

## ECONOMIC NEWS

# Canada: Housing's Been Knocked Down, but It Got Up Again in February

By Randall Bartlett, Senior Director of Canadian Economics

### EXISTING HOME MARKET

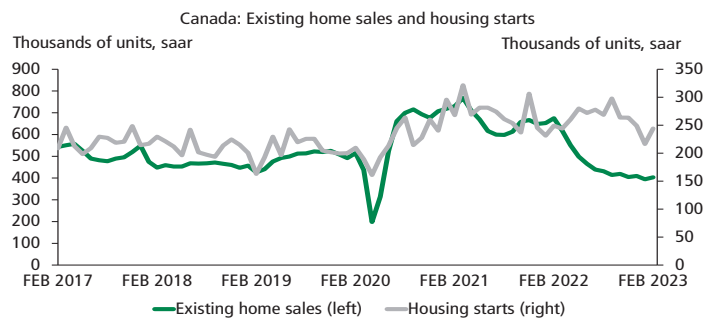
- ▶ Existing homes sales rose 2.3% in February on a seasonally-adjusted basis. While this followed a 3.7% contraction in January, it is the third increase in sales in the past five months and the largest monthly advance since the housing market correction began. It also put home sales 40% below the year-ago level, when the housing market frenzy in Canada was at its peak.
- ▶ Rising sales were led by eye-popping advances in the Greater Vancouver Area (15.2%) and Greater Toronto Area (8.5%). In the rest of Canada, sales increased by a much more modest 0.4%.
- ▶ Meanwhile, the average sale price of an existing home rose by 1.7% to \$635K in February – the first monthly advance since August 2022. The average sale price was down over 19% from the peak reached in February 2022.
- ▶ Looking to the composite benchmark price, which adjusts for market composition, the purchase price of a home was down 1.1% from January 2023 and nearly 16% from a year ago.
- ▶ The number of new listings plunged 7.9% in February, for the largest monthly decline since May 2021. When paired with the increase in sales, the sales-to-new listings ratio rose to 58.4 from 52.6 in January. While still in balanced territory, this is getting very close to returning to a buyer's market.

### HOUSING STARTS

- ▶ Housing starts surprised well to the upside in February, jumping 13% over January to 244,000 units. While multi-unit urban starts drove the headline, rising 18%, single-detached urban starts clocked in at a still-respectable 8% in the month.

### GRAPH

#### Housing Defies Gravity in February but Don't Get Too Excited



Sources: Canadian Real Estate Association, Canada Mortgage and Housing Corporation and Desjardins Economic Studies

### IMPLICATIONS

The housing market data for February 2023 will likely have housing bulls saying, "I told you so", and bears scratching their heads. While higher sales were broadly expected, the sharp upward move in starts was not. Indeed, the prolonged weakness in sales activity and building permits issued suggested otherwise. But with housing starts concentrated in the volatile multi-unit segment, February's fillip could be March's flop. As such, it's probably too early to bet that residential construction is at a turning point. That said, we expect sales activity to find a bottom in the middle part of this year, particularly if some of the recent decline in yields is sustained. A sustained upswing in prices and starts shouldn't be far behind. For the Bank of Canada, this may mean keeping rates high for longer if the 'accumulation of evidence' suggests the economy is outperforming the Bank's expectations. Only time will tell if the recent financial market volatility has lasting implications for monetary policy in Canada.