

Contributors

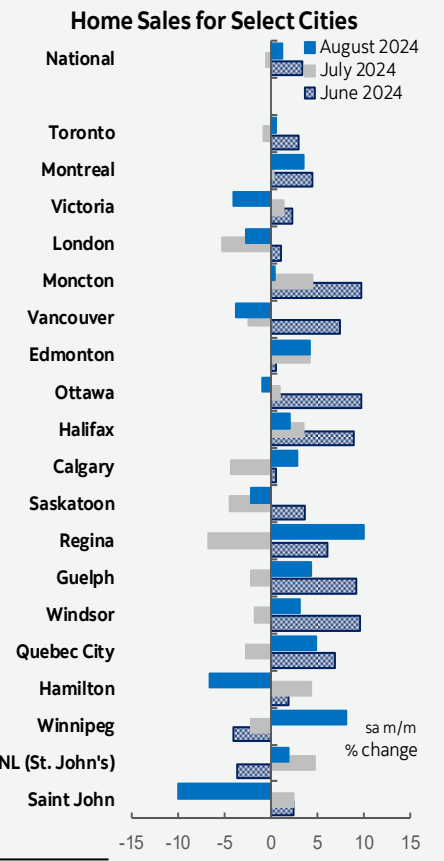
Patrick Perrier

Director of Forecasting
 Scotiabank Economics
 416.866.4733
patrick.perrier@scotiabank.com

Canada	Aug-24	Jul-24	Aug-24
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	1.3	-0.6	-2.1
New listings (% change)	1.1	0.9	2.1
Average price (% change)	-1.1	-0.2	1.0
MLS HPI (% change)	0.0	0.1	-3.9

	Aug-24	Jul-24	Aug-23
Sales-to-new listings ratio (level) ¹	53.0	52.9	55.6
Months inventory (level) ¹	4.1	4.2	3.5

¹seasonally adjusted ²not seasonally adjusted



Sources for chart and table: Scotiabank Economics, CREA.

Canadian Home Sales — August 2024

CANADA HOUSING MARKET: BUYERS' WAITING ATTITUDE IS LIKELY TO CONTINUE

SUMMARY

Essentially no change in market conditions from July to August for the national resale market. National housing sales increased 1.3% over this period (on a seasonally adjusted basis) while new listings rose 1.1%. Consequently, the sales-to-new listings ratio—an indicator of resale market tightness conditions—edged up mildly from 52.9% in July to 53% in August. This indicator is still well within the balanced conditions territory (of between 44.7% to 66.1%), a situation that has prevailed for almost the entire period since April 2022.

Another indication that resale conditions have been relatively unchanged from July to August is the very mild decline in the months of inventory, which edged down from 4.2 to 4.1. But this indicator is still below its long-term (pre-pandemic) average of 5.3 months. And as in previous months, there are important variations across provinces in terms of deviations of this indicator from its long-term average, ranging from more than 4 months below in Atlantic provinces to less than two weeks above in British Columbia and Ontario.

Market conditions—as measured by the sales-to-new listings ratio—tightened in 15 of the markets we track and eased for the other 16. The number of balanced markets declined from 22 in July to 19 in August—meaning that still over half of the markets are balanced—while the number of buyers' favourable markets increased from 4 to 7 over this period.

Sales increased in near 60% of the markets we monitor from July to August, while new listings increased in nearly 2/3 of these markets. The largest monthly sales' increase was witnessed in Lethbridge (+22.9% sa m/m), and the second largest in Regina (+10%). This strong monthly rise in sales for Lethbridge, combined with a more modest rise in new listings for the same period (+2.7%), contributed to push resale conditions further into sellers' favourable territory in this market, lifting its sales-to-new listings ratio from 75.9% in July to 90.8% in August. For Regina, the stronger rise in sales than for new listings over this period (increasing respectively by 10% and 6.9%) also contributed to tighten its resale market conditions, but not enough to bring it within sellers' favourable territory.

The sharpest decline in sales from July to August occurred in Peterborough (-15.6% sa), while its new listings declined by 8.6%, the second largest decline in new listings after Thunder Bay (-11%). This stronger decline in sales than for new listings in Peterborough has pushed its market conditions from balanced to buyers' territory from July to August. For Thunder Bay over the same period, this strong decline in new listings, combined with a 2.3% increase in sales, has contributed to move its resale conditions' status from balanced to sellers' favourable.

MLS Home Price Index (HPI) stayed unchanged from July to August (using sa figures) and declined 3.9% from August 2023 to August 2024 (nsa figures). The relative stability of this price index since December of 2023 was therefore maintained in August. A mild monthly rise in this index for 1-storey units (+0.1% m/m sa) in August was fully offset by a modest decline for townhouses (-0.2%). In August, this index stayed at its July value for 2-storey and apartment units. However, all these unit-types contributed to the decline in this house price index since August 2023, consistent with the easing in housing market conditions since the beginning of 2022, or since monetary policy rates started increasing sharply.

IMPLICATIONS

As for previous months, we still expect a recovery in the resale market, and market conditions to tighten, thereby leading house prices to resume their upward trend. Sales increased in August, but it is again too soon to claim this recovery started given the volatile nature of

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monthly housing indicators and the fact that sales have not materially changed since summer of 2023, while the sales-to-new listings ratio has mostly declined over this period.

Surely, the expected normalization of monetary policy rates—which already started in Canada, and that we forecast to start this month in the U.S.—is good news for the housing market. However, the still very low level of affordability conditions for newly purchased properties, even accounting for the observed decline in mortgage rates, is a significant headwind to housing demand and the resale market. Potential buyers likely want to wait for additional declines in mortgage rates and that they are nearing their cyclical floor before significantly increasing their demand.

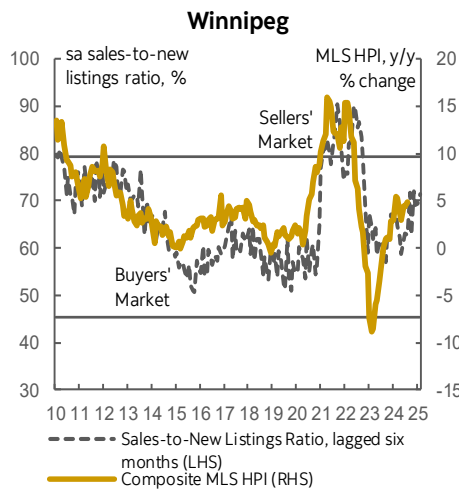
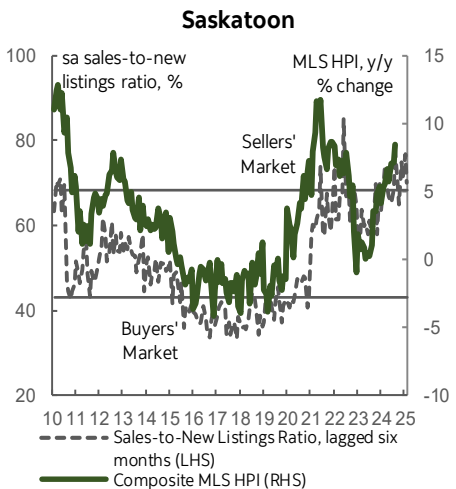
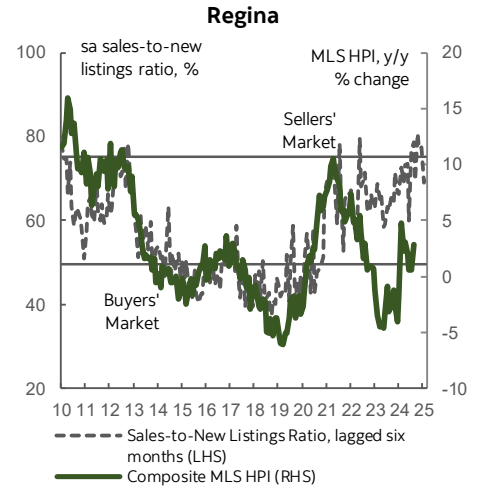
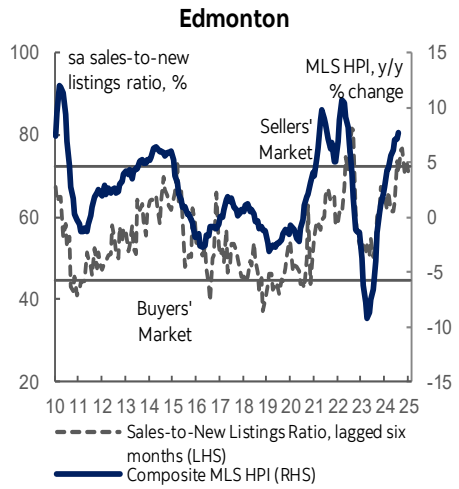
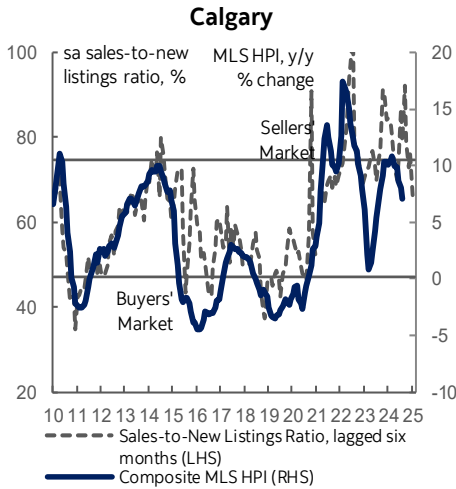
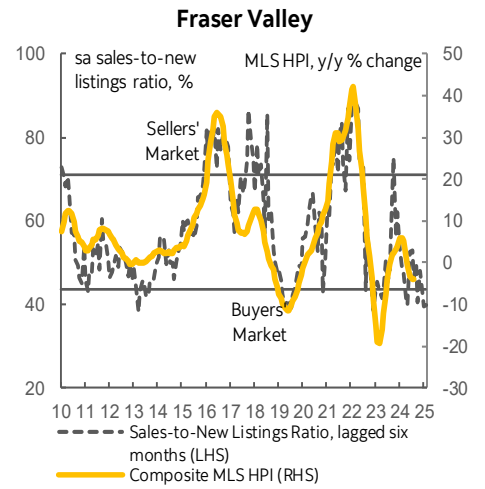
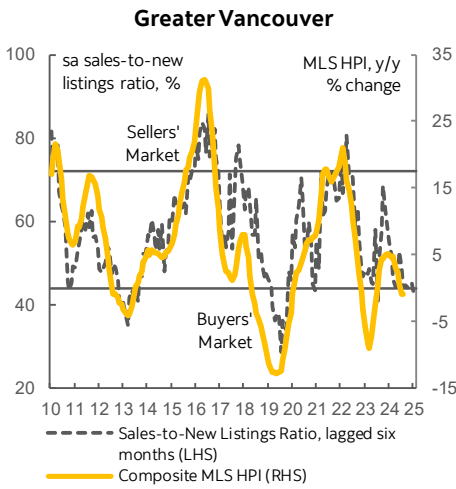
Adding to this uncertainty is today's announcement by the Government of Canada that the amortization period for first-time home buyers will increase to 30 years (from 25 currently) and that the price cap for insured mortgages will be raised to \$1.5 million (from \$1 million). These changes will become effective on December 15th.

This will surely support housing demand once these new parameters become effective but could also result in the continuation of the current wait-and-see situation until the end of this year, hence potentially delaying the expected recovery. Indeed, this can generate stronger-than-expected housing demand when these changes become effective, thereby implying the risk that, starting in Spring of 2025, the expected declines in the Bank of Canada policy rate could be slower than expected. But clearly, this regulatory change will add upward pressures to house prices in the medium- and long-term given the existing acute structural supply shortage that is expected to persist over the foreseeable future.

Scotiabank Housing Market Watch—August 2024																		
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	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	--	--	53.0	-0.2	I I	Balanced		1.3	-2.6	2.4	-1.1	1.0	3.0	1.1	5.8	13.1	
1	Lethbridge	3	↑ 2	90.8	2.2	I I	Sellers'		22.9	4.3	6.3	1.9	15.8	11.4	2.7	0.8	-1.3	
2	Thunder Bay	11	↑ 9	83.9	1.5	I I	Sellers'		2.3	1.3	-0.5	-2.6	2.2	7.6	-11.0	-6.6	0.7	
3	Moncton	5	↑ 2	76.3	1.4	I I	Sellers'		0.4	7.5	2.6	1.3	5.2	9.6	-6.5	17.0	13.4	
4	Quebec City	2	↓ 2	83.5	1.3	I I	Sellers'		4.8	5.1	10.0	-2.5	10.3	8.3	6.2	-1.1	4.6	
5	Saint John	1	↓ 4	72.5	1.3	I I	Sellers'		-10.0	-3.5	-1.2	-2.9	7.9	8.8	5.5	-15.5	1.3	
6	NL (St. John's)	7	↑ 1	59.6	1.0	I I	Balanced		2.0	-1.2	-0.4	3.9	8.8	6.3	1.5	-2.4	3.5	
7	Sudbury	8	↑ 1	67.3	1.0	I I	Balanced		-2.0	-4.1	5.6	-2.8	1.4	3.3	-2.6	-4.4	11.3	
8	Edmonton	9	↑ 1	71.1	0.9	I I	Balanced		4.2	15.5	26.3	1.0	8.7	6.3	3.7	5.1	5.9	
9	Regina	12	↑ 3	71.0	0.7	I I	Balanced		10.0	7.6	14.3	-2.9	5.0	4.0	6.9	0.7	2.3	
10	PEI (Charlottetown)	10	↔ 0	60.6	0.7	I I	Balanced		0.6	-3.0	4.3	4.6	-0.3	-0.3	5.1	0.5	12.1	
11	Halifax	6	↓ 5	71.2	0.7	I I	Balanced		2.1	3.3	6.7	1.6	1.0	4.3	10.5	7.0	10.7	
12	Saskatoon	4	↓ 8	62.6	0.5	I I	Balanced		-2.2	-3.7	6.2	-4.0	5.9	4.7	9.3	-5.8	-2.4	
13	Winnipeg	13	↔ 0	71.4	0.5	I I	Balanced		8.1	2.5	7.3	-2.5	4.8	5.5	5.0	-2.0	1.7	
14	Montreal	15	↑ 1	64.7	0.3	I I	Balanced		3.4	8.8	9.6	0.8	4.4	5.1	-1.3	7.0	10.9	
15	Calgary	14	↓ 1	64.5	0.3	I I	Balanced		2.9	-12.6	3.9	1.5	14.1	11.9	5.4	6.1	11.0	
16	Ottawa	16	↔ 0	55.1	-0.1	I I	Balanced		-0.9	5.4	4.6	-0.2	-0.3	1.5	3.4	6.2	14.3	
17	Victoria	20	↑ 3	51.6	-0.8	I I	Balanced		-4.0	0.8	1.7	-2.3	-3.9	0.8	-3.8	9.6	19.4	
18	KW*	21	↑ 3	50.9	-0.8	I I	Balanced		-2.1	0.4	4.2	0.1	-2.3	-0.2	-2.5	9.7	26.9	
19	Kingston	18	↓ 1	39.1	-0.8	I I	Balanced		-5.6	13.9	2.1	-1.6	-1.0	-2.5	0.3	13.6	18.7	
20	Windsor	24	↑ 4	45.7	-0.8	I I	Balanced		3.1	-2.5	-2.2	1.0	3.0	2.7	1.0	9.9	10.0	
21	Guelph	26	↑ 5	53.0	-0.8	I I	Balanced		4.3	3.7	-2.9	0.3	-2.5	1.4	-0.7	13.4	24.5	
22	St. Catharines	27	↑ 5	41.3	-0.9	I I	Balanced		5.9	-13.9	-3.3	7.0	-2.7	-0.9	0.4	0.2	15.8	
23	London	19	↓ 4	42.9	-0.9	I I	Balanced		-2.7	-8.4	0.2	-1.0	-2.2	-1.2	3.0	-3.4	12.6	
24	Okanagan-Mainline (Kelowna)	17	↓ 7	37.9	-0.9	I I	Balanced		-8.7	-13.0	-11.2	1.1	1.4	-0.6	1.6	7.3	15.9	
25	Hamilton-Burlington	22	↓ 3	42.9	-1.0	I I	Buyers'		-6.6	-11.9	-6.3	1.9	-0.4	1.1	1.0	5.4	13.5	
26	Brantford	25	↓ 1	42.8	-1.0	I I	Buyers'		-2.0	-13.9	-5.2	-2.7	-4.1	1.8	1.2	1.0	9.9	
27	Peterborough	23	↓ 4	39.7	-1.1	I I	Buyers'		-15.6	-26.4	-20.9	-0.9	-6.0	-1.6	-8.6	-9.9	-5.8	
28	Vancouver	28	↔ 0	42.2	-1.1	I I	Buyers'		-3.8	-13.9	-2.8	-2.0	1.8	3.9	-1.2	7.1	17.8	
29	Barrie	29	↔ 0	37.3	-1.3	I I	Buyers'		4.4	6.8	-8.6	-5.1	3.1	-0.3	4.8	28.4	19.3	
30	Fraser Valley (Abbotsford)	30	↔ 0	39.8	-1.3	I I	Buyers'		0.2	-20.8	-2.4	3.7	-0.2	4.6	-0.9	6.3	18.5	
31	Toronto	31	↔ 0	38.0	-1.7	I I	Buyers'		0.6	-8.0	-4.4	-0.8	-1.2	0.4	-1.6	11.8	23.0	

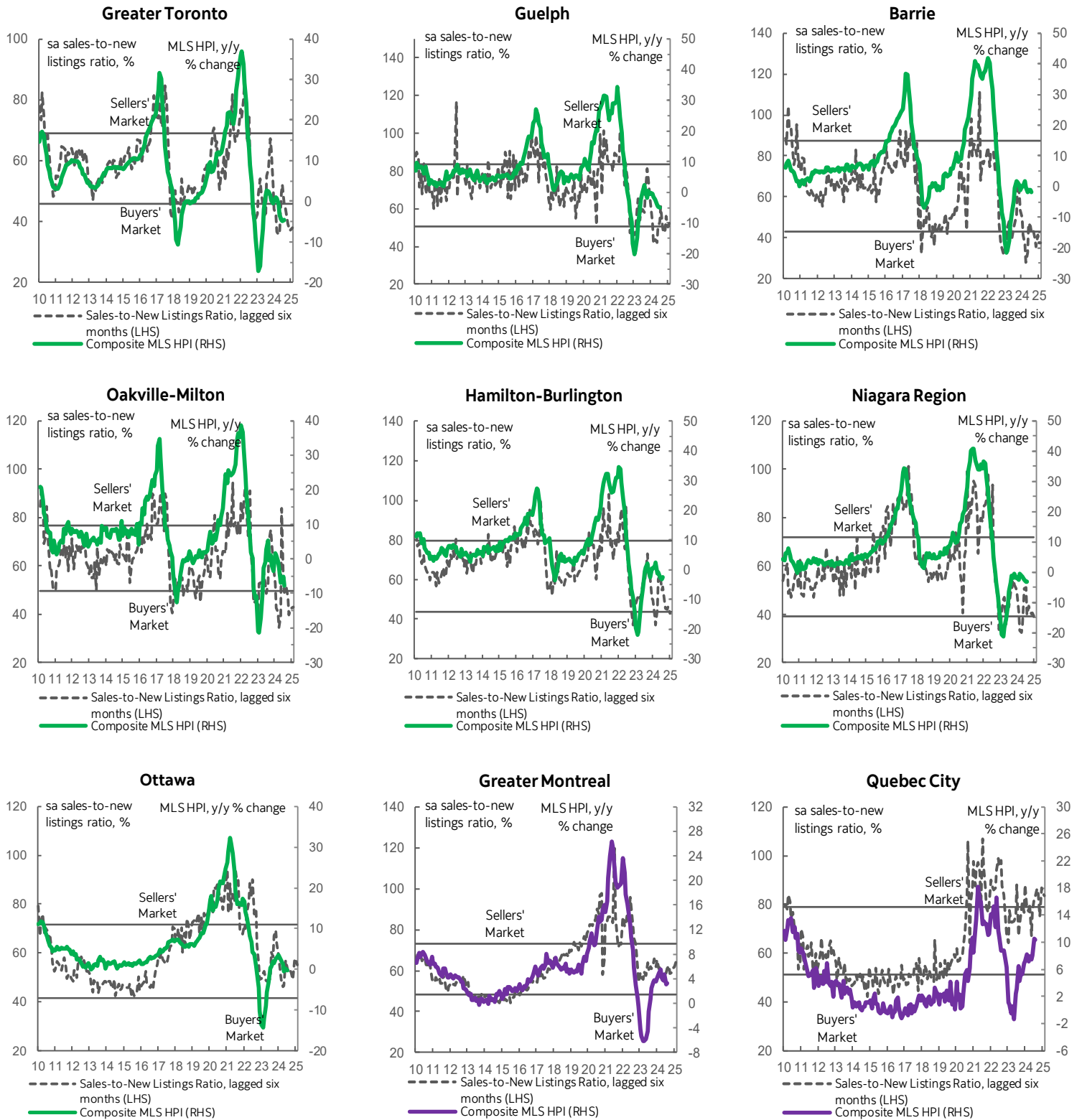
¹ Ordered from most- to least-tilted towards sellers. ² A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term mean less than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



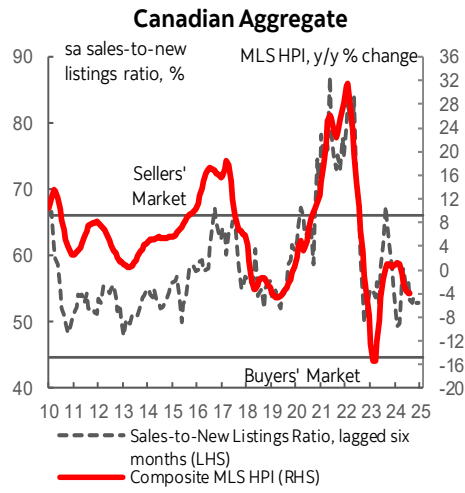
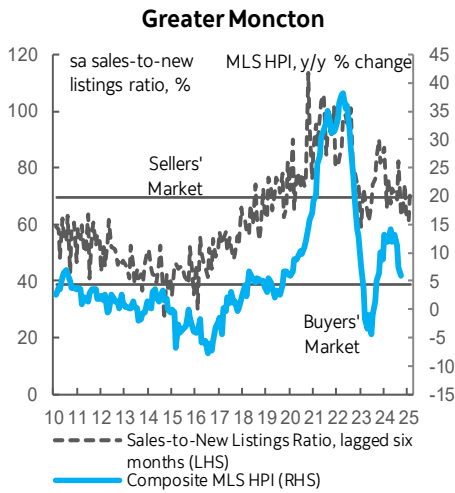
Sources: Scotiabank Economics, CREA.

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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