

ECONOMIC NEWS

Canada: Homebuyers Snub Sellers to Start 2023

By Randall Bartlett, Senior Director of Canadian Economics

HIGHLIGHTS

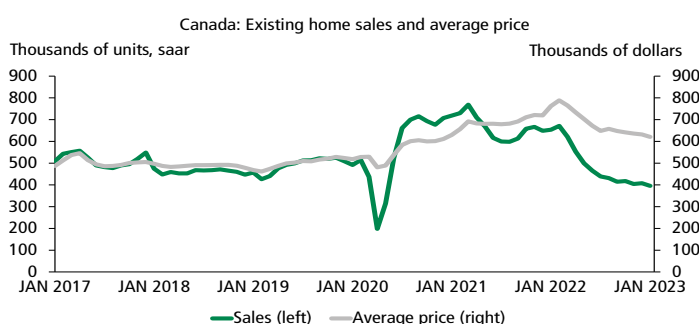
- ▶ Existing homes sales declined 3.0% in January on a seasonally-adjusted basis, in line with our forecast. This followed a 1.0% advance in December. It also put home sales 37% below the year-ago level, when the housing market frenzy in Canada was near its peak.
- ▶ Falling sales were broad based, led by contractions in Greater Vancouver, Victoria and elsewhere on Vancouver Island, Calgary, Edmonton, and Montreal. This was only modestly offset by higher sales in places like Hamilton-Burlington, Quebec City and the Greater Toronto Area.
- ▶ Meanwhile, the average sale price of an existing home fell by 1.8% to \$621K in January – the fifth consecutively monthly contraction and the tenth decline in the past eleven months. The average sale price was down over 21% from the peak reached in February 2022 and 15% below the January 2022 level.
- ▶ Looking to the composite benchmark price, which adjusts for market composition, the purchase price of a home was down 1.9% from December 2022 and nearly 13% from a year ago.
- ▶ The number of new listings rose 3.3% in January, for the largest monthly increase since February 2022. When paired with the decline in sales, the sales-to-new listings ratio fell to 50.7 from 54.0 in December, putting it squarely in what's considered to be balanced territory.

COMMENTS

January's decline in the sales and average price of existing homes came in almost bang on our forecast. But the bigger surprise in the month was the strongest increase in listings since the housing market correction began. This helped to keep the housing market almost equally balanced between buyer's and seller's territory. Importantly, it also highlights that the housing market correction isn't quite over yet in Canada, as still elevated interest rates continue to weigh on interest-rate sensitive areas of

GRAPH

The Canadian existing home sales edged down to start 2023



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

the economy. We are of the view that there is more pain ahead for housing in Canada, but that it will be a slow grind lower before activity starts to rebound in the second half of 2023. (See [our recent housing market outlook](#) for more information.)

IMPLICATIONS

After last week's outsized employment gain, Bank of Canada staff are no doubt breathing a sigh of relief following today's spate of data. The decline in existing home sales and prices were complemented by a drop in housing starts in January. This helped to take some of the shine off a month that has caused economists to almost universally revise up their real GDP growth tracking for Q1 2023. And it's in addition to lower manufacturing and wholesale trade volumes in December. Together, these data should help to take some pressure off the Bank of Canada in the near term, but there is a lot of data to come (e.g., January CPI inflation next week) before the next interest rate decision.