

ECONOMIC NEWS

Canada: Home sales feel the November chill

By Randall Bartlett, Senior Director of Canadian Economics

HIGHLIGHTS

- ▶ Existing homes sales fell 3.3% in November on a seasonally-adjusted basis, undoing all of October's modest advance and resuming the downward trend since February. Sales were 39% below the year-ago level.
- ▶ Sales contracted in around 60% of Canadian markets in November, led by declines in Greater Vancouver and the Fraser Valley, Edmonton, the Greater Toronto Area and Montreal.
- ▶ Meanwhile, the average sale price of an existing home (not seasonally adjusted) fell to \$633K in November –down 12% from the November 2021 level.
- ▶ Looking to the composite benchmark price, which adjusts for market composition, the purchase price of a home was down 1.4% from October 2022 and 4.4% from a year ago.
- ▶ The number of new listings resumed its decline, falling 1.3% in November after a move higher in October. When paired with the decline in sales, the sales-to-new listings ratio edged lower to 49.9% – keeping the national housing market firmly in what's considered to be balanced territory.

COMMENTS

As expected, existing home sales contracted in November, resuming the downward trend that began in February 2022. This followed a modest increase in October as the housing market correction took a bit of a breather. And while we weren't surprised by the November release (we expected sales to fall by 3.7%), we do think the housing market correction has entered a new phase, likely to be characterized by less consistent month-over-month declines. Certainly, high and rising interest rates through the end of the year will weigh on activity and much of the froth tied to the pandemic looks to have been taken out of the market. Now, Canadians are likely to dig in for a long winter of elevated mortgage costs, slowing economic activity, and a cooling labour market. Housing market activity is likely to grind

lower as a result. (You can find our latest Economic and Financial Outlook [here](#).)

However, there are some tailwinds to the housing market that should prevent an all-out collapse. These include the still very tight labour market (for now), significant personal savings built up during the pandemic, and elevated levels of immigration. The latter will be of particular benefit to large urban centers. But looking to smaller communities that experienced the biggest price gains during the pandemic, the risk of a still larger correction remains.

IMPLICATIONS

The Bank of Canada is no doubt looking at the November housing data with some relief. Having been clear that home prices still need to fall further, this was the outcome that the Bank was hoping for. But there is still a way to go before they will be satisfied. Having raised rates by 50bps last week, it will take time for this latest move to be fully reflected in the housing market and the broader economy. As such, there is no relief coming soon. It's going to be a tough winter for Canadian homeowners.