

Cdn Housing: Palace in Wonderland

Canadian home sales faded a touch in February, but were still up a hefty 44% from weak year-ago levels last month. Looking beyond the buoyant year-on-year gains in sales and prices, most of the underlying statistics reveal that the broader housing market is beginning to simmer down after last year's amazing turnaround. Combined with Ottawa's recent efforts to release some steam from the market, and other factors that have already been well-documented, it appears that the housing market will pull up just short of bubble territory. On to the statistics that make that case: Existing home sales slipped a notch last month, dipping a seasonally adjusted 1.5% m/m, the second monthly dip in a row after a 12-month string of gains. And while the 44% annual gain is very impressive, that's still compared with near-rock-bottom lows for the cycle hit in late 2008, and the comparisons will become much, much tougher in the months ahead. Meantime, supply continues to build from ultra-low levels, helping bring the market into something closer to balance. The seasonally adjusted inventory of homes for sale climbed to 4.7 months, the third monthly increase in a row, and moving a little away from outright sellers' territory. Even so, the still-tight market means that prices remain on a roll, with the reported average price rising a formidable 18.2% y/y (again, from depressed year-ago levels). Adjusting for the distortion of a changing mix of homes sold, average weighted prices in the major markets were up a robust 14.7% y/y last month. Admittedly, that's still strong by any metric.

Sales activity may have been held back by the Vancouver Olympics (who was house hunting in the midst of that?), as sales in B.C. were up "only" 63% y/y, compared with a four-month string of gains above 100%. This was partly offset by strong activity in Ontario. Both provinces are likely to knock down some meaty figures in the lead-up to the impending HST, before reversing course later this year.

February (% change)	Sales			Prices	
	m/m	y/y	y-t-d y/y	y/y	y-t-d y/y
Canada	-1.5	44.0	49.5	18.2	18.7
Vancouver	n.a.	68.5	97.7	22.1	20.6
Toronto	n.a.	77.1	80.9	19.4	19.2
Regina	n.a.	15.1	11.9	13.2	13.1
Winnipeg	n.a.	8.1	0.5	10.6	12.9
Montreal	n.a.	45.0	53.3	10.7	10.0
Halifax	n.a.	23.1	26.4	9.3	5.3
Calgary	n.a.	37.4	42.7	5.2	5.3
Edmonton	n.a.	20.7	20.9	2.6	1.2

* Source: Canadian Real Estate Association

The Bottom Line: While Canada's housing market remained robust in February, there are encouraging signs that conditions are becoming more sustainable.

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