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TD Economics

Data Release: Canadian existing home sales remain strong in April

- Canadian existing home sales rose 2.3% in April, pushing the year-over-year growth rate up to 10%. Over two thirds of the markets in Canada recorded annual increases during the month, with the Lower Mainland of British Columbia, Greater Toronto and Montreal leading the way. In contrast, sales were down among key cities in Alberta and Saskatchewan.

- The housing market tightened slightly in April, as the number of listings was unchanged. The sales-to-listings ratio rose for a third straight month, reaching a 5-month high of 55.3. Still, the market remains well within the 40-60 balanced territory range. The number of months of inventory also hit a 5-month low of 5.9 months.

- Average home prices rose 9.5% in April, slightly ahead of the 9.4% recorded in March, and the fastest year-over-year pace in just over a year. The strength in home prices continued to be driven largely by Toronto and Vancouver, as prices were up by a more modest 3.4% when stripping these regions out. The MLS quality-adjusted home price index was up 5% y/y, in line with the previous month.

- Average home prices were down 0.5% y/y in Calgary. On a quality-adjusted basis price growth slowed for a 10th consecutive month to a three-year low of 2.2%. This is down from nearly 10% in 2014.

Key Implications

- Today's data provided further evidence of the regional divergence in the Canadian housing market. Toronto and Vancouver remain the hottest markets in the country, with the drop in mortgage interest rates during the first quarter continuing to provide stimulus. However, given that government bond yields – which influence mortgage rates – have been trending higher in recent weeks, mortgage rates could move higher later this year, dampening demand in these markets.

- Meanwhile, sales in Alberta and Saskatchewan continue to sink as the impact from the drop in oil prices ripples through these economies. Indeed, while oil prices actually rose in April, they still remain low relative to where they were a year ago, and there is some lag – about 2 quarters – before this filters through to the rest of the economy.

- Overall, we expect the regional divide to continue. The Vancouver and Toronto markets should cool slightly once mortgage rates move back up; however, given the tightness in these markets, prices should remain relatively strong. Further weakness in oil-rich regions will only partially offset strength elsewhere, with overall price growth likely to average around 6% this year.

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