

Provincial Housing Market Outlook

Home Prices to Fall Further Under the Weight of Higher Rates

Rishi Sondhi, Economist | 416-983-8806

June 29, 2022

- We've downgraded our home sales and price forecasts significantly compared to March, as monetary policy has tightened more acutely than anticipated. Indeed, the overnight rate is forecast to rise an additional 175 bps from its current level, hitting 3.25% in 2022Q4.
- Rising borrowing costs will continue to weigh heavily on housing activity. We forecast a 33% peak-to-trough decline in Canadian home sales from 2022Q1 – 2023Q1. Beyond that timeframe, activity should begin to firm, (while remaining at low levels) through the remainder of next year, as interest rates drop from their multi-year highs. This dynamic results in a 23% annual average decline in Canadian home sales in 2022 and a 12% pullback in 2023.
- This substantially cooler demand backdrop should weigh on Canadian average home prices such that they fall 19% on a peak-to-trough basis from 2022Q1 – 2023Q1. However, home prices are likely to grow modestly thereafter, alongside some recovery in demand.
- By province, home sales and prices are likely decline the most in B.C. and Ontario, on average, in 2022 and 2023. This reflects significant affordability deteriorations during the pandemic. Quebec also sees relatively modest price growth due to the notable deterioration in affordability since early 2020.
- In Alberta, sales are expected to retrench significantly from their record highs. However, they should remain closer to pre-pandemic levels than either B.C. and Ontario through 2023, supporting tighter markets and stronger price growth.
- Prices should hold up better elsewhere in Canada, with the best affordability conditions in the country cushioning other markets in the Prairies and Newfoundland and Labrador. Strong population growth and tight conditions should offer near-term price support to the rest of the Atlantic, although activity in this region should cool as rates ratchet higher.

Home Sales and Price Outlook						
<i>Annual Average Growth, %</i>						
Provinces	Home Sales			Average Home Prices		
	2021	2022F	2023F	2021	2022F	2023F
National	20.5	-23.0	-11.9	22.6	0.4	-8.0
Newfoundland & Labrador	45.5	0.5	-11.1	10.7	6.8	2.3
Prince Edward Island	15.0	-10.4	-18.3	21.8	11.1	-5.8
Nova Scotia	14.1	-19.2	-13.0	24.1	18.2	-7.1
New Brunswick	22.4	-19.5	-6.5	26.7	19.8	-7.1
Québec	-2.4	-16.0	-4.7	20.0	8.3	-5.3
Ontario	18.6	-31.7	-13.3	24.9	3.8	-9.4
Manitoba	17.2	-20.7	-1.7	10.1	13.5	1.1
Saskatchewan	24.1	-10.5	-7.5	7.2	3.1	1.8
Alberta	53.5	0.2	-17.8	9.1	7.6	-1.2
British Columbia	32.8	-30.9	-13.5	19.8	3.2	-8.1

Source: CREA, CMHC, TD Economics. Forecasts by TD Economics as at June 2022.

Disclaimer

This report is provided by TD Economics. It is for informational and educational purposes only as of the date of writing, and may not be appropriate for other purposes. The views and opinions expressed may change at any time based on market or other conditions and may not come to pass. This material is not intended to be relied upon as investment advice or recommendations, does not constitute a solicitation to buy or sell securities and should not be considered specific legal, investment or tax advice. The report does not provide material information about the business and affairs of TD Bank Group and the members of TD Economics are not spokespersons for TD Bank Group with respect to its business and affairs. The information contained in this report has been drawn from sources believed to be reliable, but is not guaranteed to be accurate or complete. This report contains economic analysis and views, including about future economic and financial markets performance. These are based on certain assumptions and other factors, and are subject to inherent risks and uncertainties. The actual outcome may be materially different. The Toronto-Dominion Bank and its affiliates and related entities that comprise the TD Bank Group are not liable for any errors or omissions in the information, analysis or views contained in this report, or for any loss or damage suffered.