

Canadian Home Sales — December

SALES SURGE DRAWS UNUSUAL YEAR TO A CLOSE

SUMMARY

Canadian home sales rose by 7.2% (sa m/m) in December 2020 to set a new monthly record and complete an annual gain of 12.6%. That somewhat surprising climb—new measures to combat COVID-19's second wave had come into effect across much of the country in December—brought to an end a string of two consecutive monthly decreases. As new listings increased by just 3.4% (sa m/m), the national-level sales-to-new listings ratio rose to 77.4%—the fourth-strongest reading on record. With supply-demand balances strongly in favour of sellers, the composite MLS Home Price Index (HPI) surged by 13% (nsa y/y)—the steepest rise since June 2017. Single-family homes continued to anchor price appreciation.

Sales gains were broad-based in December and for the year as a whole.

Eighteen of the 31 local markets we monitor witnessed sales gains last month—with both Toronto and Vancouver seeing increases over 20% sa m/m. Thunder Bay stood out as the only one of our centres whose home purchases declined relative to 2019. As of December, Charlottetown was the only municipality whose sales had not returned to the level of February 2020—the last month before pandemic lockdowns took effect.

While new listings generally increased last month and have rebounded from early-year lockdowns, their recovery continued to lag that of sales.

In December, 20 centres in our list experienced a rise in new listings, but only five centres saw gains over the course of 2020 and the 4.3% national-level annual decline was the steepest since the peak of the GFC in 2009. The relatively slow bounce-back among new listings contributed to 18 of our centres finishing 2020 in sellers' market territory, which, all else equal, augurs for further price appreciation in the coming months.

In Canada's largest centres, single-family homes continued to propel price growth.

Price gains for this unit type accelerated across Toronto, Montreal, Vancouver, Calgary, Edmonton, and Ottawa and far outpaced those of other dwelling categories; in most cities, the rate of expansion eased for apartments and townhomes. The composite MLS HPI for single-family homes advanced by 9.2% in 2020—not far off the 11–12% growth witnessed during 2016–17, just before the federal and provincial governments began to introduce measures to cool the pace of home price appreciation.

IMPLICATIONS

The December data cap off a remarkable year for Canadian housing markets.

National-level sales and listings witnessed record plunges in excess of 50% (sa m/m) at the height of first wave lockdowns in April—on the heels of declines over 10% (sa m/m) in March as containment measures came into effect. At that time, we appeared headed for an unprecedented annual drop. Since then, a broad-based rally in real estate transactions activity has culminated in the

CONTACTS

Marc Desormeaux, Senior Economist

416.866.4733

Scotiabank Economics

marc.desormeaux@scotiabank.com

Raffi Ghazarian, Senior Economic Analyst

416.866.4211

Scotiabank Economics

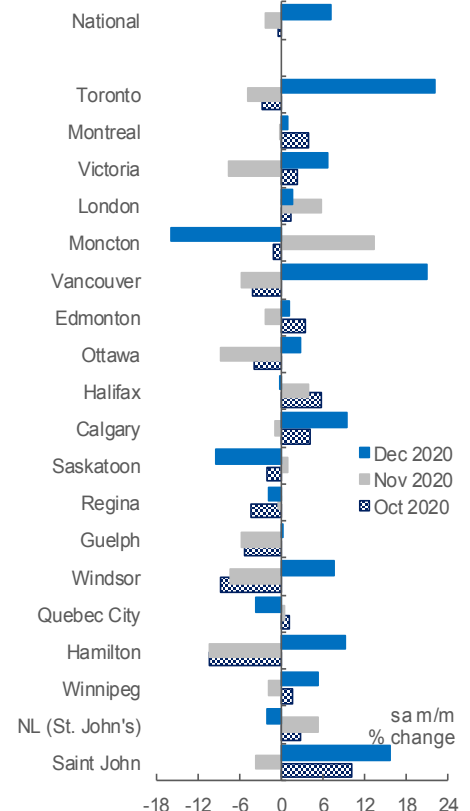
raffi.ghazarian@scotiabank.com

Canada	Dec-20	Nov-20	Dec-20
	m/m ¹	m/m ¹	y/y
Sales (% change)	7.2	-2.2	47.2
New listings (% change)	3.4	-1.5	24.8
Average price (% change)	3.0	0.2	15.4
MLS HPI (% change) ²	1.1	0.8	13.0

	Dec-20	Nov-20	Dec-19
Sales-to-new listings ratio (level) ¹	77.4	74.6	66.8
Months inventory (level) ¹	2.1	2.4	4.2

¹ seasonally adjusted ² not seasonally adjusted

Home Sales for Select Cities



Sources for chart and table: Scotiabank Economics, CREA.

strongest national-level annual percentage increase in home purchases since 2001! Twenty-five of the 31 cities we monitor witnessed annual sales gains in excess of 5%, and 28 recouped March–April losses in three or fewer months.

How should one interpret the robust second-half housing market recovery? The scale and speed of policy support during the COVID-19 economic downturn appears to have played a role. Tax and fee deferrals and hefty household transfers—the latter outpaced income losses at the height of the pandemic’s first wave—look to have cushioned the recession’s blow, with an assist from rock-bottom borrowing rates. Strong household formation vis-à-vis torrid population gains in most centres before COVID-19 may also have contributed to strong purchase volumes. Finally, containment measures’ disproportionate impact on lower-wage sectors likely had a less pronounced impact on housing demand than a broader-based recession would have, especially in centres with stretched pre-pandemic affordability.

Buyers continue to demonstrate a preference for more space as the pandemic rages. In most centres, MLS HPI gains continue to be anchored by larger, roomier, higher-cost single-family homes. Meanwhile, cheaper apartments and townhomes—which had driven much of the price growth in the pre-pandemic world of limited affordability—witnessed much more moderate gains. The Toronto Regional Real Estate Board—which released by-region sales figures earlier this month—is a case in point. The data continued to indicate strong sales growth in the regions surrounding the City of Toronto, while purchase volumes fell in the city itself last year. However, there is a question as to whether the current trend will persist after widespread vaccination.

With new restrictions now in place across the country to combat second waves, slowing real estate transactions and price gains may be in store in the next few months. Our economic outlook released this week incorporates more stringent lockdowns and diminished economic activity in the first half of this year, though we do not foresee a repeat of the cratered economic activity witnessed in the spring. The delay of some activity into H2-2021, when we had already expected widespread inoculation to lift economic growth, likely means stronger second-half activity than we previously anticipated. Rock-bottom interest rates, ongoing federal and provincial fiscal supports, and the current supply-demand tightness should also contribute to home price gains over the medium-term.

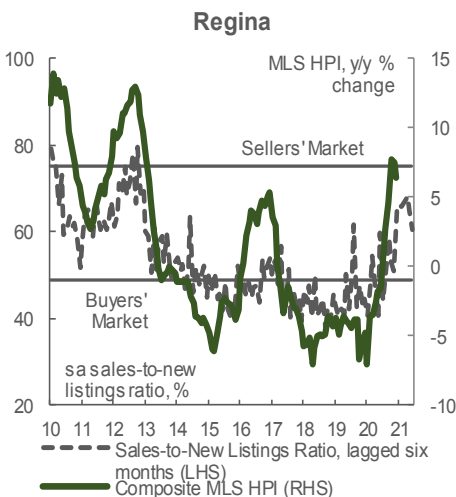
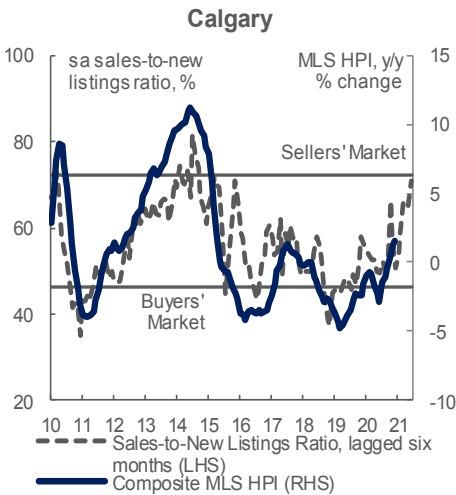
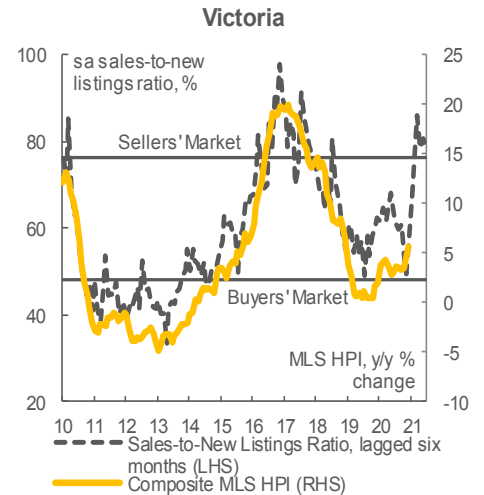
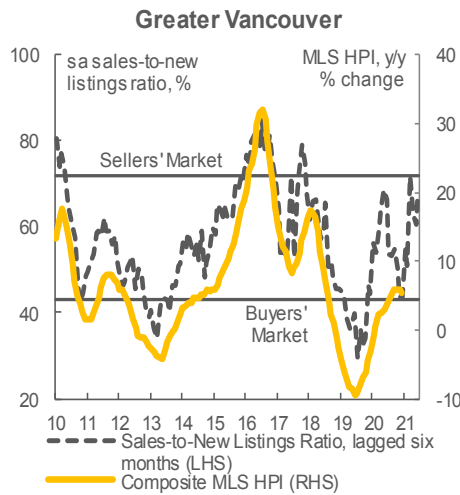
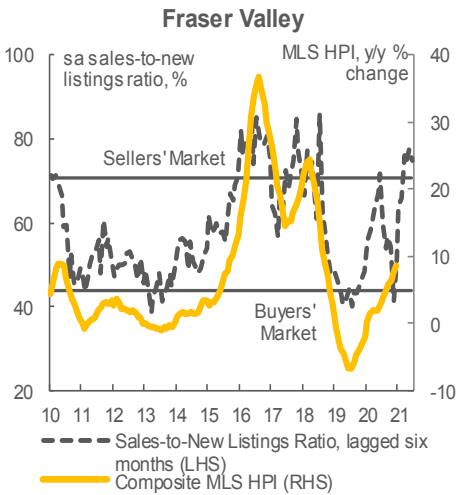
Scotiabank Housing Market Watch—December 2020

Rank ¹	Real Estate Board	Sales-to-New Listings Ratio						Unit Sales ³			Avg. Sales Prices ³			New Listings ³			
		Last Month Rank	Monthly Change	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	--	--	77.4	2.3	•	Sellers'		7.2	35.9	12.6	3.0	15.1	11.4	3.4	17.4	-4.3
1	Montreal	2	↑ 1	86.4	4.1	•	Sellers'		0.9	32.6	8.7	-1.7	19.8	15.4	-4.3	27.6	3.3
2	Moncton	1	↓ 1	89.4	3.9	•	Sellers'		-15.9	37.7	13.9	0.5	17.6	13.0	-2.6	6.2	-7.2
3	Sudbury	3	→ 0	101.8	3.8	•	Sellers'		3.3	25.6	8.4	2.7	15.4	13.8	-0.7	6.2	-9.2
4	Saint John	4	→ 0	82.1	3.3	•	Sellers'		15.8	33.4	12.7	-8.5	8.2	6.5	13.3	21.2	-10.5
5	St. Catharines	13	↑ 8	98.0	2.8	•	Sellers'		19.2	36.1	10.7	3.2	23.5	17.8	-0.2	2.2	-8.4
6	London	7	↑ 1	86.6	2.4	•	Sellers'		1.7	24.5	4.8	2.0	29.0	18.4	2.1	6.8	-6.1
7	Ottawa	14	↑ 7	86.2	2.3	•	Sellers'		2.8	30.6	2.2	0.1	21.1	19.0	-7.7	43.6	-4.1
8	Windsor	11	↑ 3	77.6	2.0	•	Sellers'		7.5	19.3	1.6	4.6	28.1	20.9	4.6	9.6	-6.1
9	Okanagan-Mainline (Kelowna)	9	→ 0	84.3	1.9	•	Sellers'		-2.6	69.2	22.1	11.9	24.4	13.7	1.0	9.9	-6.4
10	Thunder Bay	8	↓ 2	82.7	1.9	•	Sellers'		-4.1	9.2	-5.4	-0.6	17.5	8.5	-0.4	-7.6	-22.6
11	Halifax	12	↑ 1	96.1	1.8	•	Sellers'		-0.1	41.0	12.8	1.2	18.2	13.4	-1.4	34.0	-0.5
12	Lethbridge	23	↑ 11	82.5	1.8	•	Sellers'		17.6	32.4	11.9	1.1	6.4	2.7	1.4	3.5	-7.9
13	Quebec City	5	↓ 8	83.1	1.8	•	Sellers'		-3.7	45.4	28.7	0.6	11.3	5.9	5.0	-4.8	-13.9
14	Kingston	10	↓ 4	74.2	1.7	•	Sellers'		-4.6	39.8	9.0	0.7	20.5	16.2	-1.9	14.8	-4.2
15	KW*	16	↑ 1	80.3	1.4	•	Sellers'		-1.3	32.3	8.8	0.2	14.9	15.1	-0.6	25.8	-3.6
16	Fraser Valley (Abbotsford)	15	↓ 1	75.0	1.3	•	Sellers'		11.7	58.2	28.5	-1.8	19.9	12.8	15.8	37.7	5.8
17	Victoria	20	↑ 3	79.2	1.2	•	Sellers'		6.7	49.9	16.9	-1.6	10.5	11.2	8.6	21.4	1.9
18	Brantford	17	↓ 1	77.8	1.0	•	Sellers'		-1.9	20.0	9.0	7.2	25.0	18.4	6.1	-8.8	-13.1
19	Winnipeg	21	↑ 2	78.7	1.0	•	Balanced		5.2	29.1	12.4	-2.9	8.2	4.5	5.8	-8.5	-8.9
20	Toronto	27	↑ 7	68.2	1.0	•	Balanced		22.1	32.7	8.3	1.0	12.7	12.2	10.1	39.6	2.4
21	Hamilton-Burlington	24	↑ 3	77.7	0.9	•	Balanced		9.2	24.8	8.4	2.4	22.3	16.3	6.8	14.1	-7.3
22	Calgary	26	↑ 4	70.7	0.8	•	Balanced		9.5	34.8	3.3	-1.4	3.6	0.2	1.1	-0.3	-9.2
23	NL (St. John's)	22	↓ 1	55.5	0.8	•	Balanced		-2.2	44.9	14.7	0.3	6.5	1.1	1.1	1.5	-14.6
24	Peterborough	6	↓ 18	66.3	0.7	•	Balanced		0.0	16.4	7.0	6.6	25.9	17.8	37.9	-9.8	-15.6
25	Vancouver	30	↑ 5	68.1	0.7	•	Balanced		21.0	34.6	23.1	-0.1	9.2	7.2	7.4	38.4	4.5
26	Guelph	18	↓ 8	77.6	0.7	•	Balanced		0.3	26.7	6.1	2.6	23.0	15.7	14.7	10.8	-10.9
27	Barrie	28	↑ 1	78.9	0.6	•	Balanced		16.1	28.1	25.4	5.8	27.3	17.1	6.1	3.6	-12.0
28	Edmonton	31	↑ 3	63.3	0.4	•	Balanced		1.2	33.1	5.0	-4.5	5.9	1.7	-3.4	3.3	-6.8
29	Saskatoon	19	↓ 10	56.4	0.1	•	Balanced		-9.4	43.6	22.9	1.1	4.3	3.8	15.9	-2.0	-5.8
30	PEI (Charlottetown)	25	↓ 5	53.8	0.1	•	Balanced		-21.7	19.8	9.2	-2.3	21.9	17.9	0.0	17.0	-7.6
31	Regina	29	↓ 2	60.6	-0.1	•	Balanced		-1.9	53.5	22.0	-0.5	3.2	1.6	5.6	13.4	-3.1

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

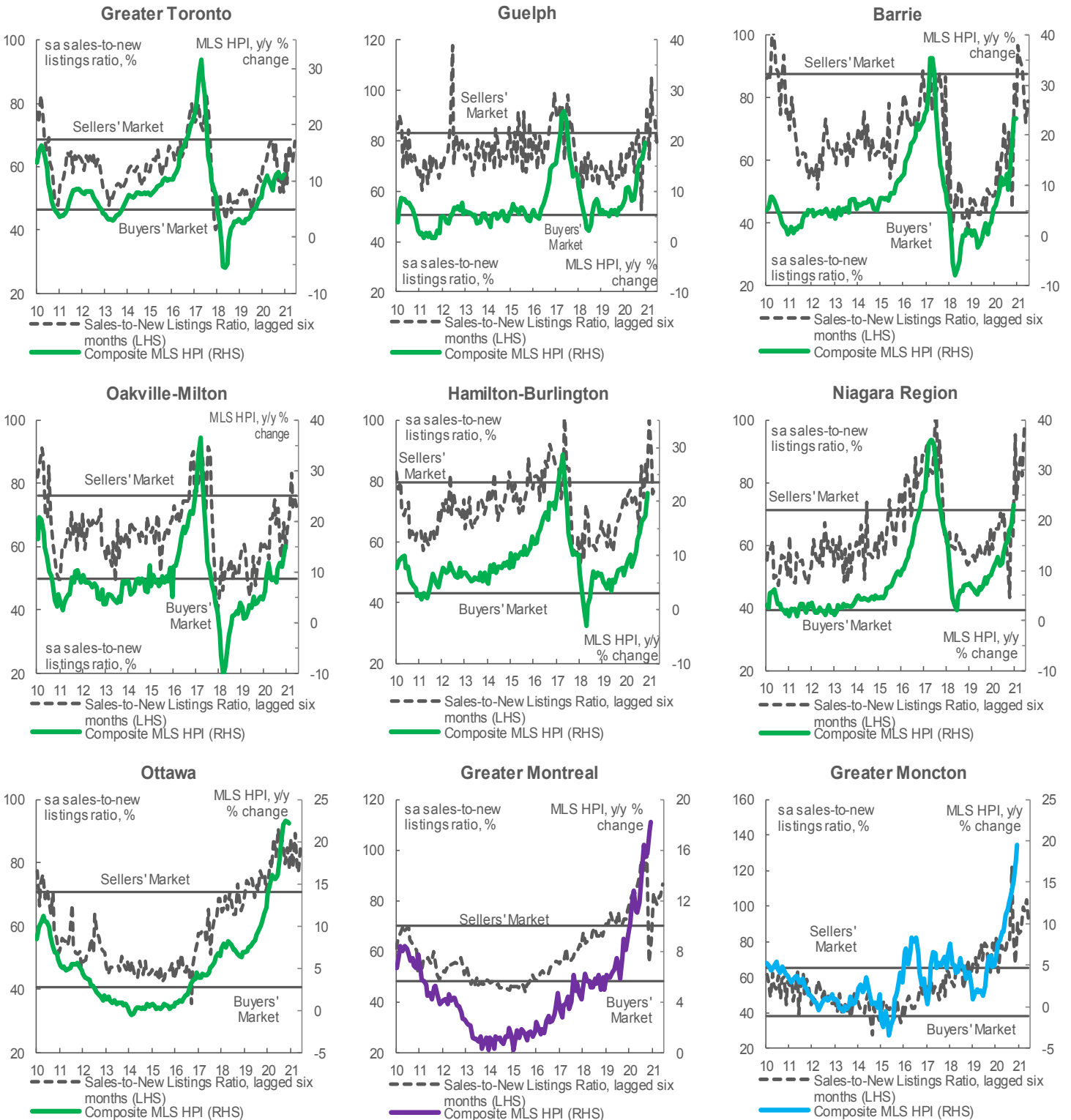
WESTERN CANADA



Sources: Scotiabank Economics, CREA.

MLS Home Price Indices (cont.)

EASTERN CANADA



Sources: Scotiabank Economics, CREA.

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