

March 4, 2021

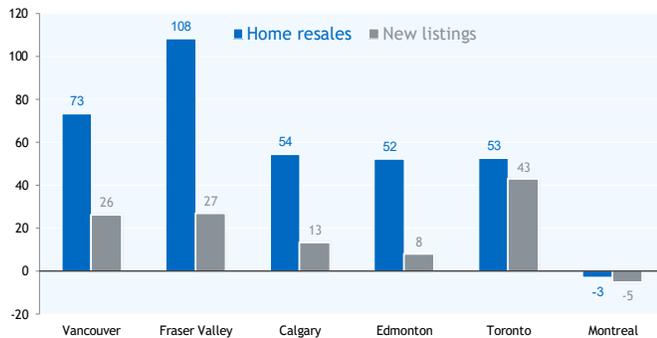
## Steaming-hot housing market conditions persist despite cold February weather

Homebuyers were still clearly on the hunt for their dream house—or any house—in Canada’s major markets last month. Competition for the few available units was not only fierce but increasingly driven by a sense of urgency or ‘fear of missing out’. Home resales stayed sky-high, rising more than 50% y/y in the majority of markets where local real estate boards have so far reported (including increases of 108% in the Fraser Valley, 73% in Vancouver, 54% in Calgary and 53% in Toronto). Resales fell in the Montreal area (down 3% y/y) though this was largely because supply was lacking. Big-city buyers warmed up to condos though this, too, is partly a supply story—it’s much easier to find one for sale than a single-detached home. Some of those condo buyers likely include investors anticipating an eventual turnaround in the rental market. While it’s natural tight demand-supply conditions heat up property values, signs of overheating have emerged. The increase in the single-family home price index is 20% y/y or more in Ottawa, Montreal, Toronto, the Fraser Valley and many smaller markets in southern Ontario and Quebec—and still trending higher. We believe such a frantic pace is being driven more by a fear-of-missing-out sentiment than (solid) market fundamentals. Rapidly rising prices also often invite heightened speculative activity, which adds more fuel to already hot markets.

### Major market highlights: February 2021

#### Market activity

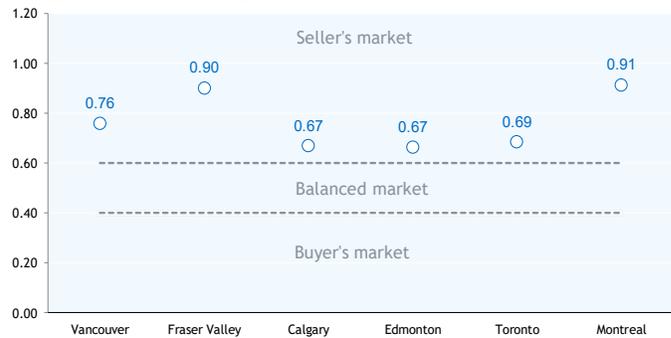
Annual % change, February 2021



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

#### Demand-supply conditions

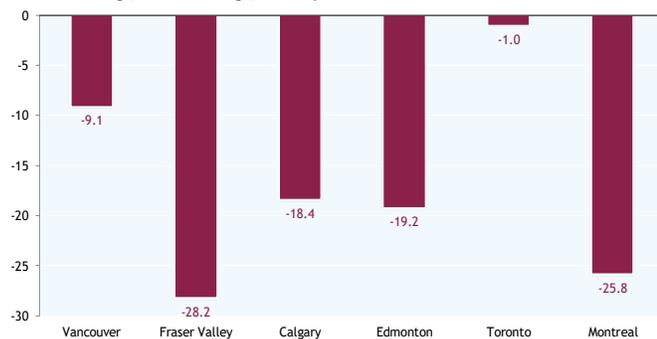
Estimated sales-to-new listings ratio, seasonally-adjusted, February 2021



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

#### Inventories

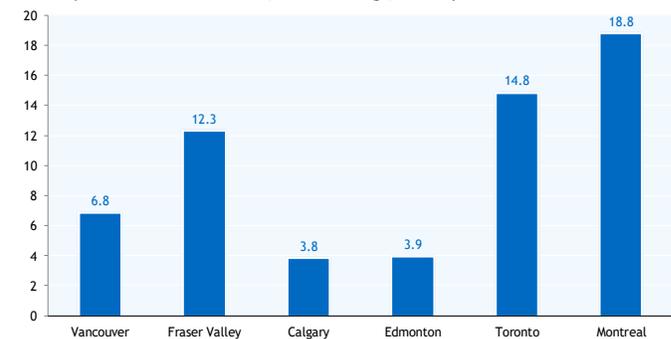
Active listings, annual % change, February 2021



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

#### Home prices

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



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

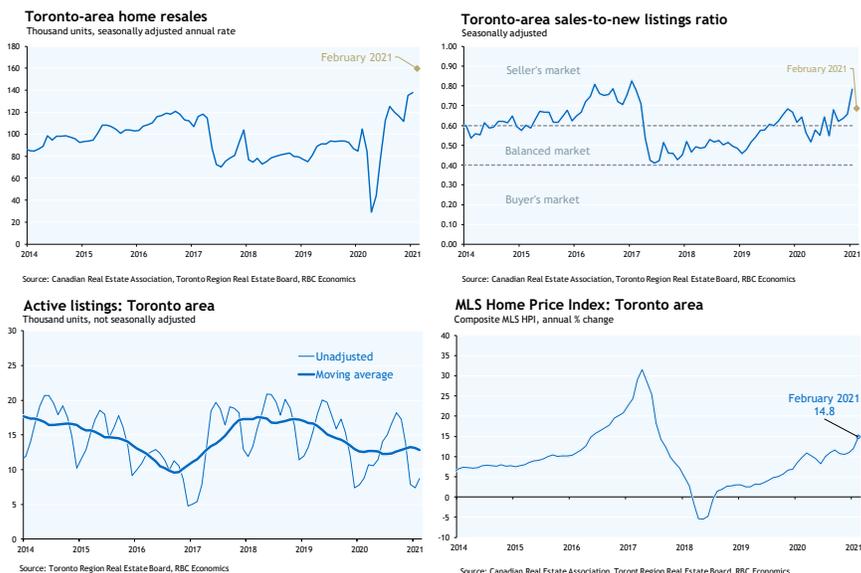
Robert Hogue

Senior Economist | 416-974-6192 | robert.hogue@rbc.com



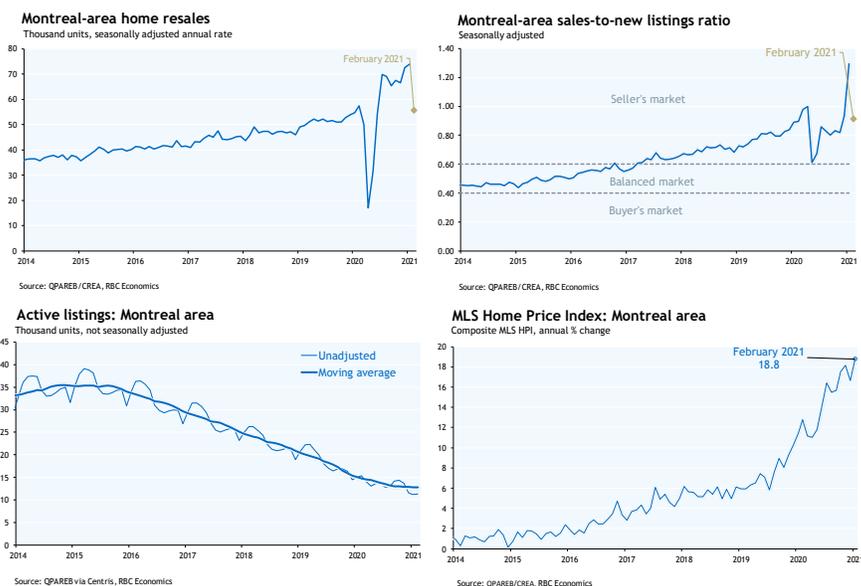
## Toronto area—High prices attracting sellers

While consistently coming well short of super-charged demand since last summer, Toronto-area sellers have shown up in greater proportion than many other major Canadian markets. Until last month, they were predominantly sellers of condo apartments. But February saw a sharp increase in single-family home sellers (new listings soared 34% y/y), who were quite possibly attracted by recent huge price increases—the single-family benchmark surged by more than \$127,000, or nearly 12%, in the past five months alone. This set the stage for a strong 44% y/y sales gain in this category last month. Condo sales—benefiting from ample supply—rose even more strongly by 64% y/y, confirming buyers' interest is quickly returning. Condo prices remain mostly stagnant (up just 1.4% y/y) at this point but could soon firm up if current trends persist. Exceptionally tight demand-supply conditions are poised to keep single-family home prices on a steep upward trajectory in the near term.



## Montreal area—Lack of inventory impedes (sky-high) activity

The market hit a speed bump in February. Heavily -depleted single-family home inventories left many house hunters out of luck, causing home resales to fall 3% y/y (including a more significant 14% drop in single-family home sales). The better supplied condo segment recorded an 8% y/y increase, however, hinting buyers are rekindling their interest in the category. The speed bump was outside the Island of Montreal, in Laval, and the North and South Shores, where resales fell (-27% y/y, -3% and -8%, respectively) amid especially scarce inventories. Strong condo activity drove resales up 6% y/y on the Island. Demand-supply conditions continue to be among the tightest in the country. It's no surprise then to see home prices continue to accelerate. The MLS Home Price Index was up nearly 19% y/y in February, the strongest rate in more than 18 years. We expect further acceleration in the near term.





## Vancouver area—Market in top gear

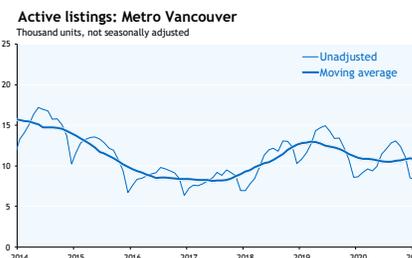
Activity remained hectic last month. A 26% y/y burst of new listings kept buyers busy, and got resales running an impressive 73% above year-ago levels. The strength was broad-based: sales soared 80% y/y for single-family homes and 66% for condos. The gap between the two categories has narrowed significantly over the past few months. Still, demand-supply conditions remained much tighter for single-family homes. Prices in this category continue to accelerate (up nearly 14% y/y in February), whereas the appreciation in condo prices is more modest (up 2.5%). We expect these categories to stay on separate paths in the near term.



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



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



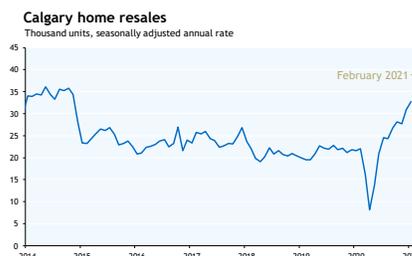
Source: Real Estate Board of Greater Vancouver, RBC Economics



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

## Calgary—On a roll

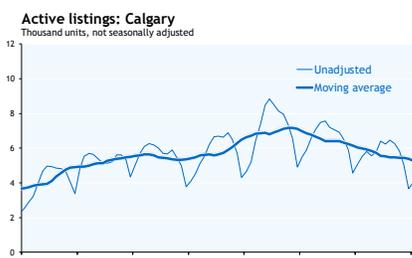
It may not emit as much heat as other big markets (a good thing) but Calgary's market is definitely on a roll. Home resales rose the most (54% y/y) in almost 12 years in February, and quickly closed in on the strong levels that prevailed in 2014 just before oil prices crashed and the provincial economy plunged into recession. Previously plentiful inventories have come down considerably. Single-family homes for sale are moving especially quickly, placing sellers squarely in the driver's seat. After declining during much of the past five years, prices are now rising. Calgary's MLS HPI climbed 3.8% y/y last month, with single-family homes (up 5.0%) behind most of the gain. While relatively softer, condo prices increased for the first time (up 0.8% y/y) since mid-2015. Similar developments have taken place in **Edmonton**—where resales soared 52% y/y and aggregate prices increased 3.9% in February—though condo price trends are yet to turn positive.



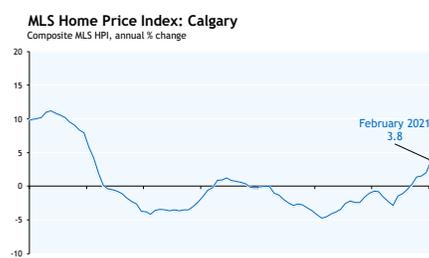
Source: Canadian Real Estate Association, Calgary Real Estate Board, RBC Economics



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



Source: Calgary Real Estate Board, RBC Economics



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