Canadian Home Sales — September

ENTERING THE SECOND WAVE ON A HIGH NOTE

SUMMARY

Canadian home sales reached another record high with the 0.9% (sa m/m) gain registered in September 2020. At the national level, home purchases sat 21% higher than in February—the final month before COVID-19 lockdowns took effect. By contrast, new listings fell back by more than 10% (sa m/m), driving the sales-to-new listings ratio above 77%—indicative of demand-supply conditions strongly favouring sellers and the highest rate since 2002. The resulting market tightness helped drive the aggregate MLS Home Price Index (HPI) more than 10% higher than last September—the steepest y/y climb since late 2017.

MLS HPI gains continued to be anchored by the market for single-family homes. In aggregate, the index for this unit type increased by nearly 12%—the steepest climb since June 2017—versus rises of about 9% for townhomes and 6% for apartments (all nsa y/y); the trend was witnessed in most major centres. The shift in demand towards larger, higher-cost single-family homes is evident across the largest cities, with the exception of Ottawa—which is in the midst of record price gains across unit types—and Montreal—where the townhome market is also frothy.

Sales were a mixed bag in the Greater Golden Horseshoe (GGH) region with Brantford, Guelph, Kitchener-Waterloo, Hamilton, Peterborough and Niagara posting strong gains on a month-over-month seasonally adjusted basis, while Barrie and the anchor of the region, Toronto, dipped in September. However, compared to September of last year on an unadjusted basis, they all posted double digit increases and remain historically strong. Listings, on the other hand, decreased across the board in the GGH when compared to August. As a result of demand outstripping supply, prices increased across the board as measured by the composite HPI.

In Southern BC sales were up in all markets in September, with Kelowna and Vancouver posting the strongest gains on a seasonally adjusted month-over -month basis. Listings on the other hand were down everywhere compared to August, except in Kelowna, resulting in price increases as measured by the composite HPI in each city except Victoria on a month-over-month basis.

September was a reasonably strong month for cities in the net oil-producing provinces—home purchases rose in five of the six municipalities for which we maintain data. Consistent with the national-level trend, listings fell back in a majority of centres, and y/y MLS HPI growth therefore improved in Alberta and Saskatchewan (Calgary's index was down 0.4% y/y versus a 0.9% y/y decline in August). With the exception of St. John's, all the cities in our pool have thus far experienced sales recoveries in excess of the bounce-back in new listings; for new listings, only Calgary and Lethbridge have yet to return to February levels.

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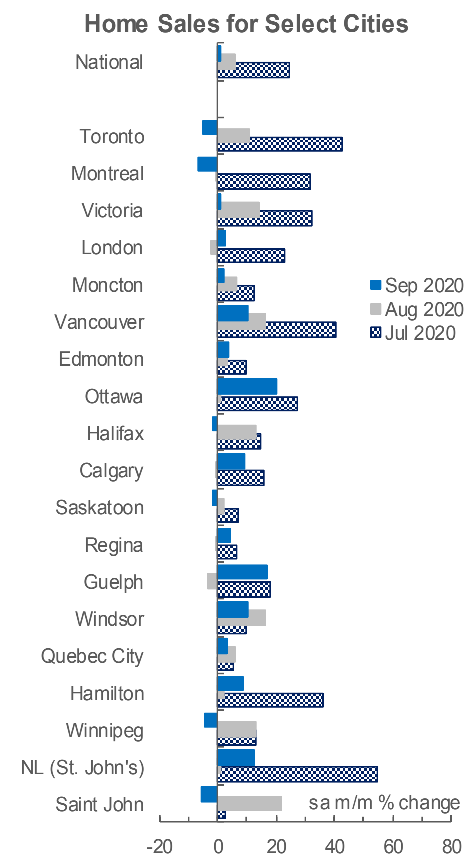
Canada	Sep-20	Aug-20	Sep-20
	m/m[1]	m/m[1]	y/y
Sales (% change)	0.9	5.8	45.6
New listings (% change)	-10.2	12.2	16.6
Average price (% change)	0.4	3.9	16.1
MLS HPI (% change)[2]	1.1	1.4	10.3
	Sep-20	Aug-20	Sep-20
Sales-to-new listings ratio (level)[1]	77.2	68.7	62.5
Months inventory (level)[1]	2.6	2.7	4.5

[1] seasonally adjusted [2] not seasonally adjusted



Sources for chart and table: Scotiabank Economics, CREA.

IMPLICATIONS

Summertime home sales momentum—which was always likely to ease after a one-time boost from reopening—looked to be cooling more convincingly in September, though most local markets remain hot. Incoming data continue to suggest that pent-up pre-pandemic demand remains highly supportive of sales activity and pricing, especially in the markets grappling with the most significant supply-demand imbalances before COVID-19.

The arrival of COVID-19's second wave strongly implies softer transaction volumes in the coming months, especially in the large Ontario and Quebec markets that have implemented new virus containment measures. However, we suspect that the drop will not be as precipitous as that experienced in March and April. Our latest forecast assumes more targeted, less stringent restrictions in this round.

Last month's fall in new listings may put some upward pressure on home prices in the coming months. We flagged in a previous report that listings had not recovered as quickly from early-year lockdowns as sales; a catchup in August looked to have alleviated some of the prior months' tightness, but September's result reverses the trend. As in the months leading up to the pandemic, these pressures appear the most acute in Southern BC and the GGH.

The persistence of consumer preferences for the single-family class of homes bears further monitoring. One interpretation—combined with more modest gains for apartments—is that the pandemic and prevalence of remote work is encouraging prospective buyers to seek out more space, and settle further away from cities' downtown cores. Yet price appreciation is present across unit types in most centres, suggesting strong demand across unit types.

Scotiabank Housing Market Watch—September 2020

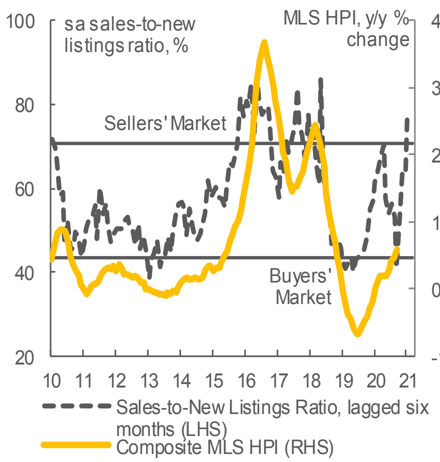
		Sales-to-New Listings Ratio						Unit Sales[3]			Avg. Sales Prices[3]			New Listings[3]		
Rank[1]	Real Estate Board	Last Month Rank	Monthly Change	Sales-to- New Listings Ratio	Std. Dev. from Long-Term Mean[2]	Market Type	24-month Evolution	Last month	Last 3 mos.	Last 12 mos.	Last month	Last 3 mos.	Last 12 mos.	Last month	Last 3 mos.	Last 12 mos.
--	**National**	--	--	77.2	2.3	Sellers'		0.9	37.0	7.7	0.4	16.1	9.3	-10.2	15.6	-8.3
1	Moncton	1	– 0	100.3	4.9	Sellers'		2.1	32.7	10.6	34.6	27.1	12.9	-14.0	15.2	-5.8
2	Peterborough	7	↑ 5	108.8	3.6	Sellers'		12.9	23.6	3.8	5.8	22.0	14.2	-6.7	-10.7	-13.4
3	Saint John	5	↑ 2	82.4	3.4	Sellers'		-5.6	20.6	8.7	0.7	9.7	5.4	-14.7	1.9	-13.7
4	Windsor	6	↑ 2	92.7	3.3	Sellers'		10.3	26.6	-1.1	2.5	26.2	16.9	0.6	1.8	-7.0
5	London	8	↑ 3	94.7	3.0	Sellers'		2.4	24.2	0.6	2.4	22.8	14.4	-9.0	-1.4	-7.3
6	Montreal	2	↓ 4	77.4	2.9	Sellers'		-6.5	41.8	4.7	-0.9	19.1	12.2	-2.5	35.9	-2.9
7	Ottawa	11	↑ 4	90.9	2.7	Sellers'		19.9	27.8	-1.3	2.5	24.3	16.7	2.9	20.6	-10.9
8	Brantford	19	↑ 11	104.4	2.5	Sellers'		5.4	30.9	9.1	-2.7	24.0	15.6	-22.6	0.0	-9.8
9	Quebec City	10	↑ 1	91.5	2.5	Sellers'		2.9	57.7	23.1	7.2	10.0	3.1	-3.2	-5.7	-11.8
10	KW*	14	↑ 4	93.9	2.4	Sellers'		4.3	37.4	0.9	-0.2	20.4	15.0	-13.1	17.7	-10.8
11	Thunder Bay	3	↓ 8	88.0	2.3	Sellers'		5.7	5.4	-6.1	-0.5	10.3	4.4	15.9	-18.3	-20.6
12	Sudbury	4	↓ 8	80.5	2.3	Sellers'		-3.9	17.3	4.9	8.4	19.5	12.7	6.9	2.7	-10.5
13	Hamilton-Burlington	18	↑ 5	101.0	2.2	Sellers'		8.7	38.0	5.4	1.7	18.0	12.4	-15.6	15.1	-11.0
14	Guelph	25	↑ 11	102.8	2.2	Sellers'		16.7	24.0	2.1	-0.2	17.7	12.4	-20.1	0.7	-13.1
15	Lethbridge	15	– 0	86.4	2.2	Sellers'		17.3	34.8	5.6	-1.8	4.8	1.2	-2.2	4.6	-10.3
16	Okanagan-Mainline (Kelowna)	12	↓ 4	84.3	1.9	Sellers'		12.5	49.7	9.3	-1.2	19.0	8.9	4.5	10.7	-8.9
17	Kingston	9	↓ 8	77.9	1.9	Sellers'		-7.5	34.9	2.3	1.5	22.7	13.9	-3.5	10.7	-7.6
18	St. Catharines	13	↓ 5	83.2	1.8	Sellers'		9.0	36.3	4.1	-5.5	23.3	15.1	-2.2	2.3	-10.7
19	Victoria	22	↑ 3	87.1	1.7	Sellers'		0.7	49.1	8.4	5.1	20.3	9.1	-16.2	24.4	-2.1
20	Halifax	21	↑ 1	88.8	1.6	Sellers'		-1.7	29.3	7.9	1.7	18.4	11.9	-15.6	23.3	-6.9
21	Fraser Valley (Abbotsford)	23	↑ 2	76.5	1.4	Sellers'		1.5	55.0	22.3	2.1	14.8	8.1	-14.8	34.6	-2.8
22	Barrie	16	↓ 6	90.0	1.1	Sellers'		-3.9	54.3	25.7	-1.4	21.2	12.1	-4.5	-8.0	-13.7
23	Vancouver	31	↑ 8	72.1	1.0	Balanced		10.5	39.7	26.6	1.7	10.9	3.8	-23.7	37.4	-3.9
24	PEI (Charlottetown)	20	↓ 4	74.1	0.9	Balanced		-12.2	27.5	1.7	4.1	21.1	16.6	-10.6	7.1	-10.4
25	Winnipeg	17	↓ 8	76.4	0.9	Balanced		-4.5	29.6	8.5	1.2	9.3	2.7	-1.8	-5.7	-6.4
26	Toronto	30	↑ 4	65.9	0.8	Balanced		-5.3	36.5	3.8	-3.4	16.9	11.1	-22.7	36.1	-6.6
27	NL (St. John's)	29	↑ 2	53.8	0.7	Balanced		12.6	27.0	6.8	0.9	6.1	-0.3	-8.9	0.1	-15.6
28	Calgary	27	↓ 1	66.6	0.5	Balanced		9.4	18.9	-2.8	-0.6	3.5	-1.3	-1.6	1.3	-9.6
29	Regina	26	↓ 3	66.7	0.3	Balanced		4.0	46.9	11.5	1.9	2.7	0.0	2.3	12.8	-6.7
30	Saskatoon	24	↓ 6	58.7	0.3	Balanced		-1.7	52.1	15.8	-0.9	7.3	2.3	-0.9	7.8	-6.5
31	Edmonton	28	↓ 3	57.1	-0.1	Balanced		3.5	23.5	-0.8	0.9	3.5	-0.2	5.1	3.7	-8.1

[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.

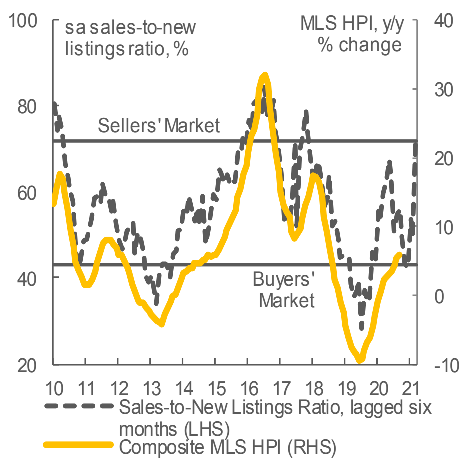
MLS Home Price Indices

WESTERN CANADA

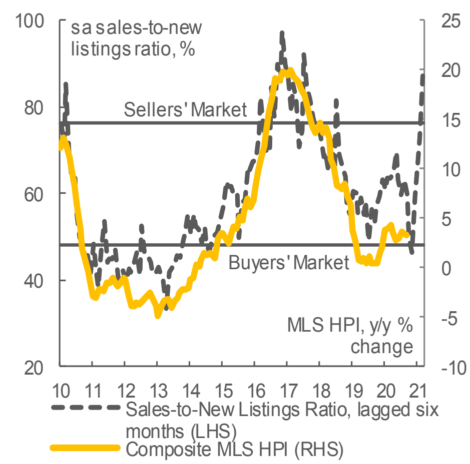
Fraser Valley



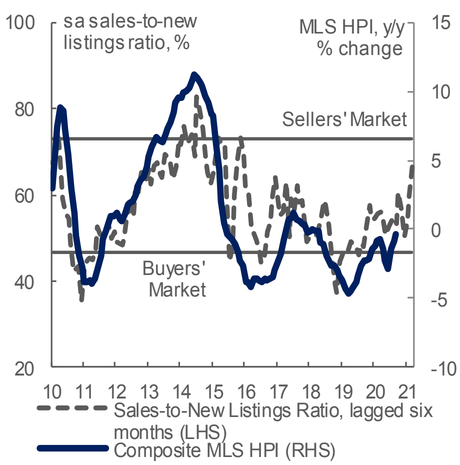
Greater Vancouver



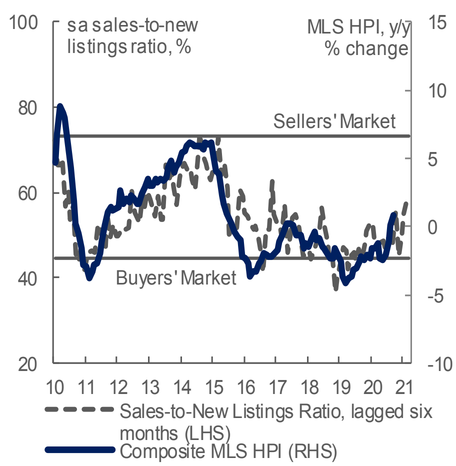
Victoria



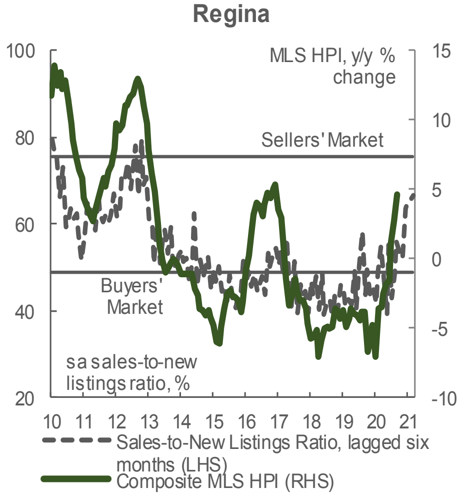
Calgary



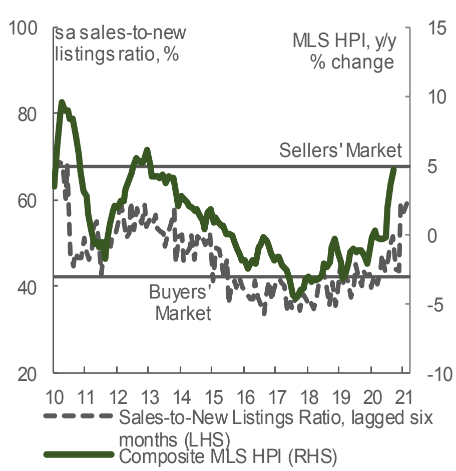
Edmonton



Regina



Saskatoon

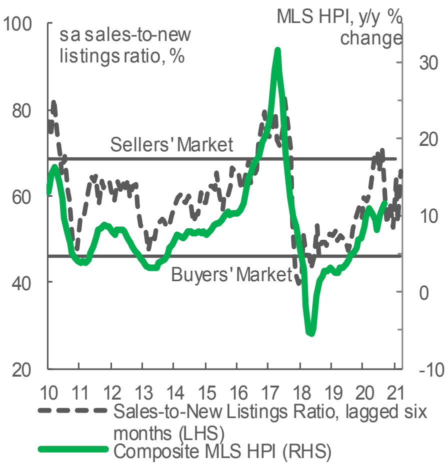


Sources: Scotiabank Economics, CREA.

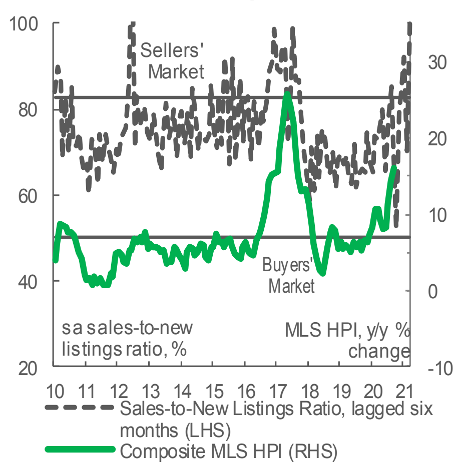
MLS Home Price Indices (cont.)

EASTERN CANADA

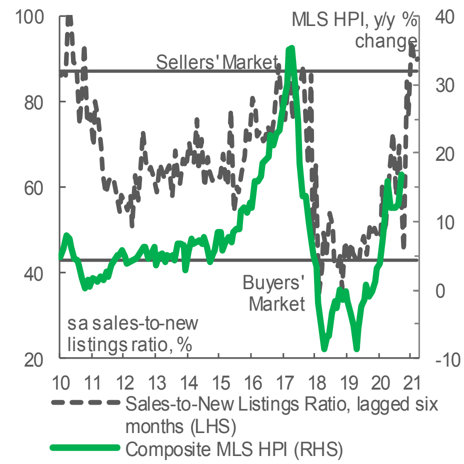
Greater Toronto



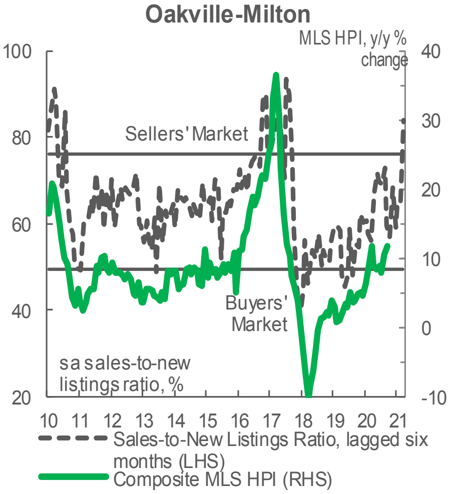
Guelph



Barrie



Oakville-Milton



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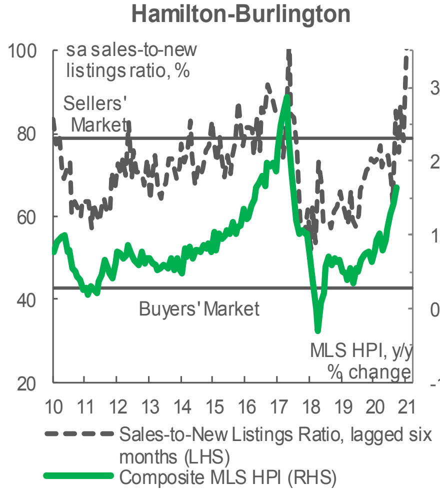
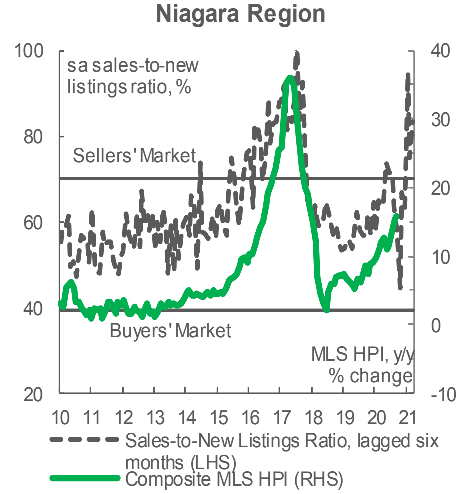
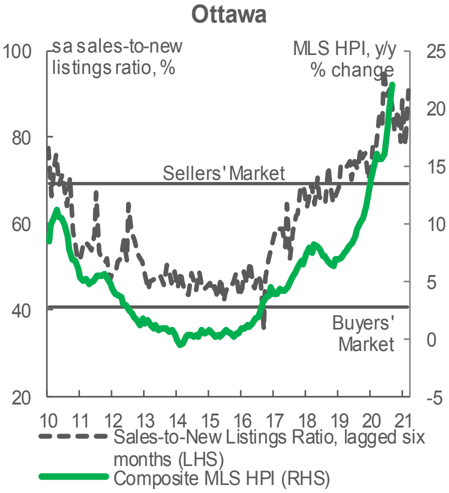


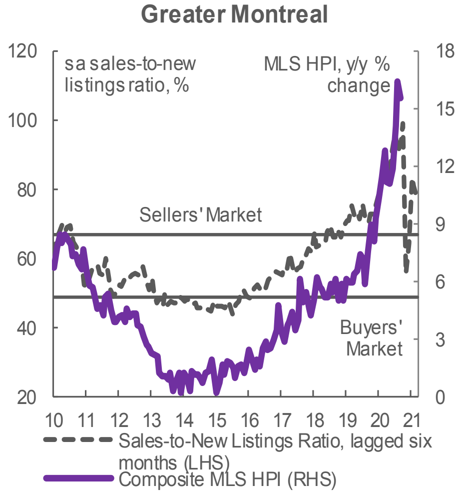
Niagara Region



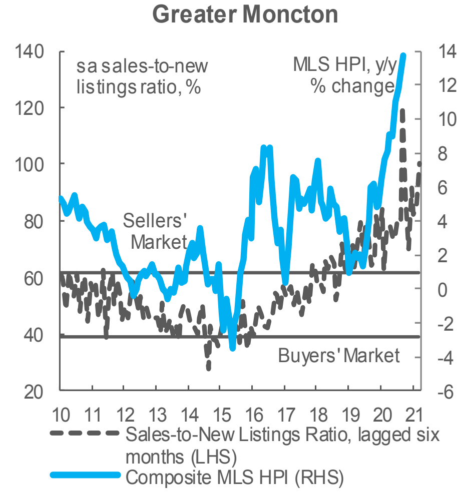
Ottawa



Greater Montreal



Greater Moncton



Sources: Scotiabank Economics, CREA.