

December 3, 2020

## Housing markets stayed solid across Canada in November; downtown condos the only soft spot

So much for a cooling in Canada's major housing markets this fall. Changing housing needs triggered by the pandemic and low interest rates kept the market boiling in November. Local real estate boards reported last month's resales increased between 23% (Vancouver) and 32% (Montreal) compared to a year earlier and prices accelerated further for the most part. The search for more living space continued to take buyers to the suburbs—and beyond—where activity was up the most and prices rose the fastest. Seasonally-adjusted data (to be published later this month) will likely point to a small drop in resales in a few major markets (including Vancouver) but that's from high levels and arising from a lack of supply—not weaker demand. The only soft spot remains downtown condos in large urban areas. There, the story is the opposite: plentiful supply. The downturn in rental markets has prompted many condo investors to sell over the past several months. Still, demand has more or less held up—November condo sales were up from a year ago in every market (though barely so in the City of Toronto). Downtown condo prices have flattened since spring and we expect downward pressure to build near term. This will contrast with single-detached prices which we expect will continue to rise briskly.

**Toronto area:** The overall picture remained amazingly strong despite the re-imposition of tighter social distancing restrictions in the City of Toronto and Peel region in November with resales rising 24% y/y and the MLS Home Price Index (HPI) up 10.6% y/y. We estimate resales increased 1.2% from October on a seasonally-adjusted basis. Yet the picture is also complex. Much of the strength

### 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

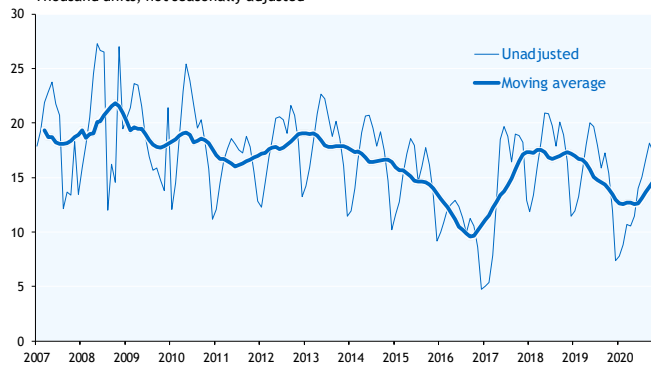
Seasonally adjusted



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

### Active listings: Toronto area

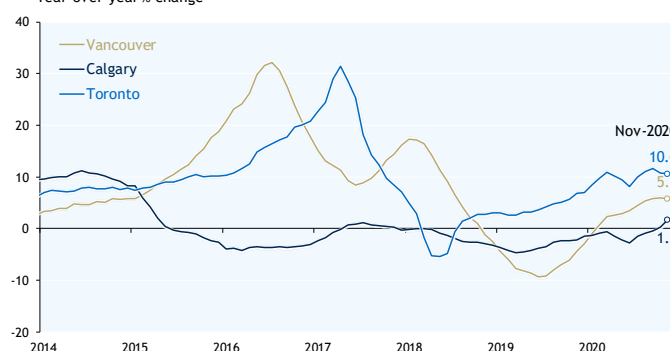
Thousand units, not seasonally adjusted



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**

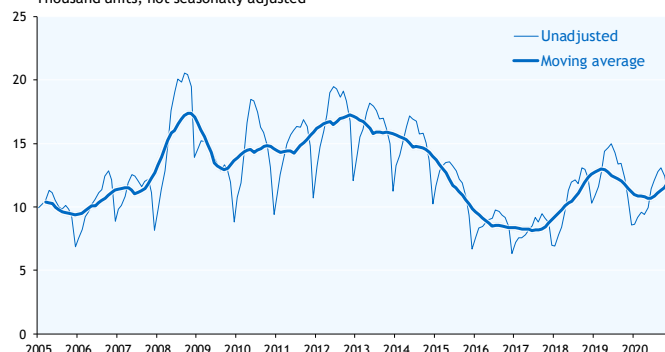
Seasonally adjusted



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

is concentrated in the 905 belt where single-detached homes draw unprecedented interest (sales rising 33% y/y)—though condos also have gained in popularity (up 23%)—depleting inventories (down 40%). The 416 area is both hot and lukewarm: sales of single-family homes are solid (up 24% y/y) while condos have been flat. But the real difference is inventories. Active detached-home listings are running some 13% below year-ago levels whereas condo listings have soared 194%. No wonder downtown Toronto condo prices are beginning to soften. Very tight demand-supply conditions apply increasing heat on detached home prices across the entire GTA.

**Vancouver area:** The market continued to operate at a high level in November (up 23% y/y) though we think home resales edged slightly lower from October on a seasonally-adjusted basis. Sellers remain in the driver's seat. This mainly reflects strong demand and low inventories for detached homes, as ample condo supply is now slowing down price momentum in that category.

**Other markets:** Brisk activity in the detached home segment kept the **Calgary** and **Edmonton** markets busy. Both recorded strong year-over-year gains in resales (26% and 27%, respectively) despite active listings falling more than 15%. Aggregate prices rose above year-ago levels for the second-straight month in Calgary though condo prices continued to fall amid soft demand and rising inventories. A lack of single-family home supply could be restraining activity in **Ottawa** and **Montreal**. Active listings in this category have plummeted 50% and 38%, respectively. Nonetheless, home resales still rose markedly last month (up 26% and 32%, respectively). We expect detached-home prices to continue rising rapidly, while soaring condo listings are likely to cool down condo prices.