

October 6, 2020

September another (super) busy month for Canada's housing market

Home buyers and sellers took new COVID-19 outbreaks in stride last month. Early signs suggest Canada's housing market was as busy as ever. Home resales rose some 25% to 61% above year-ago levels in areas where local real estate boards have so far reported September results—including increases of 56% in Vancouver, 51% in Ottawa and 42% in Toronto. The pandemic however is driving diverging trends among housing categories. Activity is universally stronger for single-detached and other low-rise homes than it is for condos. And the number of condos put up for sale is rising much faster than the number of low-rise homes. The pandemic is altering the housing needs of many current owners, which simultaneously shifts demand from condo apartments to single-detached homes and other low-rise categories, and boosts the supply of smaller condos in core urban areas. These trends have put single-family home prices on accelerating trajectories. Condo prices continue to rise modestly for now in most markets but this may not last. At the rate demand-supply conditions are softening, we see condo prices losing ground in the coming year in some of Canada's core urban areas.

Toronto area: The market came off August's boil but was still red-hot overall in September. Strong demand—especially for low-rise homes in the 905 area—kept home resales 42% above year-ago levels. The modest 5.3% decline from August (on a seasonally-adjusted basis) did little to alter the fact the market was effectively running full-tilt going into the fall season. Tight supply was even likely a restraining factor for low-rise homes (newly listed single-detached homes grew 2.9% y/y, well short of the 55% increase in

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

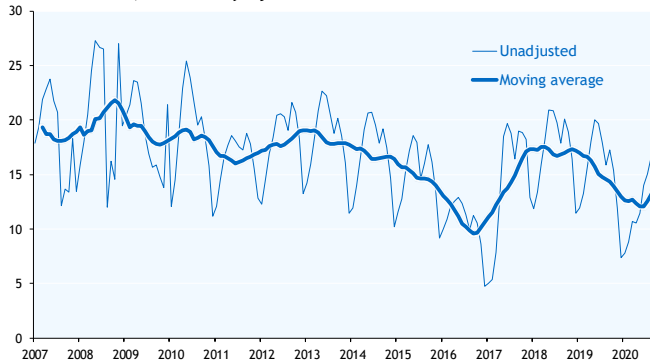
Seasonally adjusted



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

Active listings: Toronto area

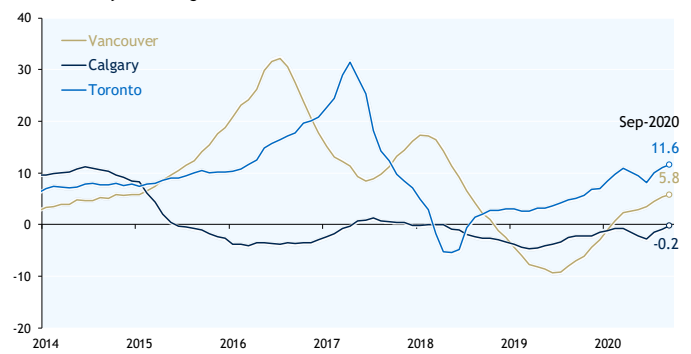
Thousand units, not seasonally adjusted



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

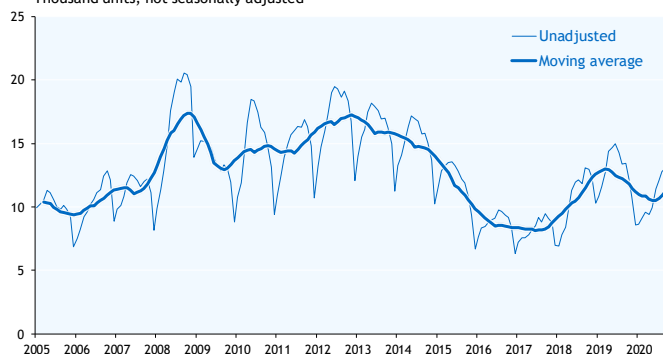
Seasonally adjusted



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

Active listings: Metro Vancouver

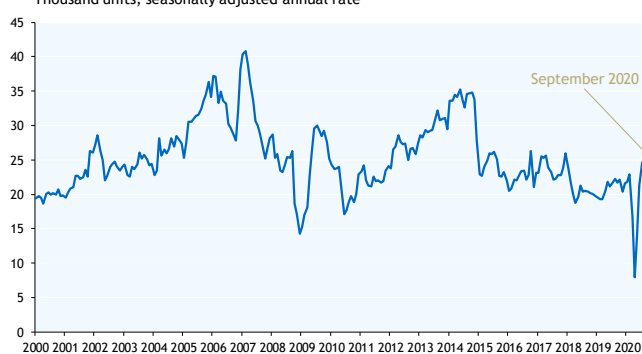
Thousand units, not seasonally adjusted



Source: Greater Vancouver Real Estate Board, RBC Economics

Calgary home resales

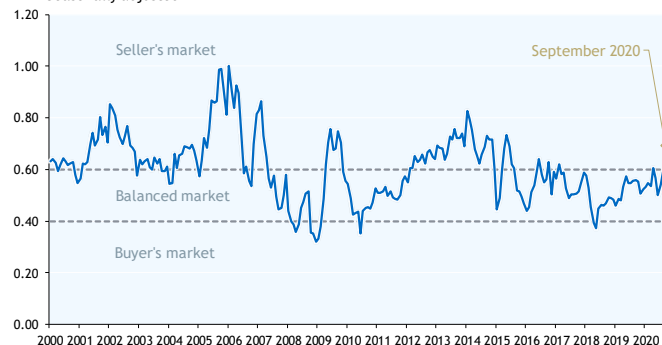
Thousand units, seasonally adjusted annual rate



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

resales). This wasn't the case for condo apartments, though, as new listings surged 90% y/y (six times the 15% rate of increase in resales). Home prices got a few degrees hotter overall. The aggregate MLS HPI accelerated to a three-year high rate of 11.6% y/y. Yet the heat was concentrated in low-rise categories. Condo prices cooled slightly on a month-to-month basis.

Vancouver area: Home resales jumped 56% y/y in September, or more than 13% m/m on a seasonally-adjusted basis. Detached home transactions led the way, rising (77% y/y) and more than twice the rate of condos (up 37%). Detached home prices accelerated further to 7.8% y/y from 6.9% in August. A material rise in new listings (up 44% y/y) kept condo price increases steady at 4.5% y/y (unchanged from August). Demand-supply conditions have tightened considerably for single-detached homes as new listings rose 'only' 18% y/y. We expect prices to heat up even more in this market segment in the near term. We expect more plentiful inventories will do the opposite for condo prices.

Calgary area: There was a stark contrast among market segments with single-detached home resales surging 28% y/y and condos falling 0.8%. The supply side also diverged. New listings of detached homes dropped 2.3% y/y while they rose 16% for condo apartments. The end result has been a marked tightening in demand-supply conditions for single-detached and further loosening for condo apartments. Overall (benchmark) prices were still down on a year-over-year basis—Calgary's MLS HPI was off 0.2%—though much of the weakness was concentrated in the condo segment. We expect relative strength in the single-detached segment to pull the aggregate benchmark into positive territory in the period ahead.

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