

February 8, 2021

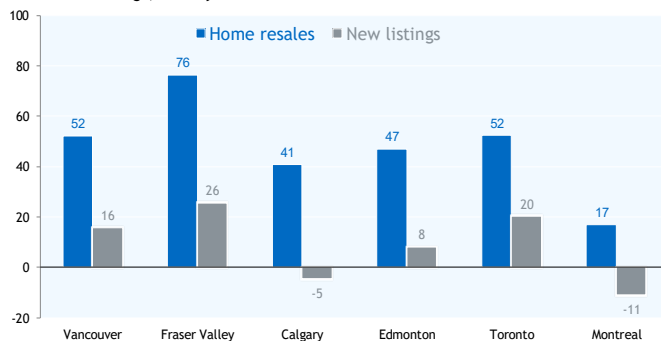
New year, same tight housing market conditions across Canada

Canada's housing market frenzy was in full force in January. Buyers scooped up virtually every unit they could—even downtown condos. The only thing slowing them down was a lack of supply, especially for single-family homes. A number of potential sellers possibly saw the return of non-essential business lockdowns as a reason to hold off putting properties on the market. But the bigger factor was how quickly buyers gobbled up the units that came up for sale since summer resulting in inventories falling to multi-year or multi-decade lows in some cases. Local real estate boards reported very strong results for January. Home resales increased 17% (Montreal) to 76% (Fraser Valley) from a year ago among Canada's larger markets. The level of activity was at, or near record levels in the majority of cases. Things got hectic even in Alberta where resales surged more than 40% in both Calgary and Edmonton. Clearly, rock-bottom interest rates, high household savings and changing housing needs energized buyers all over the country in early 2021. Super tight demand-supply conditions for single-family homes continued to drive up prices at accelerating rates. They are likely to stay on this trajectory in the near term. Condo price trends are comparatively weaker—due to plentiful inventories in the downtown areas of Canada's largest cities. That said, the growing affordability advantage over single-family homes and the start of vaccination distribution (interpreted by some investors as a sign downtown condos will soon regain popularity) have rekindled buyers' interest in condos over the past couple of months. This could lead to a firming of condo prices later this year.

Major market highlights: January 2021

Market activity

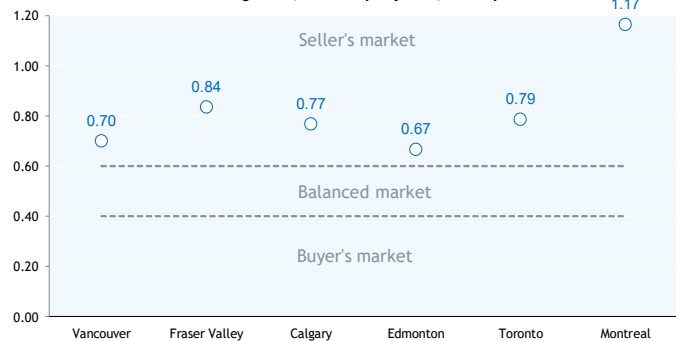
Annual % change, January 2021



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Demand-supply conditions

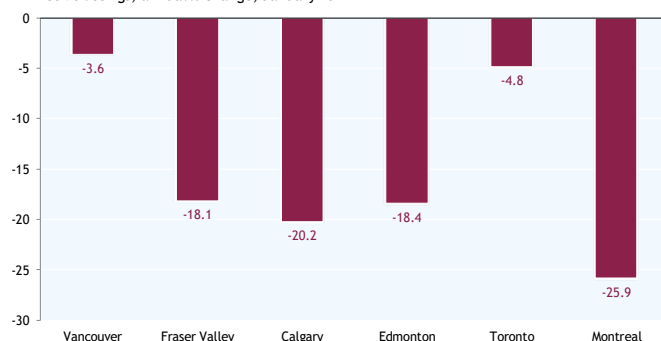
Estimated sales-to-new listings ratio, seasonally-adjusted, January 2021



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Inventories

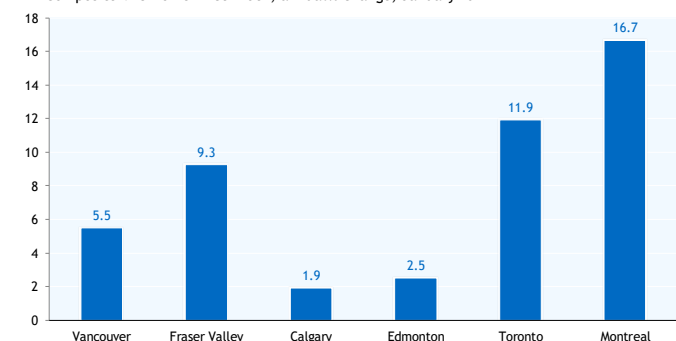
Active listings, annual % change, January 2021



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

Home prices

Composite MLS Home Price Index, annual % change, January 2021



Source: REBGV, FVREB, CREB, RAE, TRREB, QPAREB, RBC Economics

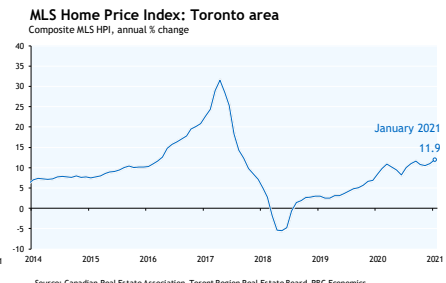
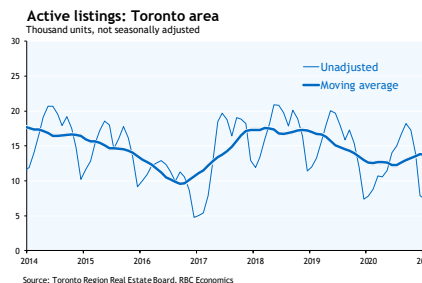
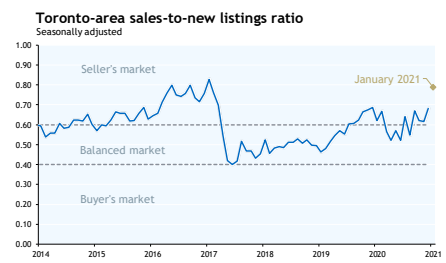
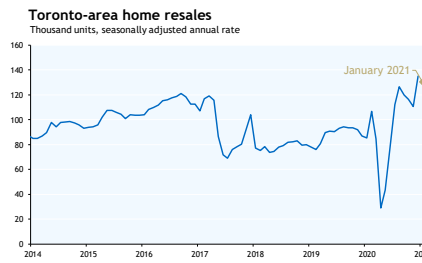
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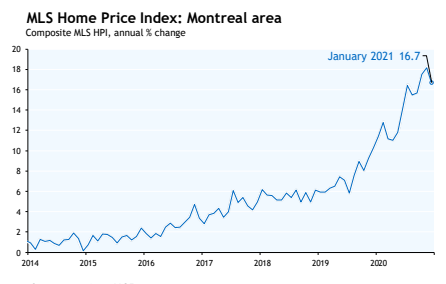
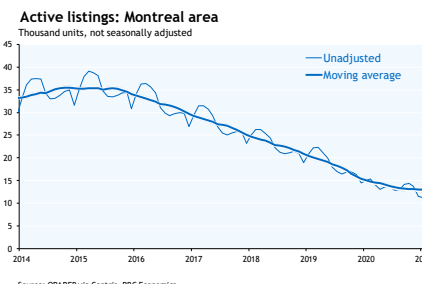
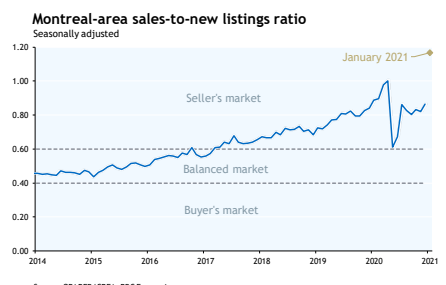
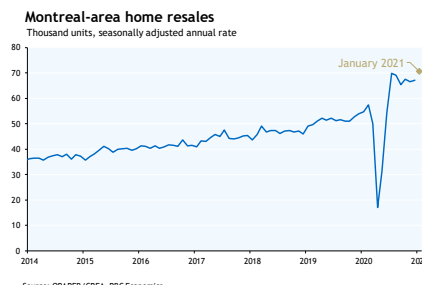
Toronto area—condo demand taking flight

Undeterred by a worsening pandemic and the lockdown of non-essential businesses, buyers remained as active as they've been in January. Home resales stayed sky-high, up 52% from a year earlier. A dearth of active detached home listings (down 40% y/y)—and intense bidding wars—got buyers increasingly interested in condo apartments. Condo sales surged more than 85% y/y, far outpacing the (still-incredibly strong) 34% increase in detached home sales. Renewed demand for condos was seen throughout the Greater Toronto region, including the core 416 area. Relative affordability may also be boosting condo's appeal. Condo prices have been stagnant since the pandemic began—up just 1.7% y/y in January in the region—whereas detached home prices have grown exponentially not just in the Toronto region (up 16.6%) but also in most other southern Ontario markets. With active listings up 85% y/y last month, condo inventories are still ample, keeping upward price pressure at bay for now. The inventory situation is evolving rapidly, though. Active condo listings stood 177% above year-ago levels in November. At the rate things are going, condo prices could well begin to heat up later this year.



Montreal area—Sellers wanted

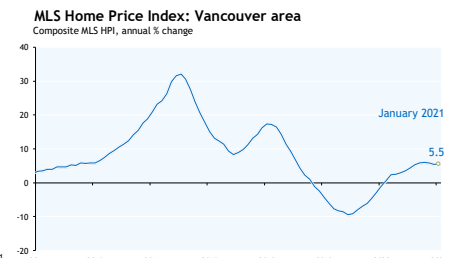
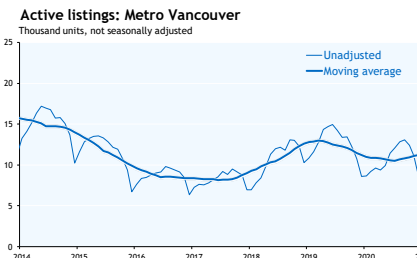
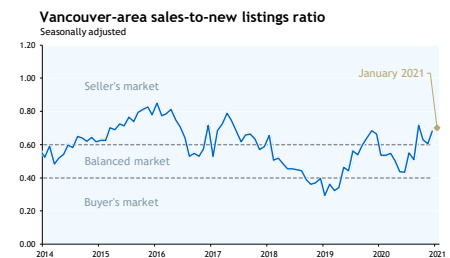
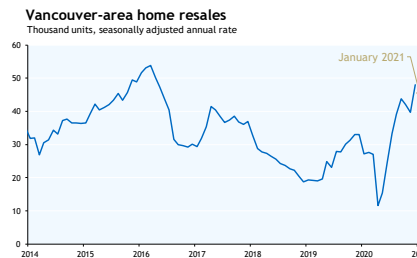
Widespread lockdowns and a curfew didn't hold back buyers last month but they kept many potential sellers on the sidelines. New listings fell for the first time in eight months (down 11% y/y). Red-hot demand drove up home resales 17% y/y with buyers largely picking from existing inventories—shrinking them down to an 18-year low in the process. Faced with a decades-low supply of single-family homes, buyers went after relatively more plentiful condos (of which sales climbed 20% y/y). Condo buyers were especially active on the North and South Shores, where sales surged 46% and 30% y/y, respectively. Very tight demand-supply conditions kept a fire under single-family home prices, driving the median price up 23% y/y. The heat is increasingly transferring to condo prices with the median rising 17% y/y last month. The composite MLS HPI was up almost 17%.





Vancouver area—Market still flying high

The historic rally since summer showed no signs of abating in January. Home resales were 52% above year-ago levels with buyers still primarily focused on single-family homes (up 69% y/y). Activity in that category potentially could have been even stronger had there been more inventories. Buyers are increasingly turning their attention to condo apartments where inventories are relatively more plentiful. Condo resales surged 47% y/y last month. Contrasting demand-supply conditions are keeping single-family and condo price benchmarks on diverging tracks. Single-family prices accelerated to 10.8% in January whereas condo prices eased to 2.2%. Overall, the annual rate of increase in the composite MLS HPI was little changed at 5.5% (versus 5.4% in December).



Calgary—Recovery getting strong

The market kept forging ahead last month despite new listings falling 4.6% y/y. Strong detached home activity accounted for much of the 41% y/y increase in home resales though things were quite busy for condo apartments too (up 27% y/y). Sustained demand and fewer new offerings over the past several months have drawn down inventories significantly, especially for detached homes (where active listings fell 32% below year-ago levels in January). Detached homes are getting pricier as a result, which is driving up Calgary's overall benchmark further into positive territory—the composite MLS HPI increased 1.9% y/y in January. Condo prices are still down on a year-over-year basis, however.

