

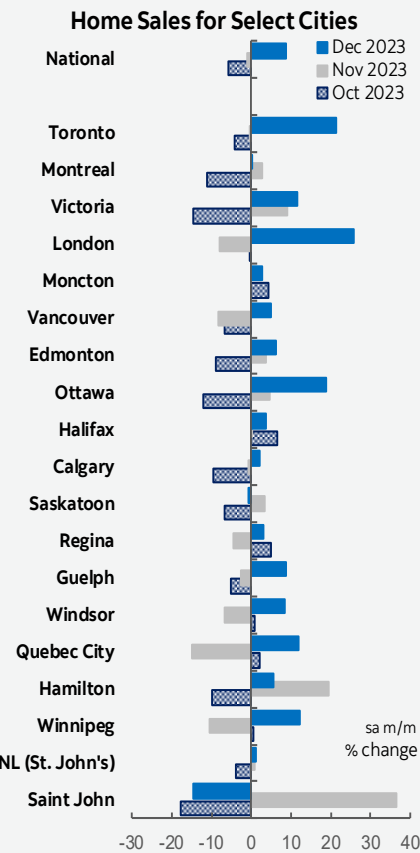
Contributors

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Canada	Dec-23	Nov-23	Dec-23
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	8.7	-1.1	3.7
New listings (% change)	-5.1	-2.1	5.8
Average price (% change)	2.0	-0.2	5.7
MLS HPI (% change)	-0.8	-1.0	0.7

	Dec-23	Nov-23	Dec-22
Sales-to-new listings ratio (level) ¹	57.8	50.5	56.3
Months inventory (level) ¹	3.8	4.2	3.9

¹seasonally adjusted ²not seasonally adjusted



Sources for chart and table: Scotiabank Economics, CREA.

Canadian Home Sales — December 2023

CANADA HOUSING MARKET: YEAR IN REVIEW

SUMMARY

Canadian home sales jumped 8.7% (sa m/m) in December. New listings moved in the opposite direction, falling by 5.1%. These large opposite moves increased the sales-to-new listings ratio, an indicator of how tight the market is, to 57.8%, pushing it slightly above its long-term average of 55% after having been below during the previous 3 months. Still, the national market ended the year in balanced territory. There were 3.8 months of inventory—down from November’s 4.2 but still above the 2023 low of 3.2 in May and June. Months of inventory remains below its long-term average of around five months. In Atlantic Canada, months of inventory is between 4–5 months below its long-term averages.

The year as a whole recorded 11.1% fewer sales than in 2022, 7.7% fewer listings, and 3.6% lower average selling price. Sales in 2023 were 7.8% below their 2010–19 annual average, while listings were 10% below.

December’s sales increase was considerably widespread. Sales increased in 26 of the 31 markets we track, with Toronto, Barrie and London recording increases north of 20%. Saint John saw the biggest decline of the 5 remaining markets (-14.7%). December’s level of sales was 5.8% below the 2010–19 average level observed for this month.

The decline in listings was also widespread. The number of newly listed properties fell in over two-thirds of the markets we track. Out of the 22 markets where listings declined, St. Catherines recorded the largest decline of 32.1%, followed by Saint John at around 29.2%. Persistent declines in new listings since October reversed previous improvements and pushed December’s level of listings further below (8%) the 2010–19 average level observed for this month.

Of the 31 local markets we track, 25 ended the year in balanced territory compared to 19 at the start the year. Saint John, Halifax, Thunder Bay, and Saskatoon remained in sellers’ territory, while Guelph and Kelowna remained in buyers’ territory.

Prices, as measured by the MLS Home Price Index (HPI), fell by 0.8% (sa m/m) in December—a smaller decline than the previous two months. There were regional differences however, whereby prices increased in over a third of the local markets we track, which were offset by declines elsewhere. December’s monthly decline was led by single-family homes (-1.0%) followed by townhomes (-0.8%) and apartments (-0.7%).

The annual MLS HPI was 7% lower in 2023 than in 2022. However, it remained 6.5% above 2021, which in itself was 22.5% above 2020. The annual MLS HPI of single-family homes was 7.4% lower than in 2022, while townhouses’ was 6.7% lower and apartments 4.4% lower.

IMPLICATIONS

Canada’s housing market ended 2023 with a surprise jump in sales activity after a period that had buyers and sellers on the sidelines due to uncertainty and unaffordability. This is on theme for how the year started—following the soft period that was widely described as the housing market correction following Bank of Canada 2022 hikes, the market surprised with a resurgence of activity in February 2023.

At the very start of the year, we and everyone else, including the Bank of Canada, were expecting an eventual uptick in demand driven by pent-up demand, population growth, resilient labour markets, and the expected stabilization in the Bank of Canada’s policy rate with the predicted decline in inflation at the time. However, the timing, magnitude and speed in which this uptick happened surpassed all our expectations.

An unexpected increase in sales in February quickly turned into a pandemic-like resurgence in activity and marked the end of the correction. This is typical in a market like the housing market: as buyers see signs of an increase in activity and prices, they are enticed to rush back to the market before prices go up any further, in turn adding more pressure on activity and prices—a self fulfilling cycle that goes both ways. A perceived trend of slowing demand and declining prices would only encourage more of both as buyers may hold off for prices to decline further and therefore add to the slowdown in demand.

Market rates had been stabilizing in the first half of 2023 following the Bank of Canada pause in December 2022, while market pricing of cuts in 2023 translated into a reduction in fixed rates. This encouraged buyers who had been on the sidelines as rates increased and prices declined to return to the market. Those buyers had amassed larger down payments during the slowdown, and were therefore equipped to join the market once signs of the end of the correction emerged, encouraged by the widespread conviction at the time that the Bank is done hiking and cuts are imminent.

The premature end to the correction posed challenges for the Bank of Canada and its efforts to slow down the economy and bring inflation back to its 2% target. This, in large part, was behind the June and July hikes, following which, housing activity tapered off and began declining again (chart 1). The BoC hikes and the change in tone pushed variable and fixed rates up, increasing the cost of borrowing and slowing demand through that channel. However, the bigger driver of the slowdown in housing activity following these hikes had to be the uncertainty effect created by the BoC actions. By signalling that a pause is not a guarantee of an end, uncertainty about future outcomes of rates, inflation, and economic activity dawned on potential buyers, exacerbated by the sovereign yield volatility and geopolitical tensions at the time.

Prices followed suit in both directions with a lag—picking back up in March through August then starting to decline again (chart 2). However, despite the ups and downs, including December’s decline, prices remained quite elevated relative to 3 years ago.

We observed that during the preceding correction period, prices had fell the most in cities where they had peaked the most during the pandemic rally. Then, between March and August, prices increased more in regions where they had corrected towards their pre-pandemic levels more during the correction period. The price declines that followed were more pronounced in markets where prices had remained well above pre-pandemic levels despite the preceding correction, mainly markets in Ontario, and to a lesser extent, BC (chart 3). Note that some markets, namely Calgary, Greater Moncton, Quebec City and Saskatoon, continued to mostly record price increases over the whole period and prices there remain above February 2022 levels.

The combination of still elevated house prices, high borrowing rates and looming uncertainty had potential buyers on the sidelines for much of the second half of the year as they awaited more clarity on the direction of the economy and the rate cuts they now expected in 2024. The latter indicated a potential for an eventual pick-up of demand and prices as pent-up demand is released once the widely expected rate cutting cycle begins, or, earlier as bond yields and fixed rates begin pricing incoming cuts.

December’s surprise jump in sales does not necessarily indicate the beginning of this potential rebound period in response to lower rates. Only 1-year fixed rates declined and by a mere 20 basis points in the last ten days of December, which is unlikely to have had a major impact on housing affordability to have spurred the month’s jump.

Chart 1

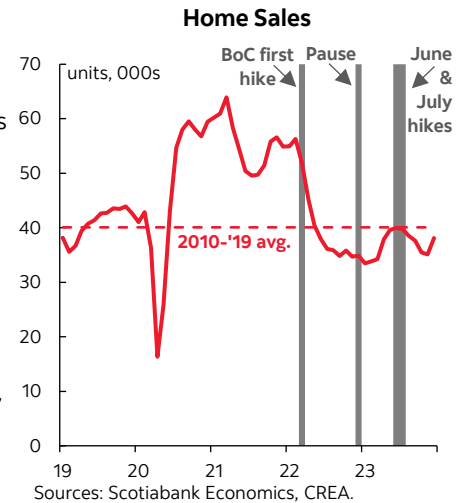


Chart 2

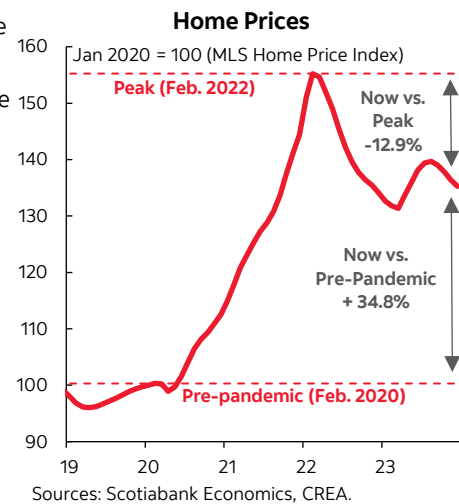
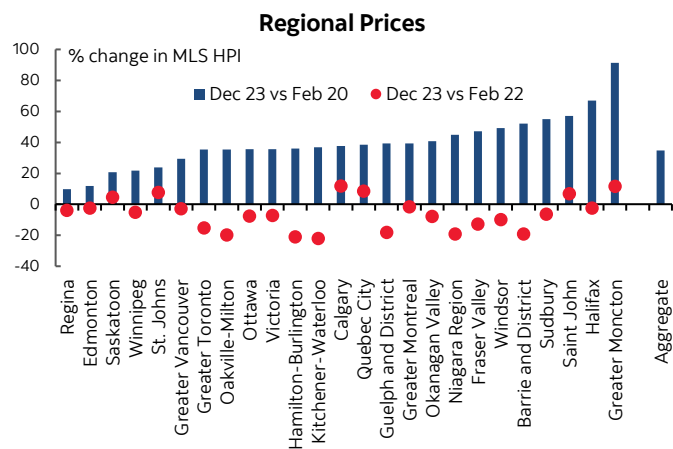


Chart 3



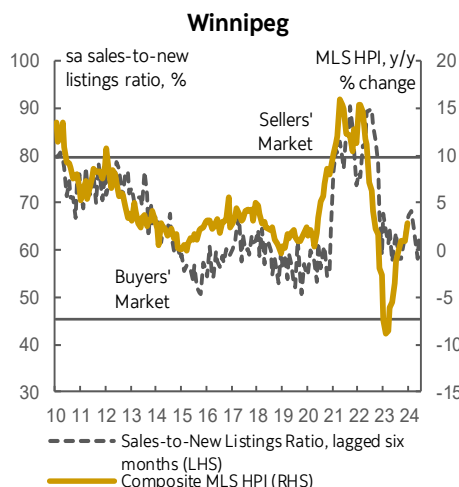
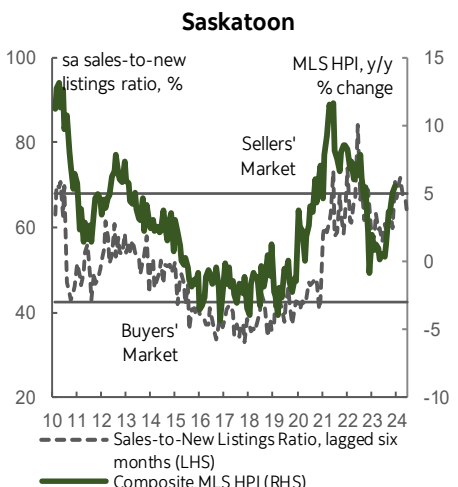
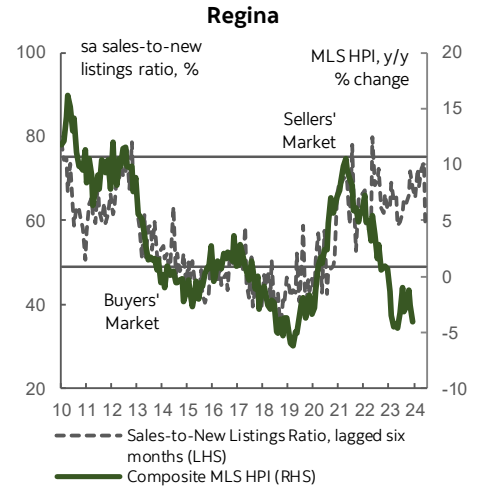
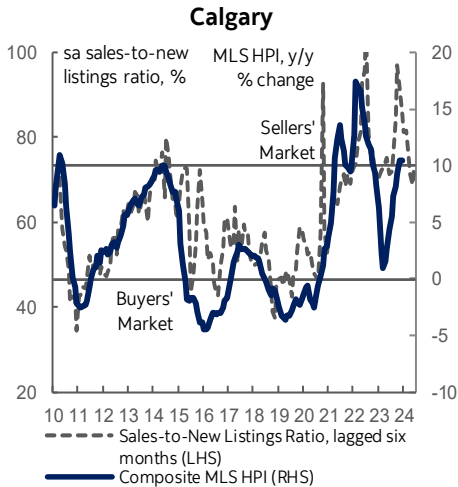
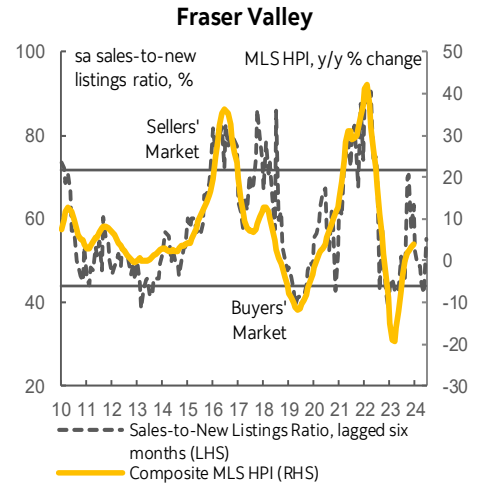
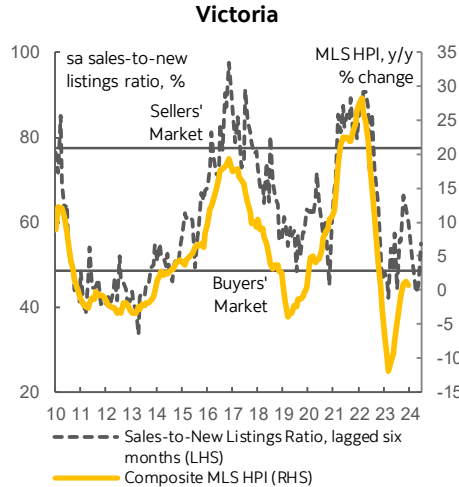
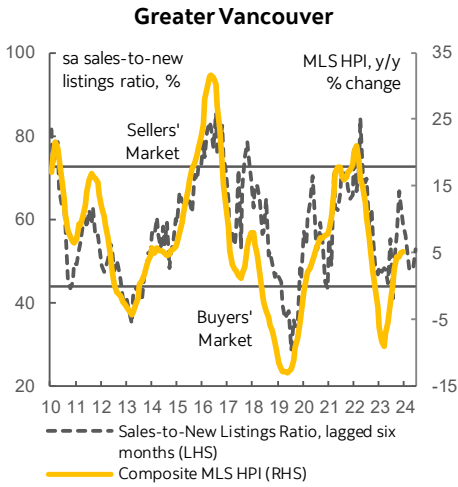
January 15, 2024

As we look ahead, however, the housing market will likely be responding to different forces. On one side, we have this expected release of pent-up demand, which might occur before the BoC begins cutting as buyers try to time a purchase to capture lower fixed rates and the lowest house price possible before an uptick of demand in response to rate cuts pushes prices back up. On the other side, we do expect a slowing economy ahead and an uptick in unemployment which might subdue households' ability to make these purchases. And on the other, other, side, we have inflation and the Bank of Canada: if the resulting return of activity occurs too fast and too strong for comfort, whereby upward pressure on prices reintroduces inflationary pressures, the BoC might consider hiking again. Given an already stalling economy, extra hikes might well just be what pushes the economy into a recession—which would have wide reaching implications.

Scotiabank Housing Market Watch—December 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	--	--	57.8	0.2	•	Balanced		8.7	0.8	-11.1	2.0	4.2	-2.5	-5.1	11.8	-7.7	
1	Saint John	1	0	95.9	2.9	•	Sellers'		-14.7	-4.8	-19.6	-6.6	6.3	2.8	-29.2	-1.9	-18.9	
2	Halifax	3	1	86.9	1.7	•	Sellers'		3.8	7.7	-13.5	-0.5	6.6	2.7	-9.5	16.7	-12.3	
3	Thunder Bay	7	4	79.9	1.3	•	Sellers'		6.4	-5.8	-11.1	-5.7	12.2	-0.3	-1.7	-2.9	-4.9	
4	Saskatoon	9	5	68.3	1.0	•	Sellers'		-0.6	13.0	-0.9	-0.5	6.1	1.3	-6.7	0.6	-6.4	
5	Moncton	2	3	68.5	1.0	•	Balanced		2.8	6.8	-8.5	0.7	10.6	0.3	4.5	2.4	-12.9	
6	Calgary	10	4	72.8	0.9	•	Balanced		2.1	11.2	-10.0	-0.7	8.6	4.3	-3.6	26.4	-13.2	
7	PEI (Charlottetown)	6	1	63.3	0.8	•	Balanced		5.1	-2.1	-4.9	-1.4	-1.7	-1.8	4.4	-1.8	-1.0	
8	Lethbridge	11	3	70.4	0.8	•	Balanced		14.3	3.8	-9.5	0.5	3.4	2.2	1.8	-1.9	-14.5	
9	NL (St. John's)	8	1	56.7	0.8	•	Balanced		1.1	-6.9	-15.2	-0.7	1.3	0.8	0.9	4.4	-5.4	
10	Sudbury	4	6	63.6	0.8	•	Balanced		-4.5	5.4	-18.9	2.8	5.3	-1.7	0.0	18.4	-9.6	
11	Quebec City	13	2	74.6	0.7	•	Balanced		11.9	6.8	-7.0	-1.2	3.3	2.1	-0.3	6.1	-5.9	
12	Edmonton	12	0	62.1	0.3	•	Balanced		6.2	23.2	-8.4	1.8	1.7	-3.0	3.7	7.5	-10.3	
13	Ottawa	16	3	59.9	0.2	•	Balanced		18.9	-0.7	-10.7	1.0	2.1	-4.1	-4.4	2.6	-7.0	
14	Winnipeg	15	1	62.4	0.0	•	Balanced		12.3	1.5	-11.7	8.8	3.5	-2.7	4.6	3.3	-2.3	
15	London	22	7	56.4	0.0	•	Balanced		26.0	-1.8	-13.2	2.0	-0.7	-8.9	-6.5	12.4	-8.6	
16	Hamilton-Burlington	20	4	60.9	0.0	•	Balanced		5.7	-7.1	-10.4	2.0	0.7	-8.0	-20.0	13.6	-11.1	
17	Kingston	17	0	50.3	-0.1	•	Balanced		8.2	-6.9	-15.7	-3.3	-6.1	-7.9	-12.3	17.0	5.8	
18	Fraser Valley (Abbotsford)	25	7	55.1	-0.2	•	Balanced		18.8	9.9	-4.1	-2.7	6.1	-5.1	-9.1	11.3	-13.0	
19	Regina	5	14	59.3	-0.2	•	Balanced		3.1	20.8	-4.7	-1.5	3.4	-2.8	28.4	7.1	-8.4	
20	Peterborough	19	1	53.1	-0.2	•	Balanced		17.2	-31.9	-21.7	-3.7	-2.2	-10.8	-1.1	-11.3	-12.9	
21	KW*	24	3	58.5	-0.3	•	Balanced		10.4	10.7	-14.3	-0.7	-0.1	-6.7	-10.1	27.6	-13.4	
22	Montreal	14	8	56.8	-0.3	•	Balanced		0.4	-3.3	-14.8	2.9	5.2	0.2	3.7	6.4	-7.8	
23	Brantford	23	0	54.8	-0.4	•	Balanced		18.1	11.7	-8.3	13.5	7.2	-7.4	-6.3	18.2	-6.3	
24	Vancouver	18	6	52.7	-0.4	•	Balanced		5.1	4.0	-10.0	-1.4	5.7	1.1	-4.5	5.4	-9.6	
25	Toronto	31	6	53.3	-0.4	•	Balanced		21.3	-2.3	-12.3	2.5	2.3	-4.0	-12.6	23.4	-7.9	
26	St. Catharines	28	2	48.9	-0.4	•	Balanced		-1.5	-3.2	-8.6	3.0	2.7	-7.9	-32.1	23.8	0.2	
27	Windsor	26	1	50.2	-0.5	•	Balanced		8.6	-1.4	-15.8	0.5	3.2	-7.6	-10.8	9.1	-10.8	
28	Victoria	27	1	55.1	-0.5	•	Balanced		11.8	-5.4	-8.7	-1.4	3.3	-2.1	-8.5	10.6	-2.3	
29	Barrie	29	0	50.0	-0.7	•	Balanced		25.0	-23.7	-15.6	-1.9	-1.7	-10.0	-16.9	9.8	-17.0	
30	Guelph	30	0	50.1	-1.0	•	Buyers'		8.8	-14.3	-10.9	-1.0	4.4	-7.7	-10.5	23.0	-9.0	
31	Okanagan-Mainline (Kelowna)	21	10	35.6	-1.1	•	Buyers'		-6.4	-9.4	-16.3	3.0	4.3	-4.5	-2.6	9.8	-4.6	

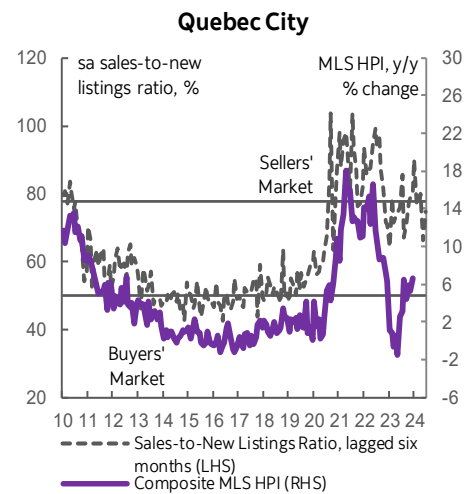
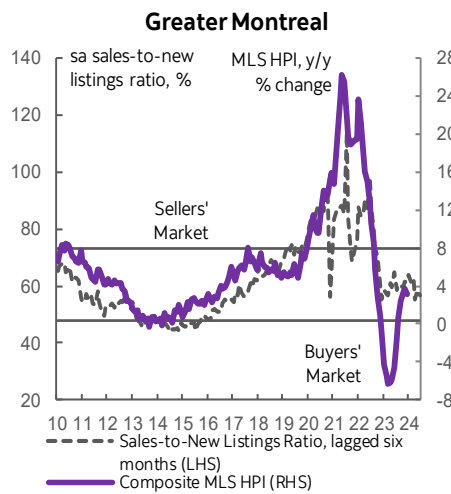
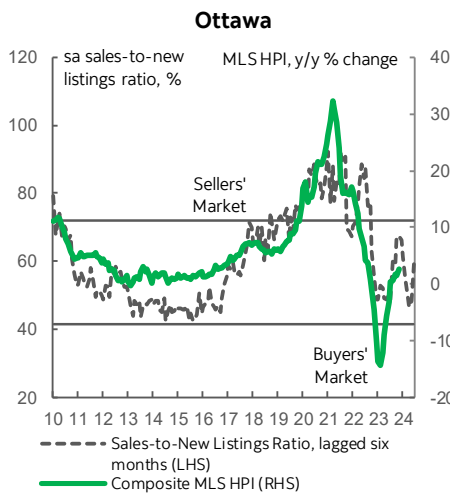
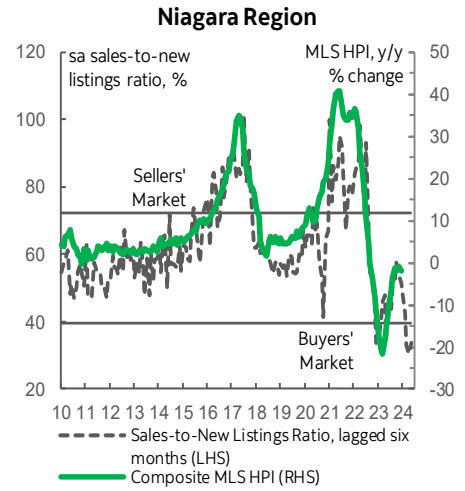
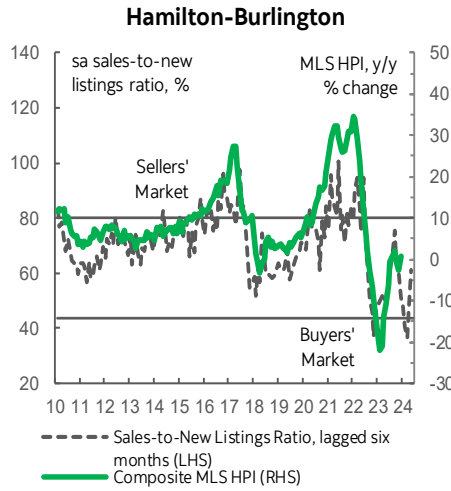
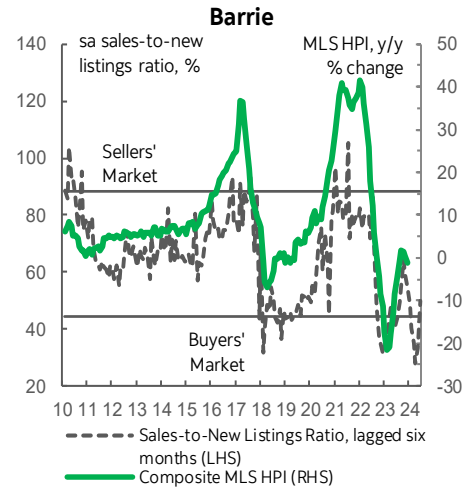
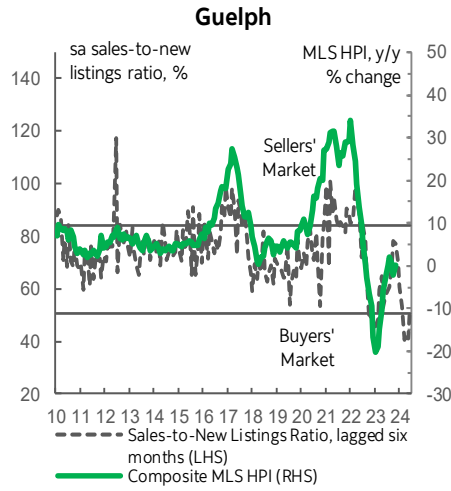
¹ Ordered from most- to least-tilted towards sellers. ² A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term mean less than 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



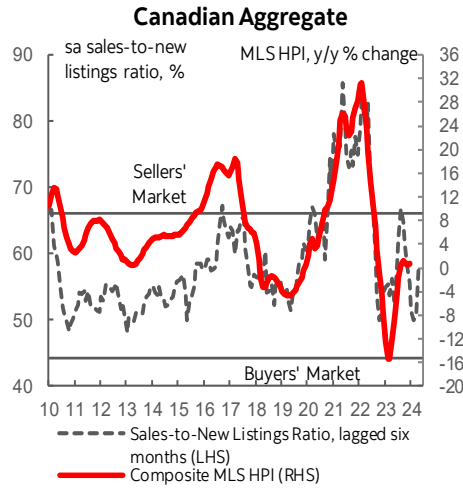
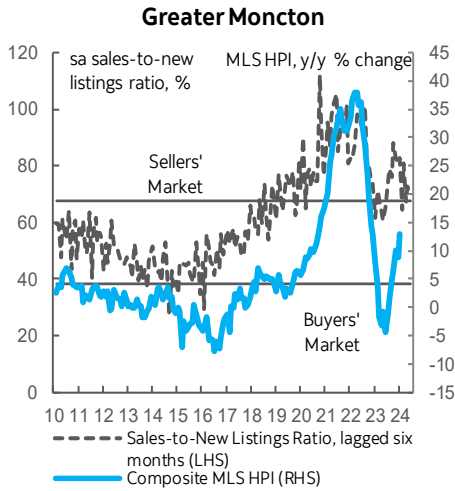
Sources: Scotiabank Economics, CREA.

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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