

Contributors

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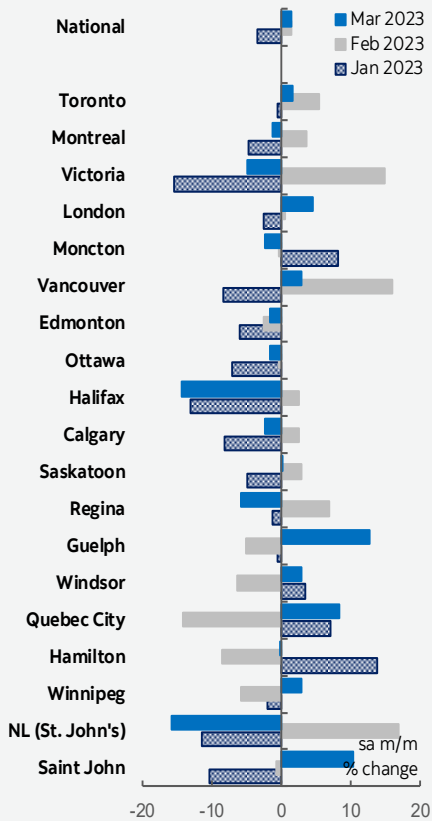
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Canada	Mar-23	Feb-23	Mar-23
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	1.4	1.5	-34.4
New listings (% change)	-5.8	-8.4	-27.4
Average price (% change)	2.0	0.8	-12.2
MLS HPI (% change)	0.2	-0.8	-15.5
	Mar-23	Feb-23	Mar-22
Sales-to-new listings ratio (level) ¹	63.5	59.0	68.5
Months inventory (level) ¹	3.9	4.1	2.0

¹seasonally adjusted ²not seasonally adjusted

Home Sales for Select Cities



Sources for chart and table: Scotiabank Economics, CREA.

Canadian Home Sales — March 2023

CANADA HOUSING MARKET: HELLO SPRING (MARKET)

SUMMARY

Canadian home sales rose 1.4% (sa m/m) in March, despite listings dropping by 5.8%, having declined by almost 8% in the previous month. Two consecutive months of sales increases of the same size combined with two consecutive months of significantly larger declines in listings pushed the sales-to-new listings ratio, an indicator of how tight the market is, to 63.5%—the tightest since last April and above the long-term average of 55.1%. However, the national housing market remained in balanced territory. Months of inventory declined for the second month in a row, reversing an easing trend that had been in motion since the fall of 2021 and dropped to 3.9 months—more than a full month below its long-term average.

It was a fairly even split between markets that saw sales increase and those where sales declined, while the drop in listings was more widespread. Sales increased in 17 of the 31 local markets we track, with a particularly significant increase in BC’s Fraser Valley and double-digit increases in Saint John, Okanagan-Mainline and Guelph, more than offsetting declines elsewhere. Sales increased in most of Ontario large urban centers, making BC and Ontario the drivers of March’s national activity. On the other hand, listings declined in 26 of the local markets, with 9 of them being in double digits.

Prices increased in March, albeit by a very small amount, that may be wiped out when data are revised next month. Still, it would be a month where prices, as measured by the MLS Home Price Index (HPI), at least did not decline for the first time since February 2022. The MLS HPI edged up 0.2% (sa m/m), driven by the single-family home segments as the HPI for apartments and townhouses fell again in March, but by the smallest amount since October 2022. With this month’s results, the MLS HPI is still 30% above pre-pandemic levels while being 16% below its February 2022 peak.

IMPLICATIONS

National home sales increased again in March, by a similar amount as in the previous month—the first two consecutive monthly increases since the housing market began its correction stage in February 2022. This coincided with two consecutive, and relatively large, monthly declines in listings, which added tightness to the market and supported prices—leaving the MLS Home Price Index (HPI) relatively unchanged (edging up by 0.2%) from the previous month after consistently declining each month since February 2022.

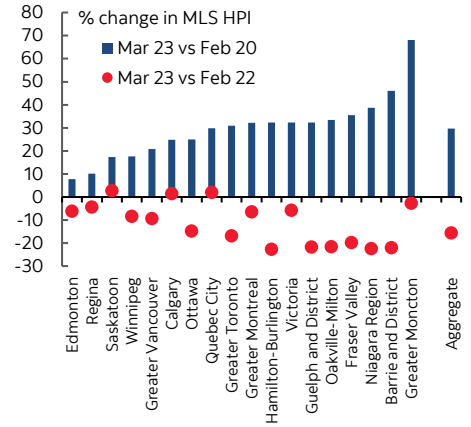
Back in October 2022, when home sales ticked up after 7 months of consecutive declines, we wondered whether this would mark the beginning of the end of the housing market correction triggered by buyers interpreting the month’s uptick as the dip. But we cautioned against over-inferring from a single data point. Since then, additional signs of a possible reversal have emerged, with sales increasing in 3 of the 5 months following October. March’s uptick in prices, while small, increases the likelihood that this may mark the beginning of the ‘recovery’ stage. As buyers see signs of an increase in activity and prices, they may be enticed to rush back to the market before prices go up any further, in turn adding more pressure on activity and prices. If this trend continues, it would be best described as a reversal rather than a recovery with a return of demand that is not coinciding with a meaningful increase in supply. With only one side of the ledger recovering, this would reintroduce imbalances to the market and reverse some of the improvements we have seen over the past year towards a more balanced and sustainable market and conditions. The needed improvement in housing affordability conditions will therefore be again delayed.

While we continue to believe that prices will go down a bit more, we are less confident of this given signs of a rebound in demand with still-low inventory. On one hand, there is still room for prices to decline in response to lagged impacts of higher rates—while we expect the Bank of Canada to hold its policy rate at 4.5% through this year, the projected decline in the inflation rate means the real—inflation adjusted—policy rate, which is what matters for economic conditions, will continue to increase through this year (see [here](#)). This and the projected economic slowdown later this year (remember, we’re still trying to engineer a mild recession to bring inflation down to the 2% target!) would dampen activity relative to what it otherwise would be given pent-up demand for housing and strong population growth owing to high immigration targets. On the other hand, this pent-up demand and the retightening in conditions as the sales-to-listing ratio rises rapidly combined with the decline in fixed-rate mortgage rates may cause prices to resume their increase earlier than we had expected.

Despite the potential additional declines, prices will remain above pre-pandemic levels (see [here](#)). In fact, despite the decline in prices since February 2022, the MLS HPI remains 30% above its pre-pandemic levels (chart 1). And, with the eventual easing in financial conditions expected next year, combined with the reduction of prices that has already occurred, affordability will likely improve at a time when there is pent-up demand from both the erosion of affordability up to this point (with higher mortgage rates more than offsetting declines in prices) and strong population growth. This again points to a stabilization in housing market activity, which is supported by recent data, and an eventual uptick in demand and prices as we look onto next year.

Chart 1

Perspective on Prices

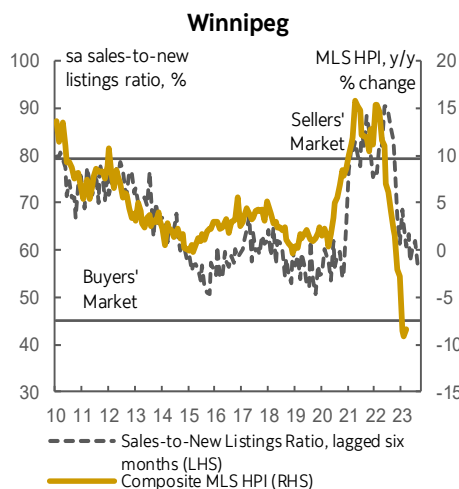
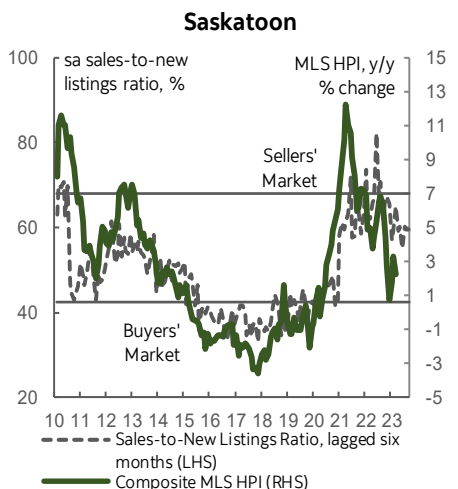
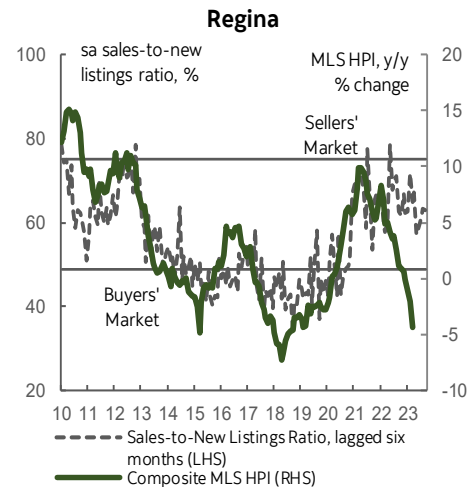
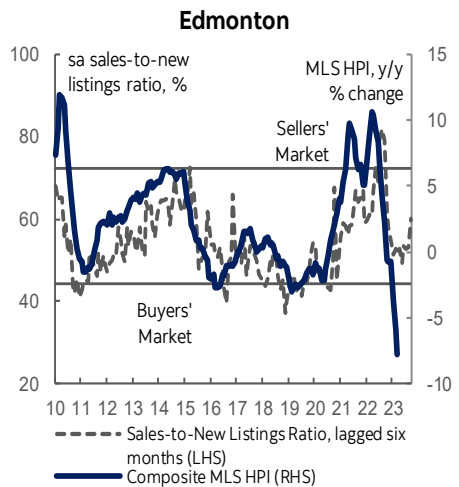
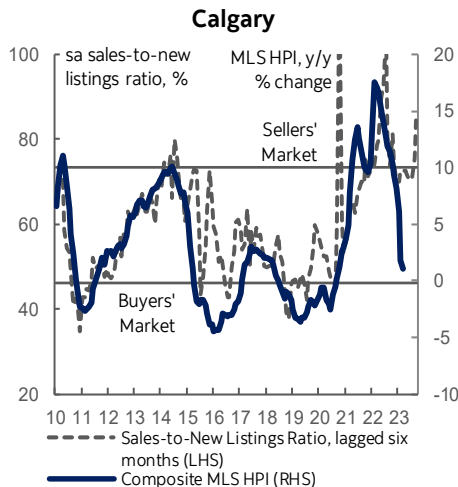
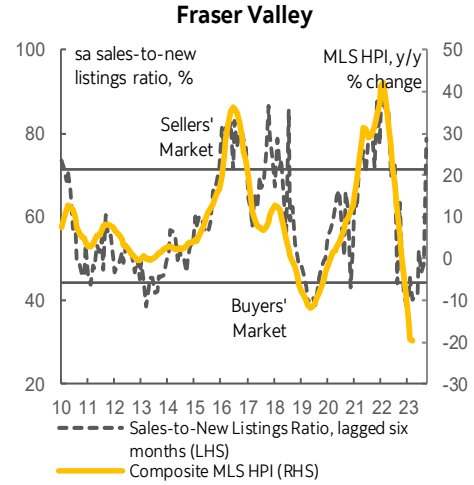
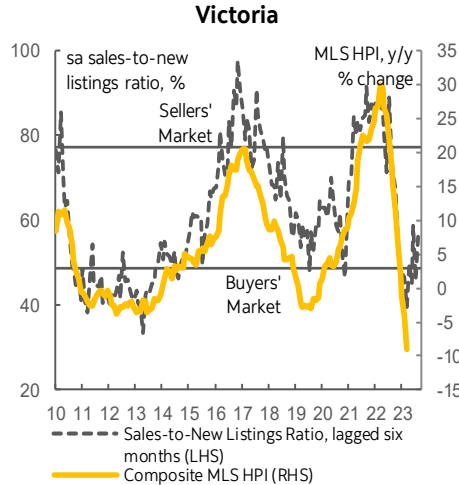


Sources: Scotiabank Economics, CREA.

Scotiabank Housing Market Watch—March 2023																		
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	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	--	--	63.5	0.7	•	Balanced		1.4	-37.0	-31.2	2.0	-14.2	-3.3	-5.8	-21.2	-5.3	
1	Saint John	76	↑ 75	86.2	2.3	•	Sellers'		10.5	-33.7	-26.0	19.9	-8.9	6.6	-2.5	-27.4	-12.5	
2	Moncton	74	↑ 72	84.4	2.0	•	Sellers'		-2.4	-13.3	-21.5	5.1	-12.0	5.7	-14.4	-7.1	0.6	
3	Lethbridge	79	↑ 76	83.9	1.8	•	Sellers'		2.8	-29.3	-20.8	0.0	0.2	4.8	-3.0	-20.9	-6.1	
4	Calgary	75	↑ 71	84.5	1.7	•	Sellers'		-2.3	-44.0	-19.6	2.0	-3.4	2.0	-12.7	-39.0	-16.2	
5	NL (St. John's)	81	↑ 76	68.4	1.7	•	Sellers'		-15.8	-20.7	-12.2	-2.9	3.0	5.9	0.0	-20.3	-11.2	
6	Fraser Valley (Abbotsford)	49	↑ 43	78.7	1.5	•	Sellers'		39.9	-46.0	-50.6	0.6	-24.7	-9.3	-13.6	-45.0	-21.5	
7	Sudbury	78	↑ 71	71.9	1.3	•	Sellers'		-1.1	-38.4	-24.6	-1.7	-15.1	1.8	7.8	-25.8	-9.1	
8	Thunder Bay	64	↑ 56	74.1	0.8	•	Balanced		4.0	-24.9	-11.0	10.5	-16.9	0.2	-9.8	-6.2	6.3	
9	Saskatoon	59	↑ 50	64.4	0.7	•	Balanced		0.2	-21.8	-16.5	4.1	-0.8	-0.1	-7.4	-14.8	-9.5	
10	Toronto	58	↑ 48	63.8	0.5	•	Balanced		1.6	-42.5	-43.3	0.8	-16.4	-4.3	-7.3	-35.4	-14.6	
11	Hamilton-Burlington	63	↑ 52	70.4	0.5	•	Balanced		-0.2	-32.3	-34.6	0.1	-22.4	-5.4	-10.3	-23.2	1.4	
12	Peterborough	69	↑ 57	63.9	0.4	•	Balanced		-18.8	-40.3	-32.9	4.1	-24.8	-7.4	-12.2	-20.8	3.6	
13	London	58	↑ 45	61.2	0.3	•	Balanced		4.5	-39.2	-36.6	3.0	-23.7	-5.0	-1.2	-16.5	6.2	
14	Ottawa	61	↑ 47	60.9	0.3	•	Balanced		-1.6	-39.2	-32.2	-1.8	-13.9	-1.9	-2.1	-13.8	-2.6	
15	Quebec City	64	↑ 49	68.3	0.3	•	Balanced		8.4	-24.9	-16.6	3.3	0.0	5.4	1.5	-8.5	0.8	
16	KW*	62	↑ 46	66.0	0.2	•	Balanced		2.8	-43.1	-32.7	2.0	-21.5	-6.2	-3.1	-34.0	1.9	
17	Guelph	60	↑ 43	70.9	0.2	•	Balanced		12.8	-35.1	-32.8	2.5	-24.2	-5.3	-5.1	-24.3	3.1	
18	Kingston	50	↑ 32	54.6	0.2	•	Balanced		-2.5	-32.2	-27.5	-0.9	-14.9	0.2	-10.7	12.6	16.5	
19	Halifax	73	↑ 54	70.5	0.2	•	Balanced		-14.4	-30.7	-25.8	-2.6	-7.7	5.2	-11.6	-16.6	-10.0	
20	Edmonton	53	↑ 33	60.0	0.1	•	Balanced		-1.6	-40.0	-19.3	2.3	-9.9	-2.4	-12.8	-12.4	-1.0	
21	Brantford	52	↑ 31	62.2	0.1	•	Balanced		0.7	-36.0	-34.3	0.5	-25.4	-9.0	-16.3	-17.2	8.2	
22	Regina	63	↑ 41	62.9	0.1	•	Balanced		-5.8	-18.1	-8.4	-2.8	-6.8	-5.4	-5.4	-10.7	-4.2	
23	St. Catharines	50	↑ 27	54.1	-0.1	•	Balanced		2.4	-33.0	-38.7	2.7	-21.8	-5.7	-5.1	-9.0	9.1	
24	Vancouver	51	↑ 27	56.2	-0.1	•	Balanced		3.0	-47.3	-43.1	1.9	-7.6	-0.1	-6.9	-31.7	-19.8	
25	PEI (Charlottetown)	53	↑ 28	53.0	-0.1	•	Balanced		0.0	-34.0	-24.6	6.5	2.2	10.2	0.8	3.8	-2.5	
26	Okanagan-Mainline (Kelowna)	42	↑ 16	51.2	-0.1	•	Balanced		10.8	-44.6	-38.5	0.0	-11.9	1.5	-9.8	-7.6	7.0	
27	Montreal	59	↑ 32	57.5	-0.3	•	Balanced		-1.3	-31.1	-25.7	1.7	-6.5	2.2	0.4	-7.3	1.3	
28	Winnipeg	57	↑ 29	57.7	-0.3	•	Balanced		2.9	-25.8	-19.8	-1.0	-9.2	2.0	1.3	8.9	4.5	
29	Barrie	50	↑ 21	56.2	-0.4	•	Balanced		5.1	-35.4	-34.6	1.2	-21.6	-5.6	-6.6	-18.3	18.2	
30	Victoria	57	↑ 27	56.1	-0.5	•	Balanced		-4.9	-33.9	-34.4	-2.4	-10.7	1.5	-4.0	-5.7	4.6	
31	Windsor	44	↑ 13	48.7	-0.6	•	Balanced		3.0	-41.8	-34.9	0.9	-22.5	-5.8	-6.5	-9.5	6.1	

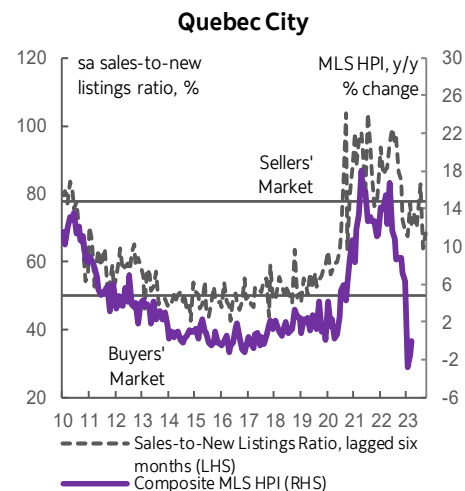
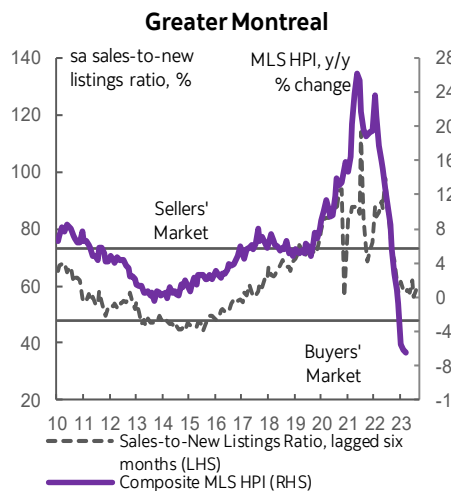
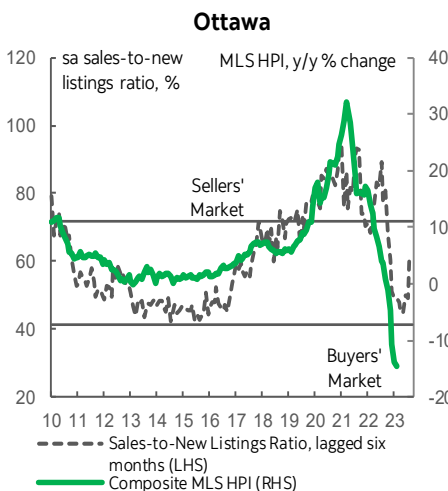
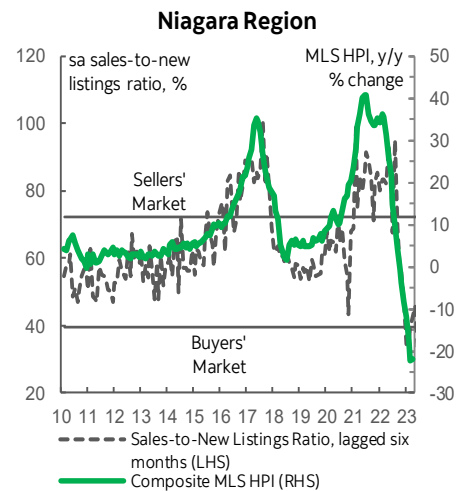
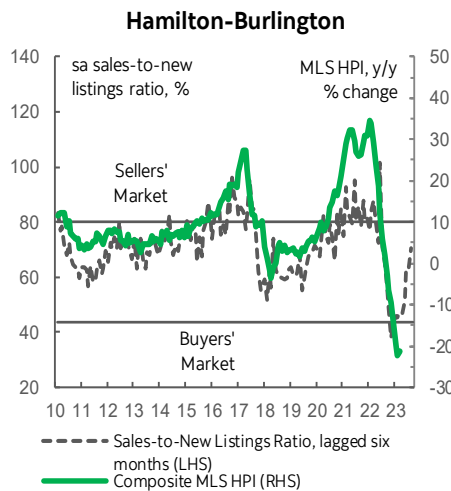
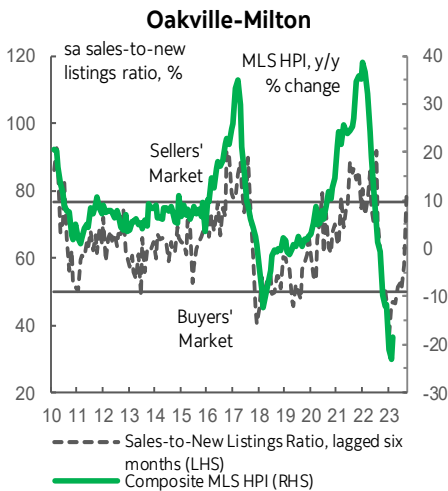
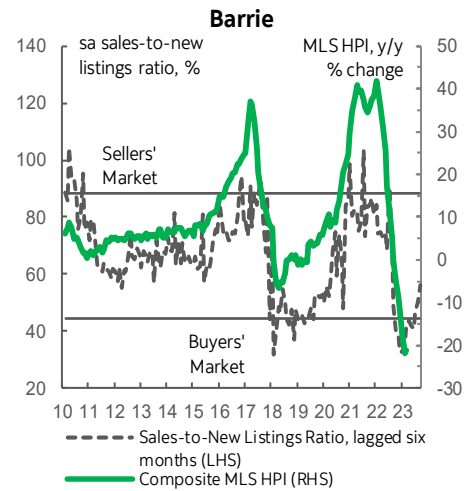
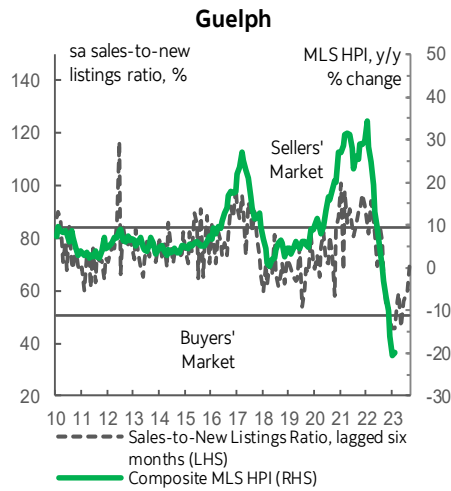
¹ Ordered from most- to least-tilted towards sellers. ² A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term mean less than 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 1990-2020 mean. ³ Year-over-year percentage change. * Kitchener-Waterloo. Sources: Scotiabank Economics, CREA.

MLS Home Price Indices — Western Canada



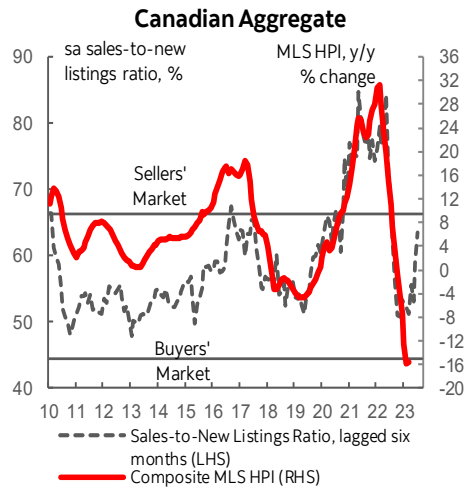
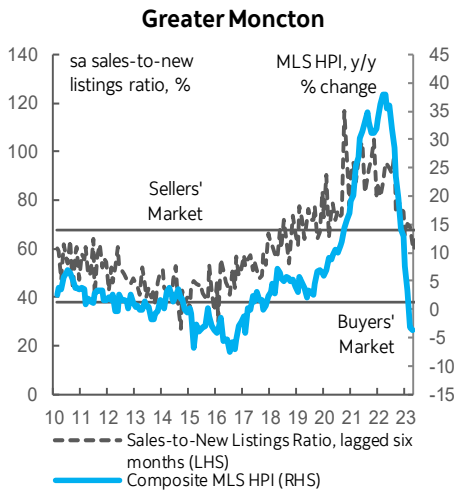
Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.) — Eastern Canada



Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.) — Eastern Canada and Canadian Aggregate



Sources: Scotiabank Economics, CREA.

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