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Canadian home sales slumped again in September — and benchmark price went down, too

Benchmark prices fell by 0.3% during month, first decline since March



Pete Evans || October 13, 2023



Home sales have now fallen every month since June and prices inched lower, too, mostly because of a big slowdown in Ontario. (Evan Mitsui/CBC)

Canada's housing market continued to cool last month, new numbers from the Canadian Real Estate Association show Friday, as the number of homes sold has now fallen for three months in a row and benchmark prices slipped lower, too.

CREA, which represents more than 100,000 realtors across Canada and tabulates monthly statistics based on sales on its Multiple Listings Service, said the trend of slowing sales that started with the rapid escalation in interest rates continued during the month, with sales volume inching lower every month since June.

CREA's national price index slipped by 0.3 per cent during the month — its first decline since March — mostly because of a sharp slowdown in Ontario. In most other provinces, prices are still inching higher, albeit a lot more slowly.

Buyers "seem content to stick to the sidelines until there's more evidence that interest rates are indeed finally at the top," CREA president Larry Cerqua said. "This, combined with sellers who, by and large, do not need to sell, means the market will likely remain on the slower side until next year."

Benjamin Reitzes, an economist with Bank of Montreal, agrees with the assessment that the housing market is in for a bumpy ride as long as interest rates remain at their current level.

"The current level of interest rates and prices don't mix well. One of the two needs to come down, and it doesn't look like the Bank of Canada is poised to cut rates any time soon," he said. "Housing could be in for a rough winter, though as usual, location matters a lot, with some provinces likely to struggle more than others."

Across the country, the average selling price of a home that sold last month was \$655,507. That's an increase of 2.5 per cent from where it was this time last year, but CREA says the average figure can be misleading because it's easily skewed by what's happening in the big, expensive markets of Toronto and Vancouver.

Vassil Staykov, a realtor in Toronto, says the only reason the average selling price isn't a lot lower than it is at present is a shift in the sales mix. "We're selling a lot more detached homes than condos, which skews the median price," he told CBC News in an interview.

Big gap between buyers and sellers

Staykov says the main theme of the housing market right now is a vast disconnect between sellers who are stubbornly trying to get the high prices they have their hopes pinned on, and buyers looking for a bargain.

"We're coming off of three years of skewed data that have changed our perception of everything, but the real story is lack of absorption — stuff is just not selling."

Staykov says buyer fatigue is settling in, but not of the usual type, where buyers stop trying after being disillusioned from losing in multiple bidding wars. Instead, they're getting fed up because sellers are refusing to accept that the market has cooled.

"I'm getting low-balled left, right and centre on three listings right now, and I'm also low-balling a bunch of listings myself," he said.

Sales of repossessed homes inch higher

Another trend in the current housing market is a surge of listings with price changes — a sign that sellers aren't getting offers at their asking price and are trying to adjust on the fly to attract buyers.

Exact figures are hard to come by, but across the Greater Toronto Area there were 823 listings with price changes in September. To date in October, Staykov said there have already been 880.

"It just goes to show we have a lot of price discovery happening in the market right now," he said.

There's also an uptick in the number of homes where the seller is a lender who has repossessed the property because the owner defaulted on the loan. Staykov said he currently counts about 70 such sales in Toronto, about double the number he saw in December.

"Power of sales will likely continue to creep up and a lot of them will come from ... private mortgages, which are at higher rates/riskier borrower profiles."