

Canadian Home Sales — May

MARKETS LIFTED AS ECONOMY REOPENS, PATH AHEAD UNCERTAIN

SUMMARY

Easing of COVID-19 lockdown measures brought increasing numbers of home buyers and sellers to the table in May. Canada-wide existing home purchases surged 56.9%, while new listings climbed 69% (both sa m/m). Both gains were the strongest ever recorded; though relative to February 2020—the final pre-lockdown month—sales and listings were down 42% and 36%, respectively. A national sales-to-new listings ratio of about 59% continued to indicate roughly balanced supply and demand, and the aggregate MLS Home Price Index (HPI) held steady on a year-over-year basis, as it did in April.

After April's near-nationwide plunge in sales activity, markets across the country were buoyed by partial economic re-openings. Purchasing volumes rose in 30 of the 31 metropolitan areas for which we maintain data; 16 of those increases were record highs. Ten of those 31 cities were technically in sellers' market territory, while 16 were technically balanced.

Relative measures of regional market tightness continued to reflect volatile month-over-month changes in sales and listings amid the pandemic rather than underlying fundamentals. For instance, Quebec's move to unwind some of its aggressive containment measures in May drove new listings more than 200% higher than April levels. For now, that puts Montreal—a city near the top of our rankings before the pandemic—in the #12 spot.

IMPLICATIONS

Significant, broad-based home sales and new listings rises were widely expected following early reports from local real estate boards plus trends noted in consumer spending data and early economic indicators such as employment and auto sales. More gains may well come in June as restrictions continue to be eased.

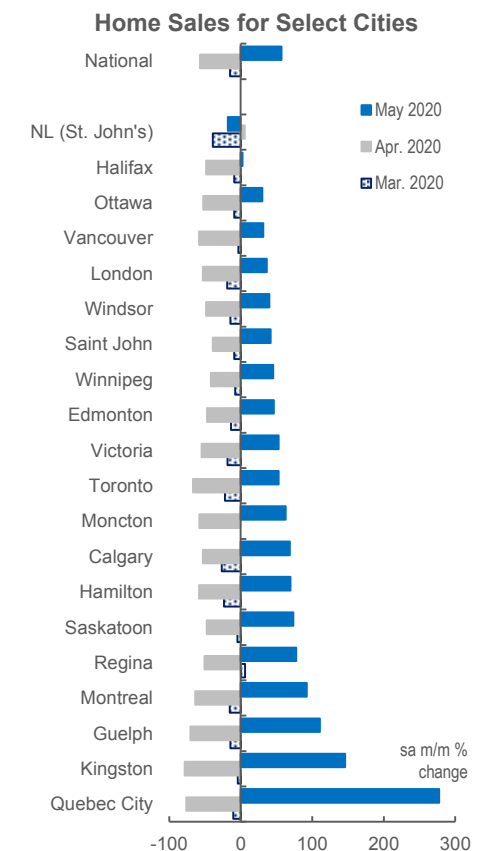
We note three potential downside risks for Canadian housing markets in the coming months. The first is a second virus wave that could spur fresh containment measures and another pause in sales activity. The second concerns the timing of the withdrawal of fiscal supports—a jump in mortgage arrears could follow if the labour market has not sufficiently recovered once deferred payments come due. Finally, the rate of population growth—and thus household formation—is highly uncertain. April data indicate that immigration to Canada fell by about 90% y/y in the first full month of border closures, while international student landings are also considerably lower than year-earlier levels. Nationwide sales activity will depend fundamentally on the extent to which these flows can resume their pre-virus pace.

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




Canada	May-20	Apr-20	May-20
	m/m ¹	m/m ¹	y/y
Sales (% change)	56.9	-56.8	-39.8
New listings (% change)	69.0	-56.3	-38.1
Average price (% change)	0.8	-10.9	1.0
MLS HPI (% change) ²	0.1	0.1	5.4
	May-20	Apr-20	May-19
Sales-to-new listings ratio (level) ¹	58.8	63.3	58.1
Months inventory (level) ¹	5.6	9.0	5.0

¹ seasonally adjusted ² not seasonally adjusted



Sources for chart and table: Scotiabank Economics, CREA.

Scotiabank Housing Market Watch—May 2020

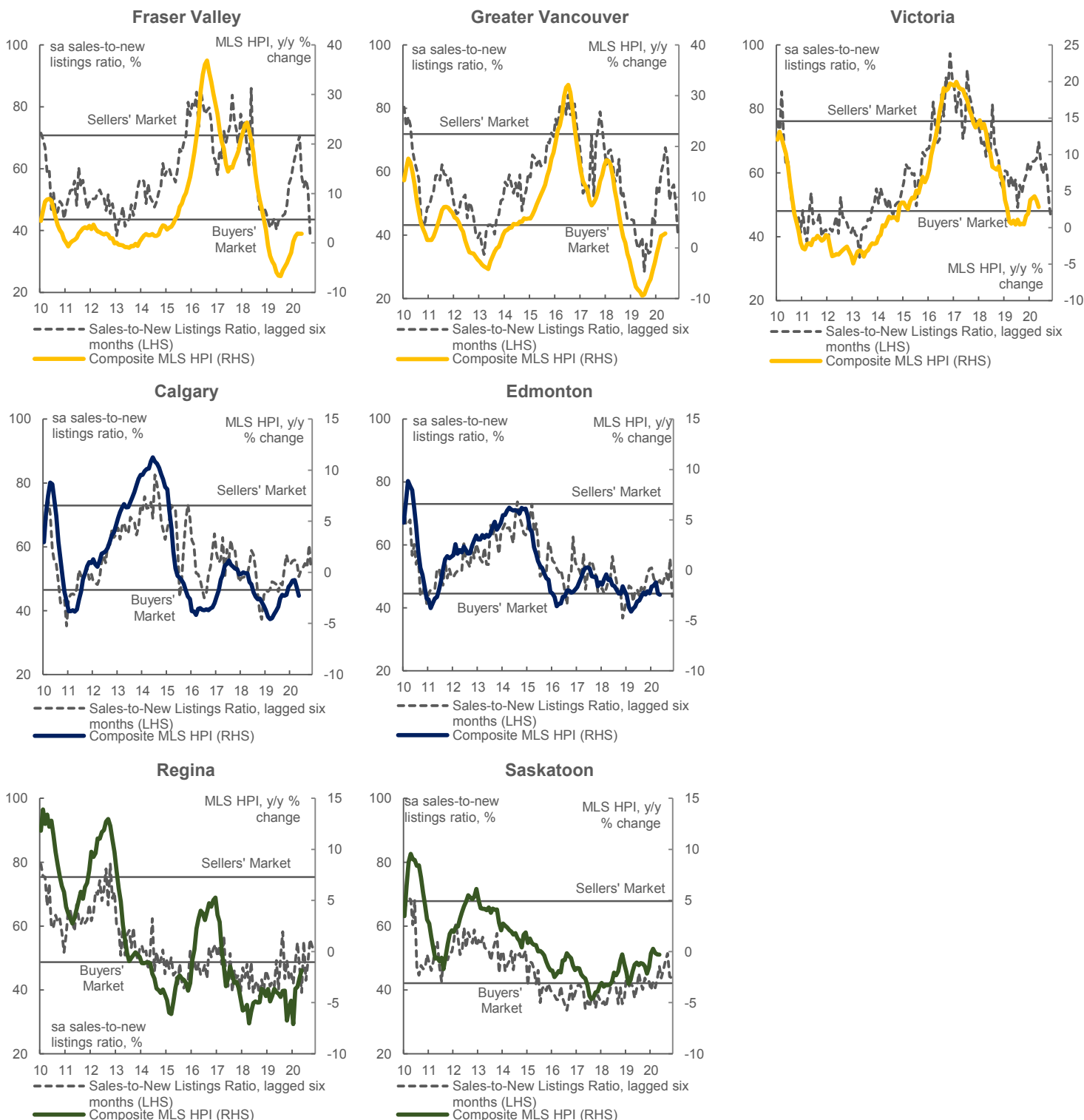
Rank ¹	Real Estate Board	Last Month Rank	Monthly Change	Sales-to-New Listings Ratio			Market Type	24-month Evolution	Unit Sales ³			Avg. Sales Prices ³			New Listings ³		
				Sales-to-New Listings Ratio	Std. Dev. from Long-Term Mean ²				Last month	Last 3 mos.	Last 12 mos.	Last month	Last 3 mos.	Last 12 mos.	Last month	Last 3 mos.	Last 12 mos.
--	National	--	--	58.8	0.5	•	Balanced		56.9	-32.3	-1.5	0.8	3.8	5.7	69.0	-36.9	-13.4
1	Saint John	3	↑ 2	80.1	3.1	• •	Sellers'		41.8	-13.2	7.3	10.9	0.3	1.2	78.5	-41.7	-12.8
2	Brantford	17	↑ 15	111.4	3.1	• •	Sellers'		93.0	-25.5	1.8	2.1	11.7	11.4	-3.1	-40.1	-7.7
3	Moncton	4	↑ 1	74.3	2.4	• •	Sellers'		62.7	-26.4	4.3	-1.2	9.3	6.5	93.0	-43.2	-9.6
4	Sudbury	7	↑ 3	77.0	2.0	• •	Sellers'		44.0	-25.1	0.3	12.1	8.5	6.5	53.4	-34.0	-11.7
5	Ottawa	8	↑ 3	82.0	2.0	• •	Sellers'		30.5	-36.6	-6.0	8.0	12.4	12.4	24.7	-40.1	-15.2
6	Lethbridge	15	↑ 9	84.5	2.0	• •	Sellers'		77.9	-20.7	-2.9	0.2	-0.8	1.0	18.4	-34.0	-16.3
7	Quebec City	12	↑ 5	80.4	1.6	• •	Sellers'		277.7	-11.2	13.0	0.6	0.6	0.9	197.4	-42.9	-9.2
8	London	11	↑ 3	72.2	1.4	• •	Sellers'		36.6	-33.6	-6.6	5.1	6.0	9.6	26.0	-30.3	-5.4
9	Hamilton-Burlington	14	↑ 5	81.3	1.2	• •	Sellers'		69.4	-36.6	-3.1	6.0	9.3	8.3	26.0	-40.5	-15.8
10	KW*	21	↑ 11	76.2	1.1	• •	Sellers'		72.5	-34.4	-7.9	-0.1	9.2	11.3	28.6	-34.7	-16.2
11	Windsor	10	↓ 1	64.9	0.9	• •	Balanced		40.3	-34.6	-8.2	11.6	8.1	12.0	47.0	-28.4	-2.0
12	Montreal	2	↓ 10	62.4	0.9	• •	Balanced		92.3	-35.3	-2.8	0.2	9.6	8.2	204.7	-38.4	-13.7
13	Barrie	29	↑ 16	79.0	0.6	• •	Balanced		111.1	-20.1	8.2	2.9	4.6	5.3	11.5	-30.5	-10.0
14	Guelph	28	↑ 14	75.8	0.6	• •	Balanced		110.5	-35.9	-3.7	4.0	7.4	8.4	36.1	-34.2	-9.2
15	PEI (Charlottetown)	9	↓ 6	61.9	0.4	• •	Balanced		7.2	-34.3	-9.3	10.9	9.6	15.8	66.3	-43.6	-11.5
16	St. Catharines	24	↑ 8	58.9	0.3	• •	Balanced		45.2	-40.3	-3.0	3.6	4.2	10.7	10.7	-36.8	-11.2
17	Halifax	6	↓ 11	64.7	0.3	• •	Balanced		2.6	-31.1	1.0	5.1	6.6	8.1	65.6	-35.3	-13.9
18	Thunder Bay	1	↓ 17	63.7	0.2	• •	Balanced		1.1	-42.7	-10.6	24.7	7.0	1.5	131.7	-47.7	-12.7
19	Peterborough	31	↑ 12	57.2	0.2	• •	Balanced		178.4	-31.1	-2.4	10.3	9.5	10.1	59.3	-35.9	-5.7
20	Toronto	22	↑ 2	57.9	0.1	• •	Balanced		53.0	-40.5	-0.9	4.6	5.7	7.1	35.8	-41.3	-16.6
21	Kingston	30	↑ 9	47.6	-0.2	• •	Balanced		146.3	-34.1	-9.6	0.1	7.0	9.8	61.4	-31.3	-10.5
22	Winnipeg	16	↓ 6	56.0	-0.3	• •	Balanced		45.6	-19.2	0.2	-1.0	0.0	0.1	52.6	-23.0	-1.4
23	Calgary	13	↓ 10	53.3	-0.5	• •	Balanced		68.7	-38.4	-7.1	1.1	-6.0	-3.4	91.6	-33.9	-14.2
24	Okanagan-Mainline (Kelowna)	20	↓ 4	43.8	-0.5	• •	Balanced		40.3	-36.2	-6.1	-3.0	1.1	3.3	52.4	-29.8	-16.2
25	Regina	25	0	52.3	-0.8	• •	Balanced		77.4	-21.6	-8.1	-1.9	-0.3	-1.8	81.9	-31.0	-14.8
26	Saskatoon	27	↑ 1	43.8	-0.9	• •	Balanced		73.8	-20.2	-3.2	1.0	4.4	1.2	75.3	-25.3	-9.1
27	Edmonton	18	↓ 9	43.7	-1.1	• •	Buyers'		46.5	-35.8	-8.4	-0.5	-3.9	-1.7	86.5	-28.2	-13.5
28	Victoria	26	↓ 2	45.4	-1.2	• •	Buyers'		52.9	-37.8	-3.1	0.5	3.7	1.5	67.2	-34.4	-9.8
29	Vancouver	23	↓ 6	40.1	-1.2	• •	Buyers'		31.5	-17.2	18.2	0.2	4.7	-1.4	62.8	-37.0	-17.1
30	NL (St. John's)	5	↓ 25	31.1	-1.3	• •	Buyers'		-18.0	-30.8	1.4	-2.1	-1.6	-2.5	99.4	-39.9	-15.6
31	Fraser Valley (Abbotsford)	19	↓ 12	38.8	-1.4	• •	Buyers'		20.5	-28.8	7.4	-2.6	6.3	3.0	65.6	-35.7	-16.5

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 1990-2019 mean. ³ Year-over-year percentage change. * Kitchener-Waterloo. Sources: Scotiabank Economics, CREA.

MLS Home Price Indices

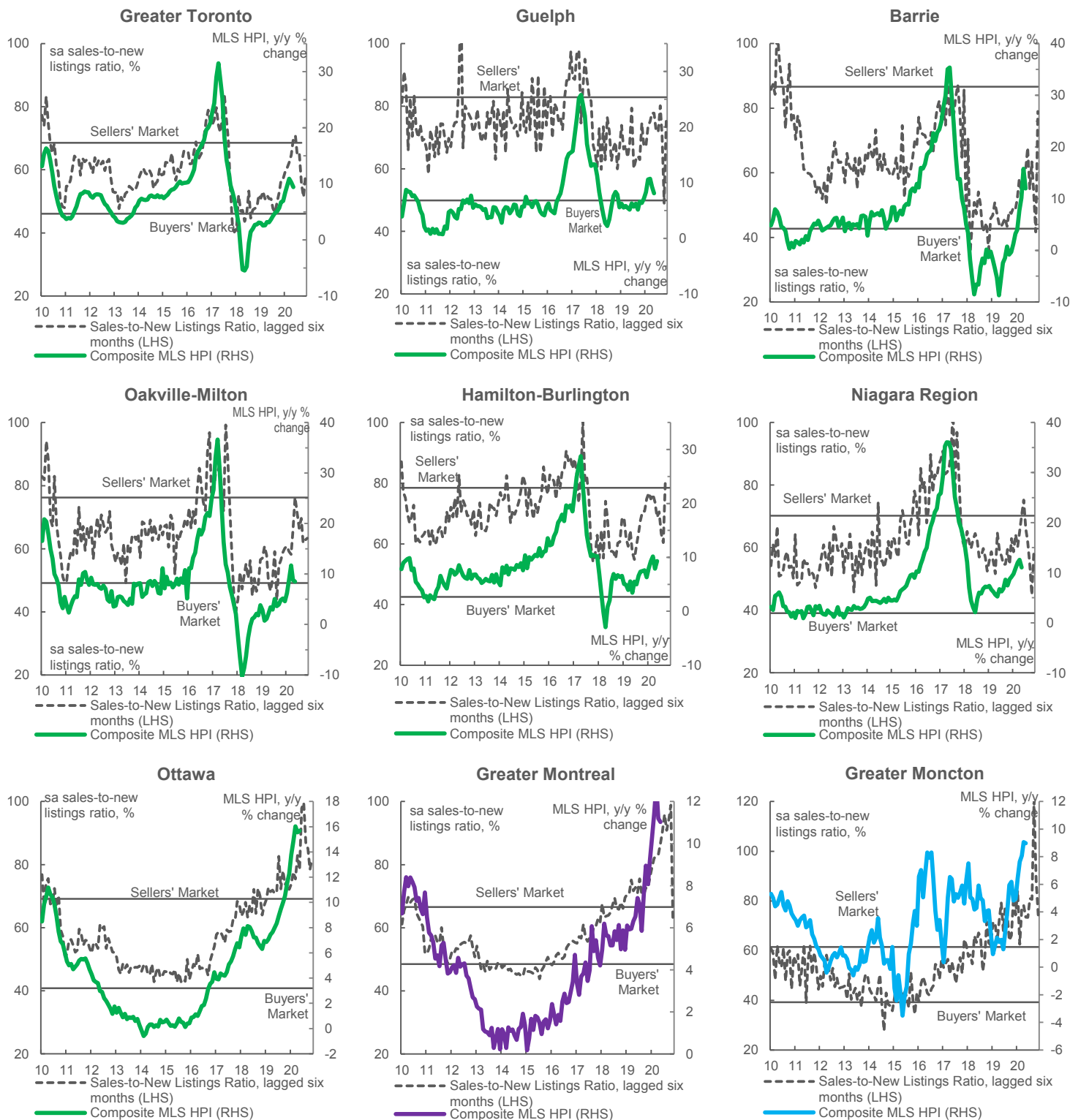
WESTERN CANADA



Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.)

EASTERN CANADA



Sources: Scotiabank Economics, CREA.

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