

September 4, 2020

Hot summer housing market stretched into August... though not everywhere

There was still plenty of pent-up demand to drive Canada's housing market to further heights in August. Early results from local real estate boards showed red hot activity in many areas around the country. But the bigger story might be that COVID-19 is now prompting more people to sell. New listings increased strongly in Toronto, Ottawa and Vancouver. We think this in part reflects the pandemic altering the housing needs of many current owners—who are opting to move, something they might not have considered just a few months ago. This wasn't the case everywhere, though. New listings fell in Calgary, which led to slightly fewer transactions there in August. Buyers nationwide are demonstrating a stronger preference for single-detached homes. Sales in that category vastly outpaced condos. Even in Calgary, detached home sales were up from a year ago, which contrasted with transactions involving condos falling substantially. This growing penchant for single-detached homes is supporting stronger price increases in that category. That, too, is a Canada-wide trend. We expect single-detached and condo valuations to continue to diverge in the period ahead.

Toronto area: A 57% y/y surge in new listings set the stage for another outsized increase in home sales (up 40%) in August. By our calculation, sales jumped more than 20% from July's near-record level. Clearly, the area market has fired on all cylinders this summer, making up for the major disruption caused by COVID-19 in the spring. The Toronto Region Real Estate Board noted low-rise home categories (including single-detached homes) were the main drivers of activity and price growth. Demand-supply conditions are very tight in these categories, with intense competition between buyers. Conditions are more balanced in the condo segment, however.

Toronto-area home resales

Thousand units, seasonally adjusted annual rate



Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

Toronto-area sales-to-new listings ratio

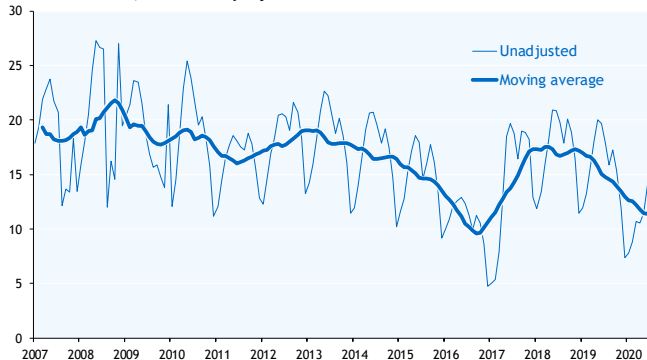
Seasonally adjusted



Source: Canadian Real Estate Association, Toronto Region Real Estate Board, RBC Economics

Active listings: Toronto area

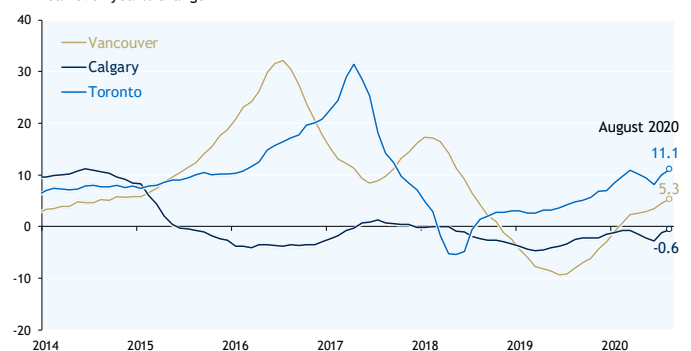
Thousand units, not seasonally adjusted



Source: Toronto Region Real Estate Board, RBC Economics

MLS Home Price Index

Year-over-year % change



Source: CREA, TRREB, REBGV, CREB, RBC Economics

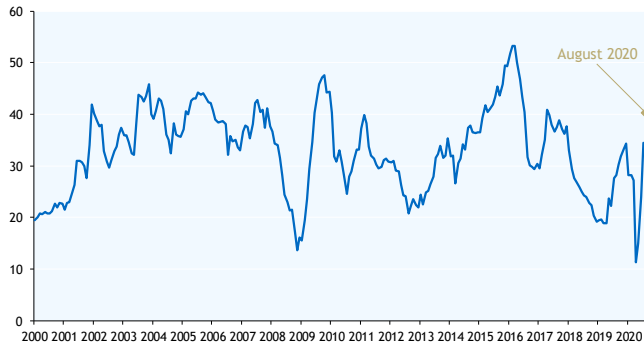
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Vancouver-area home resales

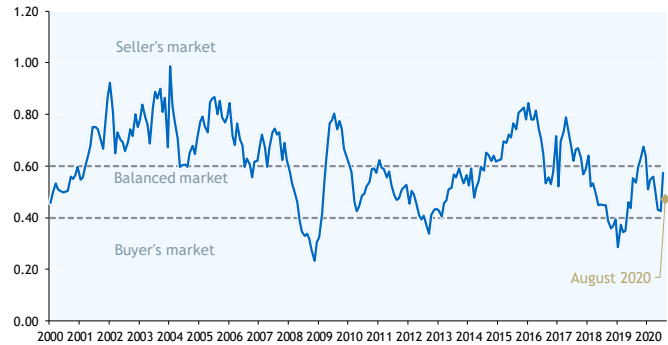
Thousand units, seasonally adjusted annual rate



Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

Vancouver-area sales-to-new listings ratio

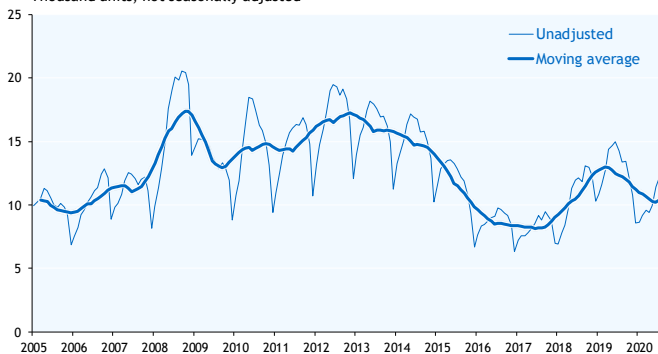
Seasonally adjusted



Source: Canadian Real Estate Association, Real Estate Board of Greater Vancouver, RBC Economics

Active listings: Metro Vancouver

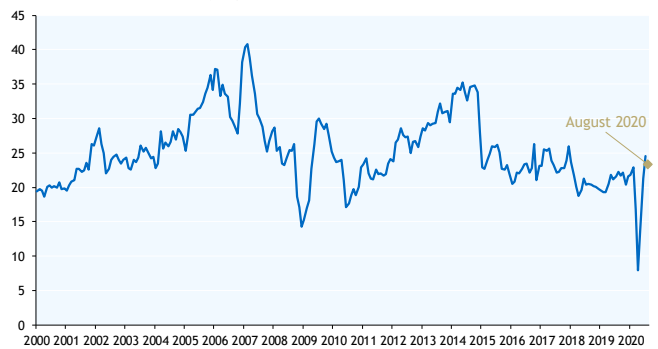
Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics

Calgary home resales

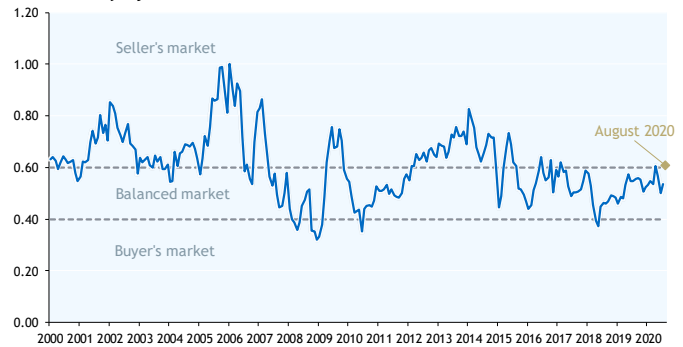
Thousand units, seasonally adjusted annual rate



Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics

Calgary sales-to-new listings ratio

Seasonally adjusted



Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics

er, where new listings rose sharply last month. The MLS Home Price Index (HPI) overall accelerated to 11.1% y/y from 10.0% in July. The single-detached index set the fastest pace (up 11.8%), while the condo index's increase was more subdued at 8.9%.

Vancouver area: The market rally continued in earnest with home resales recording a solid 37% y/y gain (translating to a 17% advance over July on a seasonally-adjusted basis). Yet this was dwarfed by a massive 55% y/y growth in new listings. Demand-supply conditions eased a little as a result but remained generally balanced. This provided sufficient support for further (slight) price acceleration overall. The MLS HPI climbed to 5.3% y/y in August, up from 4.5% in July.

Calgary area: July's solid sales momentum stalled in August. A drop in available supply is partly to blame. New listings fell 8.6% y/y, bucking the trend among early reporting markets. This contributed to home resales slipping 0.1% y/y or almost 5% relative to July on a seasonally-adjusted basis. The weakness was entirely concentrated in the condo segments where sales plummeted 20% y/y. By contrast, single-detached home sales continued to climb 5.5%. Property values also diverged between these two categories. The condo HPI declined 1.5% y/y whereas the detached HPI was up 0.9%. Overall, the MLS HPI continued to trend slightly lower, coming in 0.6% below the year-ago level.