

## ECONOMIC NEWS

# Canada: Existing Home Sales Plunge in April

By Randall Bartlett, Senior Director of Canadian Economics

### HIGHLIGHTS

- ▶ Existing homes sales plunged 12.6% in April on a seasonally-adjusted basis, the sharpest month-over-month decline since the start of the pandemic. On a nonseasonally-adjusted basis, sales in April were 25.7% below the record level reached in 2021.
- ▶ The national decline in home sales was led by a drop in the Greater Toronto Area, down 26.2% over March. However, sales were down in 80% of local markets in April, with most other large cities posting double-digit declines in the month.
- ▶ Meanwhile, prices for Canadian existing homes fell by 3.8% in April on a seasonally-adjusted basis, for the second consecutive monthly decline. This followed a string of seven months of nationwide price gains. However, existing home prices are still up 7.5% over April 2021.
- ▶ The number of new listings fell 2.2% over March, pushing the sales-to-new listings ratio back to 66.5%—its lowest level since June 2020 and on the edge of what constitutes a seller's and balanced market.

### COMMENTS

The decline in Canadian existing home sales in April was not nearly as large as we anticipated based on data published by regional real estate boards for large urban areas. However, April's weak print did move monthly activity to the lowest level since the summer of 2020. With further interest rate hikes expected and some markets in towns and smaller cities continuing to be well out of balanced territory, we anticipate that we haven't seen the end of housing market weakness in Canada.

### IMPLICATIONS

If April's decline in existing home sales and prices is any indication, we seem to be on track to a sustained cooling in the Canadian housing market as a result of higher borrowing

### GRAPH

#### Existing home sales post the largest monthly decline since April 2020



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

costs. But despite the fact that the housing market has cooled so quickly relative to past cycles, growth in the first half of 2022 continues to be on track to post solid gains of around 5.5% and 4% (q/q, saar) in Q1 and Q2, respectively. As such, we expect another forceful move of 50 basis points by the Bank of Canada at its upcoming June rate announcement.