

Contributors

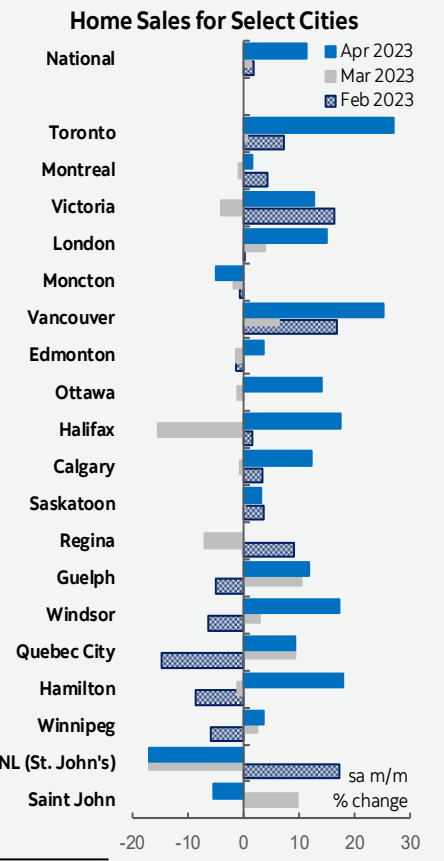
**Farah Omran**  
Economist  
Scotiabank Economics  
416.866.4315  
[farah.omran@scotiabank.com](mailto:farah.omran@scotiabank.com)

Canada	Apr-23	Mar-23	Apr-23
	m/m <sup>1</sup>	m/m <sup>1</sup>	y/y <sup>2</sup>
Sales (% change)	11.3	1.4	-19.5
New listings (% change)	1.6	-5.7	-26.3
Average price (% change)	5.7	2.6	-6.3
MLS HPI (% change)	1.6	0.6	-12.3

	Apr-23	Mar-23	Apr-22
Sales-to-new listings ratio (level) <sup>1</sup>	70.2	64.1	62.6
Months inventory (level) <sup>1</sup>	3.3	3.8	2.4

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



Sources for chart and table: Scotiabank Economics, CREA.

# Canadian Home Sales — April 2023

## CANADA HOUSING MARKET: DEFYING GRAVITY

### SUMMARY

**Canadian home sales rose by an astonishing 11.3% (sa m/m) in April, accompanied by only a 1.6% increase in listings.** This would be the third, and largest, consecutive increase in sales combined with only a small increase in listings after two consecutive months of significantly large declines. This shot up the sales-to-new listings ratio, an indicator of how tight the market is, to 70.2%, up from 64.1% last month. This reflects a sharp and rapid tightening in market conditions since this ratio normalized down to levels close to its long-term average of 55% from record high levels during the pandemic. This has officially returned the national housing market into sellers' territory. Similarly, months of inventory continued reversing the improvements from its record lows since the fall of 2021, declining for the third month in a row and reaching 3.3 months in April—over a month and a half below its long-term average.

**The increase in sales was fairly widespread across the local markets we track, while the increase in listings was limited to fewer markets.** Sales increased in 24 of the 31 local markets we track, with particularly significant increases in Ontario markets, led by Toronto at a 27% monthly increase, and BC. Barrie and Vancouver joined Toronto with over 20% increases, while 10 other Ontario and BC markets, in addition to Calgary and Halifax, recorded monthly increases of over 10%. On the other hand, listings increased in only 13 of local markets, with sales increases occurring in 10 of those markets—pointing to additional supply being absorbed immediately by pent-up demand. There are now 12 markets in sellers' territory, compared to 7 in March.

**Prices, as measured by the MLS Home Price Index (HPI), increased by 1.6% (sa m/m) in April.** This would be the second monthly increase in a row following 11 months of declines, with March's increase revised up from 0.2% to 0.6%. April's increase was led by single family homes (1.9%), particularly the larger two-storey segment (2.3%). Apartments, having been the only stand out in March, joined other segments in recording price gains in April, albeit by a smaller 0.5%, while townhomes increased by 1.3%. With this month's results, the MLS HPI is drifting further from its pre-pandemic levels, now sitting at 32% above, reducing the correction from its March 2022 peak to only 14%.

### IMPLICATIONS

It's a tricky time to write about the housing market, just like anything else in the economy nowadays—good news is bad news and bad news is good, with net impact on sentiments, prices, rates, and the economy unclear.

National home sales recorded a staggering double-digit increase in April following two smaller monthly increases in February and March. This is the longest stretch of consecutive increases since the housing market began its correction stage in February 2022, further strengthening conviction that the housing market correction may be prematurely over. This coincided with a relatively negligible increase in listings after two months of larger declines and resulted in a rapid retightening in market conditions and a second monthly increase in the MLS HPI.

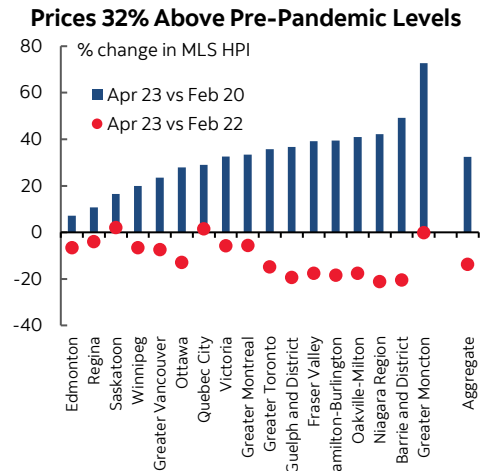
We have been expecting a stabilization in housing activity and an eventual uptick in demand and prices, driven by pent-up demand and strong immigration combined with limited supply, however the magnitude and speed in which this seems to be happening surpass our previous expectations. While this points to resiliency and strong household finances, it also poses additional challenges for the Bank of Canada as it tries to slow down the economy and bring inflation back to its 2% target.

With each monthly increase, the likelihood that the correction is over increases. As buyers see signs of an increase in activity and prices, they are enticed to rush back to the market before prices go up any further, in turn adding more pressure on activity and prices. This is partly behind April's strong results following two months of signs of an uptick in demand. Some buyers that have been on the sidelines as rates increased and prices declined may have amassed sufficient savings for a down payment and were ready to jump back into the market upon signs of a dip being reached. Without a concurrent meaningful increase in supply, this would reintroduce imbalances to the market and reverse some of the improvements we have seen over the past year towards a more balanced and sustainable market and conditions, further delaying the needed improvement in housing affordability conditions. And while April's double-digit increase in sales might point to more pressure ahead, it should be put in perspective whereby the increase is coming off the heels of an unusually low level of activity in comparison to historical averages. With the increases of the last 3 months, April's level of sales was still 6% below the month's 2000–2019 average, while April's level of listings was 26% below the month's long-term average. Additional improvements on the listings side of the market may facilitate additional sales activity as new inventory is absorbed.

Given the historically low levels of affordability at the still-elevated level of prices (chart 1) and high interest rates, it seems that the housing market is defying gravity, driven by pent-up demand and strong immigration and population growth, with the retightening in conditions as the sales-to-listing ratio rises rapidly and the decline in fixed-rate mortgage rates adding to incoming price pressures.

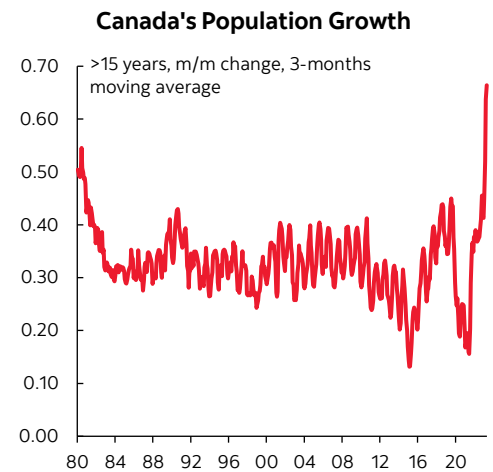
Population dynamics will continue playing a key role in determining housing market outcomes. We are currently experiencing the most rapid pace of population growth in 50 years (chart 2). The federal government continues to set higher immigration targets with an increasing commitment towards more economic immigration, which translates onto higher population growth and demand. While this would alleviate some of the labour shortages in the construction sector and overall economy, in a market in which supply lags demand, this points to continued pressures on prices and affordability.

Chart 1



Sources: Scotiabank Economics, CREA.

Chart 2

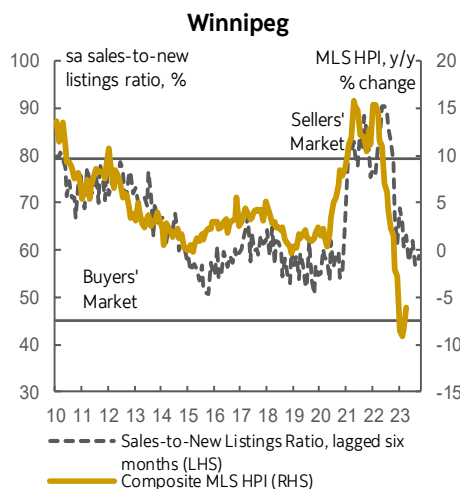
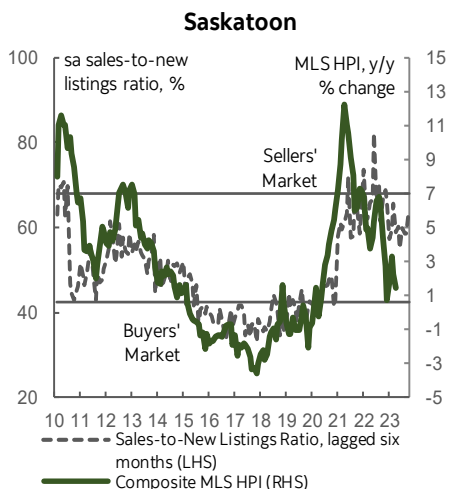
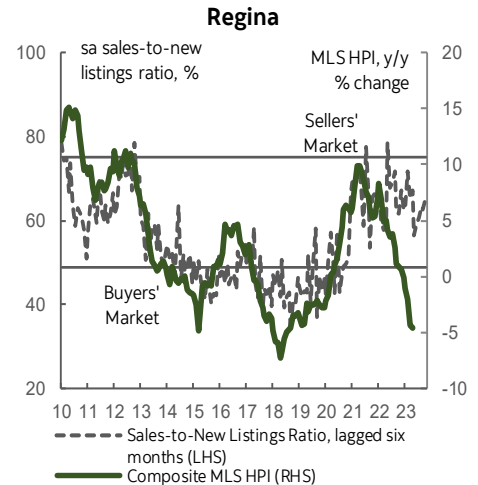
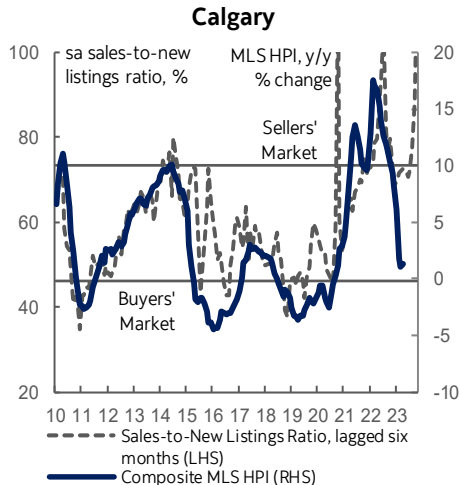
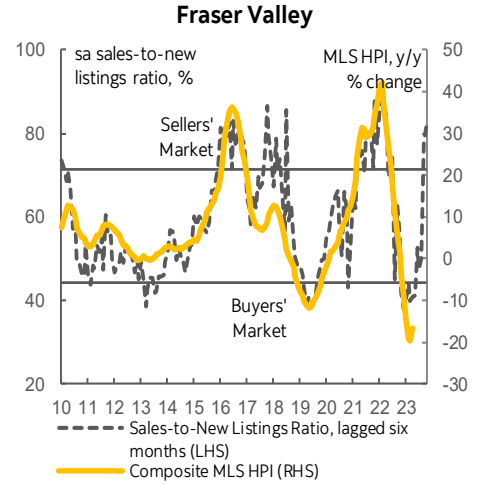
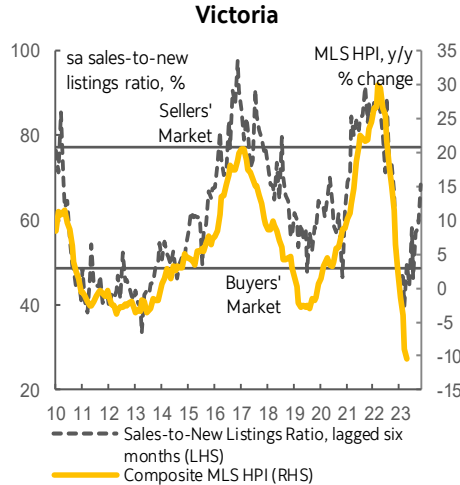


Sources: Scotiabank Economics, Statistics Canada.

Scotiabank Housing Market Watch—April 2023																	
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	--	--	70.2	1.3	•	Sellers'	11.3	-31.2	-30.8	5.7	-11.4	-4.9	1.6	-26.7	-7.0	
1	Calgary	3	↑ 2	104.2	3.2	•	Sellers'	12.3	-38.3	-22.5	2.9	-2.0	1.8	-4.8	-39.6	-19.6	
2	Sudbury	7	↑ 5	87.5	2.2	•	Sellers'	7.4	-36.1	-24.8	3.3	-12.2	-1.1	-11.5	-36.3	-9.6	
3	Saint John	1	↓ 2	85.0	2.2	•	Sellers'	-5.4	-32.3	-26.1	4.3	-5.7	5.5	-2.6	-32.3	-14.3	
4	Moncton	2	↓ 2	82.0	1.9	•	Sellers'	-5.0	-15.5	-20.9	-2.6	-11.0	2.0	-0.3	-20.0	-2.1	
5	Fraser Valley (Abbotsford)	6	↑ 1	81.8	1.8	•	Sellers'	13.0	-33.5	-48.2	6.1	-19.2	-10.9	7.8	-46.3	-22.3	
6	Toronto	9	↑ 3	77.6	1.8	•	Sellers'	27.0	-31.5	-40.8	3.1	-13.7	-6.1	6.5	-41.2	-17.7	
7	Lethbridge	4	↓ 3	80.4	1.5	•	Sellers'	3.7	-31.5	-22.8	-4.4	1.2	4.2	4.9	-26.9	-10.0	
8	KW*	14	↑ 6	83.5	1.5	•	Sellers'	15.9	-35.3	-32.6	4.5	-18.3	-8.5	-6.7	-43.7	-6.8	
9	London	15	↑ 6	75.8	1.3	•	Sellers'	15.0	-32.0	-36.5	3.3	-19.6	-7.5	-8.1	-31.1	0.3	
10	Hamilton-Burlington	11	↑ 1	82.0	1.1	•	Sellers'	17.9	-27.4	-32.7	6.6	-17.9	-7.7	1.8	-34.5	-1.9	
11	Ottawa	13	↑ 2	72.2	1.0	•	Sellers'	14.2	-33.3	-32.4	6.0	-13.5	-3.5	-2.0	-22.7	-3.9	
12	Thunder Bay	8	↓ 4	77.1	1.0	•	Sellers'	-2.6	-27.3	-10.6	1.1	-14.4	-2.3	-6.3	-5.6	9.2	
13	Vancouver	19	↑ 6	69.8	0.9	•	Balanced	25.3	-36.4	-42.0	1.3	-5.9	-1.3	5.9	-33.6	-20.4	
14	Guelph	18	↑ 4	80.0	0.8	•	Balanced	11.8	-28.1	-31.6	2.9	-20.4	-9.1	-2.3	-33.1	-4.3	
15	Halifax	17	↑ 2	80.6	0.7	•	Balanced	17.4	-31.0	-25.1	8.0	-7.2	2.5	3.4	-24.5	-11.1	
16	Brantford	24	↑ 8	70.3	0.5	•	Balanced	10.1	-34.4	-36.4	4.0	-23.0	-12.4	-6.8	-30.9	2.6	
17	Okanagan-Mainline (Kelowna)	23	↑ 6	61.9	0.5	•	Balanced	11.1	-36.6	-38.1	-0.6	-12.8	-1.0	-4.7	-18.8	3.1	
18	Edmonton	16	↓ 2	64.9	0.5	•	Balanced	3.6	-39.2	-22.6	3.3	-9.5	-3.4	-2.0	-22.1	-5.1	
19	Quebec City	21	↑ 2	0.0	0.4	•	Balanced	9.2	-21.9	-16.9	0.1	1.2	5.2	-0.3	-7.9	1.6	
20	Victoria	29	↑ 9	68.4	0.4	•	Balanced	12.7	-27.8	-34.2	4.0	-10.5	-1.2	-4.2	-17.4	3.0	
21	NL (St. John's)	5	↓ 16	50.9	0.3	•	Balanced	-17.0	-25.0	-14.9	3.8	3.2	5.7	7.3	-17.1	-8.7	
22	Saskatoon	10	↓ 12	59.0	0.3	•	Balanced	3.1	-20.2	-16.5	-2.9	-2.3	-0.5	11.1	-13.5	-6.7	
23	St. Catharines	25	↑ 2	59.9	0.3	•	Balanced	3.4	-30.8	-39.3	-0.5	-18.6	-8.4	-7.5	-24.1	4.4	
24	Regina	22	↓ 2	64.8	0.2	•	Balanced	0.0	-20.1	-9.6	0.7	-4.7	-5.6	-3.6	-19.2	-6.6	
25	Barrie	30	↑ 5	69.7	0.2	•	Balanced	21.6	-25.9	-31.1	2.5	-19.1	-8.3	-0.2	-32.9	9.2	
26	PEI (Charlottetown)	26	0	56.2	0.0	•	Balanced	2.8	-27.9	-24.4	-5.6	-1.5	7.9	-2.6	-5.8	-1.0	
27	Windsor	31	↑ 4	55.3	-0.1	•	Balanced	17.3	-36.5	-35.3	2.3	-21.1	-8.9	2.8	-17.8	3.1	
28	Winnipeg	28	0	58.8	-0.2	•	Balanced	3.6	-27.8	-19.5	3.5	-9.8	0.0	1.4	2.3	6.3	
29	Montreal	27	↓ 2	0.0	-0.2	•	Balanced	1.6	-28.4	-26.7	-0.1	-7.1	0.4	1.4	-9.3	1.4	
30	Kingston	20	↓ 10	47.2	-0.3	•	Balanced	-7.5	-27.8	-27.1	6.7	-13.8	-2.3	3.7	0.1	17.0	
31	Peterborough	12	↓ 19	50.4	-0.4	•	Balanced	-8.6	-41.7	-33.2	6.7	-17.7	-9.4	16.5	-28.3	1.6	

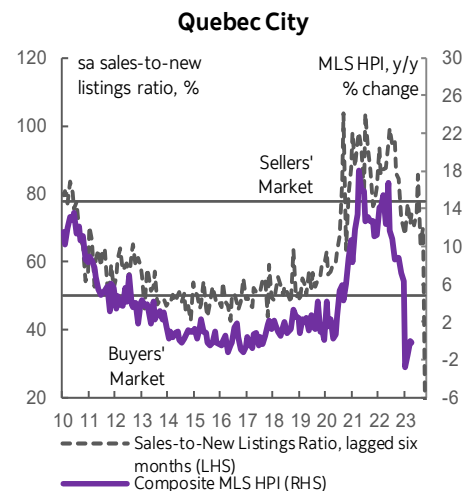
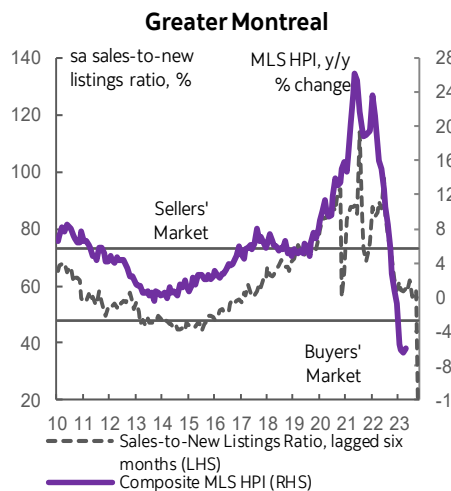
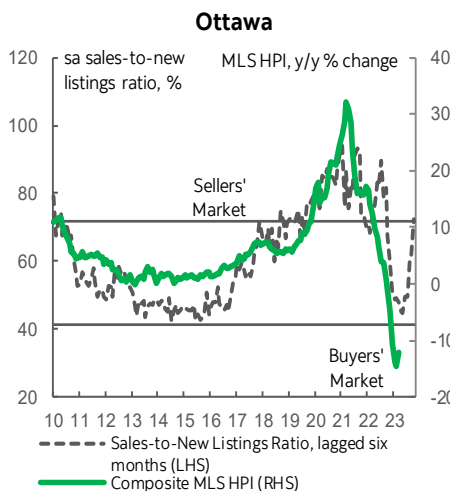
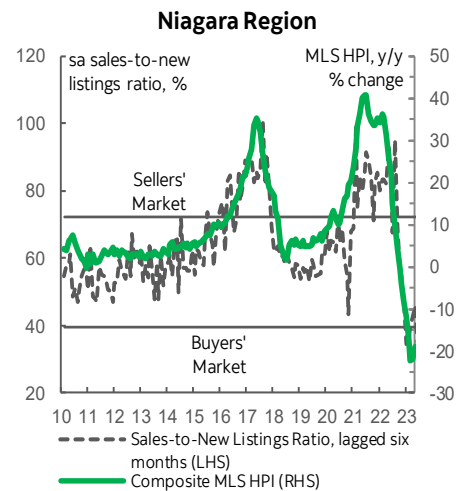
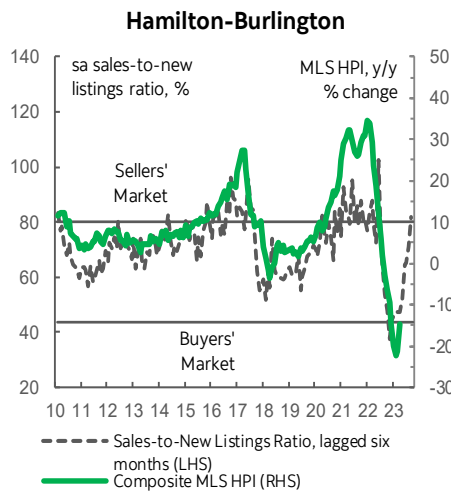
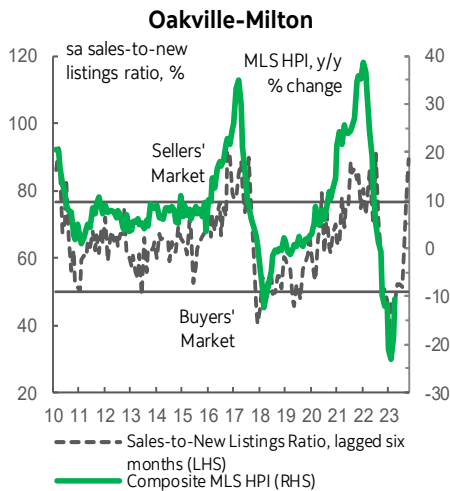
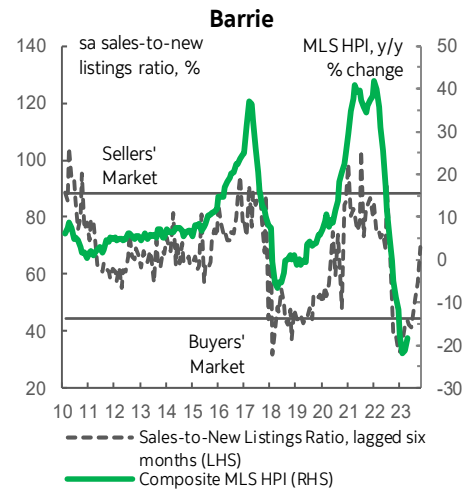
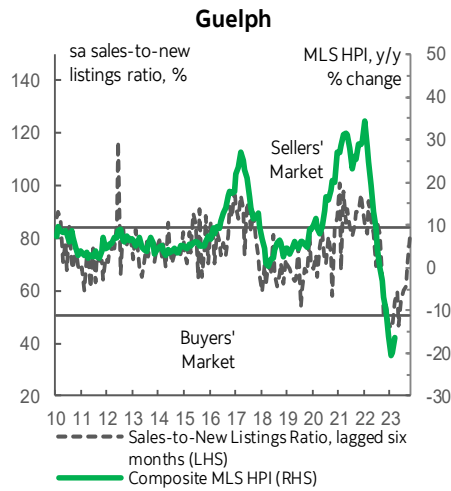
<sup>1</sup> Ordered from most- to least-tilted towards sellers. <sup>2</sup> A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term 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



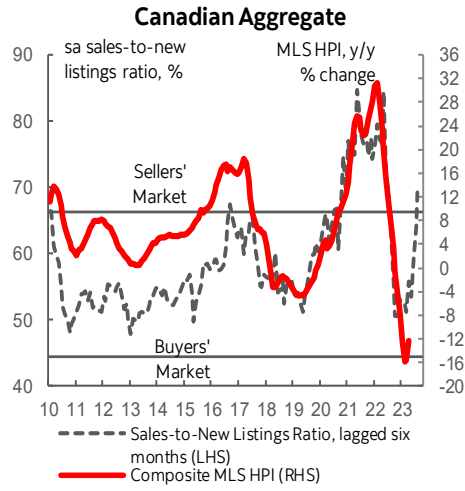
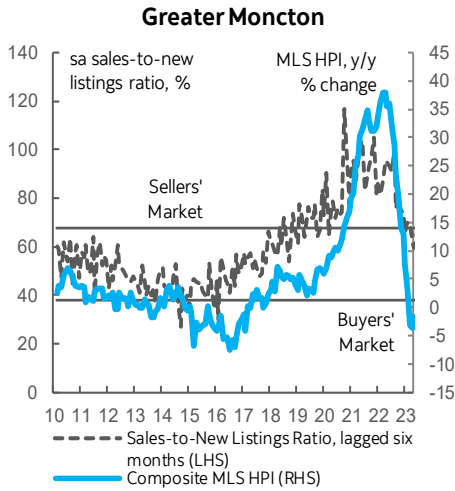
Sources: Scotiabank Economics, CREA.

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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