

ECONOMIC NEWS

Canada: Lockdown Sinks Existing Home Sales

HIGHLIGHTS

- ▶ Sales of existing homes plunged 56.8% across Canada between March and April. This is the largest monthly decrease since compilation of these historical data began in 1988.
- ▶ With the decline already posted in March, the cumulative drop in sales since February sits at 63.4%. Quebec (-68.5%) and Ontario (-68.1%) are the two hardest hit provinces.
- ▶ For Canada as a whole, the home price index retreated just 0.6% in April. Its annual variation is 6.4%.

COMMENTS

As expected, the containment measures introduced in every part of the country to stop the spread of COVID-19 put a sharp brake on activity in the housing market. That said, today's results bring some reassurance.

On the one hand, despite a sharp drop in sales, home prices have not really budged and remain high from a historical standpoint. Although demand is down significantly, supply has also shrunk considerably, as many households have delayed putting their homes up for sale, as demonstrated by the 55.7% decline in the number of new listings in April.

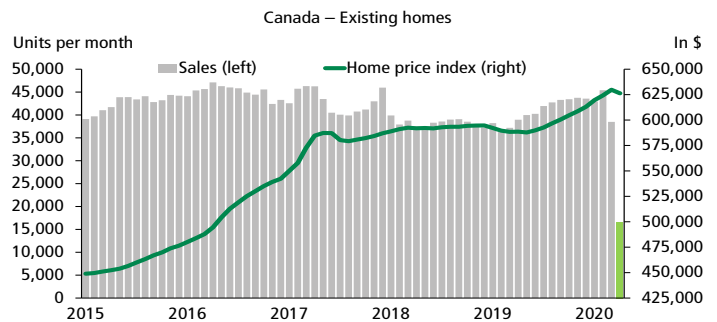
On the other hand, the housing market was on a solid footing heading into the crisis. Despite the April correction, the sales-to-new listings ratio is still fairly high and continues to substantially outstrip its long-term trend.

IMPLICATIONS

The ingredients appear to be in place for the housing market to regain much of the ground lost once the lockdown is eased. The aftermath could nevertheless linger, as the unemployment rate will undoubtedly take several quarters to return back to pre-crisis levels.

GRAPH 1

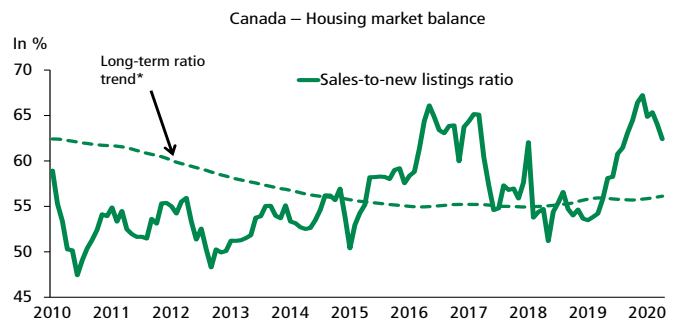
Existing home sales collapsed in April, but prices are holding for the time being



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

GRAPH 2

Housing market conditions are still fairly favourable despite April's correction



* 10-year moving average.

Sources: Canadian Real Estate Association and Desjardins, Economic Studies

Benoit P. Durocher, Senior Economist

François Dupuis, Vice-President and Chief Economist • Mathieu D'Anjou, Deputy Chief Economist
Hélène Bégin, Senior Economist • Benoit P. Durocher, Senior Economist • Francis Généreux, Senior Economist

Desjardins, Economic Studies: 514-281-2336 or 1 866-866-7000, ext. 5552336 • desjardins.economics@desjardins.com • desjardins.com/economics

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