

For Realtors...Here Comes Santa Claus

This is looking like it's more than just pent-up demand. Canadian existing home sales hit a new record high in October in seasonally adjusted terms, sprinting 5% from the prior month and now up a towering 74% from the January low...which seems a very long time ago indeed. Even from a year ago, sales are now up an astonishing 41.5% (admittedly from depressed levels). Because sales were extraordinarily weak for about five months starting last October, we are about to be treated to a string of China-type gains in home sales and prices in the months ahead. The powerful rebound in sales has helped drive reported average selling prices 20.7% above year-ago levels last month, the fastest pace since the kingpin of Canadian housing bubbles in 1989—an amazing turnaround from the double-digit declines posted as recently as January. However, before declaring a “Bubble Alert”, note that this reported price change is yet again skewed by the surge in Vancouver and Toronto sales, two of the priciest markets. Using a fixed-weight measure, average home prices in the major markets have risen by a milder 12% y/y—the fastest since December 2007. Still, no fewer than 8 of the 25 largest cities have recorded double-digit price gains in the past year, led by the 20% sprint in Toronto (even in the face of a 9.6% jobless rate in the GTA).

On the sales side, Vancouver's 171% surge led the way, with Victoria (+135%), Toronto (+64%) and Calgary (+56%) in hot pursuit. Notably, those cities just happen to be the four most expensive housing markets in the country. Sales were down in just four major cities from a year ago, with Winnipeg the only large city in the red. On the price front, only three cities saw prices decline from a year ago (including previously white-hot Saskatoon). Even as sales and prices have climbed sharply, new listings continue to fall heavily (-16% y/y last month). This again reduced the supply of homes for sale to 4.1 months (s.a.), a two-year low and firmly in sellers' market territory.

October (% change)	m/m	Sales		Prices	
		y/y	y-t-d y/y	y/y	y-t-d y/y
Canada	5.1	41.5	1.6	20.7	3.4
Regina	n.a.	29.0	8.4	5.4	6.0
Winnipeg	n.a.	-1.0	-5.7	10.6	4.6
Ottawa	n.a.	25.6	3.9	14.1	4.4
Montreal	n.a.	23.5	-2.4	10.4	4.3
Toronto	n.a.	64.2	8.7	20.0	3.0
Vancouver	n.a.	170.8	31.0	14.8	-2.0
Edmonton	n.a.	22.9	6.7	0.4	-4.2
Calgary	n.a.	55.9	1.8	2.9	-5.9

The Bottom Line: The rapid-fire rebound in Canadian housing is showing no sign of letting up. While that may be causing some sweaty palms among bubble-phobes, the quick turn is a vivid illustration that monetary policy still works in this country. Douglas Porter, 416-359-4887

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