

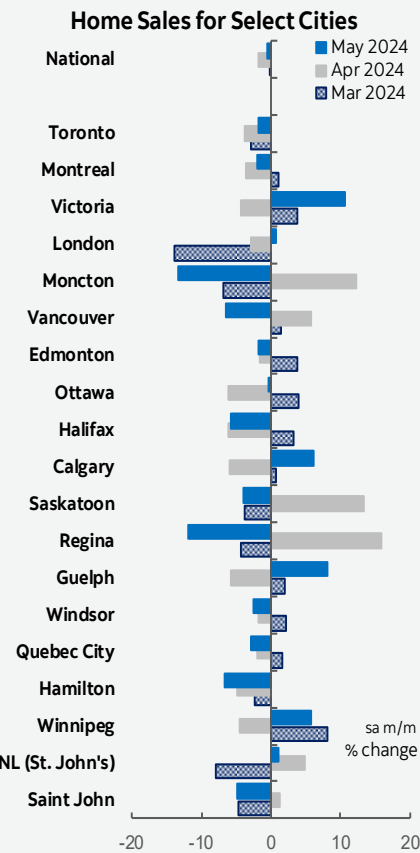
Contributors

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Canada	May-24	Apr-24	May-24
	m/m <sup>1</sup>	m/m <sup>1</sup>	y/y <sup>2</sup>
Sales (% change)	-0.6	-1.8	-5.9
New listings (% change)	0.5	2.9	13.5
Average price (% change)	1.0	0.8	-0.4
MLS HPI (% change)	-0.2	-0.2	-2.4
	May-24	Apr-24	May-23
Sales-to-new listings ratio (level) <sup>1</sup>	52.8	53.3	65.2
Months inventory (level) <sup>1</sup>	4.4	4.2	3.1

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



Sources for chart and table: Scotiabank Economics, CREA.

# Canadian Home Sales — May 2024

## CANADA HOUSING MARKET: CALM BEFORE THE STORM?

### SUMMARY

Canadian home sales edged down 0.6% (sa m/m) in May, while new listings moved in the opposite direction, increasing by 0.5%. This slightly eased the sales-to-new listings ratio, an indicator of how tight the market is, to 52.8% from 53.3% in April. Still within the bound that is consistent with the national market being in “balanced” territory (which is anything between 45% to 65%), but below its long-term average of 55%. There were 4.4 months of inventory—an improvement from the previous month’s 4.2, and back to where it was in January 2020 before the pandemic started. The long-term average for this measure is just over five months. There is regional variation, however: months of inventory in New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador are still between 4 to 6 months below their pre-pandemic long-term averages, while in BC and Ontario months of inventory are now a few days below.

It was a fairly even split between markets that saw increases in sales/listings and those that saw declines. This is in line with May’s national result of small movements in both sales and listings.

### Sales declined in over half of the markets we track, offsetting increases elsewhere.

Peterborough led the declines for the second month in a row with a 19% drop in May’s sales relative to April. Sales in this market have been registering large declines for four months now, with May’s decline pushing Peterborough’s sales-to-new listings ratio well below its long-term average and into buyers’ territory. Prices continued to increase there, however. Moncton, Regina, and Brantford all registered double-digit declines (having registered increases in April).

Similarly, increases in the number of newly listed properties in half of the markets we track offset declines elsewhere. This pushed three more markets (Fraser Valley, Calgary, and Moncton) into balanced territory in May, for a total of 17. With the addition of Peterborough, eight markets were in buyers’ territory as Fraser Valley moved from buyers’ to balanced territory.

Prices, as measured by the MLS Home Price Index (HPI), edged down 0.2% from April (sa m/m). Apartments and townhouses drove this decline as the HPI for these segments dropped 0.2–0.3% in May, while the HPI composite for single-family homes was flat. Relative to last year, the composite HPI is down 2.4% (y/y), with two-storey single-family homes experiencing the largest pullback of 2.3%.

### IMPLICATIONS

Home sales edged down in May, continuing a trend of near flat readings and small declines that started in February after the unexpected jumps in activity seen in December and January. In the last four months leading up to May, sales activity has been muted with small monthly declines which brought the level of monthly sales back to just below where it was in December. Helped by increases in listings, prices did not tick up following December and January’s sales jump, and have continued to register monthly declines, although these declines have been getting generally smaller since December. Since December, prices have been hovering around 13–14% below the February 2022 peak, ending May 33% above pre-pandemic levels.

As we pointed out in last month’s report, May’s results are not surprising with not much to report on. The housing market continues to be weighed down by high borrowing rates, high uncertainty and high stakes. May was the last month before the Bank of Canada announced the first cut to its policy rate, and there was a lot of uncertainty leading up to

June 17, 2024

the announcement on whether they would cut or not given the data and central bank communication leading up to the meeting. Therefore, the stakes were particularly high in May. Depending on what you expected, it was either the best time to enter the market or the worst. These polarized bets created a national market that has hovered sideways just below its long-term averages, but not that much below. The average of sales so far this year is just 4.6% below their 2010–19 average. On the other hand, the average of new listings so far this year is 3.5% below their 2010–19 average, having been much lower for a long time now. To that extent, one can view this as good news, or at least no news, or maybe a no news are good news situation. We are back to a healthier level of listings and optionality for buyers, with a more sustainable pace of listing and buying bringing the months of inventory back to their pre-pandemic levels. These are signs of a normalizing market with less dramatic swings and more stable prices.

However, this calm might not last long. There is no question there is demand for homes that has been likely held back by uncertainty, mostly as it relates to the Bank of Canada policy rate. With the BoC moving ahead with its first cut in June and signalling more cuts to come this year, we might see an uptick in activity as pent-up demand is released, as we'd been expecting since the slow second half of last year (putting aside the odd months of December and January).

A few things on the expected pick-up in activity now that the BoC has started cutting.

It is not going to be immediate. June's cut was only 25 basis points. Aside from the psychological effect of less perceived uncertainty, June's cut won't significantly impact sales via the borrowing rates channel. With a total of 100 bps cuts baked into our [forecast](#) this year, the cumulative impact on affordability will gradually become more prominent as the year progresses.

Lower rates will surely improve affordability, but the question is whether it would be offset by higher prices spurred on by the return of demand in a market with limited supply. Higher prices might work against lower rates in keeping demand muted. This will depend on buyers' negotiating power and general limits on their ability to pay.

Furthermore, if lower rates bring about the kind of demand surge that would lead to significant price increases, this will have inflationary impacts and pose upside risks to the rate outlook itself. Yes, it's like going in circles! It's not a fun time to be guessing things...

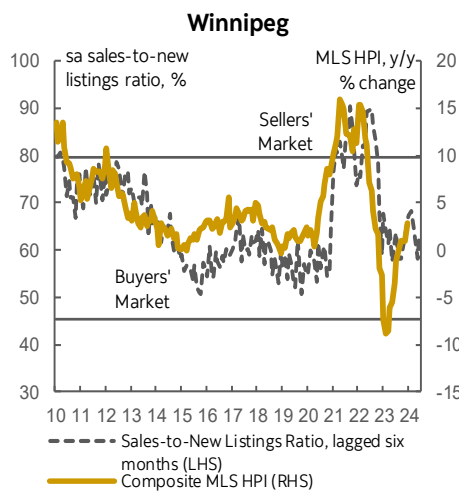
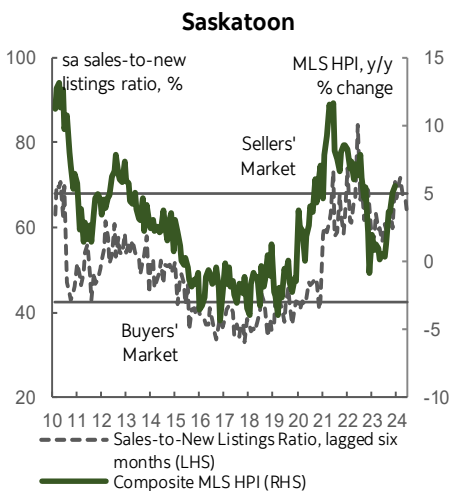
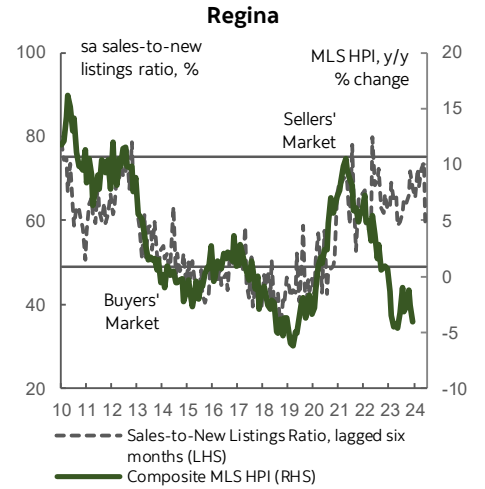
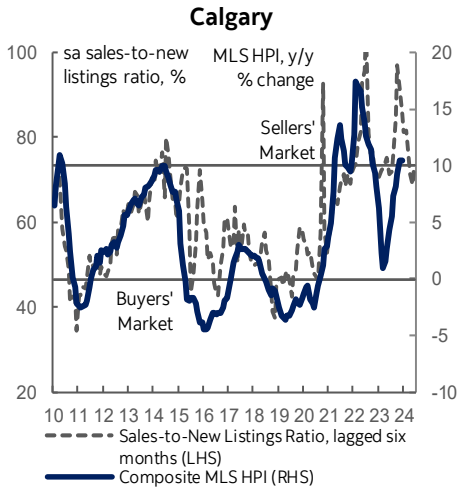
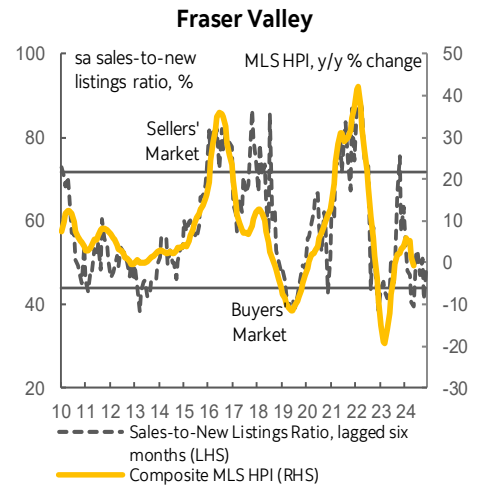
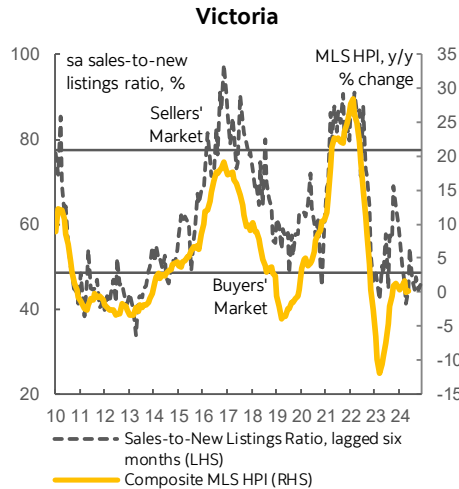
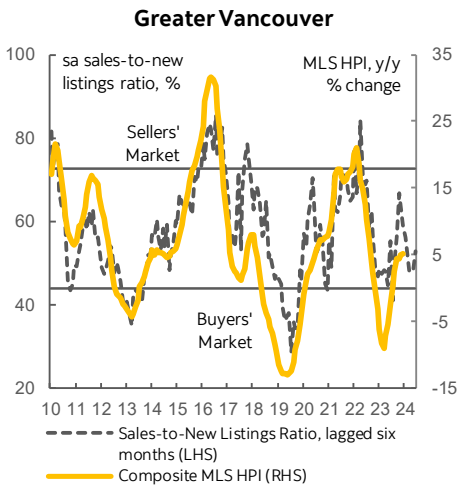
Anecdotally, we have seen many agents on media platforms fuelling the 'fomo' (fear of missing out) narrative now that the BoC has cut, telling prospective buyers they must jump back into the market immediately before everyone else does and they miss out on today's low prices. Whether true or not (again there is a limit on how much people can and are willing to pay, particularly given today's still elevated prices), this can make the return of demand more immediate than one would expect given the fundamentals. This would easily take hold in a market like the housing market, where buyers' psychology reinforces cycles and creates the perfect conditions for 'fomo' rallies.

These are some of the things that we are keeping in mind as we think about the outlook for the housing market and monitor incoming data to see which of the effects would dominate throughout the remainder of the year. In one sense it could be an interaction of all these factors making for an anticlimactic second half of the year and start of cutting cycle.

Scotiabank Housing Market Watch—May 2024																		
Rank <sup>1</sup>	Real Estate Board	Last Month Rank	Monthly Change	Sales-to-New Listings Ratio				Market Type	24-month Evolution	Unit Sales <sup>3</sup>			Avg. Sales Prices <sup>3</sup>			New Listings <sup>3</sup>		
				Sales-to-New Listings Ratio	Std. Dev. from Long-Term Mean <sup>2</sup>	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	--	--	52.8	-0.2	I   I	Balanced		-0.6	1.5	4.8	1.0	2.1	3.5	0.5	18.9	10.3	
1	Lethbridge	4	↑ 3	82.1	1.6	I   I	Sellers'		9.0	8.2	5.3	2.5	9.4	7.6	5.9	1.6	-5.1	
2	Regina	1	↓ 1	78.7	1.3	I   I	Sellers'		-11.8	17.5	10.5	1.0	5.2	1.8	-7.9	3.5	-0.4	
3	Saskatoon	2	↓ 1	71.5	1.2	I   I	Sellers'		-4.0	7.0	10.2	-0.7	5.1	3.1	0.8	-0.6	-3.0	
4	Sudbury	11	↑ 7	70.3	1.1	I   I	Sellers'		-4.4	24.3	4.5	-2.7	5.5	5.3	-15.5	26.4	11.1	
5	Saint John	3	↓ 2	69.3	1.1	I   I	Sellers'		-4.8	2.0	-7.3	-0.1	9.0	10.6	3.6	15.2	-0.1	
6	NL (St. John's)	10	↑ 4	61.1	1.1	I   I	Sellers'		1.1	11.4	-4.0	2.0	7.7	3.6	-6.4	6.0	4.1	
7	Calgary	5	↓ 2	74.4	1.0	I   I	Balanced		6.2	4.6	12.8	1.3	12.9	10.1	13.6	7.0	9.5	
8	Edmonton	6	↓ 2	71.3	0.9	I   I	Balanced		-1.9	33.7	24.5	1.1	7.1	3.7	6.1	9.9	1.3	
9	Halifax	9	↔ 0	73.3	0.8	I   I	Balanced		-5.8	8.8	2.6	1.4	3.8	7.4	-1.8	8.1	3.2	
10	Quebec City	7	↓ 3	74.2	0.7	I   I	Balanced		-2.9	10.7	10.5	2.9	9.5	6.7	9.1	5.4	1.5	
11	Winnipeg	12	↑ 1	72.7	0.6	I   I	Balanced		5.8	17.0	3.4	-1.8	6.6	4.2	-8.1	2.8	-1.7	
12	Moncton	8	↓ 4	63.1	0.6	I   I	Balanced		-13.4	-3.3	-2.3	0.2	9.1	10.4	0.3	19.3	0.5	
13	PEI (Charlottetown)	13	↔ 0	56.1	0.4	I   I	Balanced		3.0	8.9	8.8	3.3	-1.6	-0.7	-9.8	34.6	12.3	
14	Thunder Bay	14	↔ 0	62.4	-0.1	I   I	Balanced		-6.1	5.6	-2.7	-2.6	8.8	8.6	-8.5	17.0	1.8	
15	Montreal	15	↔ 0	56.9	-0.3	I   I	Balanced		-1.9	13.7	6.8	-0.2	5.1	4.0	-2.0	19.3	4.2	
16	London	18	↑ 2	49.1	-0.5	I   I	Balanced		0.7	-7.4	1.9	0.8	-1.4	0.0	-0.5	20.4	11.3	
17	Ottawa	16	↓ 1	48.1	-0.6	I   I	Balanced		-0.3	2.6	5.8	0.2	2.4	1.9	5.9	26.7	10.5	
18	Fraser Valley (Abbotsford)	27	↑ 9	49.0	-0.6	I   I	Balanced		7.1	-10.0	14.8	2.4	3.4	5.6	-10.1	20.8	20.0	
19	Kingston	21	↑ 2	40.4	-0.7	I   I	Balanced		2.7	-3.8	-4.5	-0.2	2.7	-2.4	-1.7	24.7	14.3	
20	Hamilton-Burlington	19	↓ 1	46.2	-0.8	I   I	Balanced		-6.7	-7.2	-1.1	0.6	3.2	1.4	-0.2	20.4	9.1	
21	Brantford	17	↓ 4	46.1	-0.9	I   I	Balanced		-11.4	-6.8	2.7	-6.3	-0.7	3.0	0.0	11.8	8.8	
22	Vancouver	23	↑ 1	45.1	-0.9	I   I	Balanced		-6.5	-8.0	7.5	2.7	2.5	5.0	-7.2	25.6	18.5	
23	St. Catharines	22	↓ 1	39.9	-1.0	I   I	Balanced		0.0	-5.8	6.7	3.9	-4.1	0.1	1.7	19.3	16.3	
24	Guelph	29	↑ 5	49.2	-1.1	I   I	Buyers'		8.1	-6.9	0.5	0.7	-0.7	2.5	3.1	37.9	19.3	
25	Windsor	26	↑ 1	42.4	-1.1	I   I	Buyers'		-2.5	-4.2	0.0	-0.5	-1.0	2.1	-1.6	14.1	0.2	
26	Okanagan-Mainline (Kelowna)	25	↓ 1	35.1	-1.1	I   I	Buyers'		1.9	-17.1	-4.2	2.2	-1.2	-1.4	6.8	26.7	11.3	
27	KW*	24	↓ 3	46.3	-1.1	I   I	Buyers'		0.2	-1.8	3.4	1.8	-0.3	1.1	5.1	40.4	21.9	
28	Victoria	30	↑ 2	46.0	-1.1	I   I	Buyers'		10.6	0.3	5.4	2.5	1.8	2.7	7.4	33.6	16.9	
29	Barrie	28	↓ 1	34.6	-1.4	I   I	Buyers'		1.1	-10.0	-9.3	-2.1	-0.9	-1.9	13.4	32.8	4.3	
30	Peterborough	20	↓ 10	33.2	-1.5	I   I	Buyers'		-18.6	-19.1	-12.2	1.6	1.6	-0.8	7.9	1.2	-4.3	
31	Toronto	31	↔ 0	39.6	-1.6	I   I	Buyers'		-1.8	-11.7	-0.7	0.3	-0.4	1.3	2.6	29.0	22.0	

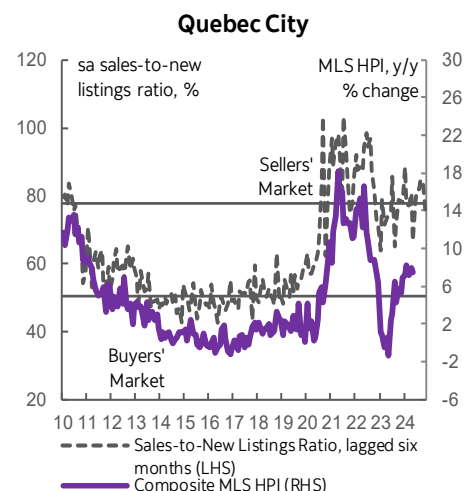
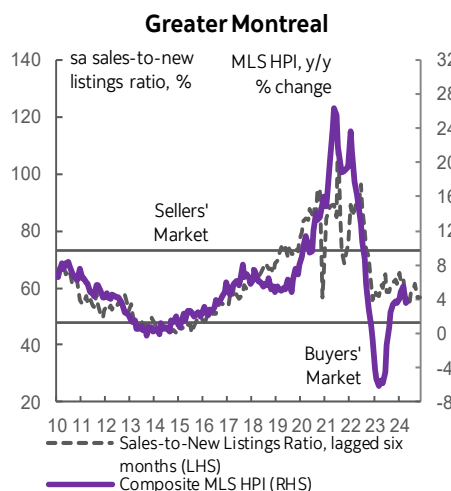
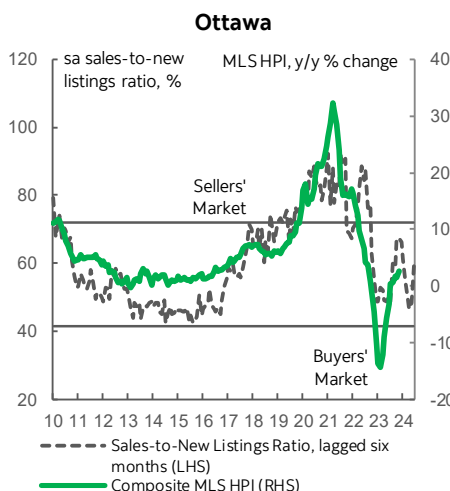
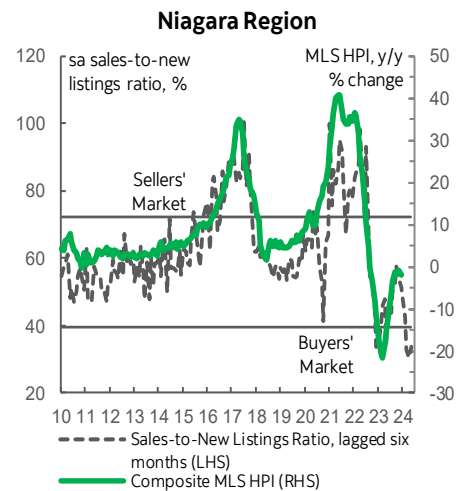
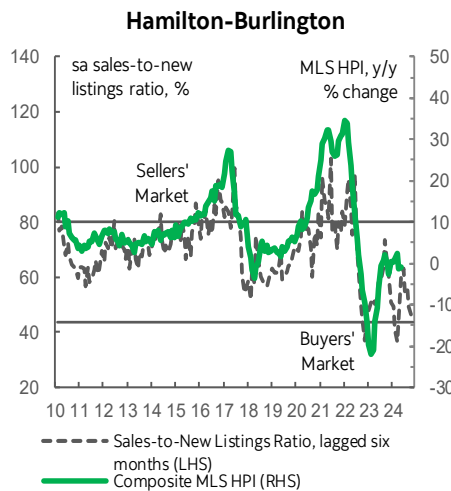
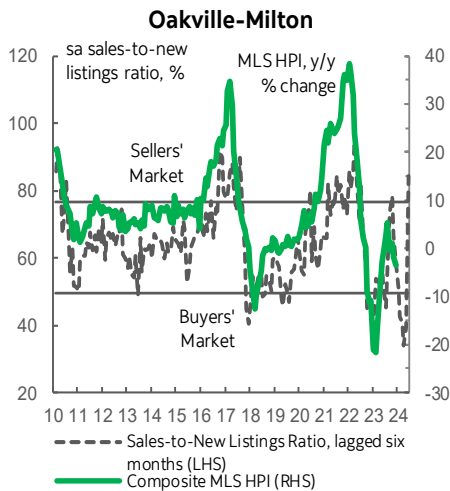
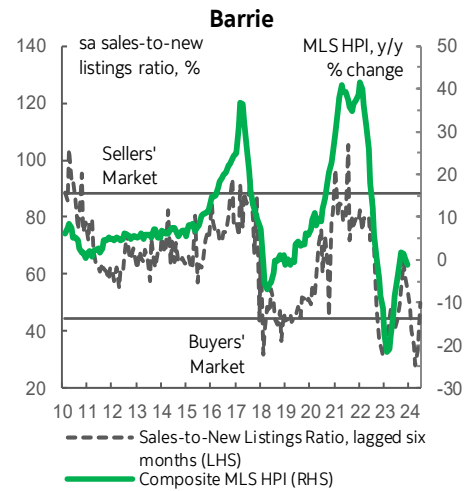
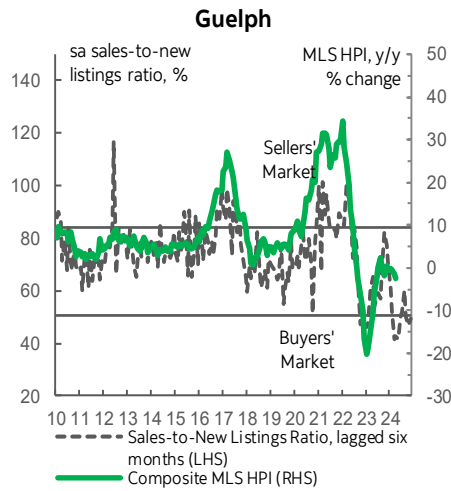
<sup>1</sup> Ordered from most- to least-tilted towards sellers. <sup>2</sup> A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term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



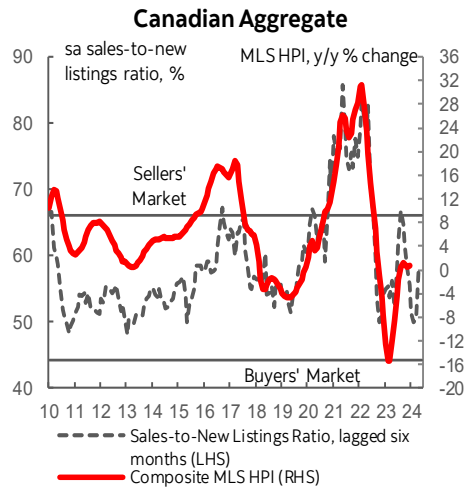
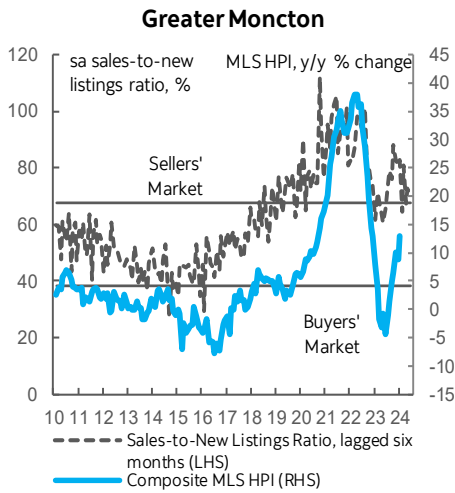
Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.) — Eastern Canada



Sources: Scotiabank Economics, CREA.

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



Sources: Scotiabank Economics, CREA.

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