

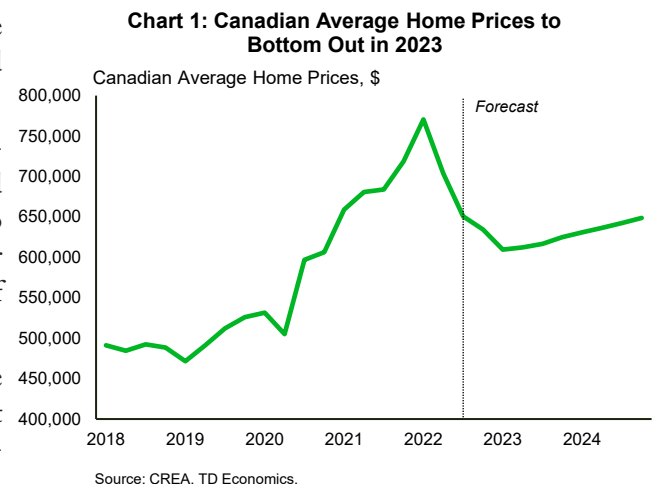
Provincial Housing Market Outlook

Home Sales and Prices Should Find Their Bottom This Year

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- Calling a bottom in housing is notoriously difficult. That said, with our forecast tracking well, we’re retaining our near year-long call that Canadian home sales will bottom sometime in early 2023. The timing of the trough is consistent with the Bank of Canada’s tightening cycle, which we expect to culminate with one additional modest hike (25 bps) in January.
- To be clear, even if activity does bottom in the next few months, sales levels should remain depressed, thanks to the poorest affordability backdrop since the late 80s/early 90s. Indeed, 2023 is likely to mark the weakest sales year since 2001.
- Canadian average home prices are also projected to bottom out in early 2023. We’re sticking with our long-held view that home prices will experience a peak-to-trough decline of around 20%. That is even with a somewhat steeper near-term price decline baked-in versus our September projection, as price growth held up better-than-expected in 2022Q4. Still, quarterly price growth in 2023 should be weaker than what we imbedded in our September forecast, as the Bank of Canada has taken their policy rate even higher than we had previously thought.
- Steep annual average price declines are expected to take place in most of the Atlantic Region, Ontario, and B.C. in 2023. However, declines in the latter two markets will more than retrace the gains made in 2022, which is not the case for the Atlantic. We forecast lesser annual average price declines across the Prairies and Newfoundland and Labrador this year, supported by comparatively decent affordability conditions.
- Growth in Canadian home sales and average home prices should return to positive territory, on an annual average basis, in 2024. By then, inflation should be contained, and the Bank of Canada is expected to have moved rates away from restrictive territory. At the same time, the economy should begin to heal after a weak performance in 2023, with continued robust population growth adding a fillip to demand. These factors should manifest in stronger sales activity, though at a pace that will continue to lag pre-pandemic levels for much of the year. Improving housing demand is also likely to stoke some renewed growth in prices. However, a still-constrained affordability backdrop will be a limiting factor.
- Regionally, broad-based price gains are likely in 2024. However, we expect some mild outperformance in the Prairies and Newfoundland and Labrador as those markets continue to benefit from a favourable affordability gap. In contrast, tougher affordability conditions in Ontario, B.C. and across much of the Atlantic should restrain growth.
- How the supply picture evolves represents a risk to our price forecast. If higher interest rates and economic weakness result in significant amounts of forced selling on the part of homebuyers, price growth could be weaker than we expect.



Home Sales and Price Outlook						
<i>Annual Average Growth, %</i>						
Provinces	Home Sales			Average Home Prices		
	2022F	2023F	2024F	2022F	2023F	2024F
National	-25.3	-17.5	18.9	0.6	-10.7	3.9
Newfoundland & Labrador	-8.9	-17.4	10.1	6.4	-1.0	3.2
Prince Edward Island	-19.2	-21.8	21.9	12.9	-10.7	1.3
Nova Scotia	-22.0	-20.1	13.6	13.3	-12.2	1.5
New Brunswick	-20.6	-16.1	15.2	16.5	-11.3	1.0
Québec	-20.0	-15.6	12.1	8.6	-7.4	2.7
Ontario	-32.7	-15.5	24.4	4.5	-11.4	1.7
Manitoba	-19.9	-8.3	15.2	6.4	-7.8	2.8
Saskatchewan	-11.6	-14.0	10.0	-0.5	-6.9	3.7
Alberta	-1.5	-20.9	12.8	4.3	-5.6	3.2
British Columbia	-35.3	-22.8	24.8	5.4	-9.7	2.1

Source: CREA, CMHC, TD Economics. Forecasts by TD Economics as of December 2022.

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