

Canadian Home Sales — February

NO SURPRISE: ANOTHER STRONG MONTH FOR CANADA'S HOUSING MARKET!

SUMMARY

February saw Canadian home sales rise by 6.6% (sa m/m) while listings rebounded by 15.7% (sa m/m). This month's increase in sales sets yet again another record, but it is accompanied by a welcome increase in listings. The national-level sales-to-new listings fell to 84% from the record reading of 91% in January in which all the markets we track recorded their highest ratio on record. The composite MLS Home Price Index (HPI) rose 3.3% (sa m/m), reflecting the sharp increase the sales-to-listing ratio seen in recent months. Two-storey 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 and felt across much of the country relative to a year ago. The very few markets that experienced a decline from last year were areas with extremely limited supply. Of the 31 local markets we monitor, 30 witnessed sales gains this month compared to February 2020. The exception is Montreal. Compared to January 2021, 25 markets witnessed sales gains, driven mainly by Ontario regions, with Barrie, Guelph, and Brantford averaging almost 36% (sa m/m)—these more than offset the 21% (sa m/m) decline in Montreal.

Listings have rebounded to recoup all of January losses, but months of inventory remain at a record low. New listings increased in 27 of the 31 centres in our list. The areas that witnessed the highest increases in listings are also those that witnessed high sales gains—an indication of the tightness in the market, whereby any new listings are absorbed immediately. The bigger gain in listings compared to sales in February relaxed the sales-to-new listings ratio, from its record-breaking high last month to its second highest level on record (84%), with 29 of our markets being in sellers' territory. At the current rate of sales activity, national inventories would be liquidated in 1.8 months—the fastest rate on record. Months of inventory were the lowest on record in four provinces, with Ontario having less than a month of inventory.

Single-family homes continued to drive growth in housing prices. With a 17.3% (nsa y/y) increase in the composite MLS HPI for all homes in Canada, single-family homes recorded a 22.1% (nsa y/y) increase, considerably outpacing the apartment market which saw an increase of 4.2%. February saw an uptick of 1.6% (sa m/m) in the MLS HPI for apartments, the highest increase during the pandemic and since March 2017—perhaps a result of their now relative affordability compared to other homes.

IMPLICATIONS

The February data suggests the stronger-than-expected trend in the housing market witnessed over the course of 2020 is continuing into 2021 despite the lockdown measures in place early this year. With the Canadian housing market still showing signs of significant undersupply, we are likely to continue to see even further price gains in the months ahead.

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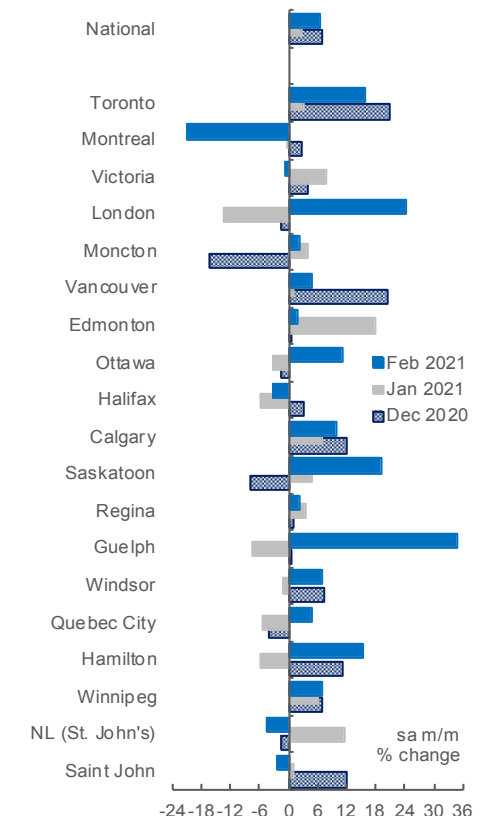
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Canada	Feb-21	Jan-21	Feb-20
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	6.6	2.5	39.2
New listings (% change)	15.7	-13.8	11.0
Average price (% change)	3.5	4.3	20.3
MLS HPI (% change)	3.3	1.9	17.3

	Feb-21	Jan-21	Feb-20
Sales-to-new listings ratio (level) ¹	84.0	91.2	67.9
Months inventory (level) ¹	1.8	1.9	3.8

¹ seasonally adjusted ² not seasonally adjusted

Home Sales for Select Cities



































Sources for chart and table: Scotiabank Economics, CREA.

Buyers continue to demonstrate a preference for more space as the pandemic and its impact on living and working conditions persist—with more spacious homes driving much of the increase in the composite MLS HPI. Data from the Toronto Regional Real Estate Board released earlier this month demonstrates this trend clearly. While housing conditions were tight across the entire GTA market in February, an almost 15% (y/y) increase in average selling price was mainly driven by annual rates of increase above 20% in the detached, semi-detached and townhouse market segments in suburban areas surrounding the City of Toronto. Whether this trend will continue depends largely on whether this pandemic alters working arrangements after vaccination becomes more widespread.

Incoming data continue to point to very robust GDP growth that might recover COVID losses and close the output gap by the end of the year. Canadian job gains in February almost recouped all the job losses of the previous lockdowns for the months of December and January. Add to that an acceleration in vaccine rollouts in Canada and the US, the long-awaited imported benefit from the US fiscal stimulus, and the likely additional stimulus to be announced in Canada's spring federal budget. This points to a strong recovery and economic growth during the year, even as the risks for a third wave and virus variants remain. While improved conditions will add steam to the housing demand engine, they should also bring sellers off the sidelines and facilitate more housing starts, easing the present supply-demand tightness. At the same time, they point to earlier rate hikes than previously announced by Canada's central bank. We expect a further tapering of the Bank of Canada's quantitative easing program in April, and we further expect a rate hike from the Bank of Canada by Q4-2022. Fixed mortgage rates are already ticking up given the steepening of yield curves resulting from improved growth prospects. This may encourage buyers to rush to join the market to lock in a lower rate.

Strong population growth will continue to drive housing demand in the medium term—an increase in Canada's immigration targets over the next two years points to a stronger population growth, but achieving these targets will largely depend on global vaccination progress and removal of border restrictions. International migration trends should be monitored in parallel with new household formations and internal migration, which plays a significant role in housing demand patterns and prices. A report by CMHC on the impact of migration on Canada's housing markets saw that up to 2019, out-migration from Toronto and Vancouver materially influenced prices upwards in neighbouring areas and other CMAs. Policy makers will have to monitor migration patterns as we emerge from the COVID pandemic to better assess how to respond in adjusting supply.

Scotiabank Housing Market Watch—February 2021

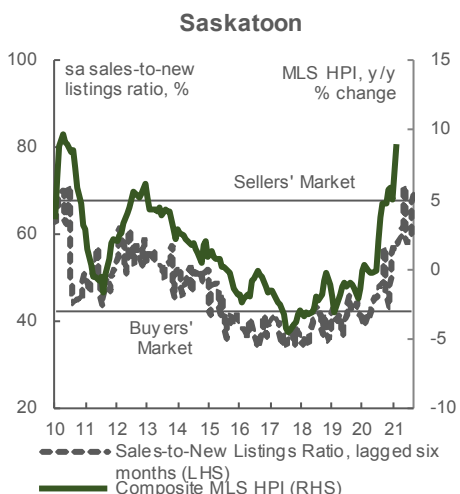
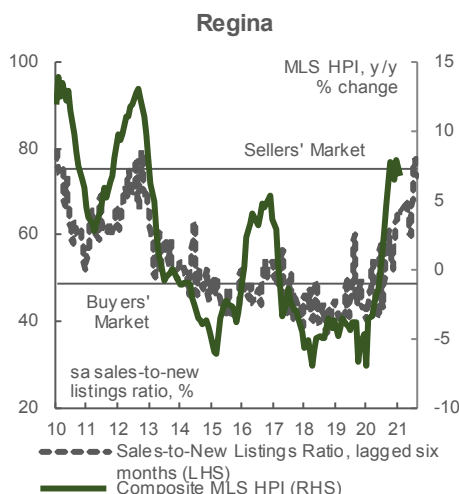
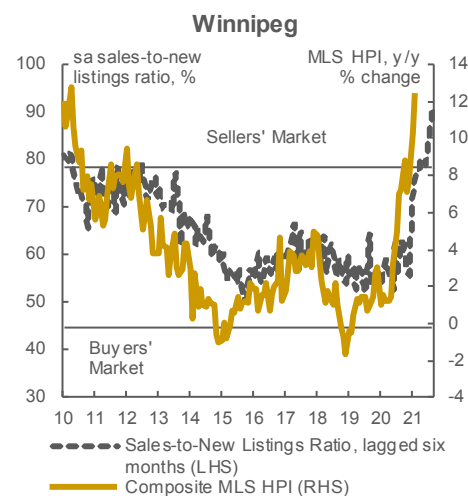
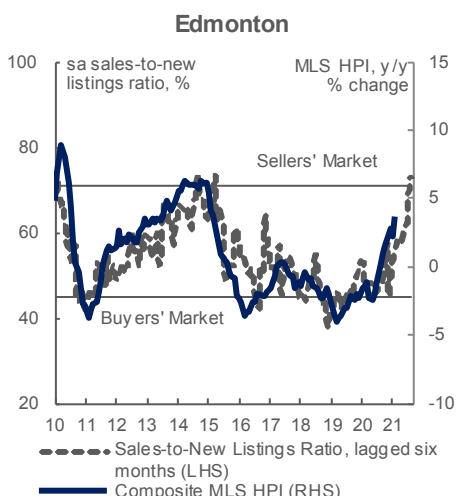
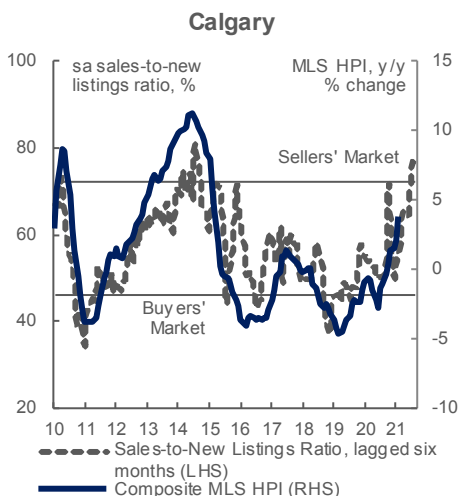
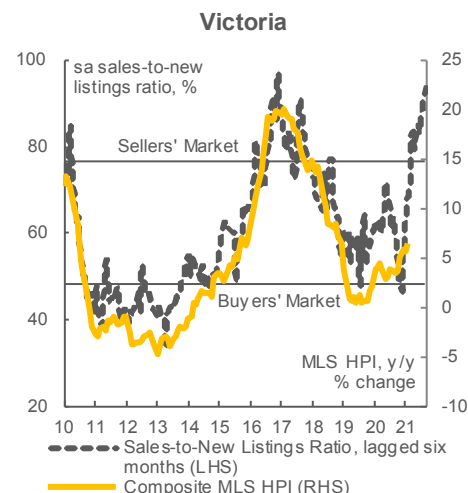
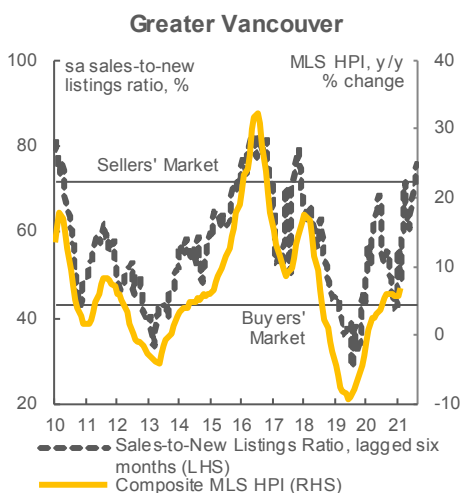
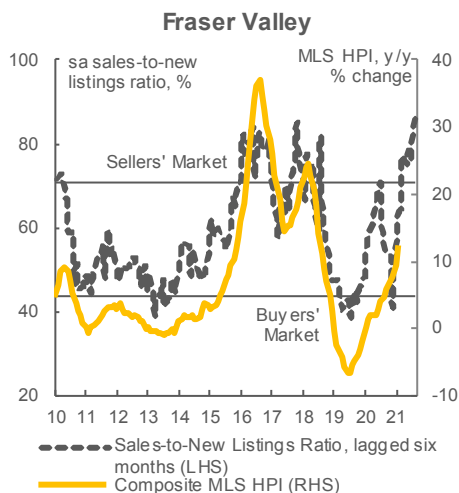
Rank ¹	Real Estate Board	Sales-to-New Listings Ratio						Unit Sales ³			Avg. Sales Prices ³			New Listings ³		
		Last Month Rank	Monthly Change	Sales-to-New Listings Ratio	Std. Dev. from Long-Term Mean ²	Market Type	24-month Evolution	Last month	Last 3 mos.	Last 12 mos.	Last month	Last 3 mos.	Last 12 mos.	Last month	Last 3 mos.	Last 12 mos.
--	National	--	--	84.0	2.8	Sellers'		6.6	40.5	15.0	3.5	18.7	12.9	15.7	8.5	-3.4
1	Saint John	1	0	114.9	5.2	Sellers'		-2.5	39.0	15.1	8.6	10.1	8.0	16.3	-8.6	-12.5
2	Moncton	3	1	98.2	3.5	Sellers'		2.4	35.9	16.7	5.9	24.3	16.8	15.4	5.2	-7.3
3	Lethbridge	16	13	99.1	3.2	Sellers'		18.1	48.5	15.4	4.3	11.6	5.3	3.4	-3.5	-7.1
4	Sudbury	6	2	99.7	3.2	Sellers'		3.2	32.5	11.0	-2.4	30.5	17.7	14.0	-5.8	-10.4
5	Halifax	7	2	120.8	3.0	Sellers'		-3.3	26.4	12.5	4.0	29.2	17.8	9.5	-7.7	-2.8
6	Okanagan-Mainline (Kelowna)	19	13	101.2	3.0	Sellers'		14.8	81.4	30.4	-0.2	27.2	15.8	-2.0	13.8	-3.4
7	Montreal	2	5	91.5	2.9	Sellers'		-21.1	11.4	6.3	1.7	18.1	15.4	9.9	-2.0	3.0
8	Quebec City	5	3	99.5	2.9	Sellers'		4.7	18.1	23.5	3.3	16.4	8.3	19.2	-14.5	-18.4
9	Ottawa	10	1	98.5	2.9	Sellers'		11.1	26.0	3.9	4.7	24.1	20.2	6.1	14.6	-1.5
10	Windsor	8	2	89.2	2.7	Sellers'		6.9	26.4	5.1	-2.5	29.6	21.8	13.6	1.9	-7.2
11	London	9	2	91.8	2.5	Sellers'		24.3	17.1	4.3	-0.3	36.1	22.9	34.6	-5.6	-9.4
12	St. Catharines	14	2	91.9	2.3	Sellers'		12.7	24.3	10.2	7.3	35.0	21.8	12.4	-9.5	-10.4
13	Fraser Valley (Abbotsford)	22	9	87.8	2.2	Sellers'		13.6	90.1	38.4	-0.5	22.7	14.9	6.8	37.4	10.8
14	Victoria	21	7	93.7	2.2	Sellers'		-0.8	53.2	20.5	0.8	17.7	13.3	-6.0	6.2	0.3
15	Thunder Bay	18	3	86.5	1.9	Sellers'		11.3	5.3	-4.1	10.8	20.9	12.7	14.6	-5.7	-23.1
16	KW*	11	5	86.9	1.8	Sellers'		20.1	27.6	10.2	7.1	23.1	17.2	33.8	16.6	-1.5
17	Kingston	4	13	76.7	1.7	Sellers'		18.6	35.7	11.9	16.0	27.8	19.1	71.7	-4.4	-6.3
18	Winnipeg	26	8	90.2	1.7	Sellers'		7.1	35.7	15.0	0.0	10.0	6.5	0.7	-6.3	-11.1
19	NL (St. John's)	20	1	63.6	1.5	Sellers'		-4.6	48.0	16.8	0.7	8.4	3.2	3.4	4.3	-11.0
20	Peterborough	15	5	78.7	1.5	Sellers'		12.1	15.8	6.3	3.4	31.9	20.8	28.7	0.9	-16.3
21	Toronto	13	8	72.8	1.4	Sellers'		15.9	54.4	11.7	2.3	13.8	12.4	32.6	38.4	7.0
22	Vancouver	29	7	76.0	1.3	Sellers'		4.7	62.2	27.2	2.3	10.6	8.8	-1.6	26.0	9.5
23	Guelph	25	2	87.8	1.3	Sellers'		35.0	23.8	5.5	0.4	29.1	19.0	40.4	12.3	-8.7
24	Calgary	27	3	75.9	1.3	Sellers'		9.7	51.9	8.3	-0.5	5.4	1.4	11.2	3.2	-9.3
25	Edmonton	30	5	73.0	1.2	Sellers'		1.8	50.7	10.9	0.4	4.8	2.2	-1.8	2.6	-5.5
26	Saskatoon	31	5	69.5	1.1	Sellers'		19.1	42.6	27.1	1.1	6.8	5.5	1.1	2.7	-5.8
27	PEI (Charlottetown)	24	3	84.8	1.1	Sellers'		-6.1	18.0	10.7	5.9	18.2	16.7	6.3	-4.3	-10.2
28	Brantford	23	5	81.5	1.1	Sellers'		39.4	13.9	8.0	5.7	36.9	22.9	54.2	-2.2	-13.3
29	Hamilton-Burlington	12	17	80.5	1.1	Sellers'		15.3	19.7	7.4	5.1	27.4	18.5	52.0	5.2	-7.2
30	Regina	28	2	73.5	0.9	Balanced		2.3	56.5	30.2	2.2	-0.5	1.5	8.6	3.7	-4.2
31	Barrie	17	14	76.5	0.5	Balanced		35.8	40.1	24.8	-1.0	34.5	21.5	98.7	17.0	-11.2

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

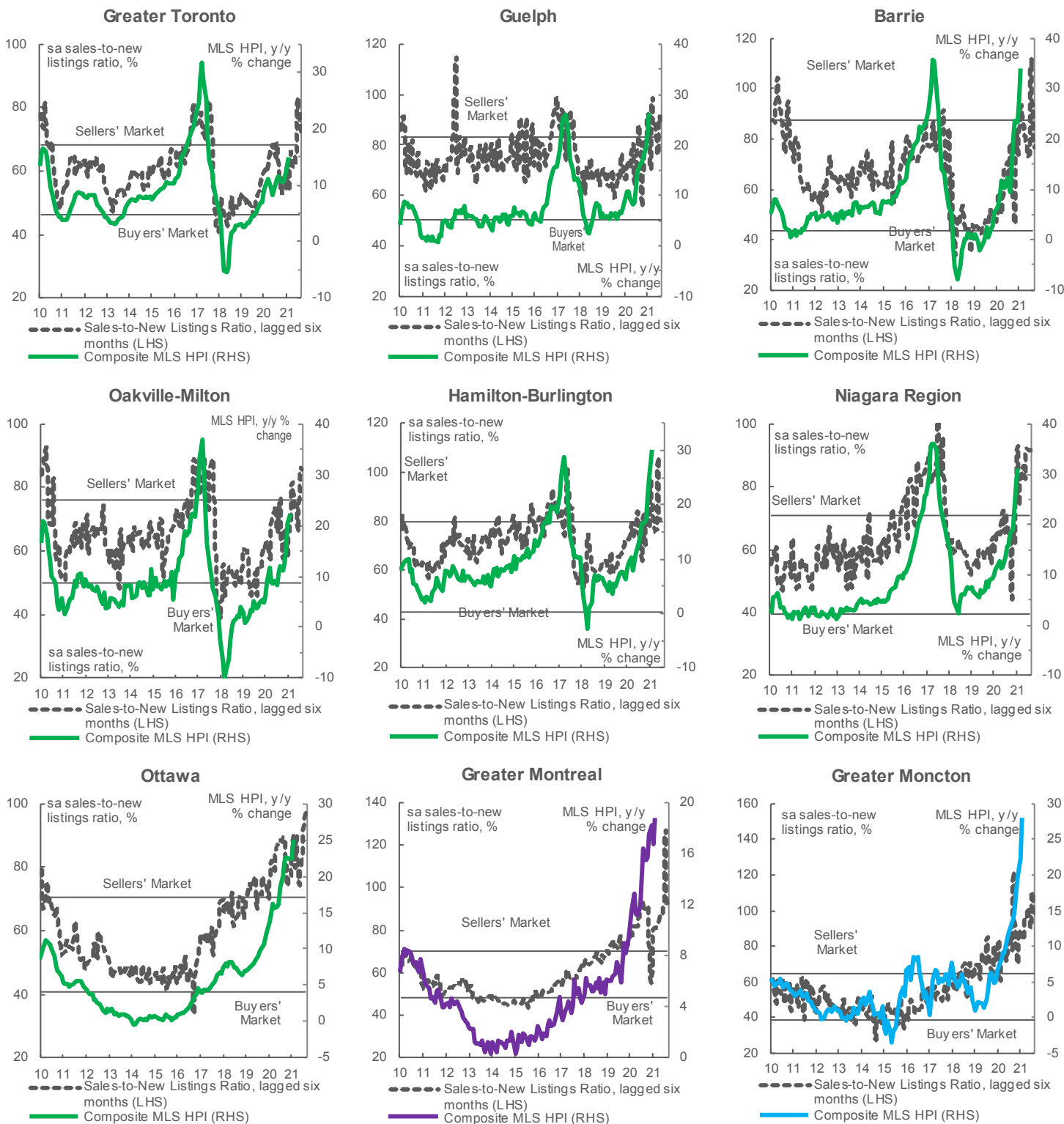
WESTERN CANADA



Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.)

EASTERN CANADA



Sources: Scotiabank Economics, CREA.

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