

Contributors

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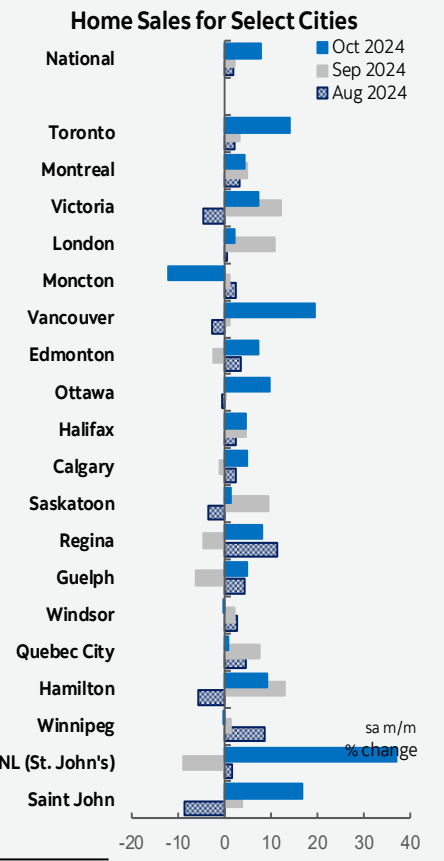
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Canada	Oct-24	Sep-24	Oct-24
	m/m <sup>1</sup>	m/m <sup>1</sup>	y/y <sup>2</sup>
Sales (% change)	7.7	2.1	30.0
New listings (% change)	-3.5	4.8	7.4
Average price (% change)	2.2	1.3	4.6
MLS HPI (% change)	-0.1	0.0	-2.7

	Oct-24	Sep-24	Oct-24
Sales-to-new listings ratio (level) <sup>1</sup>	58.0	52.0	48.8
Months inventory (level) <sup>1</sup>	3.7	4.1	4.1

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



Sources for chart and table: Scotiabank Economics, CREA.

# Canadian Home Sales — October 2024

CANADA HOUSING MARKET: MARKET CONDITIONS TIGHTENED SIGNIFICANTLY IN OCTOBER ... AND NOW WAITING FOR HOUSE PRICES TO JOIN THE DANCE

SUMMARY

**National housing resale market conditions tightened significantly in October as sales rose strongly and new listings declined, but these conditions are still in balanced territory.** National sales rose 7.7% in October (m/m sa figures), continuing the upward trend they started in spring of this year. The level of national sales in October reached its highest level since spring of 2022, the period when the Bank of Canada started hiking its policy rate.

From September to October, national new listings declined 3.5%, partially offsetting the 4.8% monthly rise in September. National new listings are still on the upward trend they started at the beginning of this year. In October, new listings were 7.4% higher than their level in the same month of 2023 while sales were 30% higher (using nsa figures).

Another indicator that market conditions have tightened in October is the decline in the national months of inventory from 4.1 in September to 3.7 in October. This level in October is the lowest since September of 2023, and 1.6 months below its pre-pandemic long-term average. For all provinces, months of inventory were below their long-term average, except for Ontario for which they were equal. As in previous months, largest deviations in this indicator from its long-term average in October were observed in Quebec and Atlantic provinces.

**Market conditions—as reflected by the sales-to-new listings ratio—tightened in more than 85% of the markets we track from September to October.**

The number of markets in sellers' favouring conditions increased from 6 to 8 over this period while those in buyers' favouring conditions declined from 10 to 6.

Sales increased in about 3/4 of the markets we track, with the strongest increases observed for St. John's, NL (37% m/m sa), Peterborough (20.8%), Vancouver (19.6%), Fraser Valley-Abbotsford (19.5%), Saint John (16.7%) and Toronto (14%). As a result, all these centres witnessed a tightening in their market conditions with their sales-to-new listings ratio increasing over this period.

From September to October, new listings declined in about 70% of the markets we track, with the largest monthly declines observed for Kingston (-10.3% m/m sa), St. Catharines (-9.2%), St. John's, NL (-8.6%), London (-8.5%) and Saskatoon (-8.4%).

**The national MLS House Price Index edged down 0.1% (m/m sa) from September to October and was 2.7% below its October 2023 level (nsa figures).**

The relative stability of this price index since December 2023 continued in October, despite the tightening in market conditions nationally and in most markets we track. However, as mentioned in the 'Implications' section below, the trend recovery in sales since spring should start lifting prices in the near term.

The mild decline in the national MLS HPI from September to October came from modest declines for 2-storey and apartment units, which dominated modest increases for 1-storey and townhouse/row units. As for previous months, all these unit-types contributed to the decline in the national MLS HPI since October of 2023.

<sup>1</sup>At the time of writing this report, several indicators for the month of October were not available for Okanagan-Mainline (Kelowna). Therefore, the information for this market is excluded from our analysis and this month's report.

## IMPLICATIONS

Canada's monetary policy rate reached its 5% cyclical peak level in July 2023, and started declining from this level in June of this year. It has been reduced several times since for a cumulative 125 basis points decline and is now at 3.75%.

This easing in the monetary policy rate was expected by financial markets as mortgage rates started declining before, essentially in December of 2023 for the conventional 5-year mortgage rate. This decline in mortgage rates likely also reflects further expected declines in the policy rate, to 3% by the second quarter of 2025 according to our latest economic outlook ([as of October 18<sup>th</sup>](#)).

Despite the recovery in national sales since spring of 2024, the muted response of the MLS HPI might appear as a puzzle. But it is not a puzzle according to Scotiabank Economics' macro-econometric model. This model captures and reflects estimated historical relationships between various economic and financial indicators, including for the housing market and interest rates.

From this model, a decline in interest rates gradually raises the level of housing resales, reaching its maximum impact after about 3–4 quarters. Therefore, the observed decline in the mortgage rate observed to Q3-2024 should achieve its maximum impact on housing resales by mid-2025. Any further declines in mortgage rates in the coming quarters will of course continue to lift sales further and beyond mid-2025.

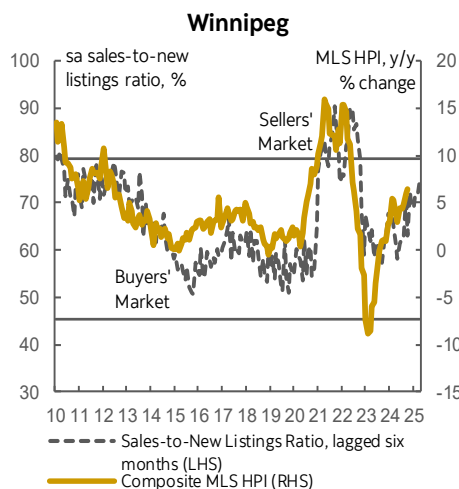
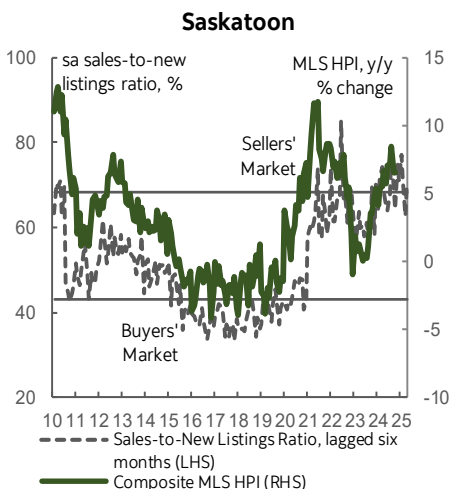
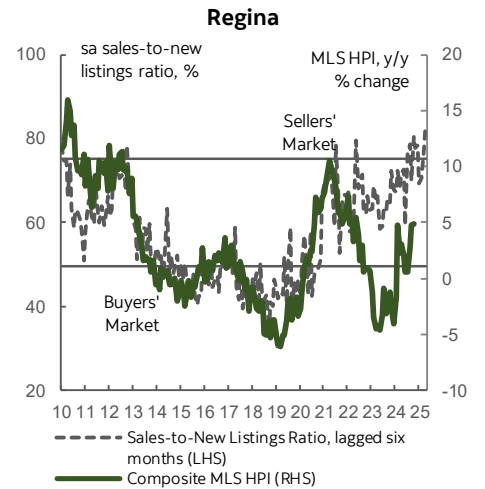
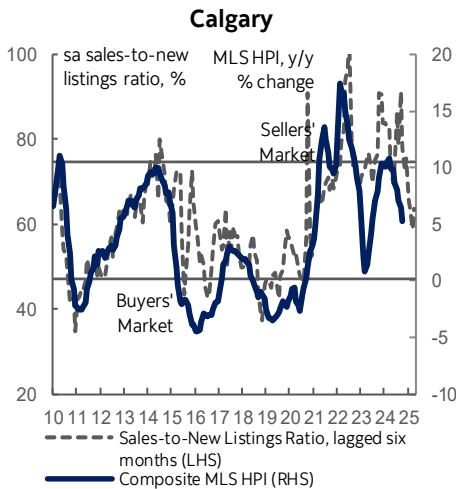
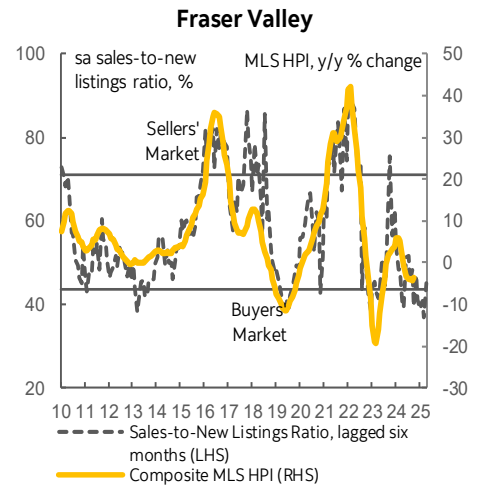
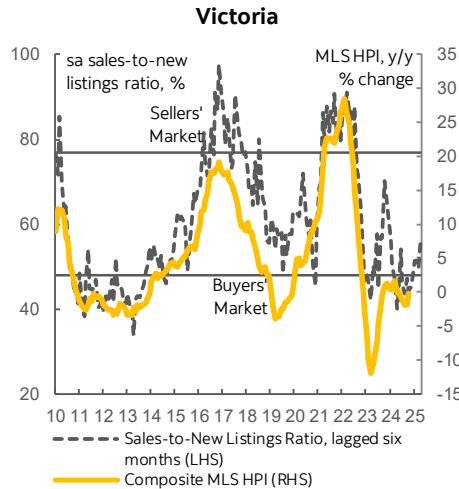
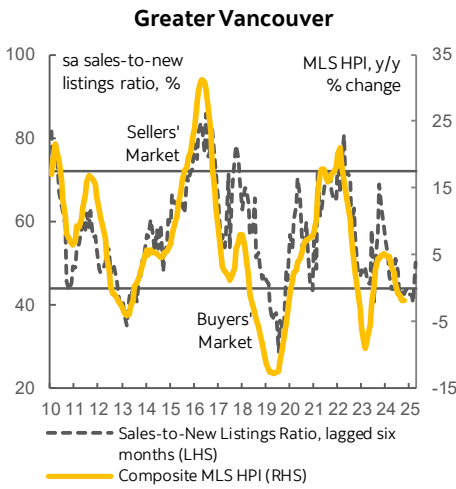
The estimated impact from our model on house prices is more gradual than for resales, reaching a peak at about 6 quarters, but with no noticeable impact in the first 2 quarters. This implies that market conditions take time to tighten after a decline in mortgage rates which delays the impact from declining interest rates on house prices. Consequently, the relative stability of the MLS House Price Index so far in 2024 is consistent with what our model suggests. Based on this model, we should start seeing a noticeable impact on the MLS HPI from past declines in interest rates by the end of this year, with a peak impact in the first half of 2026.

Scotiabank Housing Market Watch—October 2024

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	--	--	58.0	0.2	I   I	Balanced	7.7	11.0	5.0	2.2	2.5	2.9	-3.5	5.7	11.8
1	NL (St. John's)	14	↑ 13	74.8	2.2	I   I	Sellers'	37.0	6.3	2.5	2.7	9.4	7.5	-8.6	1.8	4.1
2	Quebec City	1	↓ 1	88.9	1.7	I   I	Sellers'	0.8	19.8	12.4	1.0	11.5	9.5	7.0	3.7	5.2
3	Saint John	5	↑ 2	78.8	1.7	I   I	Sellers'	16.7	2.1	4.2	-3.8	13.6	10.9	3.9	3.7	2.1
4	Saskatoon	6	↑ 2	76.8	1.7	I   I	Sellers'	1.4	3.0	6.7	-1.6	8.4	5.7	-8.4	2.3	-1.9
5	Regina	4	↓ 1	82.4	1.6	I   I	Sellers'	8.1	8.1	14.5	-2.3	10.6	6.8	1.6	-1.3	1.3
6	Sudbury	7	↑ 1	73.7	1.4	I   I	Sellers'	0.9	13.1	10.1	1.9	6.8	5.2	-7.7	-8.4	5.2
7	Edmonton	8	↑ 1	76.5	1.3	I   I	Sellers'	7.4	19.0	25.9	0.6	11.3	8.0	0.8	4.8	6.9
8	Halifax	11	↑ 3	80.2	1.2	I   I	Sellers'	4.5	14.8	8.6	1.0	6.3	5.9	-4.8	8.3	7.7
9	PEI (Charlottetown)	10	↑ 1	65.3	0.9	I   I	Balanced	2.8	17.8	6.8	1.6	2.7	-0.3	0.4	0.6	7.6
10	Winnipeg	12	↑ 2	75.3	0.8	I   I	Balanced	-0.3	11.6	9.8	2.5	4.3	5.7	-5.3	-2.0	0.8
11	Lethbridge	2	↓ 9	68.9	0.6	I   I	Balanced	-9.4	5.3	5.2	-0.1	12.3	11.6	9.0	8.0	2.9
12	Montreal	13	↑ 1	68.4	0.6	I   I	Balanced	4.3	23.3	13.5	0.1	5.9	5.6	1.7	7.1	12.1
13	Thunder Bay	3	↓ 10	70.4	0.5	I   I	Balanced	2.9	2.1	1.1	13.8	1.1	6.0	19.6	-10.2	0.9
14	Ottawa	16	↑ 2	60.0	0.2	I   I	Balanced	9.8	19.4	8.4	-0.6	1.2	1.2	-1.5	3.8	13.1
15	Calgary	15	→ 0	63.8	0.2	I   I	Balanced	4.7	-9.6	0.4	-0.1	14.7	12.8	-3.2	16.7	11.4
16	Moncton	9	↓ 7	54.9	0.0	I   I	Balanced	-12.2	3.5	3.6	1.7	8.8	10.1	8.8	13.8	18.2
17	Kingston	17	→ 0	47.8	-0.2	I   I	Balanced	-0.4	10.9	7.4	1.0	2.2	-0.5	-10.3	0.3	13.2
18	Peterborough	22	↑ 4	51.1	-0.4	I   I	Balanced	20.8	-3.6	-15.5	0.5	-2.8	-0.8	-1.6	-2.4	-5.4
19	London	19	→ 0	50.9	-0.4	I   I	Balanced	2.2	13.3	4.3	-1.1	-0.9	-0.6	-8.5	-0.7	9.0
20	Victoria	20	→ 0	57.0	-0.4	I   I	Balanced	7.2	23.6	7.3	3.0	-3.3	0.2	-6.6	5.3	19.0
21	Hamilton-Burlington	21	→ 0	51.5	-0.6	I   I	Balanced	9.2	11.9	-1.0	-0.1	4.6	2.0	-4.4	3.2	10.6
22	Vancouver	29	↑ 7	50.1	-0.6	I   I	Balanced	19.6	2.8	-1.8	-0.8	-3.3	2.3	-3.3	8.2	16.5
23	St. Catharines	18	↓ 5	46.4	-0.6	I   I	Balanced	-4.7	22.5	4.2	0.5	0.4	-1.3	-9.2	-2.9	10.0
24	Brantford	23	↓ 1	48.5	-0.7	I   I	Balanced	7.3	-3.2	-4.8	3.5	-5.9	-0.8	-4.9	-2.0	4.0
25	Fraser Valley (Abbotsford)	30	↑ 5	45.1	-0.9	I   I	Balanced	19.5	1.8	-2.5	-1.0	2.5	3.4	-2.2	11.7	18.8
26	Guelph	28	↑ 2	50.3	-1.0	I   I	Buyers'	4.9	18.2	2.5	2.0	1.7	1.1	-2.3	5.4	18.5
27	Windsor	27	→ 0	43.5	-1.0	I   I	Buyers'	-0.4	10.8	1.0	-0.2	6.9	3.9	-5.8	12.4	11.0
28	KW*	25	↓ 3	47.7	-1.0	I   I	Buyers'	0.2	0.5	2.1	-0.8	2.1	0.0	-3.4	-3.1	16.8
29	Toronto	31	↑ 2	44.8	-1.1	I   I	Buyers'	14.0	14.1	0.2	1.5	-0.3	-0.2	-6.8	7.0	17.0
30	Barrie	26	↓ 4	41.0	-1.1	I   I	Buyers'	-2.1	43.1	4.1	-0.6	-1.6	-1.4	-5.2	25.7	22.6

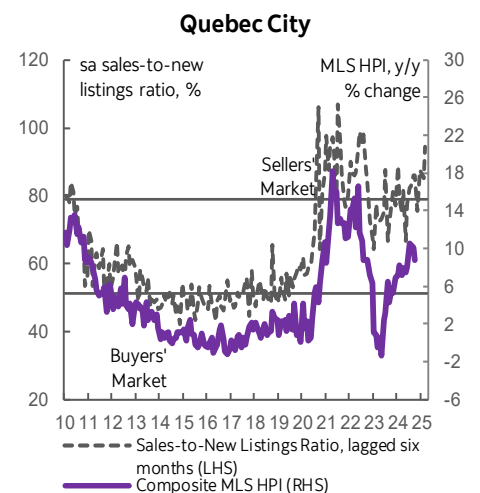
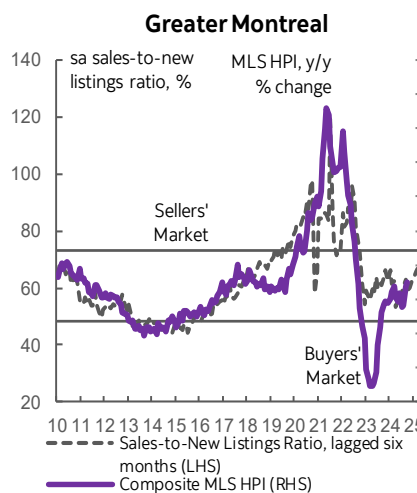
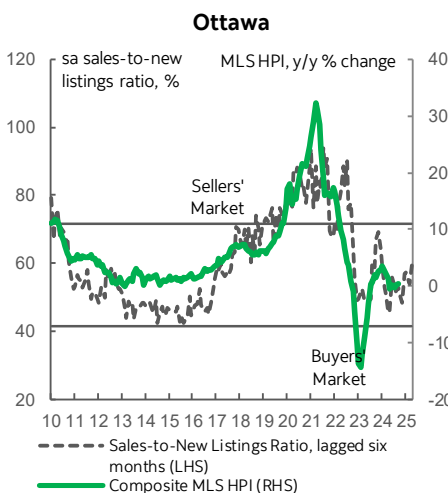
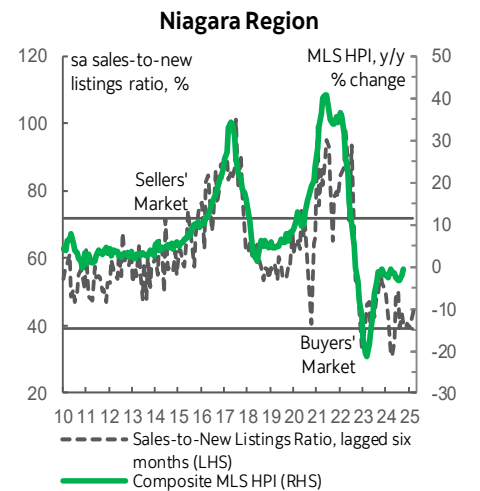
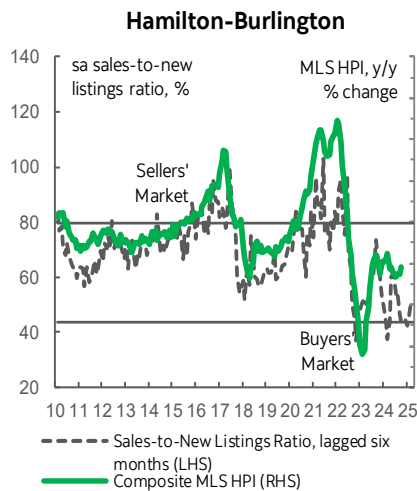
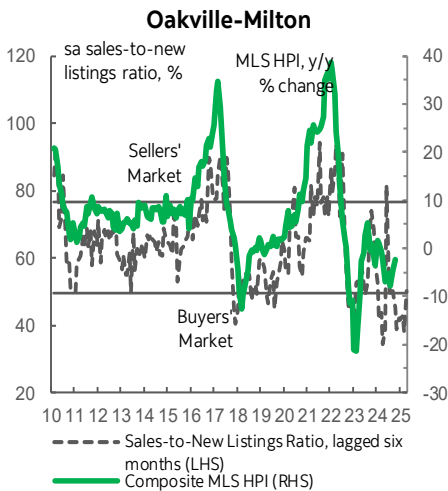
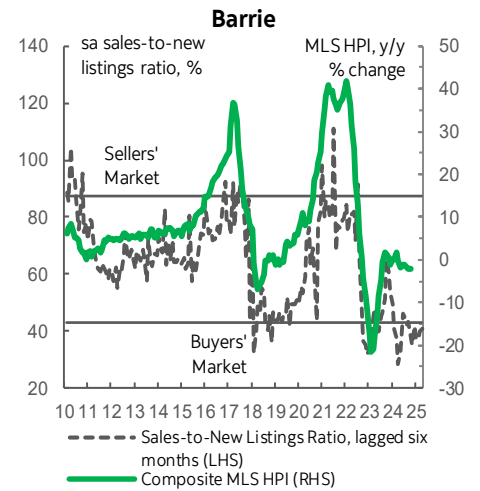
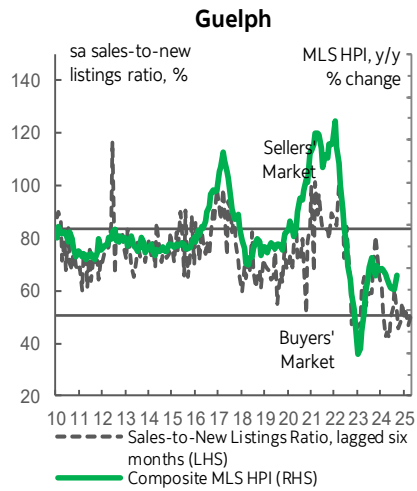
<sup>1</sup> Ordered from most- to least-tilted towards sellers. <sup>2</sup> A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term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



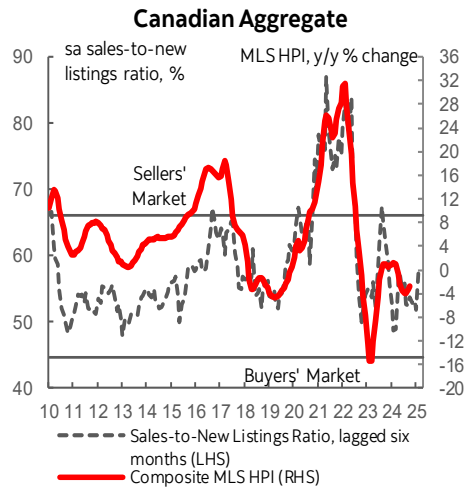
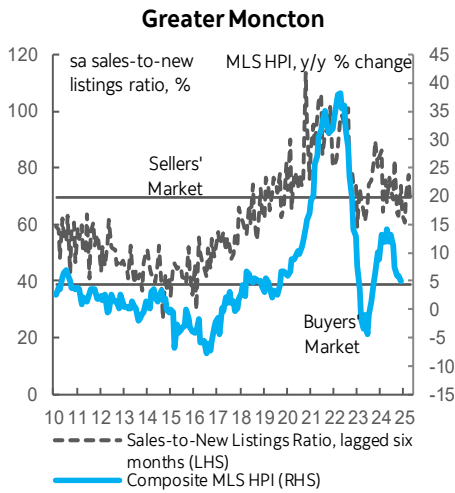
Sources: Scotiabank Economics, CREA.

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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