

## Canadian Home Sales — September

### FALL SALES SEASON OFF TO A HEALTHY START

- National home sales recovered further in September, rising 2.1% m/m (seasonally adjusted), though remained 11% below a year earlier. Sales increased in about half of local markets last month.
- The number of new listings increased almost 5% m/m last month. The national sales-to-new listings ratio fell to 55.7 from 57.2 in August. A ratio of between 40 and 60 is generally consistent with balanced market conditions. The number of months' supply held steady at 5.0.
- The aggregate MLS Home Price Index (HPI) was unchanged in September, while the 12-month increase eased to 10.7% y/y. The median house price increase across major markets was just 2.2% y/y.

Following a volatile spring and summer sales season in parts of the country, national sales activity appears to be stabilizing. The pickup in sales is being led by the **Greater Toronto Area**. While sales in the region remain well below their earlier peaks (chart 1), the back-to-back gains in August and September confirm that buyers stymied by Ontario's spring policy changes are re-emerging from the sidelines. Toronto home sellers also appear more confident, with listings rebounding sharply last month. The sales-to-new listings ratio fell to 45.8 in September (chart 2), leaving overall market conditions on the edge of buyers' territory. With the return of more balanced conditions, prices are stabilizing. Benchmark GTA home prices were essentially unchanged in September (-0.6% m/m but still up 12.2% y/y). Overall market conditions remain much tighter in the more affordable semi-detached, townhome and condominium segments of the market, evidenced by significantly stronger price growth.

Meanwhile, **Vancouver's** housing market continues to heat up. Sales rose 6% m/m in September following an 8% m/m rise the previous month. Sales are now at their highest monthly level since June 2016, just prior to the August 2016 implementation of a 15% foreign buyers tax, and are again tracking above historical averages (chart 3). As in Toronto, more affordable property types are leading demand. Prices are testing new highs, with the y/y increase in benchmark prices accelerating to 10.9% last month.

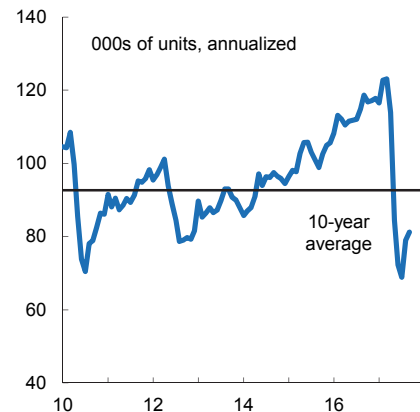
Elsewhere, **Calgary's** housing market is showing further signs of stabilization amid strengthening labour market conditions. Home sales edged up for a second consecutive month in September, though they remain below long-term trends. Notwithstanding the pickup in sales, elevated supply across market segments continues to pressure prices. **Montreal** and **Ottawa** remain outperformers, with robust job growth and good affordability supporting rising home sales and accelerating prices.

National housing activity appears healthy heading into the fall buying season, supported by still low borrowing costs, robust job growth, solid household formation, and better balanced regional economic conditions. At the same time, we continue to expect higher interest rates to lead to some pullback in sales, notably in high-priced urban markets. Proposed new rule changes by OSFI to be unveiled later this month, including more stringent stress tests for uninsured mortgages, also are likely to curb housing demand and prices.

### CONTACTS

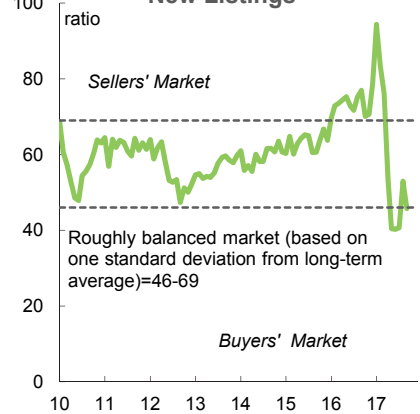
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Chart 1 - Toronto Home Sales



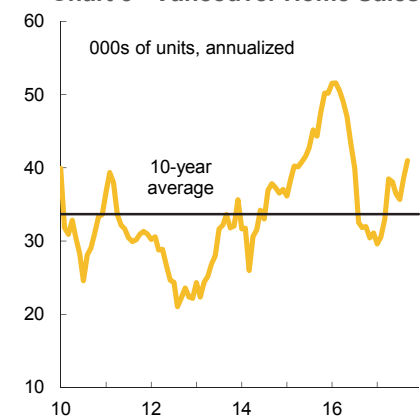
Sources: CREA, Scotiabank Economics.

Chart 2 - Toronto Sales-to-New Listings



Sources: Scotiabank Economics, CREA.

Chart 3 - Vancouver Home Sales



Sources: CREA, Scotiabank Economics.

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