

Contributors

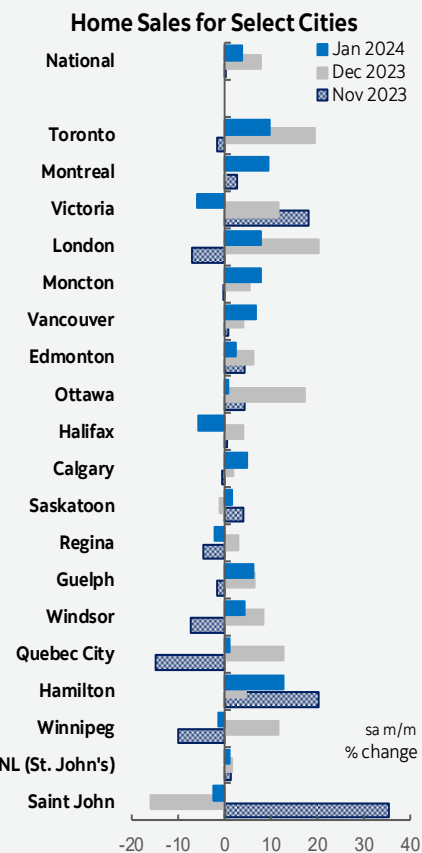
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| Canada                   | Jan-24           | Dec-23           | Jan-24           |
|--------------------------|------------------|------------------|------------------|
|                          | m/m <sup>1</sup> | m/m <sup>1</sup> | y/y <sup>2</sup> |
| Sales (% change)         | 3.7              | 7.9              | 22.0             |
| New listings (% change)  | 1.5              | -5.9             | 10.5             |
| Average price (% change) | 0.9              | 1.8              | 6.8              |
| MLS HPI (% change)       | -1.2             | -1.1             | 0.4              |

|  | Jan-24 | Dec-23 | Jan-23 |
|--|--------|--------|--------|
| Sales-to-new listings ratio (level) <sup>1</sup> | 58.8   | 57.6   | 53.1   |
| Months inventory (level) <sup>1</sup>            | 3.7    | 3.8    | 4.1    |

<sup>1</sup>seasonally adjusted <sup>2</sup>not seasonally adjusted



Sources for chart and table: Scotiabank Economics, CREA.

# Canadian Home Sales — January 2024

## CANADA HOUSING MARKET: SHORT-TERM PAIN, LONG-TERM GAIN?

### SUMMARY

**Canadian home sales increased by 3.7% (sa m/m) in January. New listings followed suit, increasing by a smaller 1.5%.** The larger increase in sales following last month’s jump has further tightened the sales-to-new listings ratio, an indicator of how tight the market is, to 58.8%, pushing it further above its long-term average of 55% after having been below during the 3 months before December. Still, the national market remained in balanced territory relative to historical standards. There were 3.7 months of inventory—down from November’s peak of 4.1 and over a month below its long-term average of around five months.

**Sales increased in two thirds of the 31 local markets we track.** St. Catharines led the increases with 28.6% (sa m/m), followed by Ontario markets including Toronto, as well as Fraser Valley and Montreal (15.9% and 9.4%). This more than offset a 26% decline in Thunder Bay and south of 10% declines in the remaining 9 markets. January’s level of sales was 1.48% below the 2010–19 average level observed for this month, more in line with historical averages relative to previous months.

**Listings increased in over half (18) of the local markets we track, 12 of those witnessed sales increases also.** The number of newly listed properties increased by 54.7% in Saint John followed by 26.3% (sa m/m) in St. Catharines and smaller double-digit increases in Halifax, Charlottetown, Vancouver, Fraser Valley, Kingston and Windsor. This puts January’s level of listings around 7% below the 2010–19 average level observed for this month. Given the movements in sales and listings, 22 markets were in balanced territory in January relative to 25 in December, while 9 were in sellers’ territory relative to 4 in December. Guelph and Kelowna which were in buyers’ territory in December moved to balanced in January.

**Prices, as measured by the MLS Home Price Index (HPI), fell by 1.2% (sa m/m) in January—in line with the declines of the previous two months.** January’s monthly decline was led by townhouses (-1.3%), followed by single-family homes (-1.1%) and apartments (-0.8%).

### IMPLICATIONS

The housing market has seen a surge in sales in recent months, even though the Bank of Canada has not yet started cutting its policy rate or even signalled that a cut is imminent as many have been expecting. This surge in activity is sooner than we expected, particularly as it well precedes the spring season which is typically a hot season for the housing market.

So what’s the reason behind the surge? Good as anyone’s guess! But here is mine: notwithstanding strong population growth and pent-up demand after months of subdued activity, as well as a still-healthy labour market and balance sheets and strong wage growth, the surge partly reflects buyers’ views on the housing market and policy rate outlook.

We have viewed the weakness in the housing market in the second half of 2023 as largely driven by would-be buyers awaiting more clarity and the rate cuts they widely expected 2024 to bring. We expected this to result in the release of pent-up demand before the BoC begins cutting (admittedly though, not this much before!) as buyers try to time a purchase to capture lower fixed rates and the lowest house price possible before an uptick of demand in response to rate cuts pushes prices back up.

However, what seems to have brought this process forward is buyers' willingness to put up with some short-term pain for long-term gain. Buyers are pricing in a sure increase in house prices once cuts begin and are therefore choosing variable mortgages now, betting that the cuts will be significant enough to offset the higher initial payments and reduce the overall cost of the mortgage over the long-term, versus the alternative of waiting for rates to drop and buying at significantly higher prices. We can indeed see that the share of variable mortgage originations has been on the rise lately (chart 1), the only type of mortgage with an associated rate (prime rate) that has not yet budged down (chart 2).

Chart 1

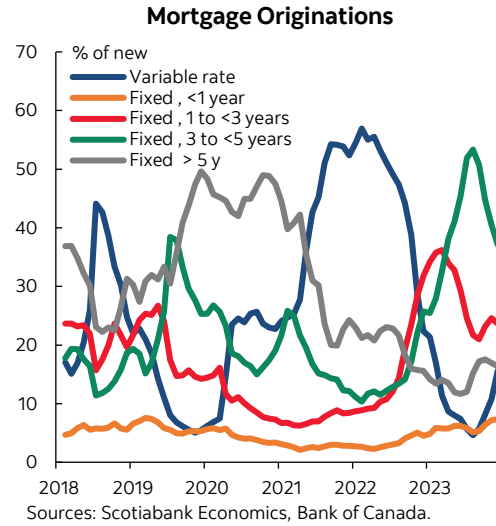
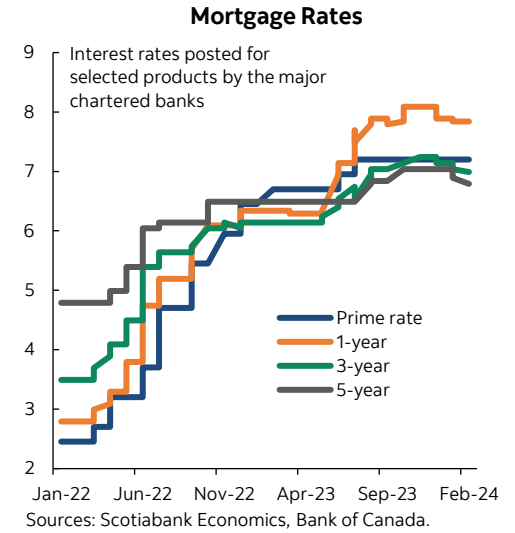


Chart 2



Given the widespread expectation, of everyone from the BoC to CREA to most economics shops, that rate cuts will eventually lead to an uptick in activity and prices, this is a reasonable bet on the part of buyers. In addition, the self-fulfilling nature of housing market cycles, whereby signs of an increase in activity and prices entice more activity as buyers rush back to the market before prices go up any further, could very much lead to this process taking hold.

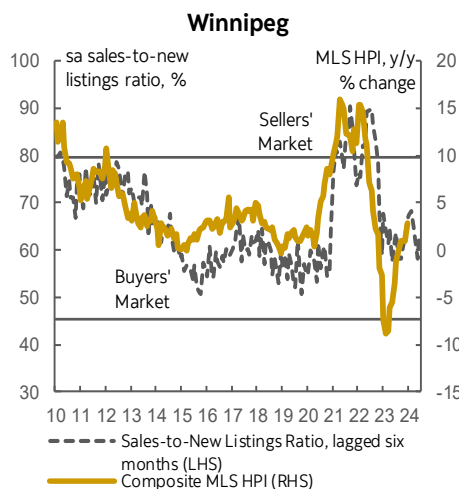
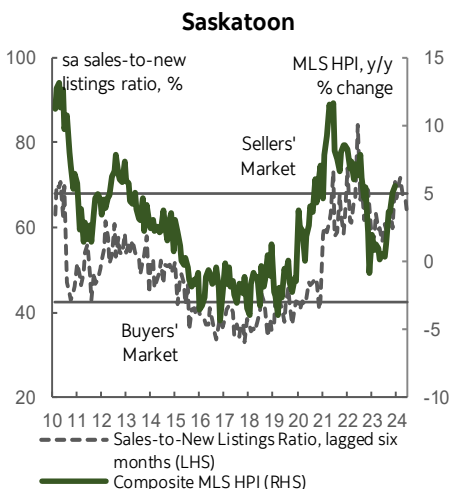
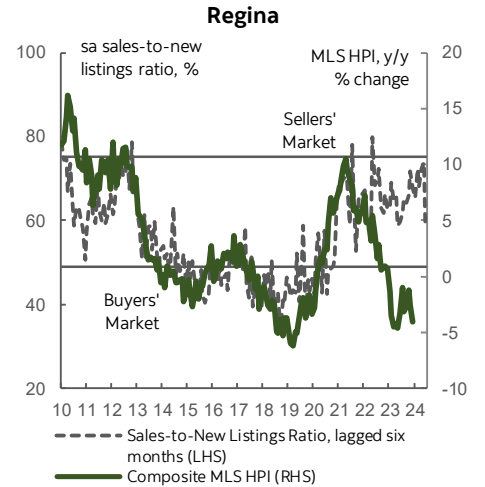
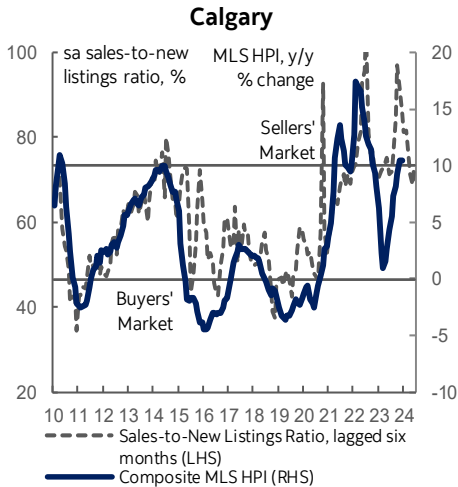
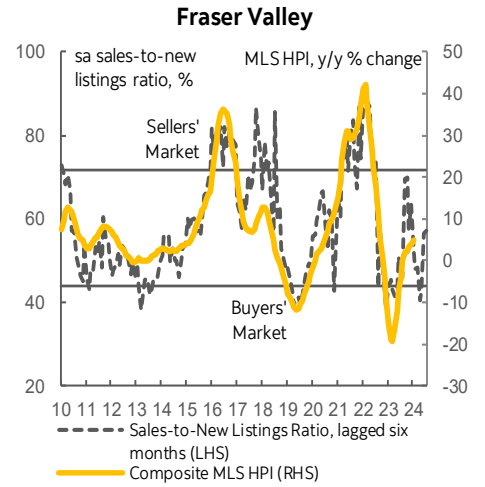
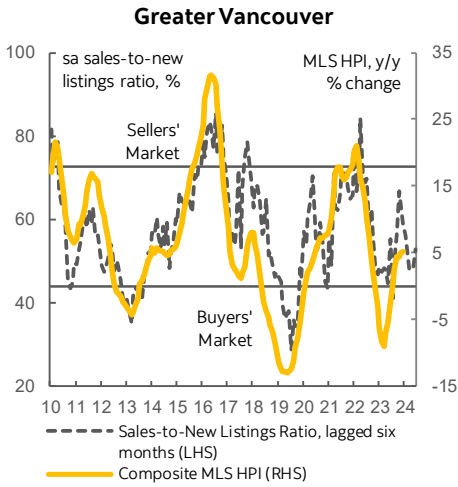
Even though prices continued to decline, the housing market impacts inflation via stronger economic growth as it boosts activity in many other related sectors in the economy. Plus, we know from previous cycles that price increases typically lag upticks in sales. In addition, strong wage gains alongside declining productivity, and recent acceleration in underlying inflation measures, all act as upside risks to the inflation outlook. This led us to push our [forecast](#) of the first BoC cut into later this year with fewer cuts, and there remains a risk of having even later and fewer cuts this year. This would of course have wide-reaching implications in an already-stalling economy, impacting households' ability to make house purchases. These are all factors to watch as we think about the housing market in the short and medium term.

Scotiabank Housing Market Watch—January 2024

| Rank <sup>1</sup> | Real Estate Board           | Sales-to-New Listings Ratio |                |                             |  |             |                    | Unit Sales <sup>3</sup> |             |              | Avg. Sales Prices <sup>3</sup> |             |              | New Listings <sup>3</sup> |             |              |
|-------------------|-----------------------------|-----------------------------|----------------|-----------------------------|--|-------------|--------------------|-------------------------|-------------|--------------|--------------------------------|-------------|--------------|---------------------------|-------------|--------------|
|                   |                             | Last Month Rank             | Monthly Change | Sales-to-New Listings Ratio | Std. Dev. from Long-Term Mean <sup>2</sup> | Market Type | 24-month Evolution | Last month              | Last 3 mos. | Last 12 mos. | Last month                     | Last 3 mos. | Last 12 mos. | Last month                | Last 3 mos. | Last 12 mos. |
| --                | National                    | --                          | --             | 58.8                        | 0.3  | I   I       | Balanced           | 3.7                     | 7.0         | -7.9         | 0.9                            | 5.2         | -0.8         | 1.5                       | 9.3         | -7.0         |
| 1                 | Lethbridge                  | 8                           | ↑ 7            | 102.0                       | 3.0  | I   I •     | Sellers'           | 6.3                     | 0.9         | -8.7         | 6.0                            | 7.3         | 4.0          | -26.3                     | -0.7        | -14.7        |
| 2                 | Calgary                     | 4                           | ↑ 2            | 88.1                        | 2.0  | I   I •     | Sellers'           | 4.8                     | 17.3        | -6.1         | 2.2                            | 10.2        | 5.4          | -10.4                     | 22.8        | -11.4        |
| 3                 | Moncton                     | 6                           | ↑ 3            | 80.6                        | 1.7  | I   I •     | Sellers'           | 7.9                     | 8.2         | -6.8         | 2.1                            | 11.2        | 3.0          | -8.4                      | 9.1         | -12.7        |
| 4                 | Saskatoon                   | 5                           | ↑ 1            | 76.3                        | 1.6  | I   I •     | Sellers'           | 1.5                     | 19.7        | 1.3          | 1.5                            | 2.9         | 1.5          | -9.0                      | -2.1        | -6.9         |
| 5                 | Sudbury                     | 11                          | ↑ 6            | 75.3                        | 1.4  | I   I •     | Sellers'           | 11.7                    | 5.6         | -16.5        | -6.8                           | 7.3         | 0.4          | -5.7                      | -4.5        | -10.4        |
| 6                 | Quebec City                 | 7                           | ↑ 1            | 81.4                        | 1.2  | I   I •     | Sellers'           | 1.1                     | 7.0         | -4.4         | -0.4                           | 5.7         | 4.1          | -4.8                      | 12.9        | -3.4         |
| 7                 | Edmonton                    | 12                          | ↑ 5            | 74.4                        | 1.1  | I   I •     | Sellers'           | 2.4                     | 31.9        | -5.2         | 3.9                            | 4.9         | -1.7         | -12.8                     | 5.1         | -11.0        |
| 8                 | Regina                      | 21                          | ↑ 13           | 76.8                        | 1.1  | I   I •     | Sellers'           | -2.2                    | 24.5        | -2.7         | -2.4                           | 6.4         | -1.6         | -25.2                     | 4.2         | -8.2         |
| 9                 | NL (St. John's)             | 10                          | ↑ 1            | 61.5                        | 1.1  | I   I •     | Sellers'           | 1.1                     | -6.8        | -13.4        | 2.4                            | 4.5         | 1.1          | -6.8                      | 7.4         | -4.0         |
| 10                | Saint John                  | 1                           | ↓ 9            | 61.5                        | 0.6  | I   I •     | Balanced           | -2.5                    | 4.0         | -18.0        | 9.8                            | 13.0        | 5.1          | 54.7                      | 4.5         | -16.8        |
| 11                | Halifax                     | 2                           | ↓ 9            | 68.3                        | 0.5  | I   I •     | Balanced           | -5.8                    | 9.4         | -11.7        | 4.0                            | 8.7         | 3.8          | 18.6                      | 18.4        | -10.4        |
| 12                | Peterborough                | 20                          | ↑ 8            | 59.3                        | 0.2  | I   I •     | Balanced           | 5.0                     | -17.9       | -21.3        | 3.5                            | 0.1         | -8.6         | -4.8                      | -14.0       | -14.5        |
| 13                | Hamilton-Burlington         | 14                          | ↑ 1            | 63.5                        | 0.1  | I   I •     | Balanced           | 12.6                    | 2.6         | -8.7         | -4.0                           | 1.8         | -5.5         | 9.9                       | 3.2         | -11.8        |
| 14                | Winnipeg                    | 15                          | ↑ 1            | 62.3                        | 0.0  | I   I •     | Balanced           | -1.3                    | 2.2         | -10.7        | 1.7                            | 5.8         | -1.5         | -1.5                      | 1.6         | -3.0         |
| 15                | Fraser Valley (Abbotsford)  | 16                          | ↑ 1            | 57.1                        | 0.0  | I   I •     | Balanced           | 15.9                    | 23.5        | 2.6          | 2.9                            | 8.2         | -1.6         | 14.7                      | 17.5        | -9.8         |
| 16                | London                      | 17                          | ↑ 1            | 56.3                        | 0.0  | I   I •     | Balanced           | 7.9                     | 5.7         | -9.4         | -2.9                           | 1.4         | -6.4         | 4.7                       | 4.8         | -9.2         |
| 17                | PEI (Charlottetown)         | 9                           | ↓ 8            | 48.9                        | 0.0  | I   I •     | Balanced           | -8.0                    | 3.1         | -1.6         | 6.0                            | -2.8        | -1.9         | 17.3                      | -4.8        | -1.1         |
| 18                | Montreal                    | 24                          | ↑ 6            | 60.2                        | 0.0  | I   I •     | Balanced           | 9.4                     | 2.3         | -11.5        | 1.1                            | 5.7         | 0.0          | 2.2                       | 11.7        | -5.5         |
| 19                | Ottawa                      | 13                          | ↓ 6            | 55.2                        | -0.1                                       | I   I •     | Balanced           | 0.7                     | 6.2         | -8.0         | -2.2                           | 1.4         | -3.3         | 5.7                       | 3.2         | -7.1         |
| 20                | St. Catharines              | 22                          | ↑ 2            | 51.2                        | -0.3                                       | I   I •     | Balanced           | 28.6                    | 16.9        | -4.5         | -1.3                           | 2.2         | -5.7         | 26.3                      | 16.3        | -0.4         |
| 21                | Thunder Bay                 | 3                           | ↓ 18           | 60.0                        | -0.3                                       | I   I •     | Balanced           | -26.3                   | -5.3        | -10.8        | -15.6                          | 9.3         | 0.9          | -4.8                      | -2.9        | -4.3         |
| 22                | KW*                         | 23                          | ↑ 1            | 58.0                        | -0.3                                       | I   I •     | Balanced           | 4.4                     | 9.0         | -10.4        | 1.6                            | 1.2         | -4.5         | 3.3                       | 16.3        | -12.0        |
| 23                | Toronto                     | 28                          | ↑ 5            | 53.6                        | -0.3                                       | I   I •     | Balanced           | 9.6                     | 10.6        | -7.8         | -6.5                           | 0.8         | -2.7         | 4.6                       | 10.0        | -7.3         |
| 24                | Vancouver                   | 18                          | ↓ 6            | 51.5                        | -0.5                                       | I   I •     | Balanced           | 6.7                     | 13.0        | -4.5         | 0.6                            | 6.5         | 2.5          | 14.8                      | 7.2         | -6.5         |
| 25                | Kingston                    | 19                          | ↓ 6            | 44.3                        | -0.5                                       | I   I •     | Balanced           | 3.7                     | 3.3         | -12.6        | -0.9                           | -6.5        | -7.5         | 13.9                      | 14.6        | 5.4          |
| 26                | Brantford                   | 25                          | ↓ 1            | 49.2                        | -0.7                                       | I   I •     | Balanced           | -2.4                    | 5.9         | -5.9         | -5.4                           | 6.8         | -4.5         | 4.8                       | 0.2         | -7.0         |
| 27                | Windsor                     | 27                          | ↔ 0            | 46.6                        | -0.8                                       | I   I •     | Balanced           | 4.4                     | -1.6        | -13.1        | -1.9                           | 5.6         | -5.6         | 10.8                      | 1.8         | -11.1        |
| 28                | Guelph                      | 31                          | ↑ 3            | 52.9                        | -0.8                                       | I   I •     | Balanced           | 6.1                     | -5.1        | -8.3         | 4.6                            | 6.0         | -4.1         | 0.3                       | 18.2        | -7.5         |
| 29                | Okanagan-Mainline (Kelowna) | 30                          | ↑ 1            | 37.9                        | -0.9                                       | I   I •     | Balanced           | -5.4                    | -2.4        | -12.0        | -6.3                           | 5.3         | -3.5         | -0.7                      | 10.8        | -5.4         |
| 30                | Barrie                      | 29                          | ↓ 1            | 44.4                        | -0.9                                       | I   I •     | Balanced           | -7.5                    | -12.7       | -14.0        | -1.9                           | -4.9        | -8.4         | 1.7                       | -0.6        | -18.2        |
| 31                | Victoria                    | 26                          | ↓ 5            | 48.5                        | -1.0                                       | I   I •     | Balanced           | -6.1                    | 8.4         | -5.1         | -1.2                           | 3.7         | -1.0         | 6.8                       | 14.4        | -1.9         |

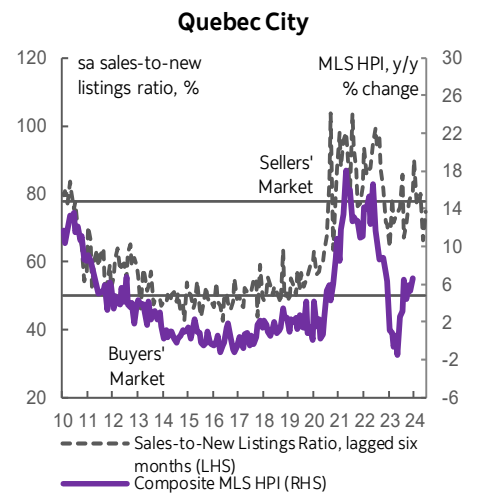
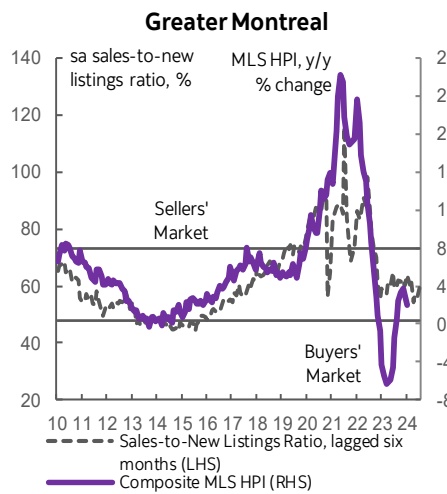
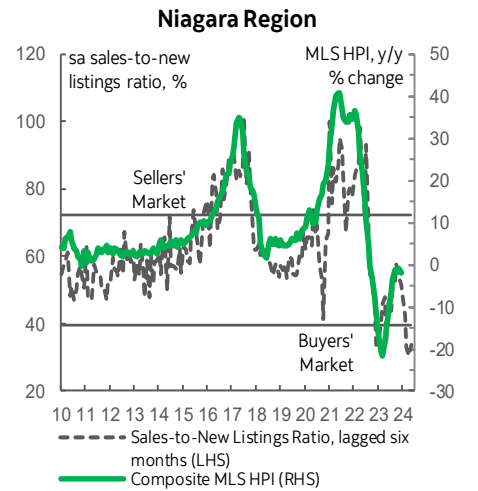
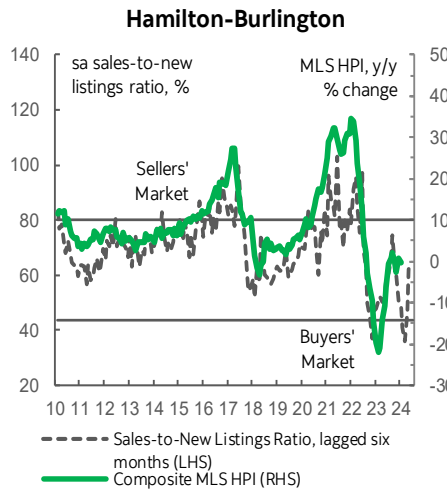
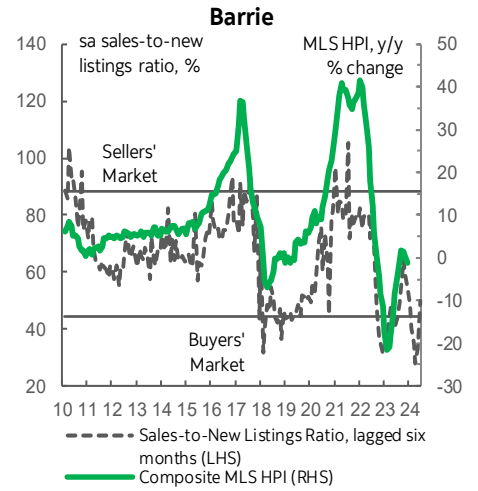
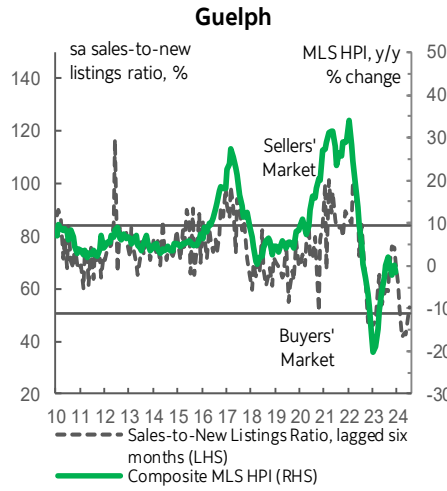
<sup>1</sup> Ordered from most- to least-tilted towards sellers. <sup>2</sup> A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term mean less than one deviation is considered a buyer's market and likely to see a flat or downward trend in prices over the next six months. We define the long-term average as the 1990-2020 mean. <sup>3</sup> Year-over-year percentage change. \* Kitchener-Waterloo. Sources: Scotiabank Economics, CREA.

MLS Home Price Indices — Western Canada



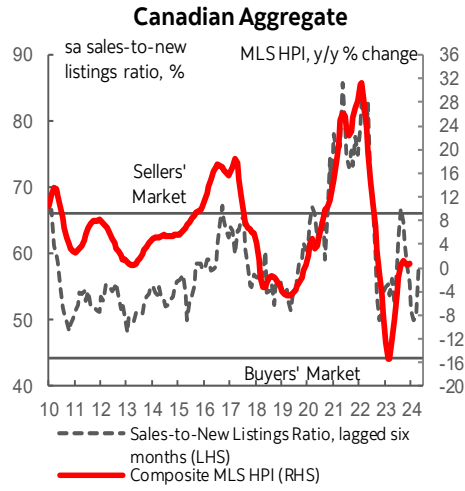
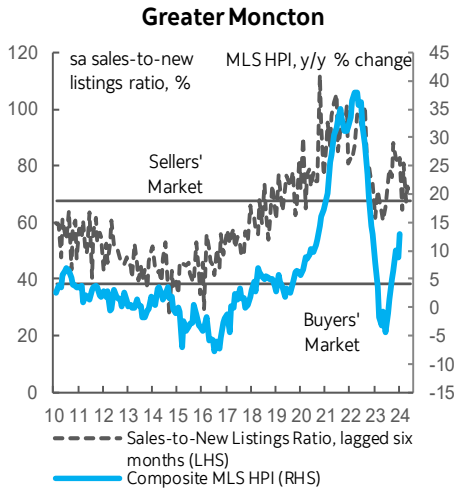
Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.) — Eastern Canada



Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.) — Eastern Canada and Canadian Aggregate



Sources: Scotiabank Economics, CREA.

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