

# Cdn Housing Feels the Heat...and Chills

Canadian existing home sales fell a seasonally-adjusted 6.8% in July, and are now down 30% from year-ago levels. Sales have now dropped in six of the past seven months, and by almost 25% in the past three months alone. We (and many others) were consistently warning of a significant second-half slowdown in housing activity, but, if anything, the cooling looks even a bit chillier than expected. New listings are also now scaling back amid the softening sales picture, dropping 7.2% m/m in seasonally adjusted terms. Even so, the inventory of unsold homes has ticked up to 7.3 months (on a seasonally adjusted basis) in July, the highest since March 2009 (when the housing market was close to the low point for the cycle) and leaning into buyers' market terrain.

Even with the market rolling over, average home prices were still up slightly from year-ago levels. The reported 1.0% y/y price increase is again being skewed by the fact that sales have dropped so sharply in Vancouver, Calgary and Toronto (some of the priciest markets in the country)—note from the table below that none of the major cities saw prices rise by less than 1%. Adjusted for shifts in sales by city, the average price increase among the 25 major markets was 7.4% y/y. However, that's all the way down from reported increases of more than 20% y/y late last year, and with prices easing in recent months, it will be just a matter of time before the year-on-year price comparisons sag to around the zero line. Indeed, there are likely to be some modest declines in headline prices compared with year-ago levels before 2010 runs its course, particularly in the HST-affected B.C. and Ontario markets.

July (% change)	Sales			Prices	
	m/m	y/y	y-t-d y/y	y/y	y-t-d y/y
<b>Canada</b>	-6.8	-30.0	5.6	1.0	9.4
<b>Vancouver</b>	n.a.	-45.3	0.6	12.6	17.2
<b>Toronto</b>	n.a.	-34.1	12.6	6.3	12.1
<b>Winnipeg</b>	n.a.	-13.3	2.0	9.2	11.0
<b>Montreal</b>	n.a.	-25.8	10.5	7.1	9.4
<b>Calgary</b>	n.a.	-41.3	-7.1	5.5	6.1
<b>Regina</b>	n.a.	-31.4	-0.4	7.2	5.7
<b>Halifax</b>	n.a.	-25.8	3.8	1.0	5.5
<b>Edmonton</b>	n.a.	-39.0	-11.9	1.5	4.1

Source: Canadian Real Estate Association

**The Bottom Line:** It looks like anyone who wanted to buy a house this year in Canada got their shopping done early. The combination of tighter mortgage insurance rules, a modest back-up in borrowing costs, and the HST have delivered a hammer blow to sales—with a soupcon of economic uncertainty making the temporary hit even harder than expected. Headlines will no doubt look soggy for the next few months, although with long-term mortgage rates dropping, employment improved and prices stabilized, the longer-term outlook is far from dire.

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