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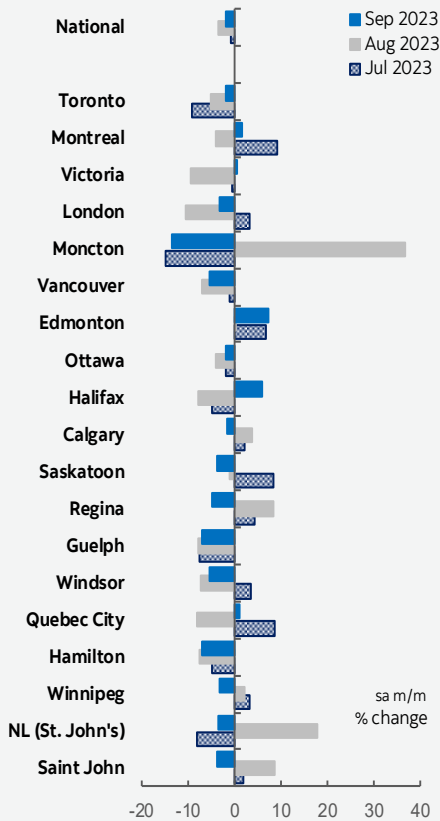
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Canada	Sep-23	Aug-23	Sep-23
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	-1.9	-3.7	1.9
New listings (% change)	6.3	1.5	14.2
Average price (% change)	-0.6	-2.3	4.1
MLS HPI (% change)	-0.3	0.3	1.1

	Sep-23	Aug-23	Sep-22
Sales-to-new listings ratio (level) ¹	51.4	55.7	54.7
Months inventory (level) ¹	3.7	3.5	3.8

¹seasonally adjusted ²not seasonally adjusted

Home Sales for Select Cities



Sources for chart and table: Scotiabank Economics, CREA.

Canadian Home Sales — September 2023

CANADA HOUSING MARKET: TREADING LIGHTLY

SUMMARY

Canadian home sales fell in September by 1.9% (sa m/m) while listings jumped by 6.3%.

This significant increase in listings in the face of slowing sales activity further eased the sales-to-new listings ratio, an indicator of how tight the market is. The ratio substantially eased from its recent April peak of 68.3% and now stands at 51.4%—the first time it dips below its long-term average of 55.2% since January of this year and indicating a balanced national market, at least relative to historical deviations. There were 3.7 months of inventory—up from this year’s low of 3.1 in June, but still below its long-term average of around five months.

Two-thirds of the local markets we track experienced sales declines while listings increased in almost all of them. Sales declined in 21 of the 31 markets we track, with double-digit declines in St. Catharines, Moncton, Okanagan-Mainline and Brantford. On the other hand, listings increased in 27 of the 31 local markets we track. September’s increase in new listings follows a recent upward trend, with an average monthly increase of around 5% since May. This brings September’s level of new listings to 2% above the 2010–19 average level observed for this month, while September’s level of sales sat 6% below the 2010–19 average level for the month. This catch-up in listings as sales activity retreated further eased market conditions, with 6 Ontario markets along with Okanagan-Mainline and Victoria joining Toronto and Barrie in buyers’ territory. Only 4 of our markets, Lethbridge, Calgary, Saint John and Saskatoon, were in sellers’ territory in September, compared to 6 in August.

Prices, as measured by the MLS Home Price Index (HPI), edged down by 0.3% (sa m/m) in September—the first monthly decline since March.

There were regional differences however, whereby prices increased in over half of the local markets we track, which was offset by declines in the remaining markets. Despite these declines, prices remain well above their pre-pandemic levels across the board, with some markets, namely Calgary, Greater Moncton, Quebec City and Saskatoon, continuing to be above February 2022 levels, the month before the Bank of Canada started hiking, marking the start of a year-long correction in the housing market. At the national level, prices are now only 10% below the February 2022 peak, and around 39% above pre-pandemic levels (chart 1). September’s monthly decline was led by single-family homes, while townhomes and apartments held momentum, increasing by 0.2%.

IMPLICATIONS

National home sales slowed for the second time in a row in September, and prices followed suit, recording the first (albeit small) decline since March of this year. This is in line with what we have been seeing in the market as of late. Increased borrowing costs along with heightened uncertainty about the future outcomes of inflation, interest rates, and the economy have pushed many buyers to the sidelines as they await more clarity.

The recent increase in government bond yields might have also played a factor, but likely not a significant one at this stage. The Government of Canada bond yields act as benchmarks for fixed rate mortgages with corresponding terms. Chart 2 shows that fixed rate mortgages with terms between 3 and 5 years have been gaining popularity and now account for the highest share of new mortgages, at over half. This makes sense, a compromise between the previously most popular option, the 5-year term fixed rate mortgage, which would be locking in today’s high rates for 5 years without capturing expected incoming rate cuts, and the variable rate and less than 1-year fixed rate mortgages, which would not provide ease of mind in today’s highly volatile uncertain environment. The yields on the Government of Canada bonds with maturity between 3

and 5 years rose around 30 bps in September. We don't expect this played a major role in September's results but it is worth monitoring if bond yields continue to increase or stay at these levels for an extended period and mortgage rates follow suit.

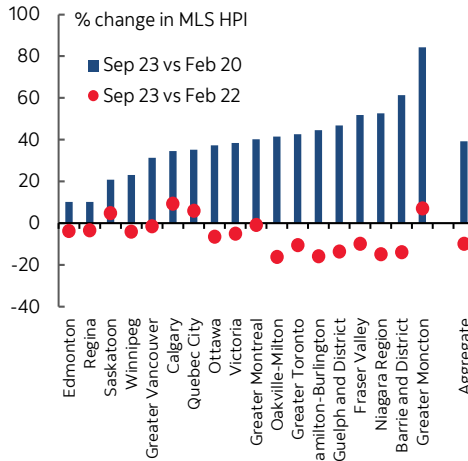
Another thing to remember is that the housing market tends to exacerbate moves in each direction whenever the market turns a corner. A perceived trend of slowing demand and declining prices would only encourage more of both as buyers may hold off for prices to decline further and therefore add to the slowdown in demand at the same time that sellers might rush back into the market to secure sale prices before further declines. The

opposite is true—a perceived trend of an uptick in demand and increasing prices might encourage buyers to rush back into the market before prices go up further and in turn add to demand and price pressures.

These are just a couple of many factors impacting housing market outcomes to watch over the next few months as heightened uncertainty persists. Recent strong job and inflation prints have added to the uncertainty on whether the Bank of Canada is done hiking, while other international and geopolitical factors continue to muddy the global outlook.

Chart 1

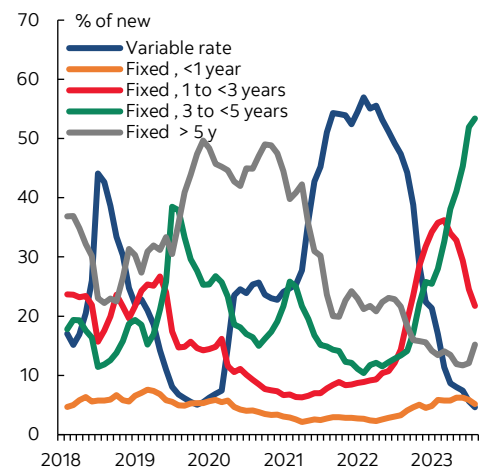
Prices 39% Above Pre-Pandemic Levels



Sources: Scotiabank Economics, CREA.

Chart 2

Mortgage Originations



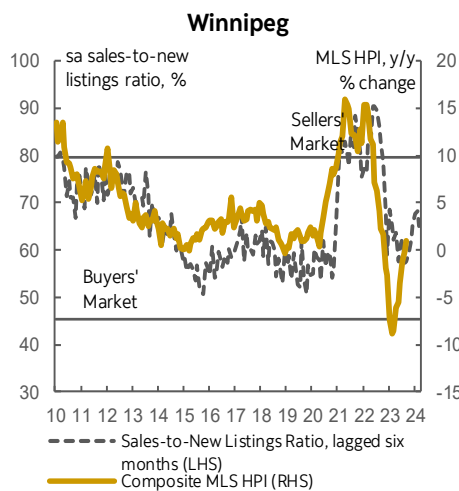
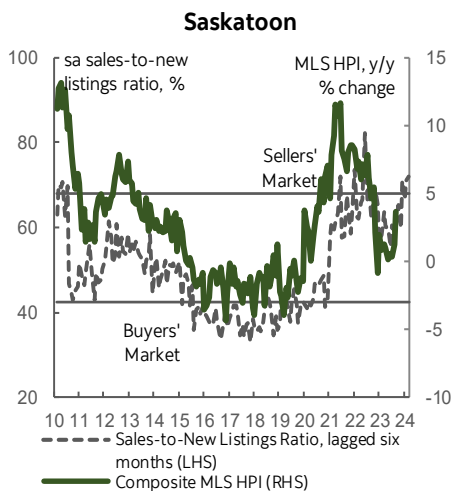
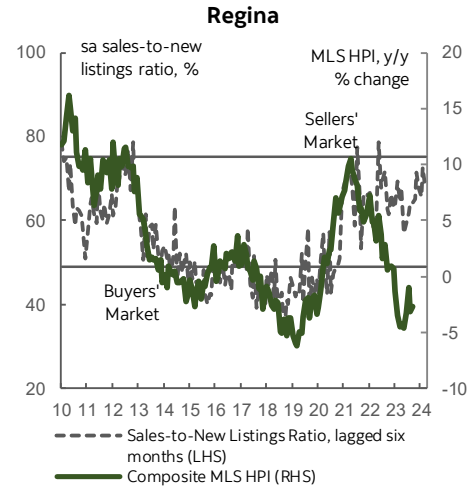
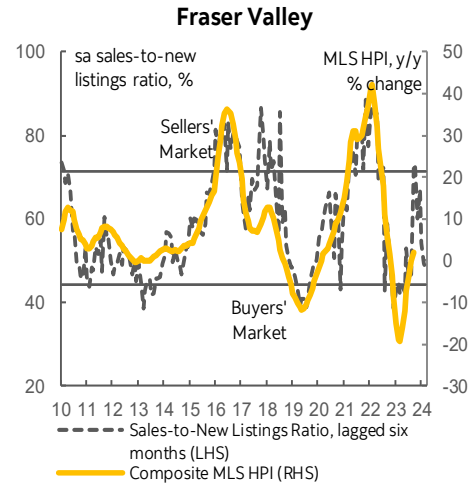
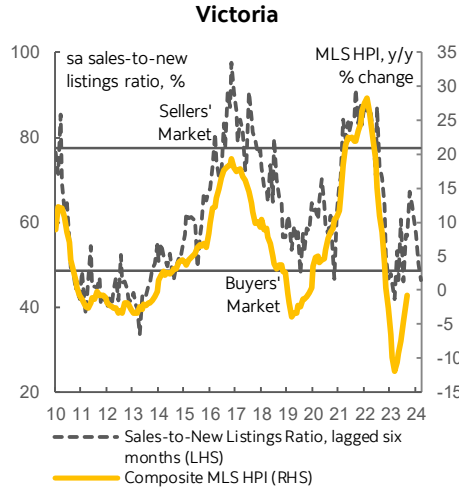
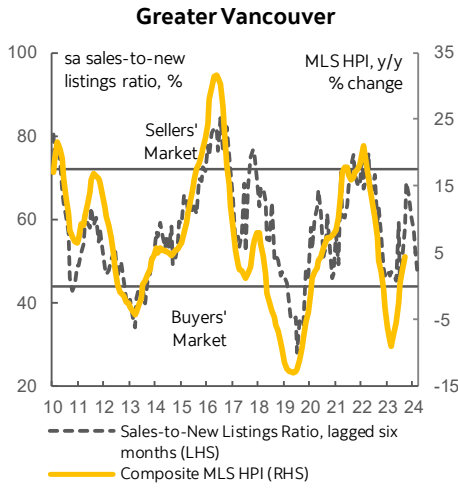
Sources: Scotiabank Economics, Bank of Canada.

Scotiabank Housing Market Watch—September 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	--	--	51.4	-0.4	•	Balanced	-1.9	5.2	-19.7	-0.6	3.6	-5.1	6.3	6.2	-10.5
1	Lethbridge	4	↑ 3	81.5	1.6	•	Sellers'	5.5	5.9	-15.6	7.3	2.3	2.5	1.2	-6.0	-16.6
2	Calgary	3	↑ 1	79.3	1.4	•	Sellers'	-1.8	20.4	-15.8	4.0	7.6	3.1	1.5	9.6	-18.3
3	Saint John	1	↓ 2	69.7	1.2	•	Sellers'	-4.0	-9.2	-26.5	-9.5	11.3	3.0	19.6	-13.0	-22.6
4	Saskatoon	5	↑ 1	68.2	1.0	•	Sellers'	-3.9	13.8	-9.0	-2.0	-1.3	-1.5	1.5	-1.5	-8.1
5	NL (St. John's)	6	↑ 1	59.3	1.0	•	Balanced	-3.5	-7.8	-17.2	0.8	2.1	2.0	1.0	2.8	-6.3
6	Thunder Bay	11	↑ 5	76.4	1.0	•	Balanced	8.2	-2.6	-12.0	4.8	11.0	-3.4	-2.8	-6.6	-4.3
7	Quebec City	7	→ 0	76.7	0.9	•	Balanced	1.1	10.5	-14.3	3.3	5.4	4.3	1.6	-2.9	-7.0
8	Moncton	2	↓ 6	65.9	0.8	•	Balanced	-13.6	-5.1	-18.0	-5.2	6.5	-1.8	7.7	-5.8	-13.4
9	Edmonton	13	↑ 4	66.7	0.6	•	Balanced	7.2	19.2	-16.7	1.1	-0.1	-4.2	-0.2	-3.8	-12.2
10	Regina	8	↓ 2	67.9	0.4	•	Balanced	-4.8	1.6	-12.6	1.5	-2.6	-6.1	1.8	-1.3	-11.3
11	Montreal	15	↑ 4	63.0	0.2	•	Balanced	1.5	4.3	-22.2	-2.8	3.2	-2.4	-0.7	-5.0	-9.0
12	Winnipeg	12	→ 0	65.1	0.2	•	Balanced	-3.4	-4.4	-18.2	0.3	2.8	-3.7	1.3	-5.4	-3.0
13	Sudbury	9	↓ 4	53.6	0.1	•	Balanced	1.0	-9.6	-26.6	-7.3	6.2	-4.1	11.6	11.3	-15.2
14	PEI (Charlottetown)	14	→ 0	58.8	0.1	•	Balanced	3.7	20.1	-11.6	-2.6	-0.3	-0.1	5.6	9.2	-2.6
15	Peterborough	26	↑ 11	50.7	-0.4	•	Balanced	-5.0	-6.9	-16.2	-2.7	-3.6	-14.2	-16.5	-3.7	-2.1
16	Ottawa	16	→ 0	49.8	-0.4	•	Balanced	-2.0	7.5	-18.8	0.4	2.9	-5.2	7.8	4.5	-6.2
17	Halifax	10	↓ 7	55.3	-0.5	•	Balanced	5.9	-5.6	-21.3	-10.1	12.5	1.5	43.9	-2.9	-17.0
18	Fraser Valley (Abbotsford)	22	↑ 4	47.8	-0.7	•	Balanced	-0.7	29.2	-22.4	2.2	3.6	-9.9	2.4	19.4	-17.8
19	Vancouver	17	↓ 2	46.8	-0.8	•	Balanced	-5.6	21.5	-23.3	0.0	6.4	-0.8	7.3	18.0	-13.4
20	Windsor	20	→ 0	45.2	-0.9	•	Balanced	-5.3	3.1	-26.2	-1.5	2.9	-10.2	2.7	-7.6	-14.3
21	London	24	↑ 3	42.0	-1.0	•	Balanced	-3.4	-0.7	-21.9	-4.6	0.7	-10.5	7.8	10.9	-9.6
22	Kingston	21	↓ 1	35.9	-1.0	•	Buyers'	-5.8	-10.3	-21.1	-5.6	-1.9	-6.9	11.7	13.1	6.9
23	Okanagan-Mainline (Kelowna)	18	↓ 5	35.6	-1.1	•	Buyers'	-12.8	-3.6	-25.8	-1.8	-4.3	-5.6	16.5	1.9	-7.2
24	Victoria	28	↑ 4	46.4	-1.1	•	Buyers'	0.4	15.1	-15.5	-0.4	6.8	-4.5	8.9	8.9	-2.6
25	Hamilton-Burlington	23	↓ 2	41.0	-1.1	•	Buyers'	-7.1	-3.8	-18.6	-2.5	2.0	-10.2	13.2	4.9	-13.2
26	Brantford	19	↓ 7	39.7	-1.2	•	Buyers'	-12.5	8.8	-20.5	2.9	5.1	-12.7	14.9	4.8	-8.5
27	St. Catharines	25	↓ 2	34.1	-1.3	•	Buyers'	-15.8	11.6	-19.1	-1.2	-0.6	-11.3	7.3	13.0	-2.2
28	Barrie	30	↑ 2	36.3	-1.3	•	Buyers'	-5.3	-13.5	-18.9	4.8	-2.3	-12.0	6.0	-12.2	-17.7
29	KW*	29	→ 0	39.9	-1.6	•	Buyers'	6.8	-0.5	-24.6	1.2	2.6	-8.8	33.1	25.6	-18.7
30	Guelph	27	↓ 3	40.9	-1.6	•	Buyers'	-7.1	4.5	-14.9	1.8	1.8	-11.1	22.0	14.8	-11.5
31	Toronto	31	→ 0	35.8	-1.9	•	Buyers'	-1.8	-2.5	-24.2	-0.1	2.5	-6.3	11.0	25.0	-13.5

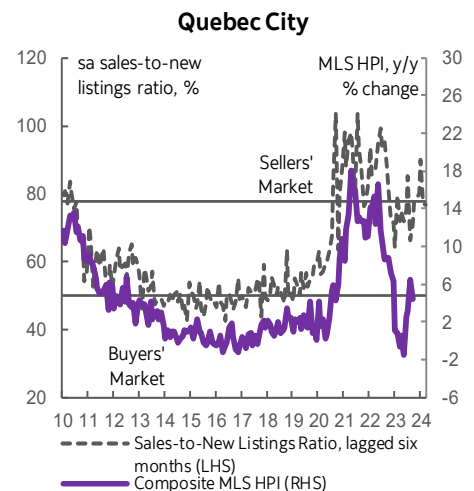
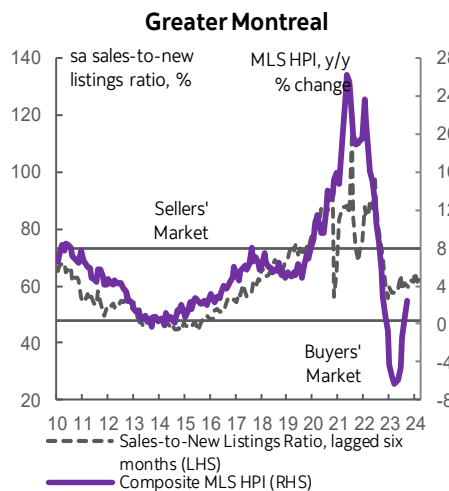
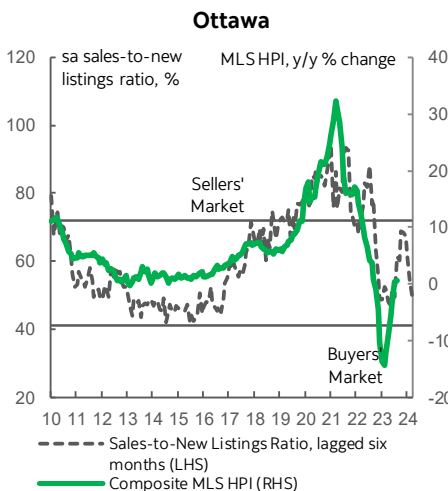
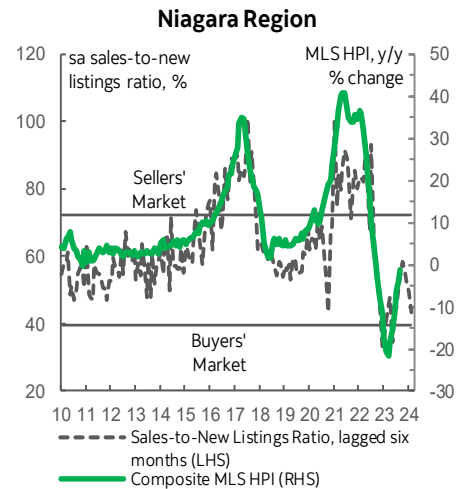
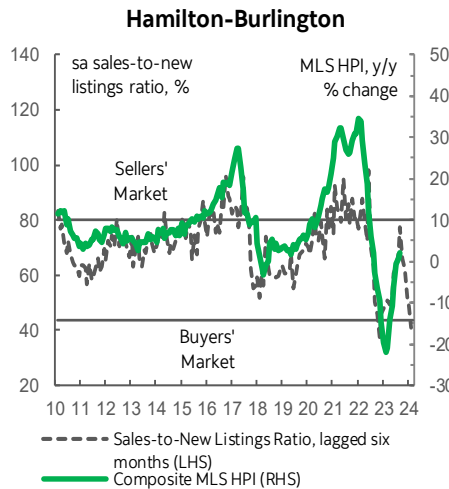
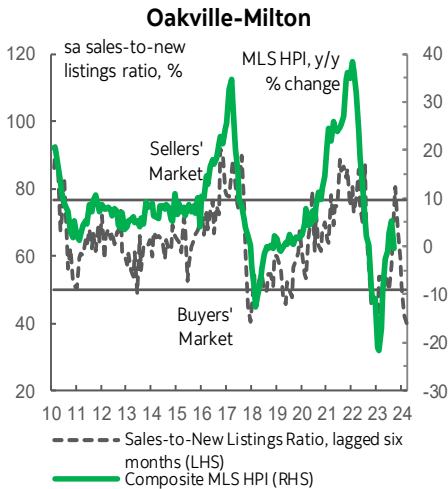
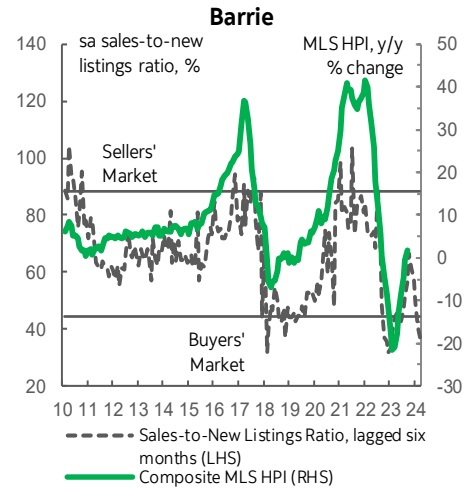
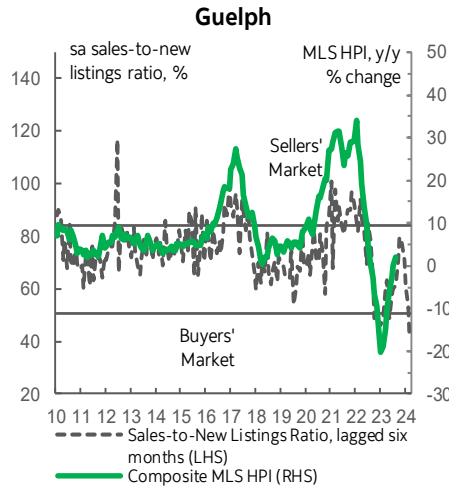
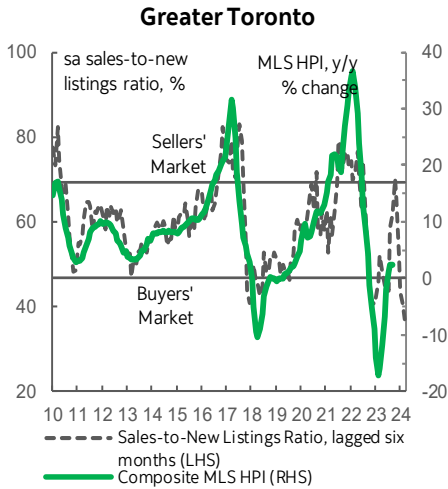
¹ Ordered from most- to least-tilted towards sellers. ² A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term mean less than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



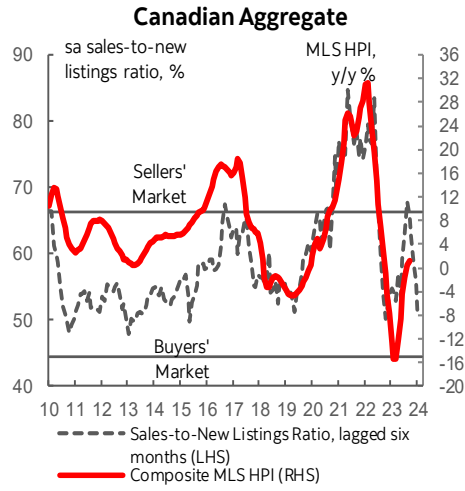
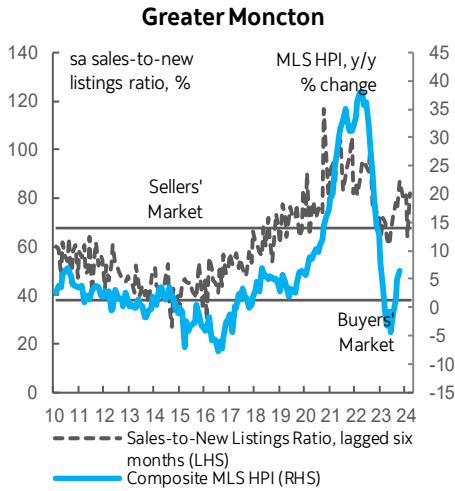
Sources: Scotiabank Economics, CREA.

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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