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Housing market has gone into 'hibernation' CREA says, with lower sales, listings and flat prices

Buyer's market in Ontario and British Columbia, economist says



Pete Evans || November 15, 2023



Home sales and new listings both fell in October, especially so in major cities. (Ty Wright/Bloomberg)

Canada's housing market has gone into winter hibernation early this year, the group that represents realtors said Wednesday, with new data for October showing fewer sales, fewer new listings, and selling prices mostly flat.

The Canadian Real Estate Association said Wednesday that the number of homes that sold on the group's Multiple Listing Service fell by 5.6 per cent in October from the previous month's level.

There were fewer homes changing hands and even fewer new listings being put up for sale in the first place. New listings slipped by 2.3 per cent during the month. That's the first decline since March.

"We're only in November, but it appears many would-be home buyers have already gone into hibernation," CREA president Larry Cerqua said in a press release. "October numbers also revealed some sellers may be shelving their plans until next spring."

October isn't typically a strong month for the housing market, as under normal circumstances, activity is slow in the cold months to start the year, picks up in the spring and summer, declines through the fall and then into the winter again.

But even by that seasonal trend, October was a chillier than usual month for the housing market. The volume of home sales during the month is 17 per cent below the level seen before the pandemic, TD Bank economist Rishi Sondhi said.

"Unsurprisingly, high interest rates continued to weigh on home sales last month," Sondhi said, adding that on a per capita basis, "sales are hanging around levels last recorded over 20 years ago."

The sales slowdown was mostly driven by activity in Canada's biggest cities, CREA said, as activity fell by 10 per cent in Vancouver, by 13 per cent in Victoria, by nine per cent in Calgary, by 11 per cent in Ottawa, by five per cent in Toronto and by 10 per cent in Montreal.

Activity was down almost across the board, but on the price side of things, the numbers were mostly flat, depending on the comparison.

Prices flat

The average selling price of a home that sold during the month was \$656,625. That's slightly ahead of September's level and up by 1.8 per cent from where it was a year ago.

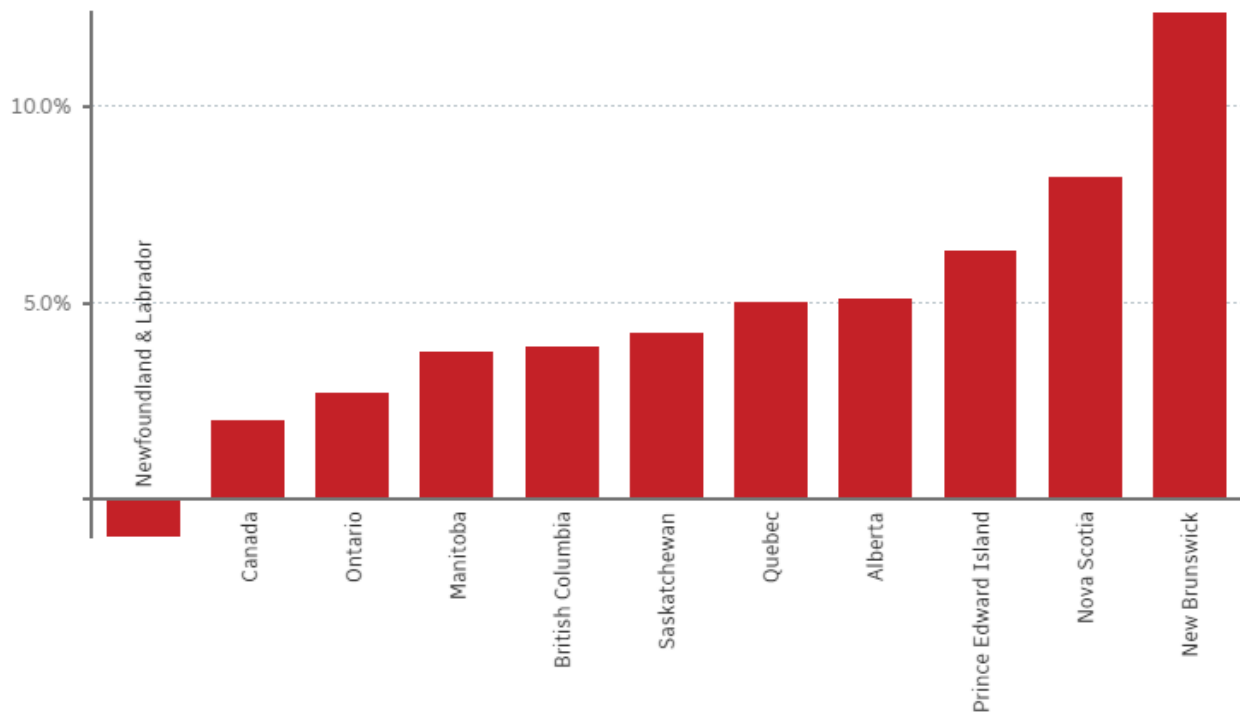
But CREA says the average number can be misleading because it is easily skewed by big markets like Toronto and Vancouver. It trumpets a different metric, the House Price Index, as a better gauge because it adjusts for the type and number of homes sold.

The HPI declined by 0.8 per cent during the month, but it's still up by 1.1 per cent compared to where it was a year ago.

Sondhi says it's a buyer's market in Ontario and British Columbia especially, with the sales-to-new-listing ratio in the former now at its lowest point since 2008.

"This strongly suggests that prices will head lower in these two markets over the next several months, dragging down the nation-wide average price," he said. "That said, some relief should come next year as the Bank of Canada begins cutting rates."

Seasonally adjusted change in average selling price in past year



Source: Canadian Real Estate Association (CREA)

Prices are on the whole moving sideways, but there are pockets of the country where they are moving decisively higher.

Calgary continues to have a hot housing market, as the region's comparatively strong economy is drawing in people from across the country, boosting demand for housing.

Benchmark prices in Calgary have risen by 9.4 per cent in the past year, to its highest level on record. "A record high, you say?" Bank of Montreal economist Robert Kavcic said. "Yes, but still less than half the price of Toronto for a single-family home — hence why people continue to move there."

Atlantic Canada is also seeing record inflows of people because of the comparative affordability, and that's pushing up prices for housing.

Most of the region is still in sellers' market territory, while prices are at or near cycle highs. Benchmark prices are up by 12 per cent in Moncton in the past year, and by more than nine per cent in Halifax.