

Canadian Home Sales — January

NEW YEAR, SAME RECORD-BREAKING HOUSING MARKET!

SUMMARY

Canadian home sales rose by 2% (sa m/m) in January as 2021 began with record low inventory of housing. Despite strict lockdown measures across the country to start the year, the level of sales in January sets a new record. New listings, on the other hand, experienced a considerable drop of 13.3% (sa m/m). This further tightens the national-level sales-to-new listings ratio to a remarkable 90.7%—the strongest on record, almost 10 percentage points higher than the previous monthly record 19 years ago. This tightening in the housing market has brought about a 13.5% (nsa y/y) increase in the composite MLS Home Price Index (HPI) in January—the steepest rise since June 2017. Single-family homes continue to be the main driver of this price appreciation, while apartment prices remain relatively close to pre-pandemic levels.

Sales gains continued to be broad-based, as sales activity in January was up across much of the country relative to a year ago. The markets that experienced a decline from last year were mostly in Ontario, where housing inventory is particularly low. Of the 31 local markets we monitor, 17 witnessed sales gains in January compared to December 2020. Compared to January 2020, only Brantford experienced declines in home purchases. Only Guelph, Hamilton, and Peterborough remain below their February 2020 levels, officially the last month before the pandemic hit, albeit by small margins.

The rate of increase in listings has generally lagged that of sales during the pandemic, and January was no exception to this trend. As a result, months of inventory are now at their lowest level on record. In January, 27 of the 31 centres in our list experienced a decline in new listings, with the national drop of 13.3% being the fourth largest monthly decline in listings on record, the first and third being April and March of last year. This drop in listings lifted the sales-to-new listings ratio to a record-breaking high, and started the year in sellers' market territory in 28 of our centres.

Single-family homes continued to drive growth in housing prices. With a 1.9% (sa m/m) increase in the composite MLS HPI for all homes in Canada, single-family homes recorded a 2.6% (sa m/m) increase, considerably outpacing the condo market which saw a negligible monthly increase of 0.2%. Price gains for single-family homes continued to accelerate across Toronto, Vancouver, Calgary, Edmonton, and Ottawa—only in Montreal and Edmonton did the gain, while still quite positive, slow down in comparison to last month. Only in Ottawa did price gains in townhouses outpace that of single-family homes.

IMPLICATIONS

The January data suggest the year is off to a strong start, again surprising on the upside given the lockdown measures in place during much of the month. With the Canadian housing market still showing signs of undersupply, much of the price gains of the past year, which registered the strongest national-level annual

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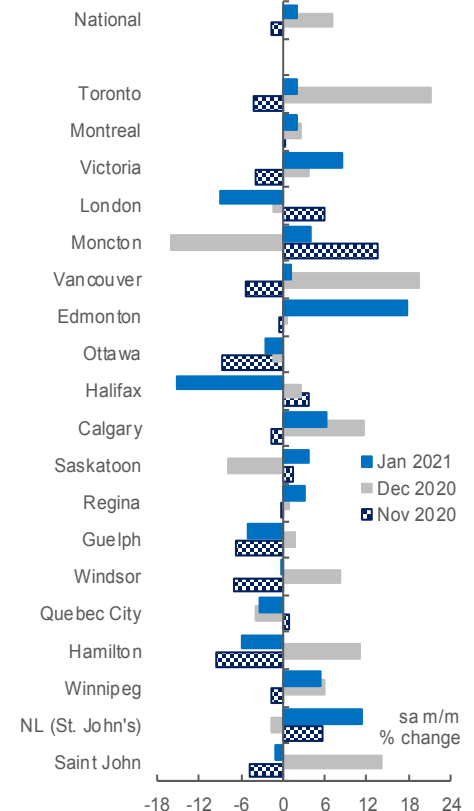
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Canada	Jan-21	Dec-20	Jan-21
	m/m ¹	m/m ¹	y/y
Sales (% change)	2.0	7.0	35.2
New listings (% change)	-13.3	6.3	-2.9
Average price (% change)	4.7	3.3	20.6
MLS HPI (% change) ²	2.2	1.1	13.5

	Jan-21	Dec-20	Jan-20
Sales-to-new listings ratio (level) ¹	90.7	77.1	65.1
Months inventory (level) ¹	1.9	2.1	4.2

¹ seasonally adjusted ² not seasonally adjusted

Home Sales for Select Cities



Sources for chart and table: Scotiabank Economics, CREA.

percentage increase in home purchases since 2001, will likely be sustained. The record tight supply-demand conditions suggest that we will see even further price gains in the months ahead.

Buyers continue to demonstrate a preference for more space as the pandemic and its impact on living and working conditions persist—with larger, roomier, higher-cost single-family homes driving much of the increase in the composite MLS HPI. Whether this trend will continue depends largely on whether this pandemic alters working arrangements after vaccination becomes more widespread.

With much uncertainty yet ahead, we should brace for another year of surprises in the Canadian housing market. Most restrictions remain in place across the country and only a gradual and partial reopening is in sight. The vaccines are offering a glimpse of hope, but similar to all hopeful news for the year just passed, it is accompanied by much uncertainty with regard to delivery timeline and effectiveness against certain variants of the virus. Against this backdrop, pent-up demand, rock-bottom borrowing rates, record tight supply-demand conditions, and continued fiscal stimulus, all point to a strong housing market that continues to prove more resilient to the containment measures than anticipated at the beginning of the pandemic. While these conditions will likely continue to support demand, the resulting price gains plus successful virus containment and vaccination efforts should eventually bring sellers off the sidelines and facilitate more housing starts, easing the present supply-demand tightness.

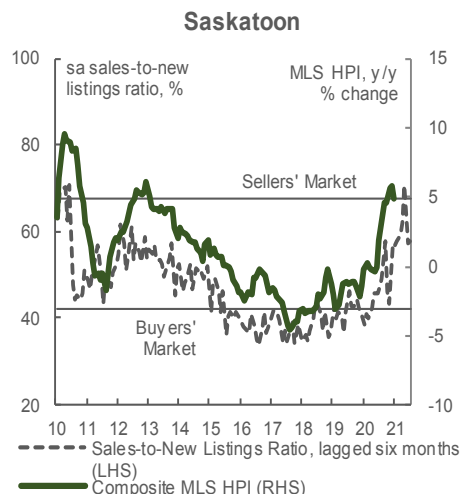
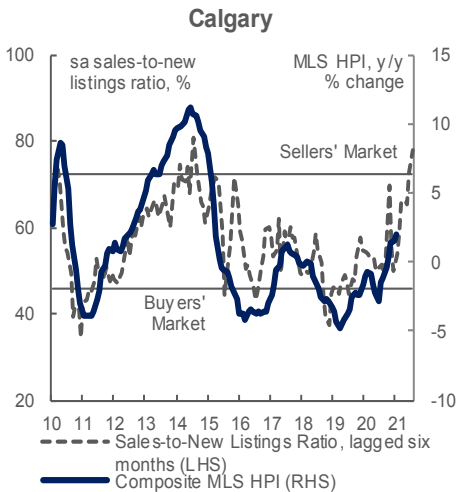
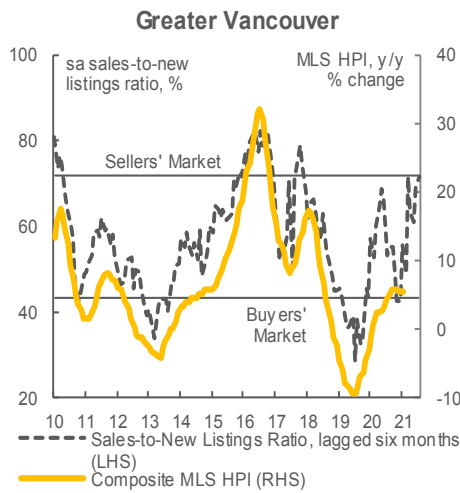
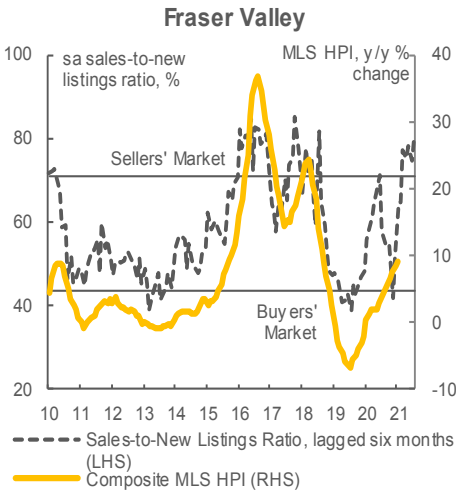
Scotiabank Housing Market Watch—January 2021

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	--	--	90.7	3.5	•	Sellers'		2.0	37.5	13.8	4.7	16.9	12.3	-13.3	9.6	-3.8
1	Saint John	5	↑ 4	141.7	7.3		Sellers'		-1.1	34.3	12.6	3.3	6.9	6.3	-46.4	4.5	-11.6
2	Montreal	1	↓ 1	129.3	6.4		Sellers'		2.0	26.1	8.8	4.2	19.8	16.1	-26.4	10.8	3.2
3	Moncton	3	→ 0	114.4	4.7	•	Sellers'		4.1	47.5	16.0	5.0	19.9	14.8	-19.9	9.2	-7.0
4	Quebec City	9	↑ 5	115.6	4.2	•	Sellers'		-3.5	35.6	27.6	2.0	14.5	7.0	-29.2	-12.4	-17.3
5	Kingston	14	↑ 9	113.6	4.2	•	Sellers'		-4.6	33.7	9.9	5.0	21.7	17.5	-39.8	-4.1	-6.9
6	Sudbury	2	↓ 4	111.9	3.9	•	Sellers'		3.2	34.5	10.7	15.2	22.9	15.9	-9.1	-7.0	-8.9
7	Halifax	8	↑ 1	128.1	3.4	•	Sellers'		-15.3	33.3	12.8	9.2	22.1	15.4	-34.7	11.9	-1.4
8	Windsor	11	↑ 3	96.4	3.3	•	Sellers'		-0.1	23.4	4.5	3.8	30.2	21.6	-21.1	8.7	-6.2
9	London	12	↑ 3	102.4	3.2	•	Sellers'		-9.1	22.3	4.4	7.1	33.6	20.7	-29.9	-4.2	-8.4
10	Ottawa	10	→ 0	94.0	2.6	•	Sellers'		-2.5	26.7	3.4	8.9	21.8	19.7	-15.5	24.8	-2.5
11	KW*	15	↑ 4	97.6	2.5	•	Sellers'		2.7	30.6	10.4	9.0	16.4	15.8	-14.6	18.5	-2.6
12	St. Catharines	4	↓ 8	93.6	2.4	•	Sellers'		-5.2	25.4	10.3	11.0	29.5	19.5	-7.1	-4.2	-8.7
13	Hamilton-Burlington	24	↑ 11	104.7	2.4	•	Sellers'		-5.8	20.1	8.1	5.8	24.7	17.5	-31.9	5.8	-7.6
14	Thunder Bay	17	↑ 3	91.3	2.2	•	Sellers'		7.6	0.0	-5.7	3.3	15.8	10.4	-8.4	-10.0	-22.3
15	Peterborough	21	↑ 6	89.8	2.2	•	Sellers'		-3.2	17.1	7.5	2.5	28.7	19.2	-25.3	-13.0	-17.3
16	Lethbridge	7	↓ 9	85.7	2.1	•	Sellers'		-0.6	26.5	12.8	2.2	7.7	3.9	-3.8	-6.5	-7.2
17	Okanagan-Mainline (Kelowna)	6	↓ 11	86.4	2.0	•	Sellers'		5.3	66.7	24.1	-4.3	22.6	15.0	5.0	9.3	-4.9
18	NL (St. John's)	22	↑ 4	69.8	2.0	•	Sellers'		11.3	52.3	17.5	-1.1	8.2	2.6	-11.4	4.6	-12.0
19	Barrie	26	↑ 7	108.2	1.9	•	Sellers'		-4.8	30.2	26.3	5.1	32.7	19.0	-33.6	-0.3	-13.1
20	Toronto	25	↑ 5	78.4	1.9	•	Sellers'		2.0	42.3	10.3	3.5	13.3	12.5	-14.4	34.1	4.6
21	Victoria	13	↓ 8	88.6	1.9	•	Sellers'		8.6	46.9	18.7	10.8	13.3	11.6	1.2	10.4	2.2
22	PEI (Charlottetown)	30	↑ 8	101.5	1.7	•	Sellers'		20.5	23.7	9.9	-1.3	19.7	17.1	-34.1	10.5	-8.8
23	Fraser Valley (Abbotsford)	16	↓ 7	79.7	1.6	•	Sellers'		0.9	67.7	31.9	5.0	22.7	13.7	-5.2	38.1	9.4
24	Brantford	20	↓ 4	89.3	1.6	•	Sellers'		-1.5	3.9	6.6	2.9	29.9	20.2	-15.5	-15.8	-15.8
25	Guelph	27	↑ 2	92.1	1.5	•	Sellers'		-5.2	19.2	5.6	2.7	28.9	17.6	-24.4	3.0	-10.2
26	Winnipeg	18	↓ 8	86.2	1.4	•	Sellers'		5.5	29.2	13.2	4.2	8.0	5.0	-1.6	-11.1	-10.2
27	Calgary	19	↓ 8	78.2	1.4	•	Sellers'		6.1	41.1	5.2	16.2	6.8	1.2	-1.5	-3.0	-9.0
28	Regina	31	↑ 3	77.8	1.2	•	Sellers'		3.2	64.6	26.6	-2.1	1.9	1.4	-20.4	7.3	-3.2
29	Vancouver	23	↓ 6	71.7	1.0	•	Balanced		1.1	41.2	24.1	2.0	9.0	8.3	-2.6	29.1	7.7
30	Edmonton	28	↓ 2	70.7	1.0	•	Balanced		17.7	40.5	7.7	3.4	5.1	1.6	4.8	1.2	-5.3
31	Saskatoon	29	↓ 2	57.7	0.2		Balanced		3.7	38.0	24.0	2.5	2.4	4.2	3.2	-2.7	-6.3

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

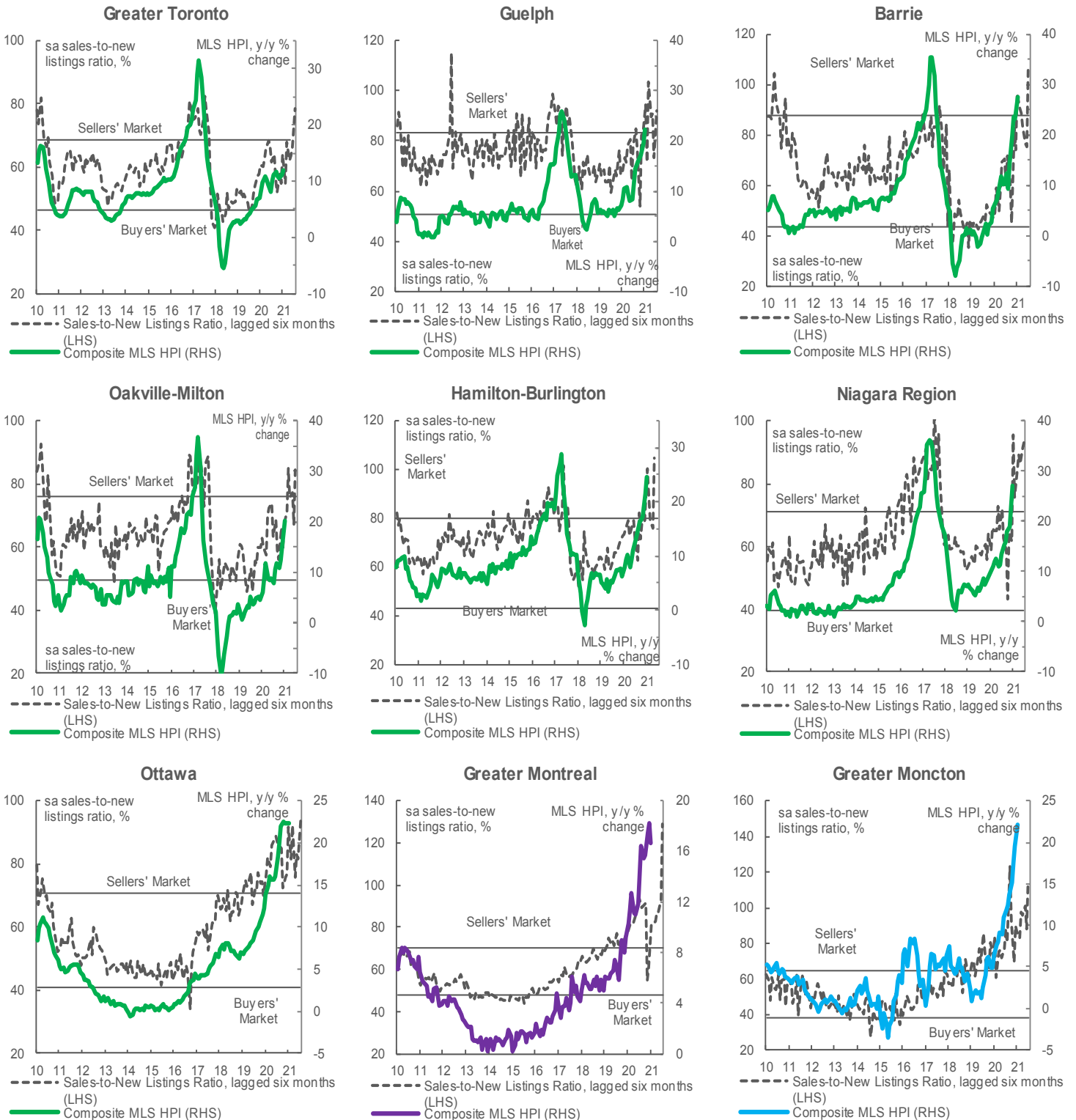
WESTERN CANADA



Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.)

EASTERN CANADA



Sources: Scotiabank Economics, CREA.

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