ECONOMIC NEWS

# Canada: Do You Remember, We Were in a Housing Correction in September?

By Randall Bartlett, Senior Director of Canadian Economics

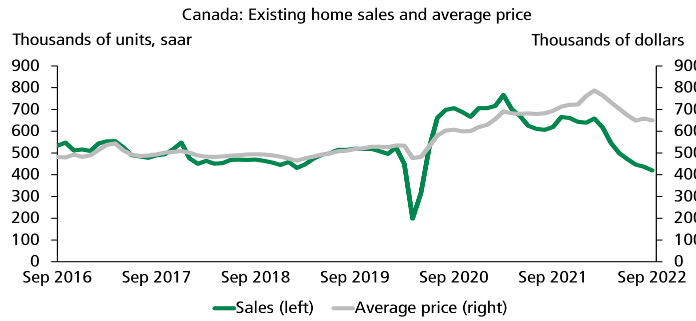
## HIGHLIGHTS

- Existing homes sales fell 3.9% in September on a seasonally-adjusted basis – the seventh consecutive monthly decline. Sales in September were 32.2% below the year-ago levels, down from the 25% drop in August.
- Sales contracted in around 60% of Canadian markets in September, with the national number pulled lower by declines in larger markets including Greater Vancouver, Calgary, the Greater Toronto Area (GTA) and Montreal.
- Meanwhile, the average sale price of an existing home fell by 1.2% in September to $650K on a seasonally-adjusted basis. This followed an increase of 1.4% in August. Looking to the composite benchmark price, which adjusts for market composition, the purchase price of a home was down 1.4% from August 2022 but still up 3.3% over September of last year.
- The number of new listings fell 0.8% after dropping 5.4% in August, leading the sales-to-new listings ratio to ease to 52% compared to 53.6% in August – keeping the national housing market firmly in what's considered to be balanced territory.

## COMMENTS

As expected, existing home sales and prices resumed their declines in September after taking a bit of a breather in the prior month. But maybe more importantly, the drop in sales was broader than in August, and the pace of decline in new listings slowed in September after falling sharply a monthly earlier. Taken together, this may be a canary in the coal mine for ongoing home price weakness ahead as higher rates continue to keep prospective buyers on the sidelines and begin to persuade homeowners that have been hoping for a turnaround to list while the listing is good.

**GRAPH**
**The Canadian housing market resumed its correction in September**




Sources: Canadian Real Estate Association and Desjardins, Economic Studies

## IMPLICATIONS

Today's housing market data were very much in line with the forecast published in our recent [Canadian Residential Real Estate Outlook](). As such, it reinforces our view that residential investment will be a significant drag on real GDP growth in Q3 2022, which is tracking just south of 1% (q/q, saar). It also sets the stage for housing market weakness for the rest of this year and throughout 2023. We are forecasting that the Canadian economy will fall into recession in the first half of 2023 as a result (see our latest *Economic and Financial Outlook*). What does this mean for the Bank of Canada? It means everything is going to plan, so don't expect a change in direction anytime soon. In fact, while we continue to be of the view that the Bank will most likely hike the overnight by 50 bps at its next meeting, another 25bps hike in December is looking increasingly likely.

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