

ECONOMIC NEWS

Canada: The Housing Market Demonstrates Its Resilience

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HIGHLIGHTS

- ▶ The number of existing home sales increased 8.6% in October.
- ▶ With the exception of Newfoundland and Labrador, Prince Edward Island and Nova Scotia, all the other provinces saw a large jump in sales during the month.
- ▶ At the current pace of sales, the available market listings in October represented 2.1 months of transactions, which is very low from a historical perspective.
- ▶ The existing home price index increased 2.7% during the month. The gain amounts to 23.5% over one year.

COMMENTS

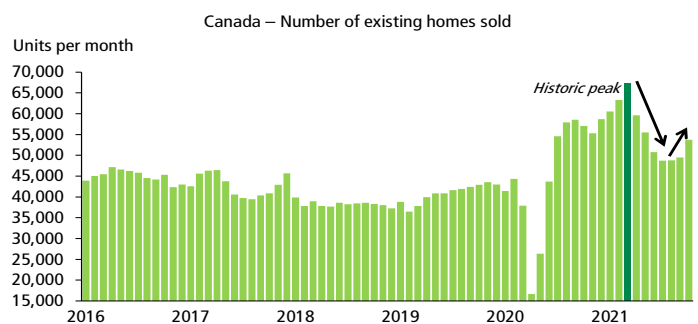
After reaching an all-time high in March, the housing market has slowed significantly since the spring as some normalization was observed. However, the downtrend in the housing market has been less obvious in recent months. After stabilizing in August, the number of existing home sales rebounded in September (+1.5%) and October (+8.6%). The housing market is therefore showing surprising resilience. Although it is too soon to tell whether the downtrend is already over, recent results suggest the presence of pent-up demand. Some households may also be moving up their purchases to avoid the interest rate increases expected in the coming months. This keeps upward pressure on prices, which continue to rise steadily. The existing home price index has even accelerated in recent months.

IMPLICATIONS

The annual inflation rate will clearly continue to be affected by rising real estate prices in the months ahead. Until now, the inflationary effect of home price increases was partially offset by low interest rates. This could change with the expected increase in interest rates in the coming months.

GRAPH 1

The downtrend in the housing market seems to be losing steam



GRAPH 2

Existing home prices continue to rise

