

## ECONOMIC NEWS

# Canada: Home Sales End 2022 on a High Note

By Randall Bartlett, Senior Director of Canadian Economics

### HIGHLIGHTS

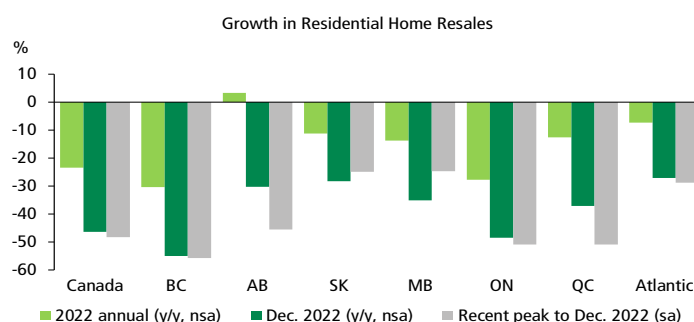
- ▶ Existing homes sales advanced 1.3% in December on a seasonally-adjusted basis, the second increase in the past three months. However, sales remained 39% below the year-ago level, matching the drop in November. On an annual basis, Canadian home sales fell over 25% in 2022.
- ▶ While the advance in sales was led by Ottawa and Edmonton, Toronto and Vancouver also posted notable gains. This helped to support sales increases in Ontario, British Columbia, and Alberta (despite fewer sales in Calgary), as well as the Atlantic provinces excluding Prince Edward Island. Manitoba, Quebec and Saskatchewan all experienced falling sales in December.
- ▶ Meanwhile, the average sale price of an existing home fell by 0.3% to \$636K in December – the fourth consecutively monthly contraction and the ninth decline in the past ten months. The average sale price was down over 19% from the peak reached in February and 12% below the December 2021 level. On an annual basis, the average home price in Canada rose 0.8% in 2022, due almost entirely to strength in the first two months.
- ▶ Looking to the composite benchmark price, which adjusts for market composition, the purchase price of a home was down 1.6% from November 2022 and 7.5% from a year ago.
- ▶ The number of new listings fell 6.4% in December, for the largest monthly decline since January 2022. When paired with the rise in sales, the sales-to-new listings ratio advanced to 54.4%, remaining in what's considered to be balanced territory.

### COMMENTS

Existing home sales surprised on the upside in December, with estimates for home sales in major urban centers like Toronto coming in above those estimated by local real estate boards. As such, the data should be taken with a grain of salt, as they

### GRAPH

Momentum continues to be weak in the Canadian housing market



Sources: Canadian Real Estate Association and Desjardins Economic Studies

could be subsequently revised. The only question is by how much. But regardless of pending revisions, the data continues to support our view that the Canadian housing market is broadly moving sideways at this point, with the trend toward gradually lower sales and prices. The sharply lower listings were a particularly interesting development in the month, although that continued a trend observed over the past six months.

### IMPLICATIONS

The strength of December's home sales data helped to offset weakness in real manufacturing and construction data for November also released today. This left our tracking for Q4 real GDP growth at 1.3% (q/q, saar). While modest by the standards of the first three quarters of 2022, this projected advance in real GDP is still well above the 0.5% projected by the Bank of Canada in its October 2022 Monetary Policy Report. As such, today's print helps to reinforce our view that the Bank has one more 25 basis point hike left to go at its upcoming meeting on January 25<sup>th</sup> before taking a pause.