In its latest report on national home sales and pricing data, the Canadian Real Estate Association said there have been softer market conditions since the end of last summer, with sellers joining potential buyers on the sidelines. *DARRYL DYCK/THE CANADIAN PRESS*

Canadian housing market could rebound in 2024

'Turning point' entirely dependent on Bank of Canada lowering rates

SAMMY HUDES

After a year marked by caution and shifting expectations spurred by rising borrowing costs, economists believe the Canadian housing market could be in for a rebound in 2024.

That's largely dependent on forecasts that the Bank of Canada could begin cutting its key interest rate from the current level of five per cent as early as the second quarter of this year.

"We're obviously watching for a turning point in the market," said Toronto-Dominion Bank economist Rishi Sondhi.

"We've had some, I would say, weaker sales and price activity over the past few months ... We're getting some indications that the market, at least from a demand perspective, is starting to turn around."

In its latest report on national home sales and pricing data, the Canadian Real Estate Association said there have been softer market conditions since the end of last summer, with sellers joining potential buyers on the sidelines.

While price declines have mainly been an Ontario phenomenon as of late, home prices were also starting to soften late in the year in the Fraser Valley, Winnipeg and Halifax. Elsewhere, prices were mostly holding firm or continuing to climb in provinces such as Alberta, Saskatchewan, New Brunswick, Prince Edward Island and Newfoundland and Labrador.

"I wouldn't expect anything too headline-grabbing from the resale housing market for the next few months," noted CREA chair Larry Cerqua in December.

"That's a good thing, because a market that looks to be stabilizing in balanced territory increasingly suggests the soft-landing scenario."

In Vancouver, real estate adviser Tim Hill with Re/Max All Points Realty said he's optimistic as sentiment among his clients has slowly shifted thanks to modest price improvements in recent months.

"We're still riding some rocky seas, right?" he said.

"I think that we're going to see consumer confidence increase, at least partially, probably by quarter two realistically. But I think we're going to start seeing people talking about making those moves again for 2024."

The Bank of Canada has held rates steady over three rounds of decisions as inflation continued to moderate, but the central bank has said it could still raise rates even as forecasters widely expect the next move to be a cut.

Sondhi acknowledged that risk, should inflation remain "more stubbornly elevated than anticipated" in the coming months.

"Then the bank might be forced to, at the very least, maintain a higher-for-longer stance," he said.

The interest rate story is one of many unknowns lingering after the calendar flipped to the new year, said Royal Bank of Canada assistant chief economist Nathan Janzen. While all eyes are on the central bank, Janzen is also watching the labour market, which he said has continued to weaken.

"It's not surprising against that backdrop to see housing activity softening, late last year as well," Janzen said.

"We have housing activity remaining fairly sluggish to start 2024, but inflation has also been slowing. What that means is the Bank of Canada is getting closer to the point where they can start taking their feet off the monetary policy brakes of the economy and inch closer to a pivot to interest rate cuts."

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That could bring more activity and "small increases in prices" over the second half of the year, as he forecasts home prices moving "gradually higher" across all markets.

Janzen said he doesn't see a rapid recovery in the cards even once the cycle of rate cuts begins, since that process will likely be slower in the early stages than the hiking cycle seen last year.

But any rate cut will "spur excitement and activity," said Toronto real estate agent Anne Marie Lorusso with Freeman Real Estate Ltd.

"Even the people that are not quite ready are going to hope that the next interest rates will tick down again," she said.

"I'm in the camp that says I think the spring market is going to be good. Sellers will be excited and will hold on to their prices and buyers are going to have to figure out what they can get for their money."

But Hill said the potential rush in late 2024 is why he's advising clients not to delay, even though borrowing costs are still high right now.

"My cautionary tale for my clients right now is let's not wait to do what everybody else will do," he said.

"When our markets switch, it's like the tap just reopens and then everybody comes running. The issue there is now all of our buyers are competing against each other again and they seem to come hot and fast too. It feels like the Wild West."

The Canadian Press