 2024 story."

Still, the story is a bit different in Calgary. Continued migration from people moving provinces in search of more affordable conditions, combined with increased immigration, have juiced sales and lifted prices. Sales in July rose three per cent from June, and were up more than 15 per cent for the same time last year. The benchmark price of a home has risen 5.7 per cent year over year, “one of the fastest paces in the country,” RBC said. That strength shows no signs of dying down.

“In the absence of further rate hikes this year, we think strong economic momentum, and, importantly, explosive population growth will continue to support a brisk pace of activity through the remainder of this year,” the authors said of Calgary’s housing market.



Canada posted its largest trade deficit since 2020 in June as exports fell for the fourth time in five months, Statistics Canada said on Aug 8.

The trade deficit widened to $3.7 billion in June from $2.7 billion in May. Analysts had forecast a deficit of $2.8 billion.

The data supports expectations the Canadian economy slowed significantly in the second quarter, with economists projecting gross domestic product fell 1.2 per cent from 3.1 per cent in the first quarter.