

## Canadian Home Sales — April 2021

### CANADA HOUSING MARKET: HOUSING SPRING BREAK!

#### SUMMARY

Canadian home sales took a turn in April 2021, declining by 12.5% (sa m/m) from the highest level on record in March 2021. Listings followed suit, falling by 5.4% (sa m/m). While both sales and listings decreased in April, the smaller decline in listings further eased the national-level sales-to-new listings to 75.2% from record high readings earlier this year (the highest being 91% in January). While this is a move in the right direction towards a better supply-demand balance, the ratio is still significantly higher than its long-term average of 54.5%. As a result of this persistent tightness in the housing market, the composite MLS Home Price Index (HPI) rose by 2.4% (sa m/m). This is a deceleration in price gains from paces observed over the last two months, owing in the most part to a slowing in prices for single-family homes and townhouses. Apartments, which had remained relatively close to pre-pandemic levels before accelerating earlier this year have maintained momentum in April.

**Movements in the housing market this month continued to be broad-based rather than market-specific, as declines in sales were spread out across much of the country.** Of the 31 local markets we monitor, 26 witnessed sales declines in April compared to March, falling by more than 20% (sa m/m) in Guelph, Barrie, Kitchener-Waterloo, Hamilton, Ottawa, Kingston, and London—all Ontario regions. Saint John in New Brunswick defied this month's trend, recording a 15.4% (sa m/m) increase in sales. Of course, compared to April 2020, the numbers tell a hugely different story, with sales up 256% (nsa y/y)—a number largely skewed by base effect since sales recorded the largest decline on record in April 2020. Therefore, we are either comparing April's results to March 2021, the highest month on record (in terms of level of sales), or to April 2020, the worst April on record (with the highest decline on record). To get a better picture of this month's results, we calculate the 20-year April-average from 2000 to 2019—in comparison to this average, sales in April 2021 were 57% (sa) higher.

**Listings dropped this month, albeit at a smaller pace than sales, bringing months of inventory up from a record low.** The drop in listings was not as broad-based as sales, where listings fell in only 11 of the 31 centres in our list in April 2021. Unsurprisingly, 4 of the 5 markets that experienced sales gains in April were also markets that experienced an increase in listings—indicating that the decline in sales could be, at least in part, a result of a shortage in listings across the country. Nonetheless, the smaller decline in listings compared to sales in April relaxed the sales-to-new listings ratio from record highs this year, but the ratio remains significantly higher than its long-term average. Following this drop, 21 of our centres (down from 27 last month) are in sellers' market territory, with the remaining 10 markets being balanced. With supply-demand conditions improving, months of inventory have ticked up—at the current rate of sales activity, national inventories would be liquidated in 2 months—an improvement from the fastest rate on record in March 2021 of 1.7 months, but still markedly lower than its long-term average of 5 months. Months of inventory were the lowest on record only in New Brunswick in April 2021, compared to six provinces in March 2021.

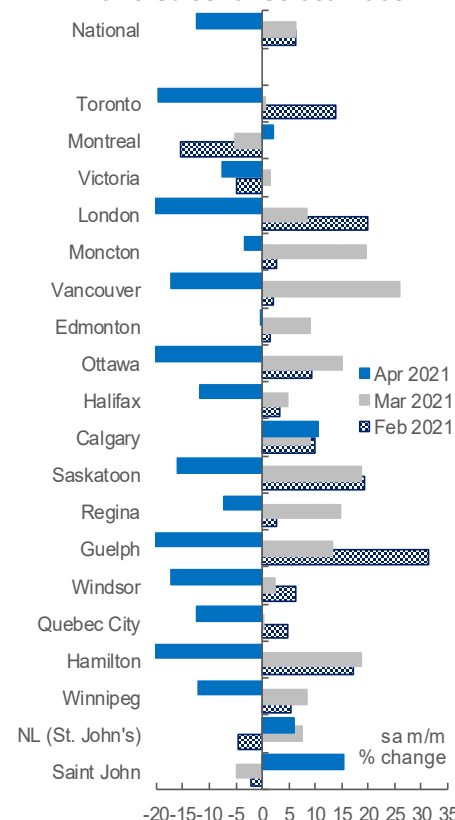
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Canada	Apr-21	Mar-21	Apr-21
	m/m <sup>1</sup>	m/m <sup>1</sup>	y/y <sup>2</sup>
Sales (% change)	-12.5	6.3	256.0
New listings (% change)	-5.4	8.6	184.7
Average price (% change)	-3.7	5.4	37.0
MLS HPI (% change)	2.4	2.7	23.1
	Apr-21	Mar-21	Apr-20
Sales-to-new listings ratio (level) <sup>1</sup>	75.2	81.3	65.1
Months inventory (level) <sup>1</sup>	2.0	1.7	9.1

<sup>1</sup> seasonally adjusted <sup>2</sup> not seasonally adjusted

#### Home Sales for Select Cities



Sources for chart and table: Scotiabank Economics, CREA.

**Single-family homes and townhouses experienced the largest deceleration in price gains.** With a 23.1% (nsa y/y) increase in the composite MLS HPI for all homes in Canada (again, keeping in mind base effect), single-family homes recorded a 28.4% (nsa y/y) increase—continuing to be the main driver of price growth year over year—followed by a 20.9% (nsa y/y) increase in townhouses. However, on a monthly basis, these same segments recorded the largest deceleration in price gains. While single family homes and townhouses continued to record monthly price gains in April 2021 (2.6% sa m/m), these gains were around 16% percent lower than March's (3% sa m/m), with apartments maintaining the same pace (2.1% sa m/m)—the highest since May 2017.

## IMPLICATIONS





























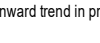



Despite the slowdown in sales relative to March, the housing market remains historically strong. We don't have a firm understanding yet of the reasons sales slowed down in April but it could reflect any of the following, or combinations of: COVID-related impacts, the erosion in affordability, and limited choice owing to the decline in listings. However, potential sellers may be encouraged to list their homes to capture price gains as signs of moderation arise. Furthermore, the expectation of OSFI's new measures might encourage more buyers to enter the market before these measures take effect on June 1<sup>st</sup>. It may also be the case that homebuyers are adjusting their plans in the event that the Bank of Canada tightens its policy rate next year.

This, however, does not change the fact that the fundamental issue in the housing market today is the chronic shortages in housing supply (see [here](#)). Yes, the pandemic and ensuing shift in accommodation preferences, the uneven distribution of the economic impact, the low borrowing rates, and high savings rate, have all fueled the surge in the housing market witnessed over the past year. But the long-standing shortage in supply has been underlying this surge long before COVID hit. Canada's rate of home completions to change in population has been well below its long-term average since 2018, and, right before the pandemic hit, it was at its lowest level ever. The interruption of immigration as a result of border closures has led to an uptick in this ratio, which without a doubt will reverse once immigration picks up again, particularly to meet new and ambitious targets.

While the shift in accommodation preferences to more spacious homes in the suburbs persists, the widening price differential between these units and other smaller units in cities' core means the trend may begin to reverse as relative affordability changes. This can be seen by the robust momentum in the apartment segment of the market while single-family homes and townhouses experienced a deceleration in price gains.

Looking ahead, incoming data continue to point to a robust economic recovery, where Canada might recover its economic and job losses by end of summer this year. This has been further confirmed by the Bank of Canada's signalling that it may raise rates in 2022, earlier than previously planned. As domestic and global restrictions begin to gradually lift alongside widespread vaccinations, we expect demand for housing to also increase due to jobs-recovery and population growth resulting from immigration, supporting housing market activity and prices. Until we are able to increase the stock of homes and achieve a better supply-demand balance in the market, home prices are more likely to go up than down, albeit perhaps at a slower pace than the unsustainable one witnessed over the last year.

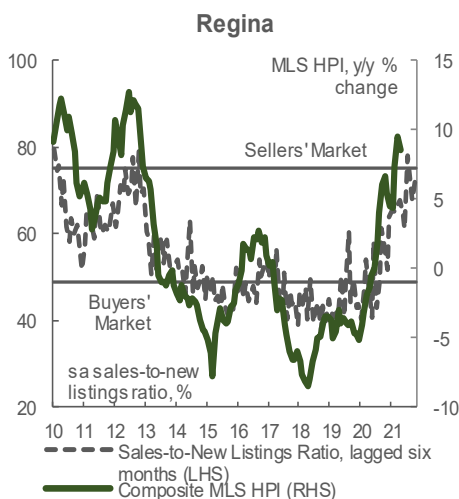
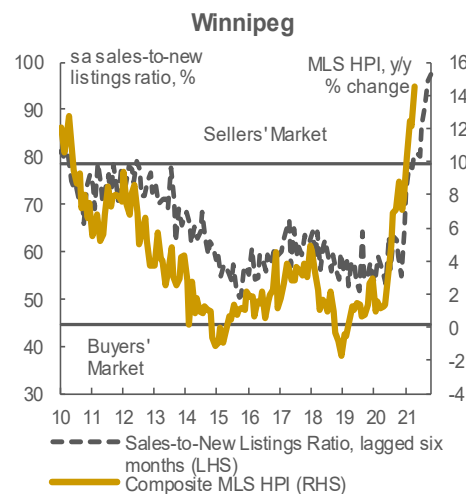
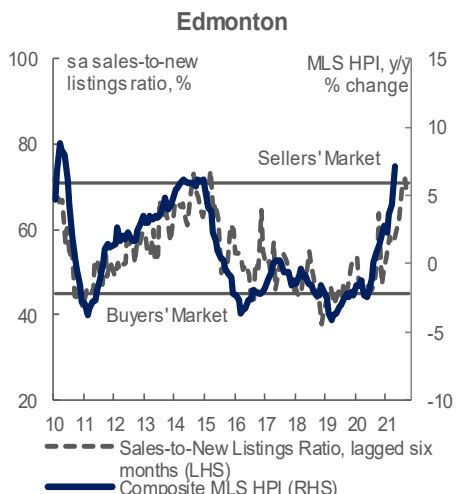
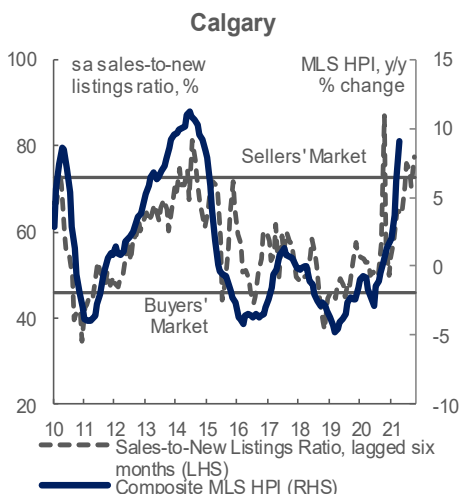
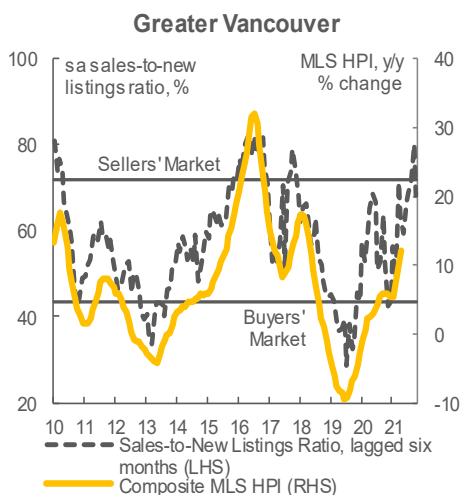
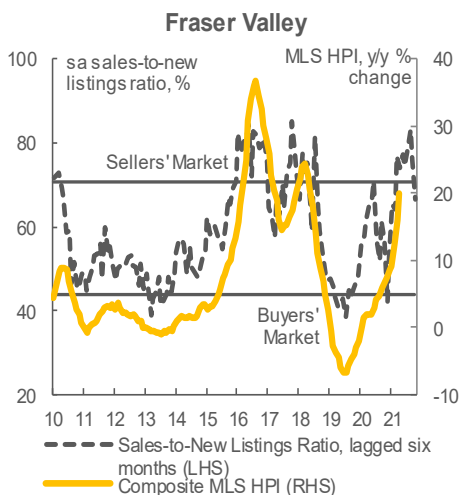
## Scotiabank Housing Market Watch—April 2021

Rank <sup>1</sup>	Real Estate Board	Sales-to-New Listings Ratio							Unit Sales <sup>3</sup>			Avg. Sales Prices <sup>3</sup>			New Listings <sup>3</sup>		
		Last Month Rank	Monthly Change	Sales-to-New Listings Ratio	Std. Dev. from Long-Term Mean <sup>2</sup>	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	--	--	75.2	2.0	•	Sellers'		-12.5	98.9	38.9	-3.7	27.2	17.2	-5.4	65.0	17.5
1	Moncton	1	0	110.2	4.4	•	Sellers'		-3.4	91.3	34.5	3.8	30.9	20.5	-9.7	85.9	17.5
2	Saint John	6	4	96.0	3.7	•	Sellers'		15.4	65.3	27.6	0.6	39.0	16.2	0.9	55.7	7.1
3	Thunder Bay	11	8	100.4	3.0	•	Sellers'		0.4	81.6	11.6	2.8	26.4	17.0	-10.4	58.1	-6.7
4	Okanagan-Mainline (Kelowna)	2	2	100.0	2.9	•	Sellers'		-13.7	181.4	64.3	2.0	29.3	20.8	-4.7	39.5	11.6
5	Sudbury	4	1	83.9	2.1	•	Sellers'		-17.9	85.2	28.8	1.3	34.1	22.1	-7.5	64.7	7.8
6	Winnipeg	13	7	97.4	2.1	•	Sellers'		-12.0	86.1	32.7	-0.8	13.8	8.7	-13.4	19.4	-2.3
7	Kingston	5	2	81.5	2.0	•	Sellers'		-21.2	92.8	35.5	-0.9	36.5	24.2	-9.9	45.5	9.8
8	St. Catharines	23	15	85.7	1.9	•	Sellers'		-12.7	103.0	37.5	0.2	42.2	27.6	-21.6	43.7	5.2
9	Lethbridge	17	8	81.9	1.8	•	Sellers'		-1.3	93.4	39.7	0.7	12.7	8.7	-2.8	35.2	2.2
10	London	8	2	79.7	1.7	•	Sellers'		-20.3	71.3	24.8	0.5	43.4	29.7	-7.4	39.9	3.7
11	Windsor	9	2	75.7	1.6	•	Sellers'		-17.2	64.1	22.5	3.3	43.6	30.3	-5.3	31.7	4.0
12	Halifax	12	0	94.3	1.6	•	Sellers'		-11.8	61.1	28.4	-0.5	37.1	23.2	-2.3	47.9	16.6
13	NL (St. John's)	26	13	62.9	1.5	•	Sellers'		6.0	80.6	32.5	2.8	8.9	5.0	1.6	67.8	8.4
14	Peterborough	7	7	77.5	1.4	•	Sellers'		-16.1	102.2	30.2	-12.0	40.3	27.4	6.3	72.3	2.5
15	Calgary	29	14	77.4	1.4	•	Sellers'		10.6	174.4	44.5	1.8	15.1	5.3	0.8	80.7	15.2
16	Victoria	10	6	81.4	1.4	•	Sellers'		-7.7	115.1	47.8	0.5	23.2	16.4	6.7	47.4	19.0
17	Ottawa	3	14	75.6	1.3	•	Sellers'		-22.4	71.6	23.5	-1.8	32.5	24.3	3.9	62.7	19.2
18	Montreal	25	7	73.2	1.3	•	Sellers'		2.2	35.8	23.1	2.4	26.0	19.8	1.9	53.9	27.6
19	Quebec City	14	5	77.6	1.2	•	Sellers'		-12.3	36.8	36.3	2.0	19.7	11.4	-1.6	46.6	1.3
20	PEI (Charlottetown)	20	0	84.9	1.1	•	Sellers'		-10.0	100.3	30.2	2.8	27.6	20.5	0.8	60.9	8.4
21	KW*	16	5	77.4	1.1	•	Sellers'		-24.6	91.9	35.1	-0.5	32.0	20.8	-15.2	69.4	19.1
22	Guelph	19	3	80.9	0.9	•	Balanced		-27.9	85.4	28.4	3.1	32.1	23.5	-17.2	58.1	8.4
23	Regina	31	8	72.7	0.8	•	Balanced		-7.4	100.3	54.9	6.6	6.9	2.8	-13.6	51.1	16.0
24	Edmonton	30	6	68.3	0.8	•	Balanced		-0.1	138.5	39.7	-1.3	11.4	5.2	0.4	54.0	13.6
25	Saskatoon	15	10	64.8	0.8	•	Balanced		-16.2	109.9	51.6	-0.7	8.7	5.8	1.8	48.9	10.5
26	Toronto	24	2	65.9	0.8	•	Balanced		-19.7	120.8	39.8	-3.6	22.8	15.7	-12.3	88.0	31.3
27	Brantford	27	0	74.9	0.8	•	Balanced		-5.2	81.6	31.5	2.8	43.3	29.7	4.9	60.1	4.4
28	Vancouver	18	10	68.1	0.7	•	Balanced		-17.3	150.7	53.4	1.3	13.9	10.3	-2.5	97.6	38.6
29	Fraser Valley (Abbotsford)	22	7	66.7	0.7	•	Balanced		-14.3	167.1	70.1	2.9	30.0	19.1	-2.4	109.5	42.2
30	Hamilton-Burlington	21	9	72.5	0.6	•	Balanced		-23.5	83.3	30.6	-2.2	33.0	22.7	-6.9	67.8	13.8
31	Barrie	28	3	73.1	0.3	•	Balanced		-27.0	108.9	52.5	2.4	38.7	27.4	-11.1	61.4	4.7

<sup>1</sup> Ordered from most- to least-tilted towards sellers. <sup>2</sup> 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. <sup>3</sup> Year-over-year percentage change. \* Kitchener-Waterloo. Sources: Scotiabank Economics, CREA.

## MLS Home Price Indices

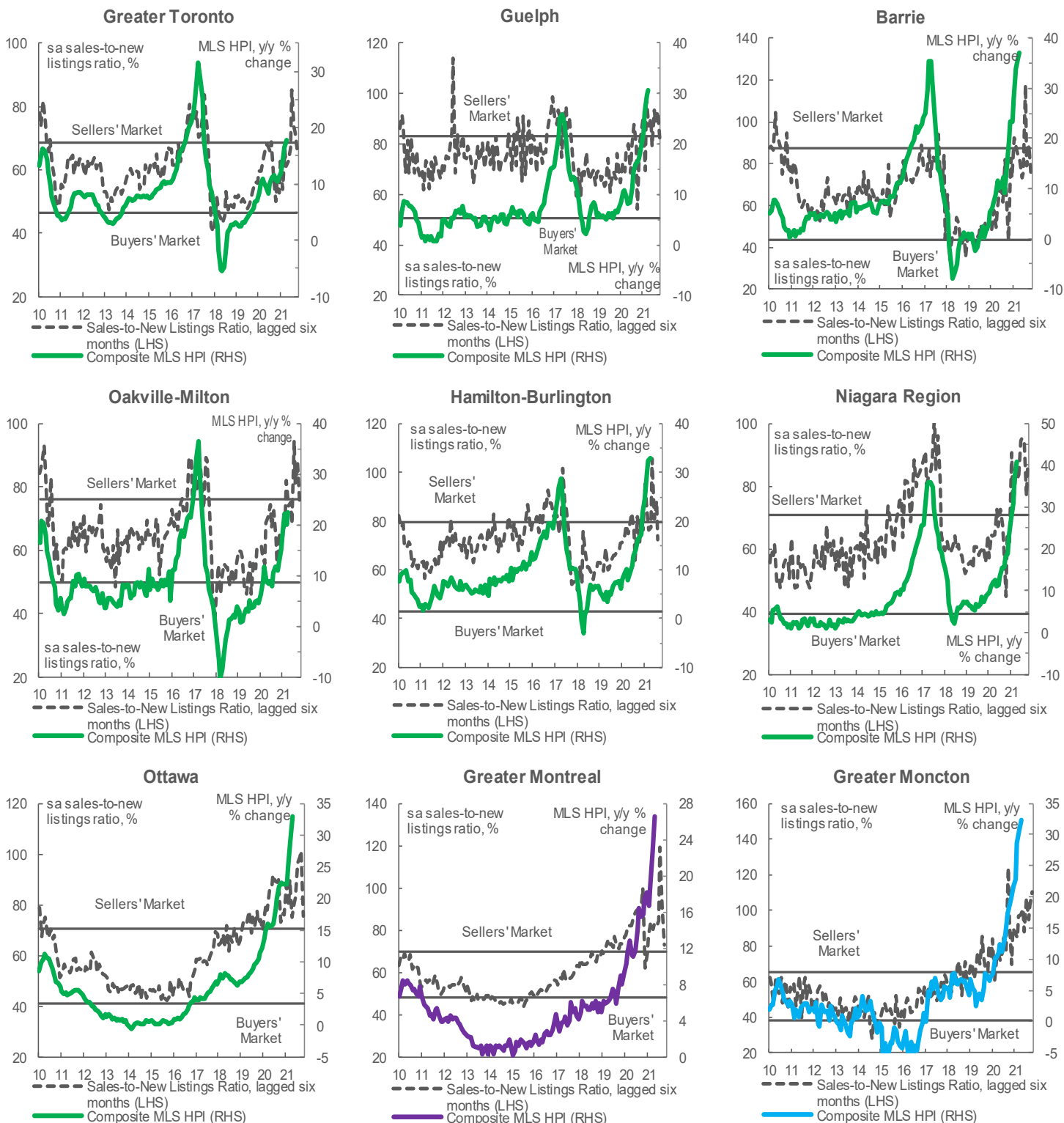
### WESTERN CANADA



Sources: Scotiabank Economics, CREA.

## MLS Home Price Indices (cont.)

### EASTERN CANADA



Sources: Scotiabank Economics, CREA.

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