

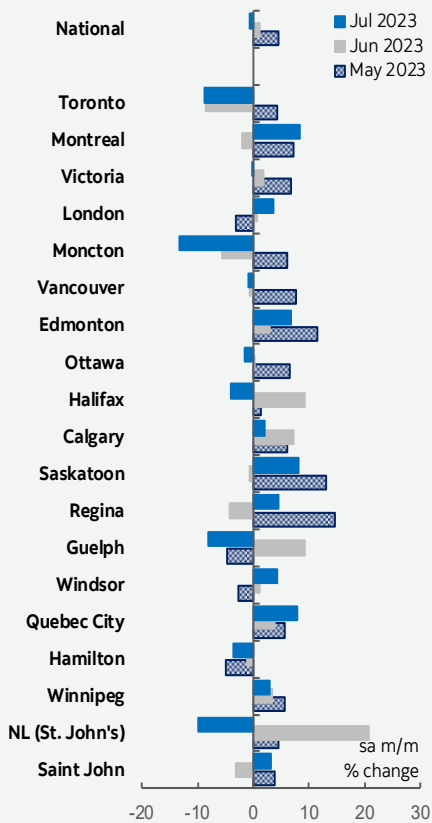
Contributors

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Canada	Jul-23	Jun-23	Jul-23
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	-0.7	1.2	8.7
New listings (% change)	5.6	5.9	-0.2
Average price (% change)	-2.0	-0.9	3.9
MLS HPI (% change)	1.1	1.9	-1.5
	Jul-23	Jun-23	Jul-22
Sales-to-new listings ratio (level) ¹	59.2	63.0	52.2
Months inventory (level) ¹	3.2	3.1	3.6

¹seasonally adjusted ²not seasonally adjusted

Home Sales for Select Cities



Sources for chart and table: Scotiabank Economics, CREA.

Canadian Home Sales — July 2023

CANADA HOUSING MARKET: THE FLOOR IS TRAMPOLINE

SUMMARY

Canadian home sales slightly edged down in July by 0.7% (sa m/m) while listings recorded another monthly gain of 5.6%. This eased the sales-to-new listings ratio, an indicator of how tight the market, for the second month in a row. The ratio stands at 59.2% as of July, down from 63% in June and below its recent April peak of 68.3%, but still above its long-term average of 55.2%. Still, it is a level that indicates the national housing market is still in balanced territory, having returned to sellers' territory in April. Months of inventory increased to 3.2 months—a slight improvement from June (3.1 months) but still almost two months below its long-term average of around five months.

The national decline in sales reflected some regional differences while the increase in listings was fairly widespread across the local markets we track. While there was a fairly even split between markets where sales increased and where sales declined (17 vs 14), an almost 30% decline in Peterborough seems to have tipped the scale toward a slight national decline. On the other hand, listings increased in 24 of the 31 local markets we track. As in last month, of the 17 markets that saw sales increase in June, 13 had listings increase as well—indicating immediate absorption of new supply arriving to the market given pent-up demand. The increase in listings concurrent with a stalling in sales activity put more markets in balanced territory relative to June—only 4 markets were in sellers' territory (compared to 8 in June) with Toronto being the only market entering buyers' territory.

Prices, as measured by the MLS Home Price Index (HPI), increased by 1.1% (sa m/m) in July—a smaller, but still significant, monthly increase compared to the last 3 months.

This would be the fourth significant monthly increase in a row following over a year of declines in response to higher interest rates and economic conditions. July's increase was led by single-family homes (1.3%), followed by apartments and townhomes (1.0%). With this month's results, the MLS HPI continues to drift further from its pre-pandemic levels, now sitting at 39% above, reducing the correction from its February 2022 peak to only 10% (the trough reached in March 2023 was 15% below the peak).

IMPLICATIONS

Home sales were relatively unchanged in July, recording less than a one percent decline compared to June. June itself had displayed a slower pace of sales increases relative to the start of the year, which was characterized by a premature resurgence of rally-like activity driven largely by the widespread conviction at the time that the Bank of Canada was done its tightening cycle and cuts were imminent. This resurgence had in some part fueled the BoC's June's decision to resume its tightening cycle and adopt a more hawkish tone on the path of future policy rates as it undermined the BoC's efforts to slow down economic activity and bring inflation back to 2% target.

As discussed in last month's report (see [here](#)), the two recent hikes by the BoC and the change in tone pushed variable and fixed rates up, increasing the cost of borrowing and slowing demand through that channel. However, we continue to believe that the bigger driver of the slowdown in housing activity in recent months is the uncertainty effect created by the BoC actions. By signalling that a pause is not a guarantee of an end, uncertainty about future outcomes of rates, inflation, and economic activity likely dawned on potential buyers, while also helping thwart speculative activity—the latter more sensitive to the change in narrative as it implies higher borrowing costs for longer and lower profitability.

Taking a step back from month-to-month comparisons, the number of sales transactions in July was exactly aligned with the 2000–19 average observed for the month, indicating a return to a more sustainable level of housing activity, which makes a stable level of activity between July and June make even more sense.

However, merely being aligned with what was considered a more sustainable long-term average relative to recent years does not mean all is well with Canada’s housing market as affordability remains out of reach for many first-time home buyers and supply continues to lag. In fact, home prices continued to increase in July, marking the fourth consecutive monthly increase (after the price correction that lasted for 13 months during the BoC tightening cycle) and reflecting fundamental imbalances in market conditions.

There are of course regional differences in these price movements. In the spirit of taking a step back, it’s good to remember that much of the price declines during those 13 months represented a claw-back of the unsustainable and unjustifiable increases during the preceding pandemic-era rally, hence the price “correction”. Recall that prices fell the most during the correction in cities where they had peaked the most during the rally. Chart 1 plots the change in prices during the housing rally on the vertical axis—the change between each city’s peak price, which occurred, for most cities, around the time the BoC started hiking in February 2022, and the pre-pandemic price (February 2020)—against the change in prices during the correction on the horizontal axis—the change between each city’s trough price, which was reached earlier this year before prices started increasing again and that city’s peak price. The exception here is Calgary, where, except for a couple of small declines mid-last year, prices have continued to increase in the face of rate hikes and other developments, and as such there is no peak and no trough. For this reason charts 1 and 2 do not include Calgary.

The increase in prices over the last 4 months seems to so far follow a similar logic, just in reverse. Chart 2 plots the change in prices during the correction again on the horizontal axis (values reversed) against the change in prices during the recent resurgence on the vertical axis—the change between each city’s July price and that city’s trough price. Prices are increasing more in regions where they had corrected towards their pre-pandemic levels more, representing a reversal of the much-needed improvement to affordability. Of course, price movements tend to lag sales activity, and indeed July’s increase was the smallest of the recent increases, so we might soon see an end to this pattern if sales continue to decline. However, we need a more proactive approach from all levels of government towards achieving more sustainable market conditions with concrete implications for prices and affordability rather than continue to be stuck in this pattern of what comes up must come down but the floor is a trampoline mounted too high for many Canadians to be able to reach and catch the jumping prices.

Chart 1

Prices Fell More During Correction Where They Rose More During Rally

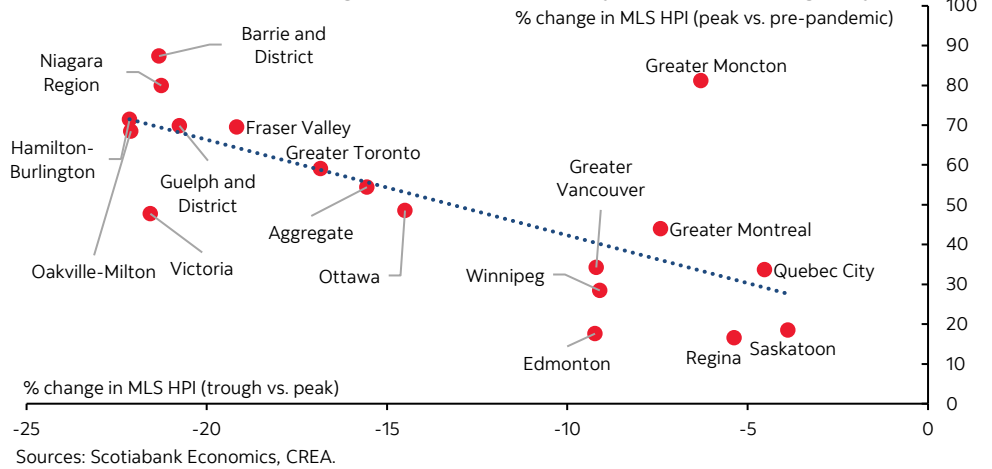
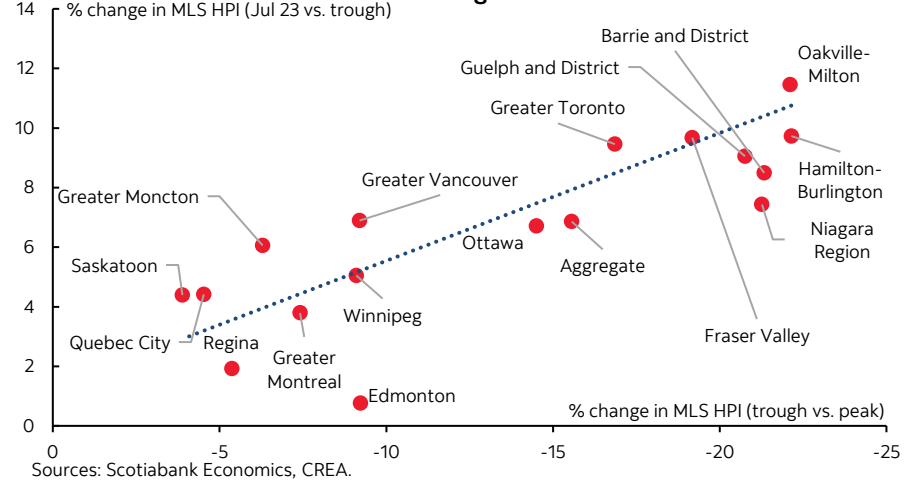


Chart 2

Prices Recovering Lost Grounds

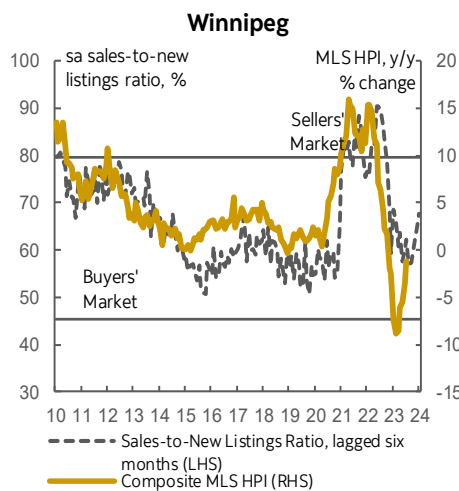
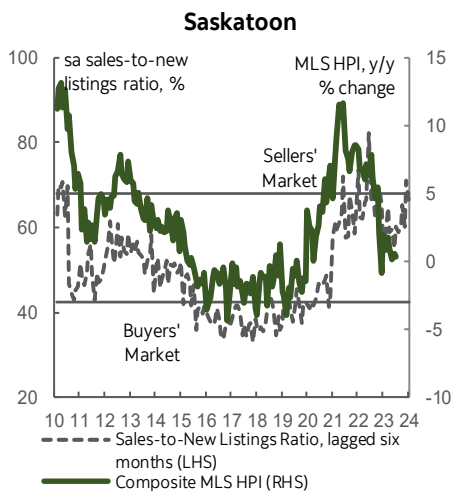
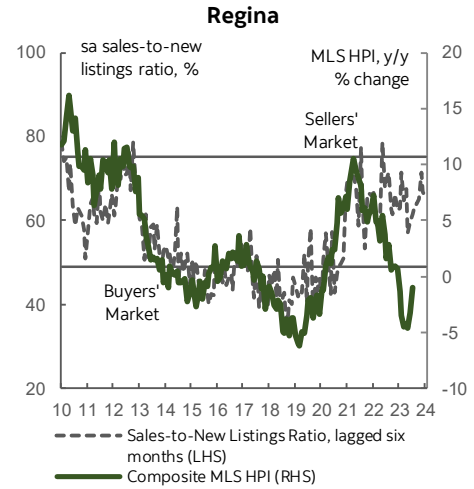
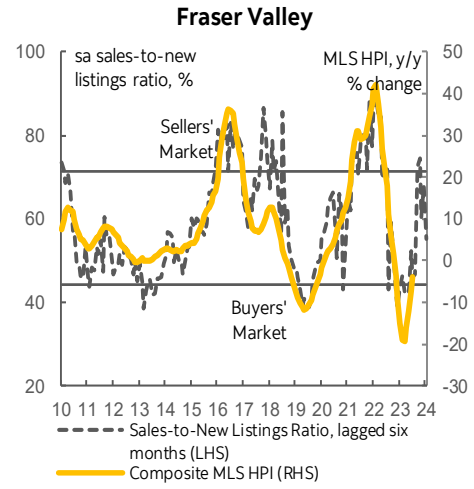
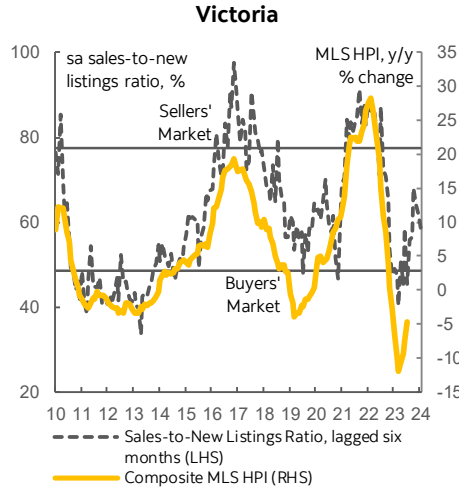


Scotiabank Housing Market Watch—July 2023

Rank ¹	Real Estate Board	Sales-to-New Listings Ratio						Unit Sales ³			Avg. Sales Prices ³			New Listings ³		
		Last Month Rank	Monthly Change	Sales-to- New Listings Ratio	Std. Dev. from Long-Term Mean ²	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	--	--	59.2	0.3	•	Balanced	-0.7	4.4	-24.2	-2.0	1.9	-5.7	5.6	-9.1	-11.9
1	Quebec City	5	↑ 4	91.5	1.9	•	Sellers'	6.5	3.2	-16.4	-1.0	3.2	3.5	-4.6	-12.4	-6.6
2	Calgary	1	↓ 1	82.3	1.6	•	Sellers'	2.1	6.9	-19.9	-0.4	6.5	2.5	7.5	-7.3	-20.8
3	Lethbridge	4	↑ 1	80.7	1.5	•	Sellers'	6.8	-3.6	-18.8	-8.8	1.4	2.2	5.1	-16.9	-17.4
4	Saint John	6	↑ 2	71.8	1.4	•	Sellers'	3.2	-23.4	-29.1	4.4	7.4	3.6	-3.4	-19.8	-20.9
5	Saskatoon	9	↑ 4	70.9	1.2	•	Sellers'	8.1	4.7	-12.8	-1.6	2.2	-0.2	1.3	-8.0	-9.5
6	Moncton	2	↓ 4	65.6	0.8	•	Balanced	-13.3	-17.6	-24.1	-0.6	5.3	-0.8	8.0	-24.2	-14.0
7	Sudbury	3	↓ 4	64.2	0.8	•	Balanced	2.8	-15.5	-26.3	2.0	5.5	-3.3	22.0	-13.6	-17.6
8	Thunder Bay	13	↑ 5	73.4	0.7	•	Balanced	1.1	-5.2	-12.0	9.9	2.7	-4.3	-2.7	-3.4	0.0
9	Halifax	8	↓ 1	82.5	0.7	•	Balanced	-4.0	-12.0	-25.6	2.4	7.2	0.5	0.0	-20.4	-19.2
10	NL (St. John's)	7	↓ 3	53.8	0.5	•	Balanced	-9.9	-21.7	-19.5	2.9	-5.1	2.4	-0.1	-6.4	-8.9
11	Edmonton	12	↑ 1	65.6	0.5	•	Balanced	6.7	-0.3	-21.4	0.1	-1.7	-4.4	11.9	-15.4	-11.9
12	Ottawa	10	↓ 2	63.9	0.5	•	Balanced	-1.5	9.5	-23.6	6.2	-1.5	-5.1	5.6	-9.9	-7.2
13	Winnipeg	18	↑ 5	67.6	0.3	•	Balanced	3.0	-11.9	-21.1	1.1	-4.2	-3.6	0.2	-10.0	-1.7
14	Montreal	21	↑ 7	64.3	0.3	•	Balanced	6.4	-6.5	-25.7	2.1	-1.9	-2.5	3.4	-13.5	-6.8
15	Regina	15	↔ 0	65.5	0.3	•	Balanced	4.6	-7.4	-12.3	-2.0	-5.0	-7.3	6.9	-11.7	-12.2
16	PEI (Charlottetown)	20	↑ 4	63.8	0.2	•	Balanced	7.3	11.4	-18.3	5.9	-4.8	2.3	2.6	-8.4	-8.1
17	Windsor	24	↑ 7	56.8	0.0	•	Balanced	4.2	-0.5	-30.7	0.3	-3.7	-11.6	2.0	-22.7	-14.2
18	Okanagan-Mainline (Kelowna)	17	↓ 1	53.1	0.0	•	Balanced	-4.9	12.3	-28.2	0.2	0.4	-2.5	2.2	-6.9	-6.2
19	Vancouver	22	↑ 3	56.2	-0.1	•	Balanced	-0.8	21.0	-31.3	1.3	4.3	-1.3	4.7	0.3	-17.9
20	Fraser Valley (Abbotsford)	11	↓ 9	55.3	-0.2	•	Balanced	-11.1	38.6	-32.3	-7.8	3.6	-11.1	9.5	-1.0	-21.5
21	Brantford	28	↑ 7	56.5	-0.3	•	Balanced	2.3	16.9	-25.3	-1.9	-3.3	-14.4	0.0	-6.7	-6.7
22	St. Catharines	27	↑ 5	50.9	-0.3	•	Balanced	1.2	22.9	-25.7	0.3	-2.8	-11.1	5.3	-5.2	-3.5
23	Victoria	25	↑ 2	58.2	-0.3	•	Balanced	-0.2	10.4	-24.4	7.9	0.5	-3.7	6.3	-5.7	-2.6
24	Guelph	16	↓ 8	60.9	-0.4	•	Balanced	-8.0	14.2	-19.6	-2.3	-0.2	-11.3	8.0	-14.8	-13.6
25	London	19	↓ 6	50.9	-0.4	•	Balanced	3.6	6.7	-26.7	0.9	-3.3	-10.4	19.9	-13.6	-10.3
26	Kingston	31	↑ 5	44.4	-0.5	•	Balanced	14.4	-7.5	-22.0	-0.3	-4.4	-6.5	7.3	-5.3	6.4
27	Hamilton-Burlington	23	↓ 4	52.4	-0.5	•	Balanced	-3.7	11.7	-22.0	3.0	-3.0	-10.4	15.2	-15.4	-12.2
28	Barrie	29	↑ 1	52.6	-0.6	•	Balanced	-4.8	11.3	-18.4	-2.4	-6.5	-11.6	4.3	-27.0	-11.2
29	KW*	14	↓ 15	52.8	-0.7	•	Balanced	-5.9	-0.4	-26.2	0.0	1.7	-9.4	21.2	-20.7	-22.7
30	Peterborough	26	↓ 4	44.2	-0.8	•	Balanced	-28.8	8.8	-21.6	-2.5	-7.9	-13.7	-11.3	3.6	-0.4
31	Toronto	30	↓ 1	44.0	-1.2	•	Buyers'	-8.7	16.5	-29.0	-0.7	1.8	-6.8	7.8	-4.9	-19.0

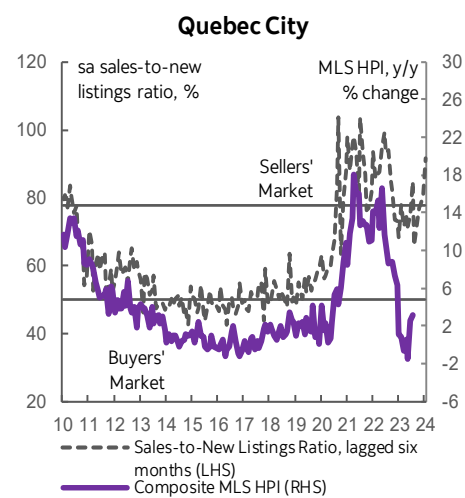
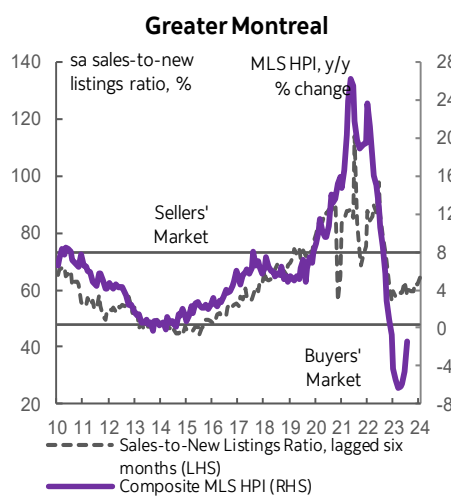
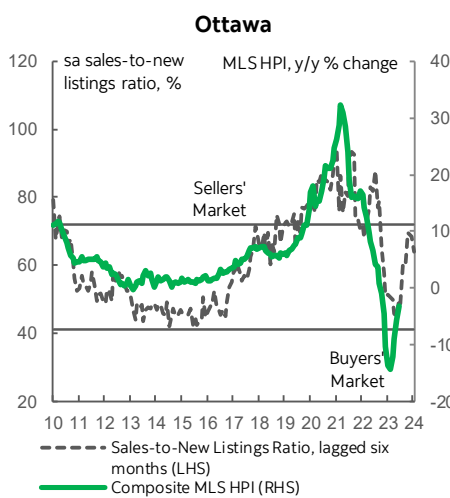
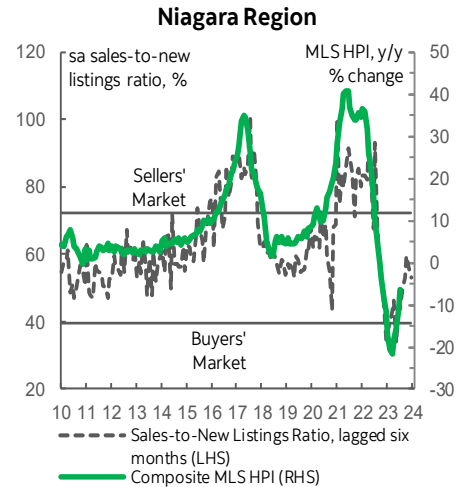
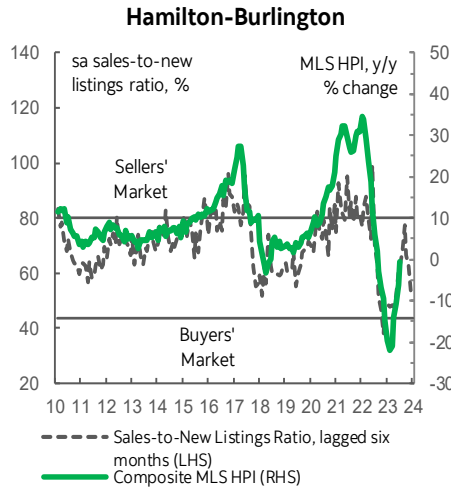
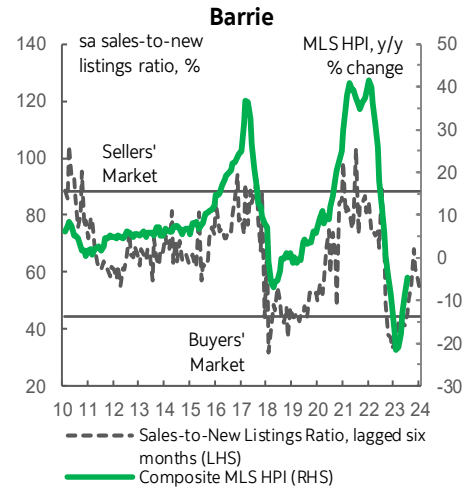
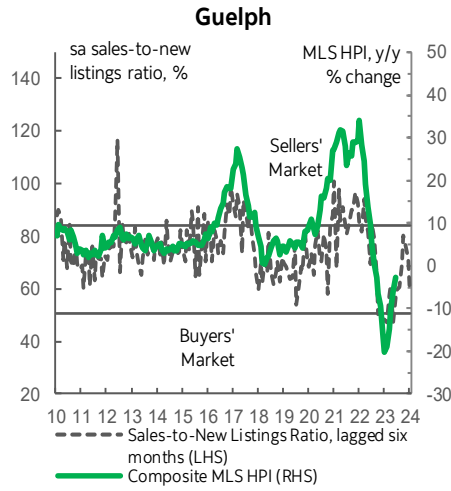
¹ Ordered from most- to least-tilted towards sellers. ² A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term mean less than 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. ³ Year-over-year percentage change. * Kitchener-Waterloo. Sources: Scotiabank Economics, CREA.

MLS Home Price Indices — Western Canada



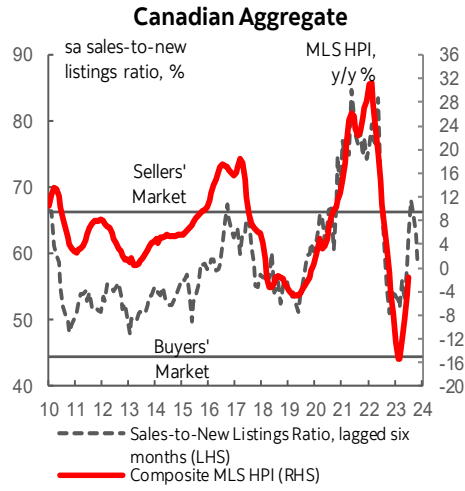
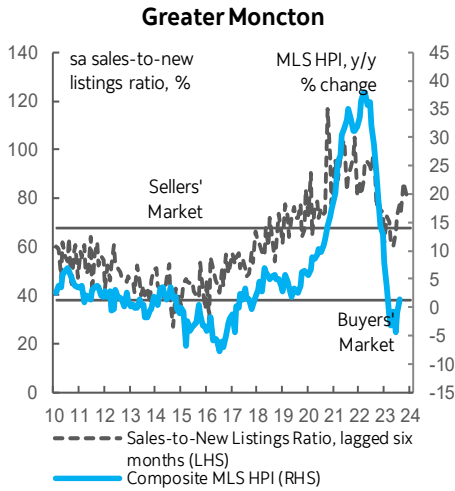
Sources: Scotiabank Economics, CREA.

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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