CANADA

Another increase in sales of existing homes

HIGHLIGHTS

• Sales of existing homes rose by 2.8% in August, after a mere 0.5% gain in July.
• Year over year, sales growth reached 11.1%. However, the country is split in two, along geographic lines. On one side, the Atlantic provinces (-2.4%) and Quebec (-1.1%) reported downturns. On the other side, Ontario (+10.6%), the Prairies (+11.8%) and British Columbia (+28.6%) enjoyed gains.
• The average selling price of existing homes edged up by 0.6% in August, reaching $387,147.
• The annual variation in the average price stands at 8.1%, and is positive in all the provinces. Quebec stands out, however, with an increase of just 0.4%, by far the lowest result of all the provinces.

COMMENTS

The July slowdown in sales of existing homes has proven to be short lived. The increase observed in August is back to a level that is in line with the average monthly growth recorded since last February. Clearly, the upwards trend that has prevailed in the real estate market since the beginning of this year does not appear to be ready to slow down to any tangible extent.

This revives concerns about overheating of the housing market and the effect thereof on household debt. Indeed, data released last Friday show that Canadians’ debt continued to expand in the second quarter.

It remains to be seen to what extent the recent surge in mortgage rates has temporarily inflated the volume of transactions in August. Since further rate increases are expected in the coming quarters, some households enjoying a pre-approved mortgage at a low rate have no doubt decided to take action sooner, rather than later.

Implications: The national averages hide some significant regional disparities, making it more difficult to analyze the situation. Nevertheless, the real estate market will continue to be the subject of close scrutiny in the months to come. Right now, everything suggests that the expected rises in mortgage rates should trigger a more generalized slowdown of the market, sooner or later.

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