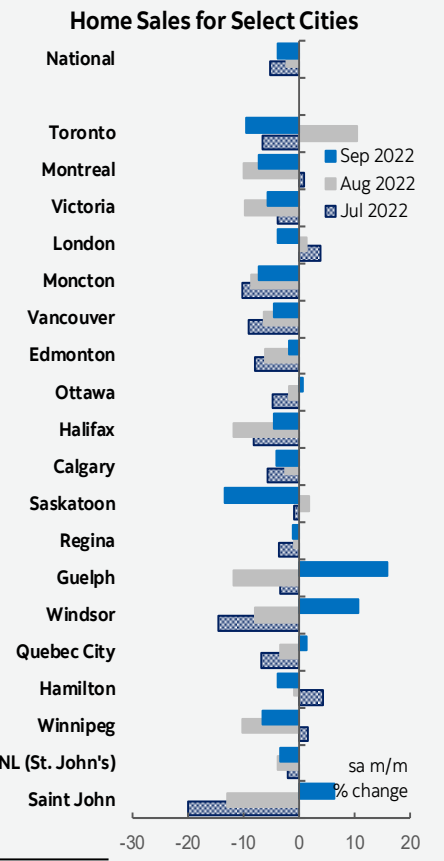


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Canada	Sep-22	Aug-22	Sep-22
	m/m ¹	m/m ¹	y/y ²
Sales (% change)	-3.9	-2.2	-32.2
New listings (% change)	-0.8	-4.9	-1.5
Average price (% change)	-1.2	1.4	-1.6
MLS HPI (% change)	-1.4	-1.6	3.3
	Sep-22	Aug-22	Sep-21
Sales-to-new listings ratio (level) ¹	52.0	53.6	75.6
Months inventory (level) ¹	3.7	3.5	2.0

¹seasonally adjusted ²not seasonally adjusted



Sources for chart and table: Scotiabank Economics, CREA.

Canadian Home Sales — September 2022

CANADA HOUSING MARKET: “FALL” SEASON

SUMMARY

Canadian home sales fell for the seventh month in a row, dropping by 3.9% (sa m/m) in September, while listings edged down by 0.8% (sa m/m). This eased the sales-to-new listings ratio, an indicator of how tight the market is, to 52%—in line with its long-term average of 55.1%. These easing and overall more balanced market conditions brought about another decline in the composite MLS Home Price Index (HPI), which edged down 1.4% (sa m/m) in September compared to August, a deceleration from August’s 1.7% decline.

Sales fell in two-thirds of the local markets we track, with double digit gains in some urban centres in Ontario offset by declines elsewhere. The national decline puts the level of sales below its pre-pandemic levels, with September’s sales hovering around 13% below the month’s 2010–2019 average.

It was an even split between markets where listings declined and those where listings increased, resulting in an almost negligible decline in September. September’s small decline however follows significantly larger ones in the preceding two months. The level of new listings in September sat 6% below the month’s 2010–2019 average, and was the lowest level seen for the month since 2006. This is as sellers join buyers in a tug-of-war game, each waiting for the other to cave. Months of inventory continued to climb up from its record lows, reaching 3.7 months in September—still below its long-term average of 5 months, but much higher than its all-time low of 1.7 months.

For the first month since home prices started declining, the fall in apartment prices—measured by the MLS Home Price Index (HPI)—outpaced that of single-family homes. September’s monthly decline in the composite MLS HPI represented a deceleration from the prior month, falling at almost half of August’s pace. The largest deceleration was in two-storey single family homes, while apartments experienced an acceleration in terms of monthly price declines. This may be due to some demand for single-family homes returning to the market to take advantage of prices that are now sitting 10% below peak, while buyers await apartments to catch up on the decline as they remain only 3% below peak. In annual terms, however, apartments continued to lead price gains—the MLS HPI for apartments was up by 9.5% (nsa y/y) in September, above the composite increase of 3.7% (nsa y/y).

IMPLICATIONS

September featured another decline in national housing sales as the housing market continued adjusting to worsening macroeconomic conditions and rising prices and borrowing rates. Since the Bank of Canada began hiking its policy rate in March of this year, national sales have declined by 36%, reaching levels not seen since May 2020 when the market was just starting to emerge from covid interruptions. Current national sales levels are now around 8% below their pre-pandemic long-term average. After ticking up in August, the average selling fell again in September, ending the month 17% below its February 2022 peak, but 21% above its February 2020 level—right before the pandemic started.

Focusing on changes in the average selling price could be misleading, however, as it does not indicate a change in the value of the *average* home—it is simply taking the total dollar value of the sales in a single month divided by the total number of units sold in a single month. Fluctuations in the average selling price therefore can overestimate movements in the market as it is easily swayed up or down depending on the composition of sales. The MLS House Price Index (HPI), a much more stable measure that accounts for differences in

house type and size, is only 9% below the February 2022 peak and remains 39% above pre-pandemic levels, with variations across cities (chart 1). Since the MLS HPI index is not available at the provincial level, chart 2 compares September’s prices to peak and pre-pandemic levels using the average selling price. In PEI and Newfoundland and Labrador home values continue to sit above February 2022 levels.

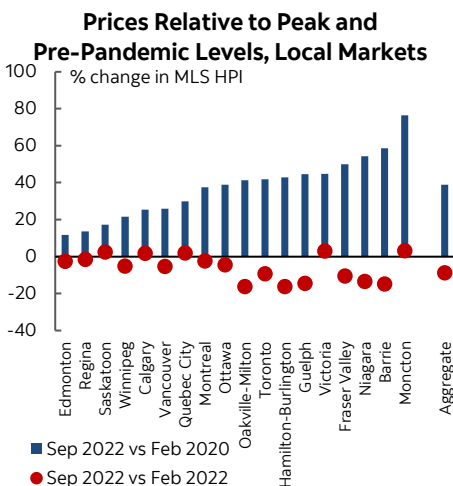
Supply-demand conditions have been easing in many parts of the country, with the national market now in balanced territory. The recalibration in the housing market has so far been a reasonably orderly—and welcome—process, with many factors, including higher mortgage rates, leading to less demand for homes and creating much more balanced markets than seen earlier this year.

It is worth repeating an **interesting point** made by Murtaza Haider from the Urban Analytics Institute and discussed in last month’s report pertaining to this year’s decline in sales. A simple trend line of the number of sales over the past decade, notwithstanding covid disruptions in 2020, suggests we should’ve seen roughly 530,000 units sold in 2021. Actual units sold in 2021 were over 130,000 above the trend-suggested level, however, despite the rate of population growth that year being the slowest in a decade (chart 3). He prescribes this significantly above-trend level of sales in 2021 to forward buying, as some sales that would’ve happened this year were advanced to last year, and those who advanced their purchases naturally won’t be back to the market this year. Therefore, the slowdown in sales volume this year relative to last is at least partly due to this advancement in demand, and not entirely due to the increase in mortgage rates. The total decline in sales volume since the market turned in March adds up to 30,000 units, only a fifth of advanced purchases.

In any case, housing markets across the country are expected to continue to moderate into next year. The speed at which the moderation is occurring might seem alarming right now, particularly as they coincide with a changing and uncertain macroeconomic environment, in addition to worsening consumer sentiment. But this speed is related to many factors (discussed in detail in previous reports, see [here](#) for example), including heightened sensitivity to increased rates, investors’ activity, urgent sales, shifts in buyers’ psychology, and self-reinforcing expectations of price declines. But once those settle in, we can expect a more comfortable pace of adjustment. And in the longer term, demand fundamentals, including the acceleration of immigration and the existing challenges to increasing supply, are expected to put a floor on the adjustment.

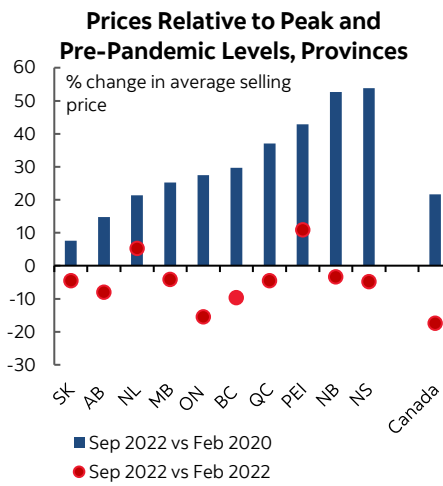
While the monthly drop in September’s sales was bigger than August’s, pausing a trend of tapering declines that occurred in the preceding five months, the acceleration may partly be a result of the Bank of Canada’s September rate hike further narrowing the spread between variable and fixed-rate mortgages. It is the case however that the month’s decline in prices—as measured by the MLS HPI—continued to decelerate.

Chart 1



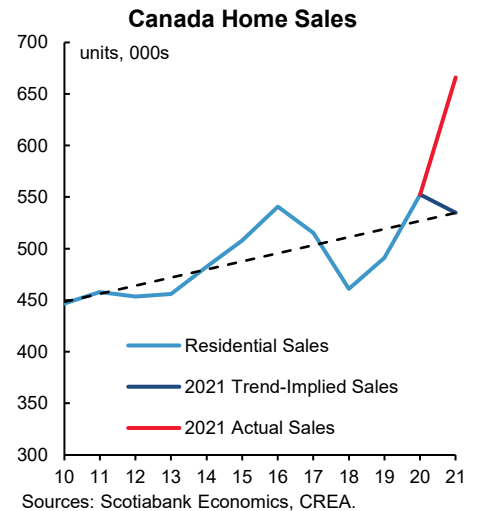
Sources: Scotiabank Economics, CREA.

Chart 2



Sources: Scotiabank Economics, CREA.

Chart 3



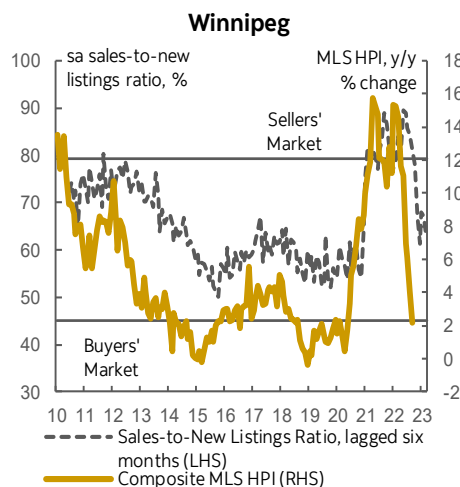
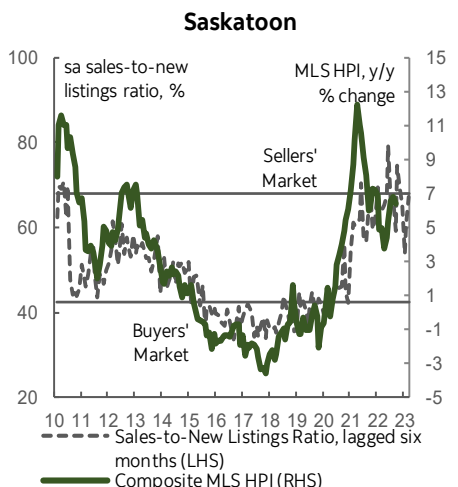
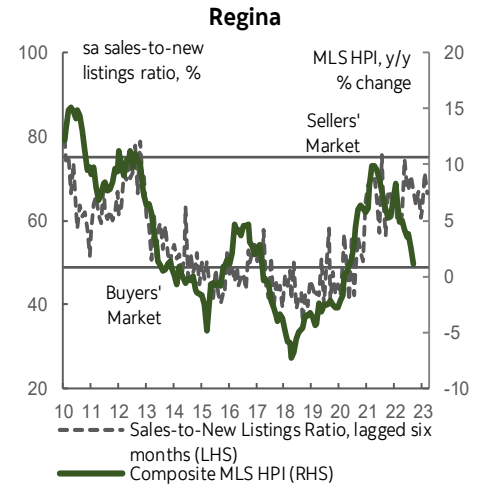
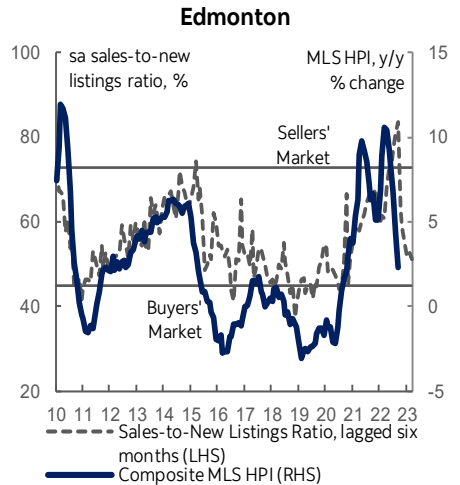
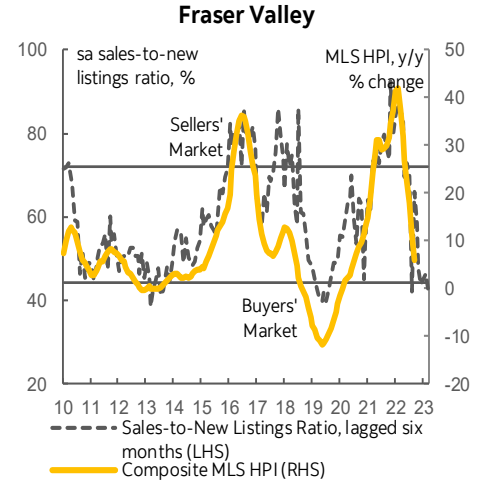
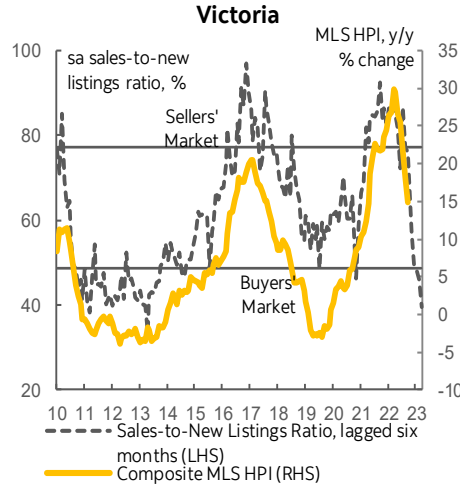
Sources: Scotiabank Economics, CREA.

Scotiabank Housing Market Watch—September 2022

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	--	--	52.0	-0.3	•	Balanced	-3.9	-28.8	-18.7	-1.2	0.7	12.2	-0.8	2.6	-3.3
1	Sudbury	7	↑ 6	71.1	1.3	•	Sellers'	7.8	-11.2	-11.8	1.2	12.9	23.7	-2.2	5.3	-1.1
2	NL (St. John's)	1	↓ 1	61.6	1.2	•	Sellers'	-3.5	-13.2	0.6	-1.0	7.2	7.1	0.4	-11.9	-10.2
3	Saint John	8	↑ 5	68.3	1.2	•	Sellers'	6.3	-23.6	-13.5	5.0	12.6	20.4	-2.2	-6.7	-5.6
4	Calgary	4	↔ 0	72.5	0.9	•	Balanced	-4.1	-8.2	14.3	1.6	3.9	6.4	-3.1	-5.0	5.8
5	Lethbridge	2	↓ 3	67.5	0.6	•	Balanced	14.0	-15.4	-6.4	9.9	11.8	8.8	28.0	-2.1	0.3
6	Moncton	3	↓ 3	61.3	0.6	•	Balanced	-7.2	-25.4	-15.1	2.4	13.6	27.3	7.2	-3.9	-2.4
7	Quebec City	6	↓ 1	71.4	0.5	•	Balanced	1.3	-8.6	-12.0	1.3	6.0	8.6	8.9	15.8	-7.2
8	Regina	9	↑ 1	66.5	0.3	•	Balanced	-1.1	1.5	-0.1	-3.2	-3.5	2.2	6.3	-3.0	-3.5
9	Saskatoon	5	↓ 4	58.5	0.3	•	Balanced	-13.5	-11.2	-8.1	-0.4	5.2	4.6	-0.5	-6.8	-9.5
10	Thunder Bay	13	↑ 3	64.0	0.1	•	Balanced	-3.4	-1.5	-2.9	-0.8	6.6	14.6	-5.3	16.6	7.4
11	Winnipeg	10	↓ 1	62.4	0.0	•	Balanced	-6.7	-14.6	-13.4	0.0	5.1	10.1	0.1	4.6	-4.4
12	PEI (Charlottetown)	12	↔ 0	53.9	-0.1	•	Balanced	-10.8	-23.0	-10.1	2.6	11.3	16.4	-5.0	-9.6	1.6
13	Halifax	11	↓ 2	63.3	-0.1	•	Balanced	-4.6	-29.9	-25.3	4.9	8.5	20.7	3.3	-14.3	-14.7
14	Kingston	16	↑ 2	46.4	-0.3	•	Balanced	7.5	-23.9	-23.3	1.1	4.7	17.1	3.5	23.1	-0.7
15	Montreal	14	↓ 1	55.9	-0.4	•	Balanced	-7.4	-23.1	-18.3	-1.6	5.4	12.0	-2.6	13.5	-4.3
16	Peterborough	19	↑ 3	50.0	-0.4	•	Balanced	9.3	-30.9	-22.1	4.6	1.9	18.0	5.5	7.8	1.8
17	Okanagan-Mainline (Kelowna)	20	↑ 3	45.3	-0.5	•	Balanced	-3.7	-32.8	-25.8	4.1	9.7	16.5	-9.5	14.8	7.4
18	KW*	21	↑ 3	54.8	-0.5	•	Balanced	-11.4	-26.3	-16.7	-0.2	-2.3	18.0	-14.5	11.5	11.3
19	Edmonton	15	↓ 4	51.3	-0.5	•	Balanced	-1.8	-12.5	5.0	0.5	0.3	2.8	1.4	4.1	4.3
20	Ottawa	17	↓ 3	47.9	-0.6	•	Balanced	0.7	-32.1	-20.0	-0.1	2.8	10.2	3.4	0.7	-4.9
21	Windsor	29	↑ 8	47.5	-0.7	•	Balanced	10.8	-35.7	-11.9	4.1	-2.5	18.7	-7.7	7.8	17.8
22	London	18	↓ 4	43.5	-0.9	•	Balanced	-4.0	-38.5	-21.9	-1.9	3.2	17.7	7.6	11.3	9.6
23	Guelph	30	↑ 7	52.5	-0.9	•	Balanced	15.9	-33.6	-24.1	-0.2	3.4	20.2	-4.8	16.9	5.6
24	Brantford	28	↑ 4	45.6	-0.9	•	Balanced	14.7	-32.9	-17.1	-2.1	-5.0	18.9	-0.6	24.7	15.6
25	St. Catharines	26	↑ 1	40.8	-0.9	•	Balanced	-2.1	-44.7	-27.0	1.1	1.6	17.3	-6.6	15.3	6.0
26	Hamilton-Burlington	24	↓ 2	44.3	-1.0	•	Balanced	-3.9	-32.7	-24.2	-1.7	0.4	17.3	-1.4	15.9	2.8
27	Vancouver	22	↓ 5	43.5	-1.0	•	Buyers'	-4.6	-43.8	-24.3	2.0	3.6	9.7	2.5	-15.4	-14.0
28	Toronto	25	↓ 3	46.1	-1.0	•	Buyers'	-9.7	-42.4	-29.0	-2.3	-0.9	13.4	-8.2	-7.7	-10.5
29	Fraser Valley (Abbotsford)	23	↓ 6	42.2	-1.1	•	Buyers'	-3.8	-51.5	-34.9	-2.5	-0.9	14.0	6.0	-8.0	-11.0
30	Barrie	31	↑ 1	39.9	-1.2	•	Buyers'	16.7	-29.1	-29.1	4.0	-0.5	20.4	-0.1	48.1	14.8
31	Victoria	27	↓ 4	39.5	-1.6	•	Buyers'	-5.6	-41.8	-29.4	-1.4	8.2	17.7	10.2	12.5	-4.4

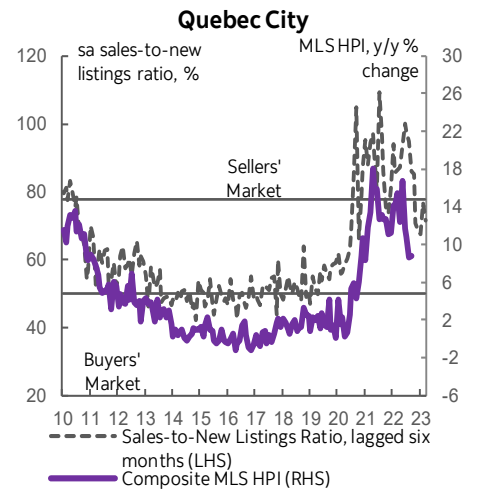
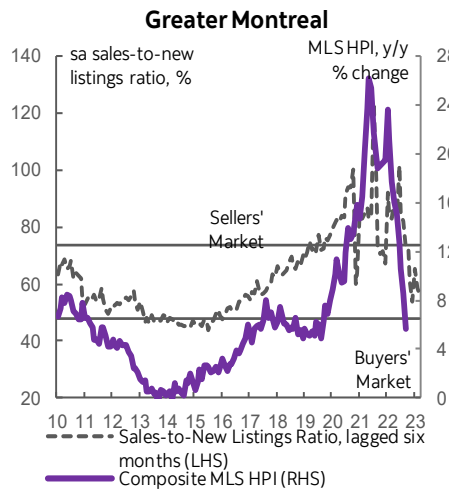
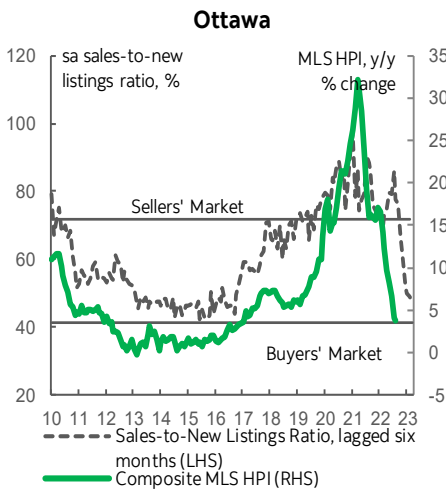
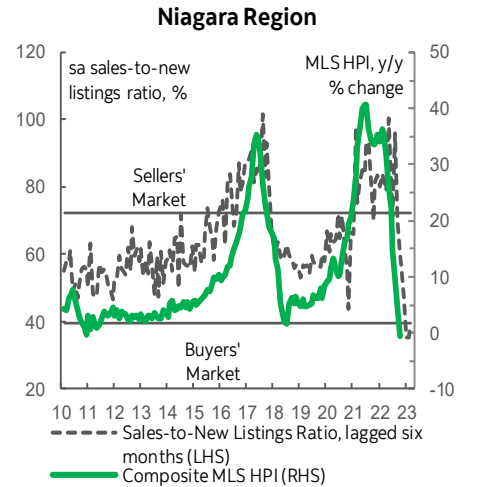
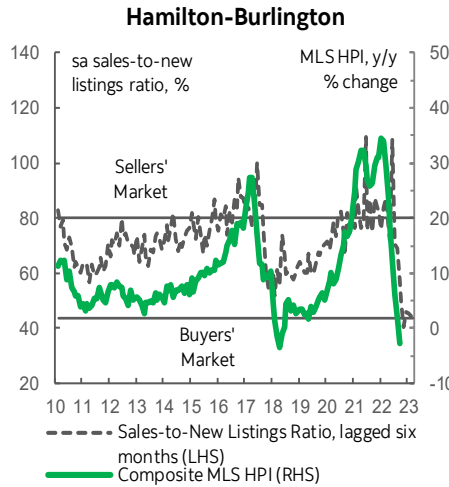
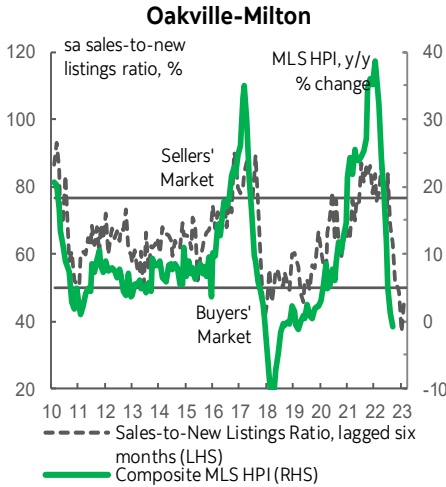
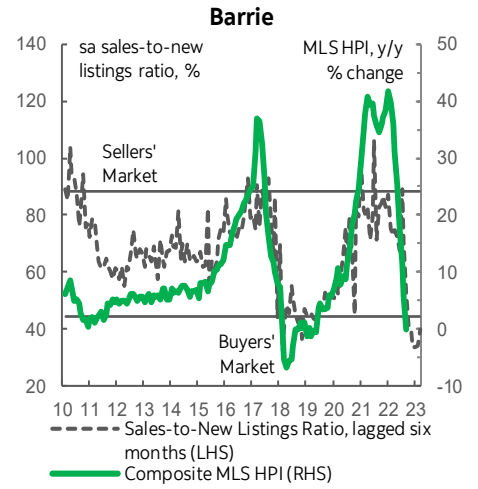
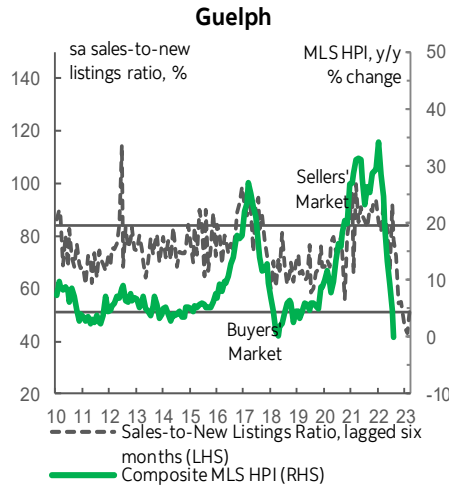
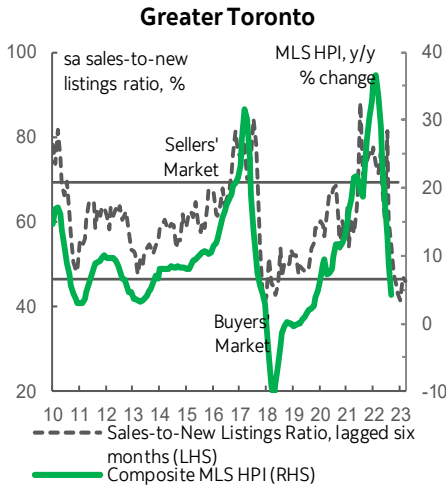
¹ Ordered from most- to least-tilted towards sellers. ² A market is tilted towards sellers, and likely to witness upward pressure on prices, if its sales-to-new listings ratio greater than the long-term mean plus one standard deviation. A sales-to-new listings ratio below the long-term mean less than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

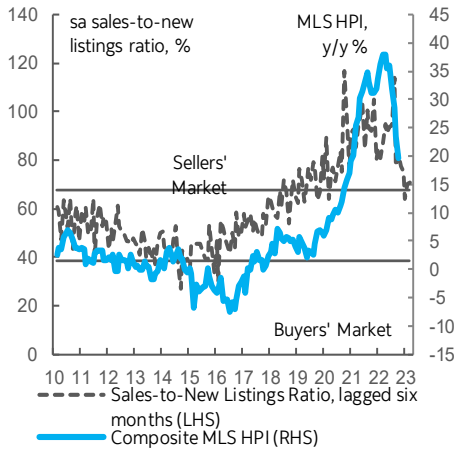
MLS Home Price Indices (cont.) — Eastern Canada



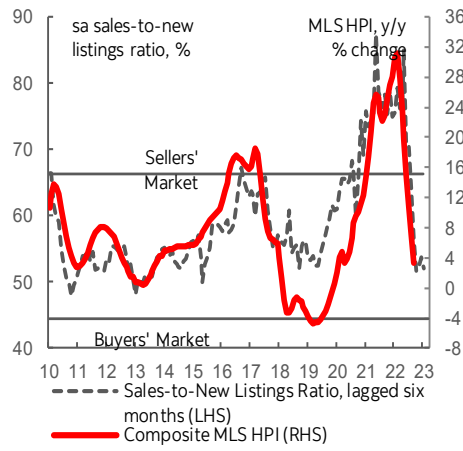
Sources: Scotiabank Economics, CREA.

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

Greater Moncton



Canadian Aggregate



Sources: Scotiabank Economics, CREA.

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