



CANADA

The real estate market continues to sizzle... in some areas

HIGHLIGHTS

- The number of existing properties sold in Canada went up 1.5% in March. Existing home sales are up 12.2% over the last year.
- The average price of existing homes advanced 0.8% in March. Over a year, the change is 15.7%.
- New listings fell 1.4% in March and are down 2.5% over the last year.
- The number of months of inventory has declined to 5.0 months, the lowest level since early 2010.

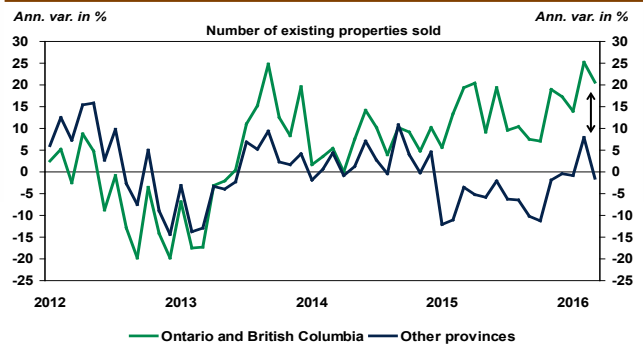
COMMENTS

Two different situations underlie the extraordinary results posted by the overall Canadian housing market. On one hand, Ontario (especially Toronto) and British Columbia (mainly Vancouver) are still posting astounding advances. Over the last year, sales are up 12.2% in Ontario and 38.0% in British Columbia. On the other, the housing market's movement has been much slower in the other provinces, with the drop in activity in the Prairies being offset by moderate growth in Quebec and Atlantic Canada.

The housing market's liveliness in Ontario and British Columbia can, of course, be partially chalked up to strong demand. For example, these two provinces have the lowest number of months of inventory in the country, at just 2.7 months in Ontario and 2.8 months in British Columbia. That being said, the surge in prices in these regions is eroding affordability, fuelling concern about overheating. The price increase is also an issue for consumers' financial stability, as the debt load associated with mortgage loans is rising steadily.

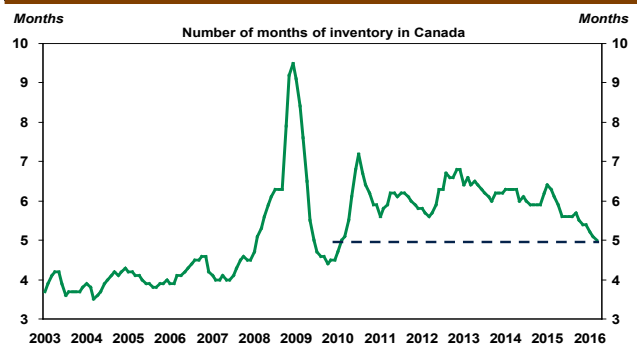
Implications: The housing market situation is one of the main risks looming over Canada's economic conditions. Clearly, the Bank of Canada must consider it in its monetary policy. Although key interest rates will not be going up for now, we can also rule out a cut given the concerns over households' heavy debt loads.

The Toronto and Vancouver housing markets stand out



Sources: Canadian Real Estate Association and Desjardins, Economic Studies

The number of months of inventory is declining



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