



## June 2021 Metro level deep-dive

### Quick links:

- [1\) Toronto home sales slide but market balance tightens](#)
- [2\) Vancouver posts steep declines in both sales and listings](#)
- [3\) Calgary and Edmonton post record home sales in June](#)
- [4\) Quebec home sales tumble as inventory disappears](#)

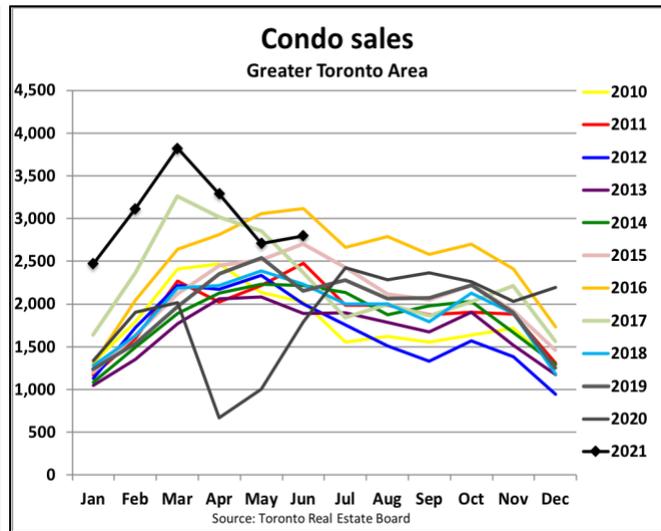
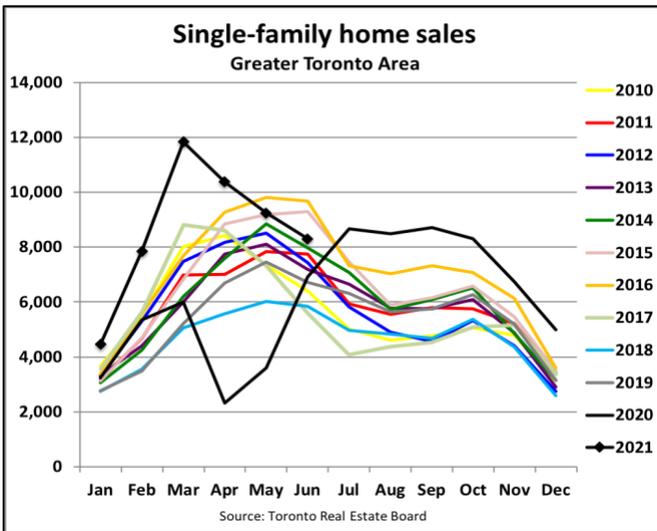
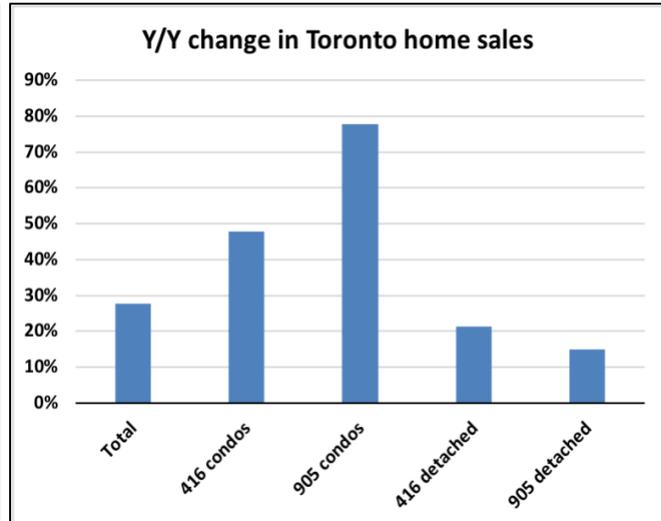
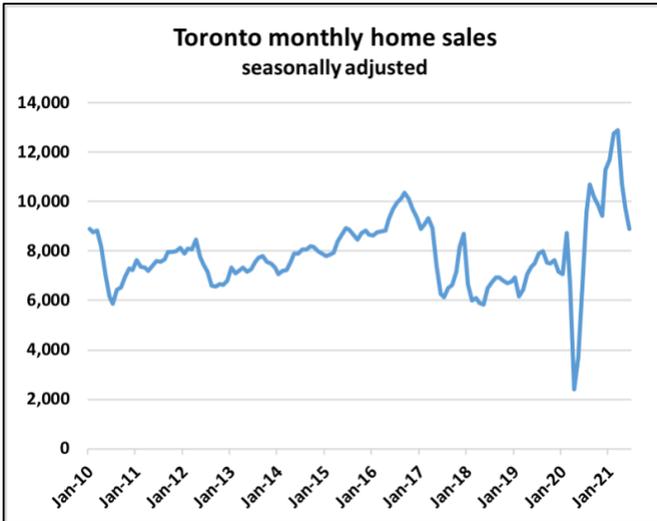
### Key takeaways:

- Persistent inventory shortages continue across the country even as home sales pull back off their Q1 highs.
- Home sales across all segments remain very solid in all metros. The sales slowdown *feels* steeper than it is simply as a function of the incredible strength in the market in Q1.
  - It's akin to slowing from 150 to 100 on the highway. It *feels* like a strong deceleration, but it's still highway speed.
- Single-family home sales are beginning to slow as affordability erodes in larger markets and investors turn their sights to the condo segment in a bet on strong demand for city living as the economy reopens.
- Pricing pressure continues in all major metros as the supply/demand balance continues to tilt strongly towards sellers.
- A moderation in sales is welcome news for policy makers as it buys some cover to do nothing while we wait and see how the post-pandemic recovery shapes up.

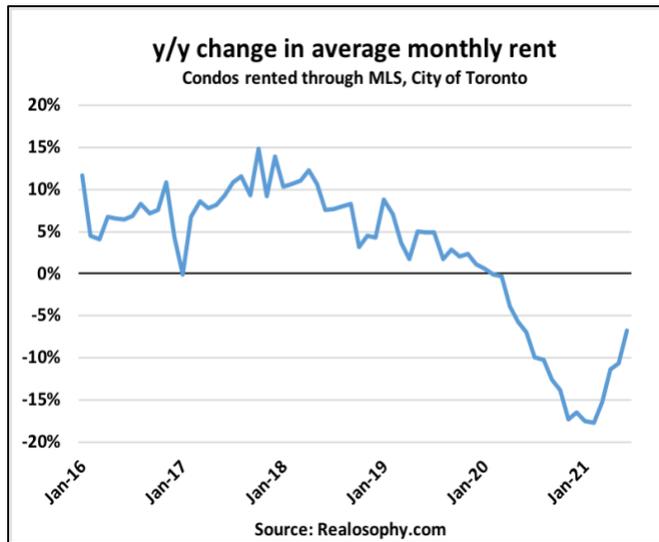
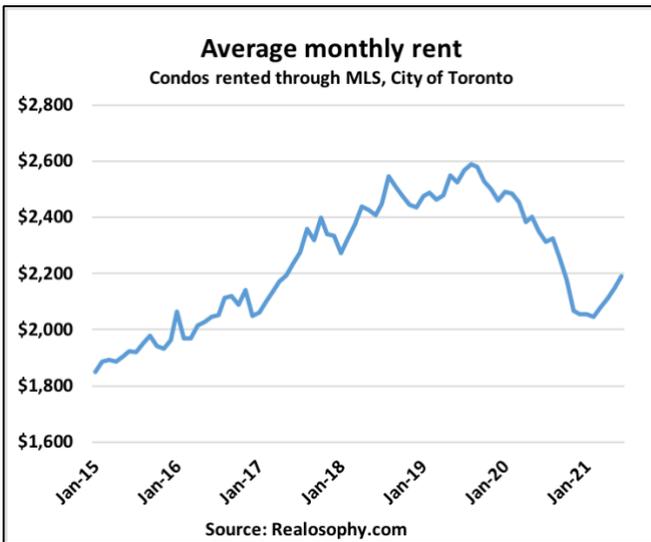
## 1) Toronto home sales slide but market balance tightens

Toronto home sales fell 9.1% m/m on a seasonally adjusted basis in June. That puts the cumulative decline off the March highs at 31%.

The y/y comps are still strongly positive at 28.5% y/y overall and +56.2% for condos. There's a clear shift back towards higher density housing due to strained affordability in the single-family segment and a notable surge in investors who are banking on resurgent rental demand in the city:



Those investors may yet be proven right. Rents for condos in the city of Toronto rose 2.1% m/m in June, the strongest increase in over 2 years. Still, that leaves average rents down 16% from the mid-2019 highs.

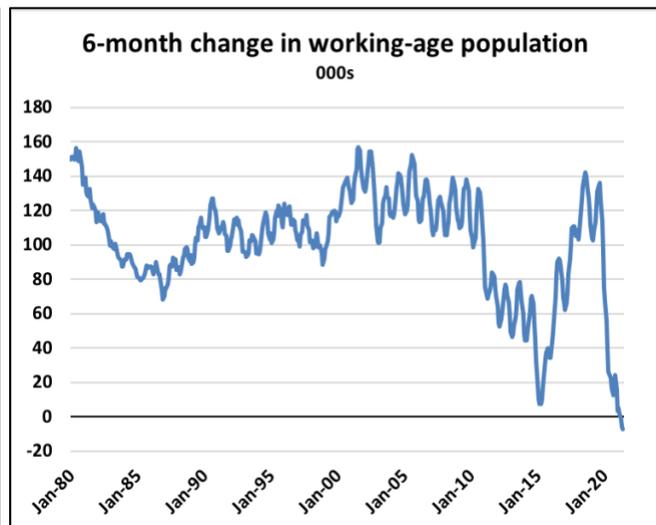
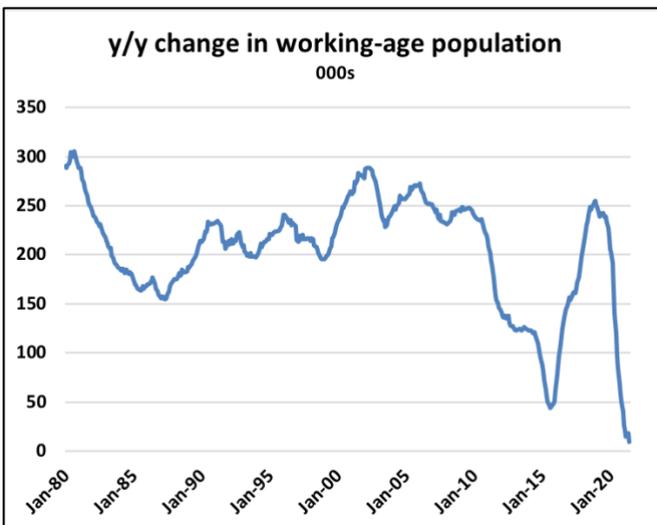


Anecdotes from Toronto realtors point to resurgent rental demand in recent weeks:



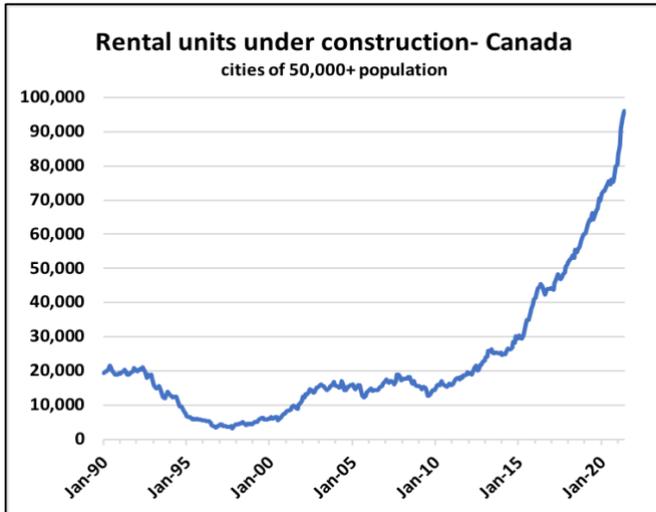
It's notable that Manhattan just saw the strongest month of leasing activity since at least 2008 while available inventory was cut in half from the start of the year<sup>1</sup>. The “death of the city” narrative was clearly overblown.

That said, this morning's Labour Force Survey gave some insight into how Stats Canada is modeling current population growth. Their working-age population estimates indicated an outright decline of 4k last month, only the 5<sup>th</sup> monthly decline going back to 1976 and the 2<sup>nd</sup> steepest on record. Population growth on a y/y basis is barely positive, and it has outright declined over the past 6 months:

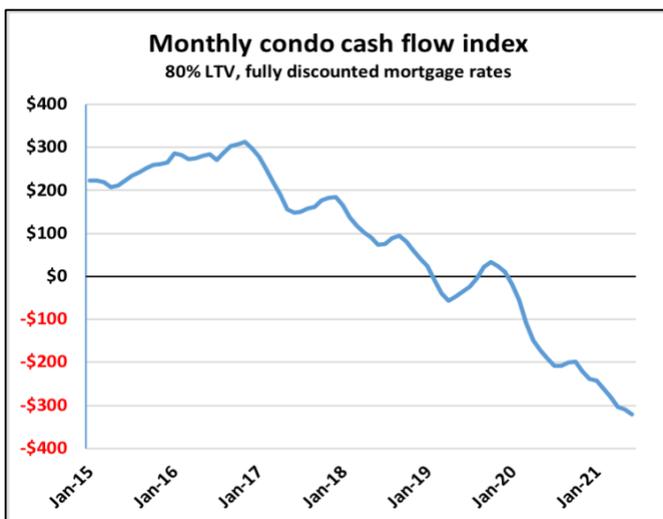


<sup>1</sup> <https://www.businessinsider.com/manhattan-apartment-rentals-returning-after-pandemic-2021-7>

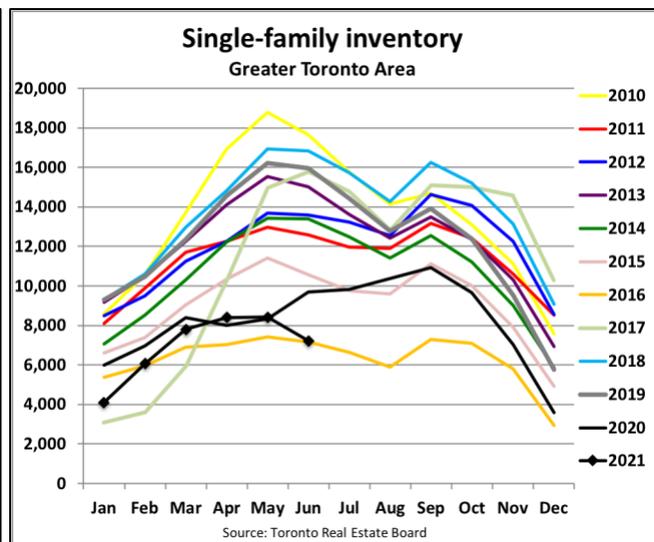
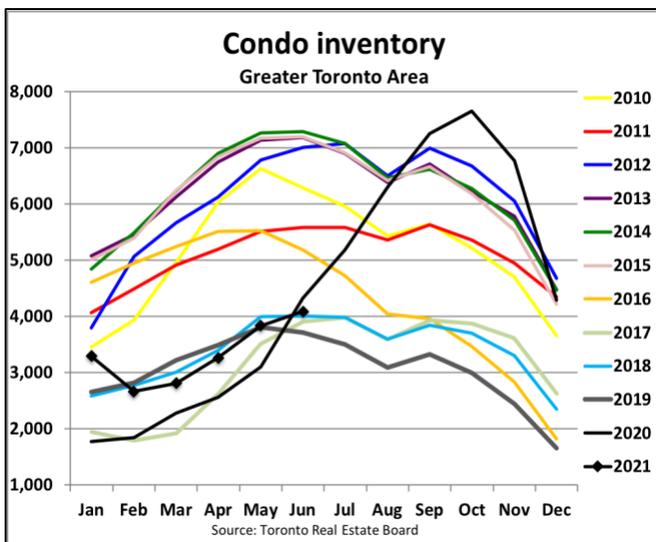
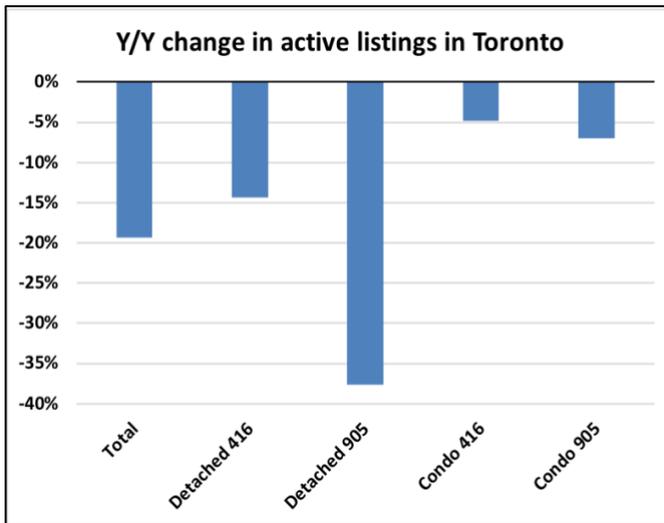
This will no doubt improve in earnest as borders reopen, but it highlights how far we have to go to get back to 'normal' population levels. And with rental construction at +30-yr highs (and by a wide margin), it suggests that rents may have a hard time hitting those early 2020 highs for quite a while:



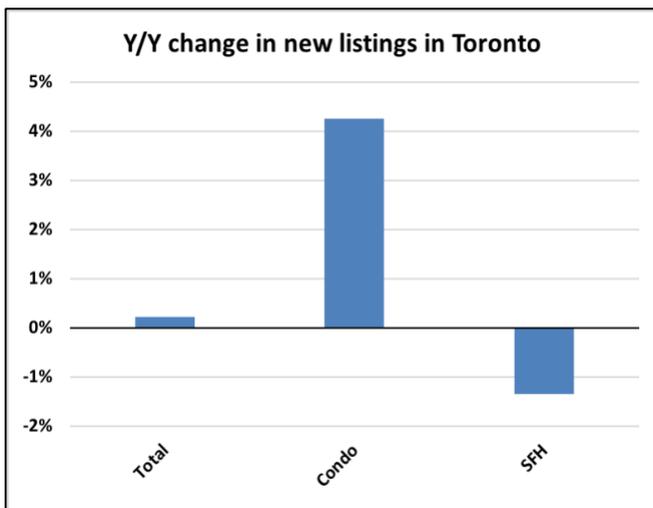
The other issue is that even with increasing rents, the cash flow position of new investors continues to deteriorate due to sharply rising prices. This is not a small concern given that recent data from the Bank of Canada suggest that nearly 1 in 4 homes in Toronto are currently being purchased by investors:



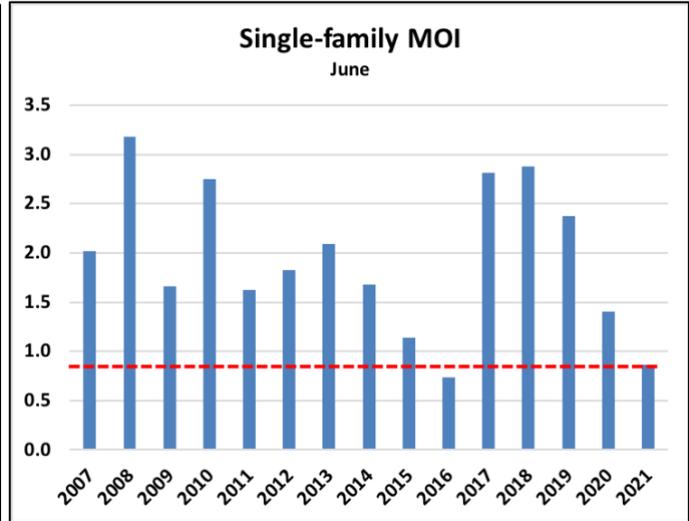
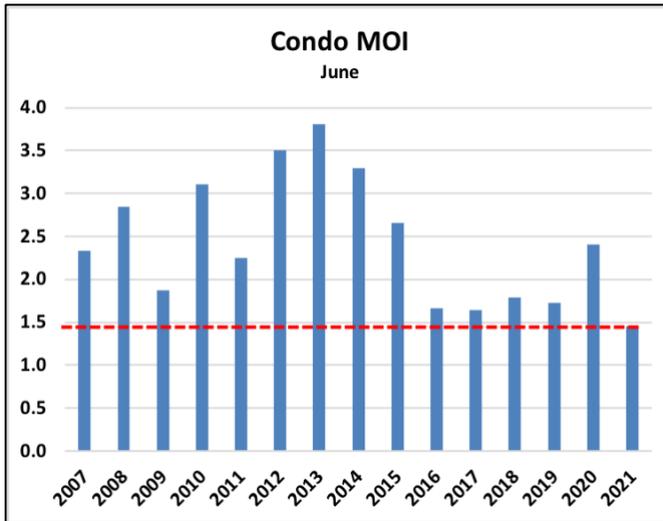
On the resale supply front, active listings in Toronto fell -19.3% y/y. The suburban detached segment remains extremely undersupplied with inventory down nearly 40% y/y:



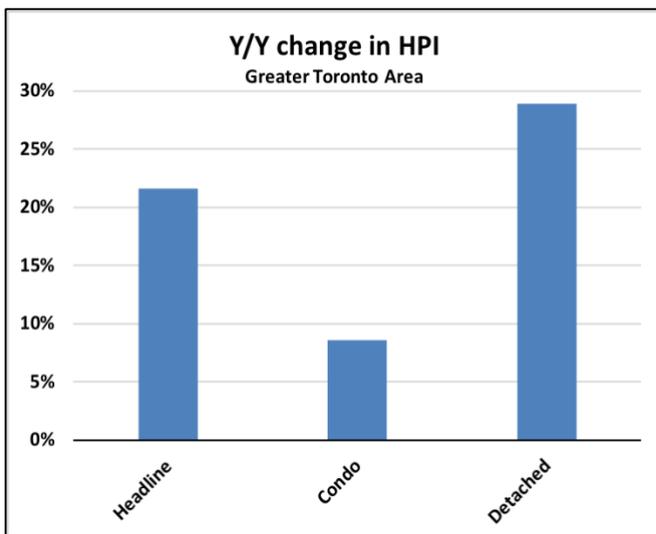
New listings are starting to slow and were flat relative to the low levels of last year:



That left months of inventory (not adjusted for seasonality) at just 1 overall in June, the 2<sup>nd</sup> lowest reading on record. The condo segment saw months of inventory at just 1.5, the lowest ever recorded for the month. As much as prices look absurd, they are almost certain to go higher from here until this dynamic changes:

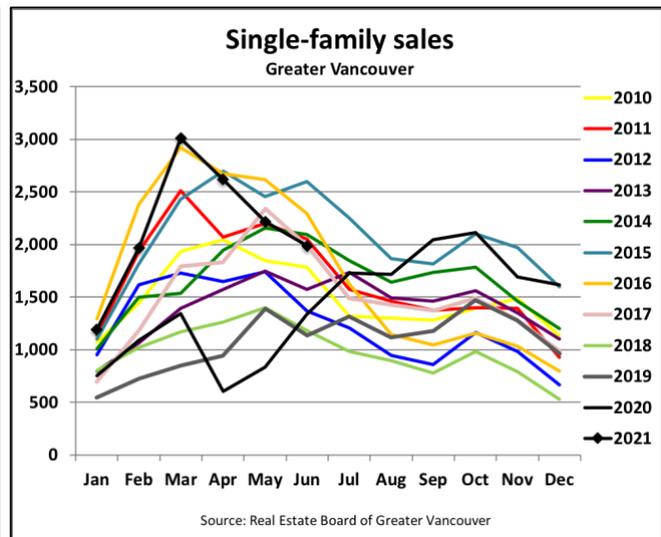
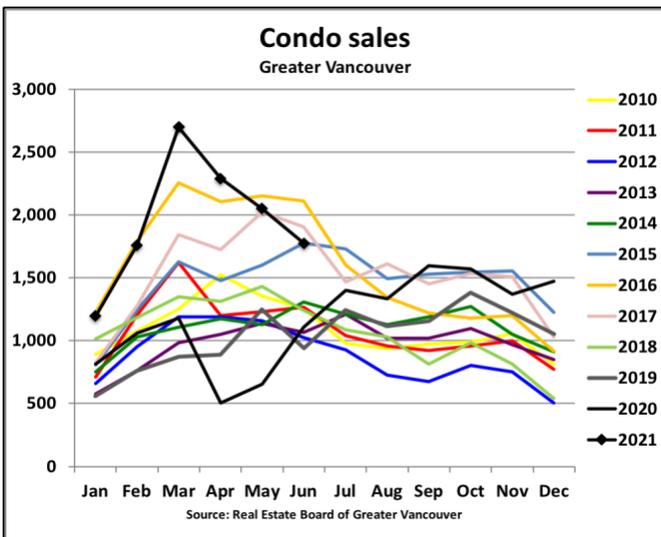
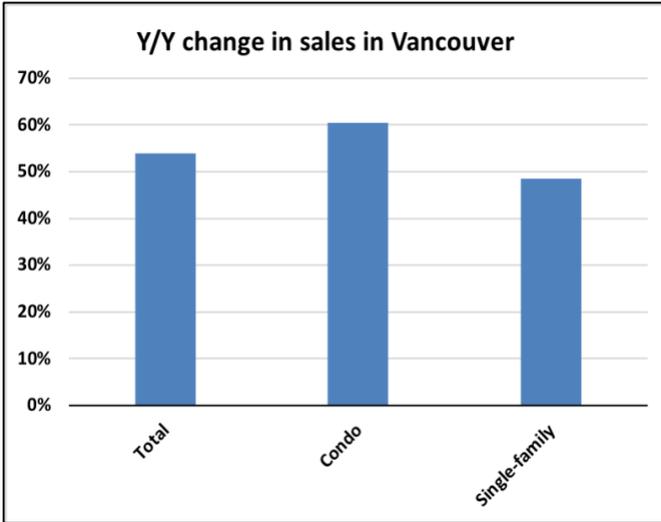


On the pricing front, the House Price Index was up 0.4% m/m, the weakest reading since Oct 2020. Still, prices were up 22% y/y overall and up a whopping 28% in the detached segment:

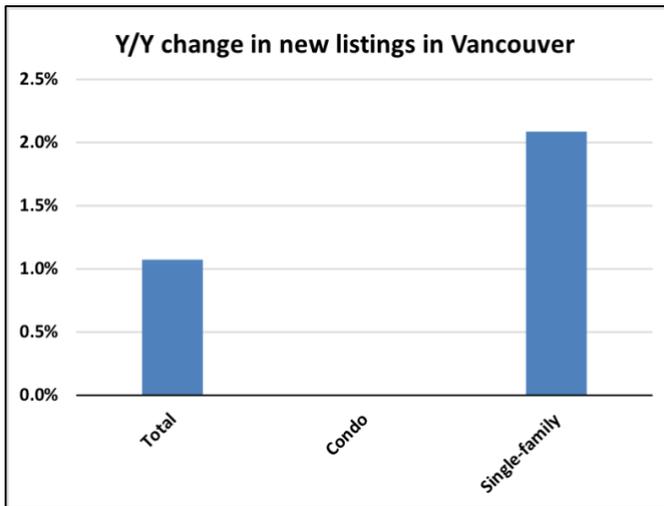


## 2) Vancouver posts steep declines in both sales and listings

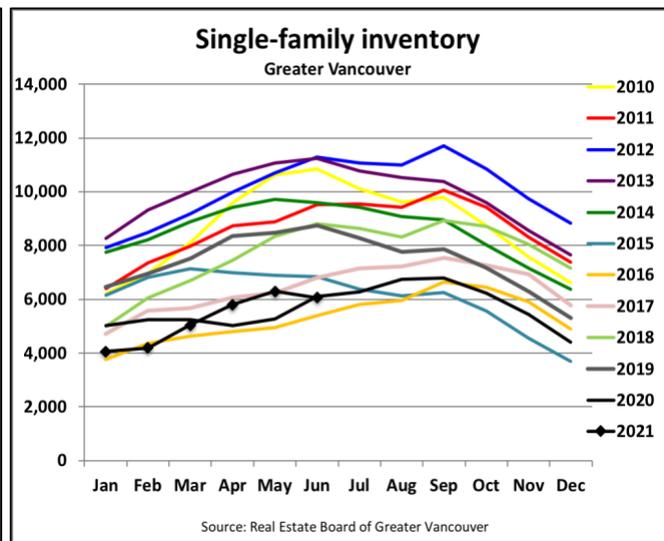
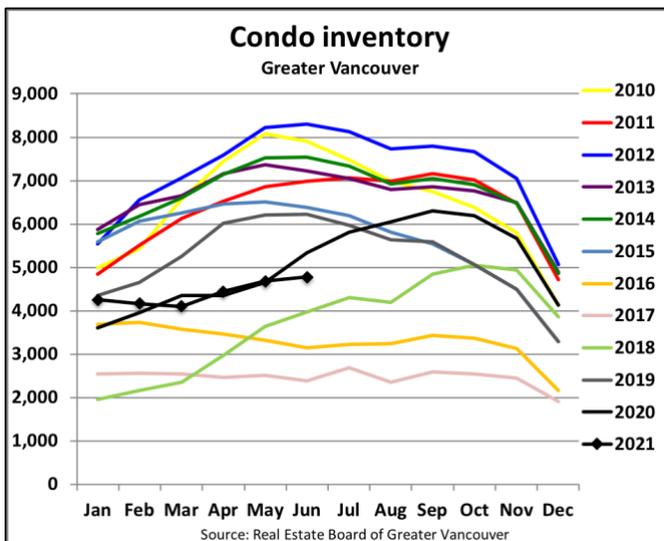
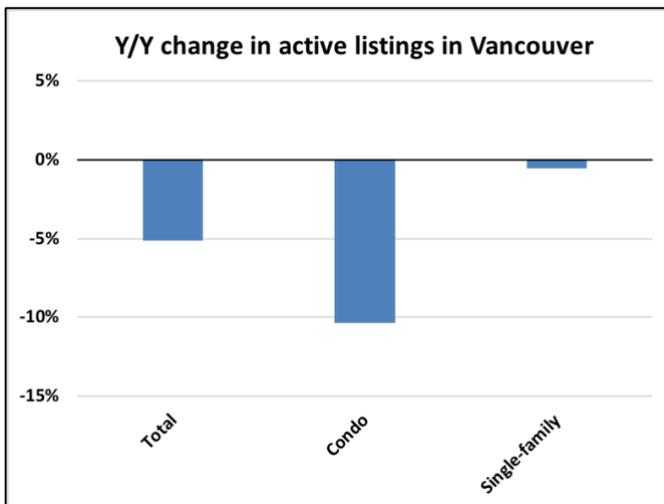
Home sales slid again in June, down 6% m/m by our estimates, but they were up 54% overall and 61% for condos compared to the same month last year:



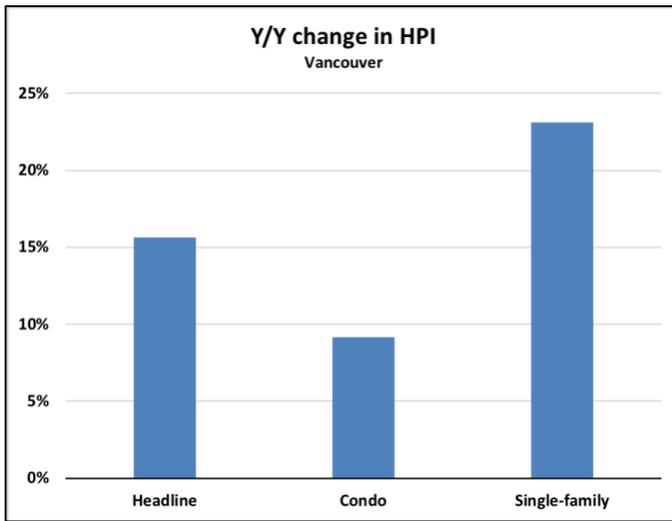
New listings are starting to slow, up just 1% y/y:



Active listings were down 5.1% y/y including a 10.4% drop in condo listings:



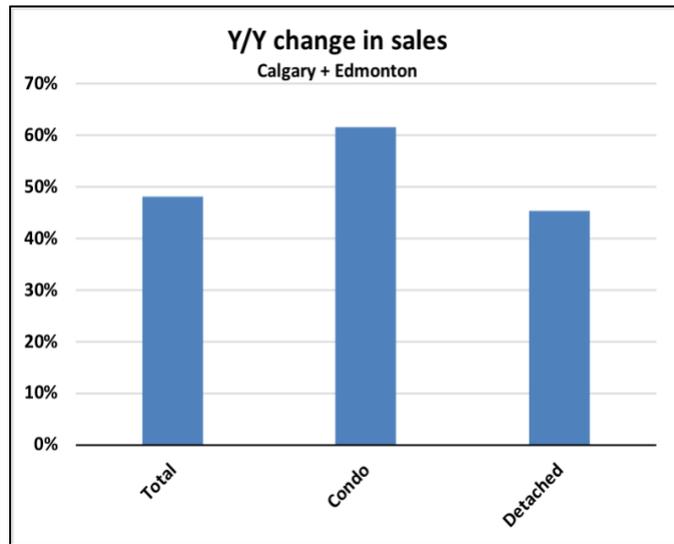
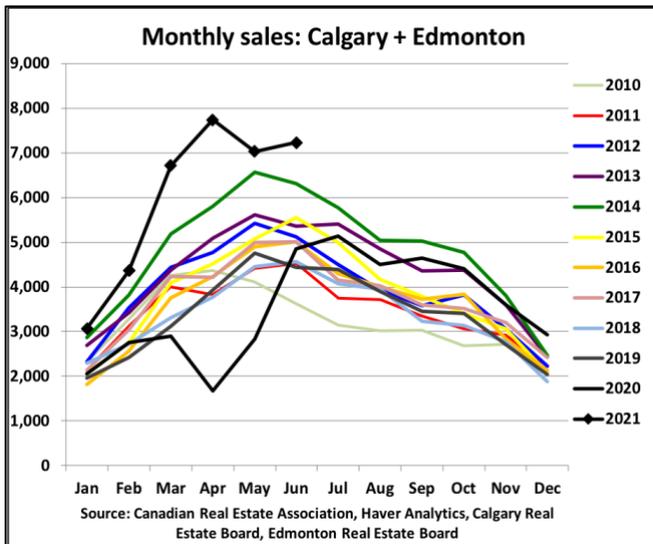
The MLS House Price Index was effectively unchanged m/m but was up 15.6% y/y including a 23.1% increase in the single-family segment:



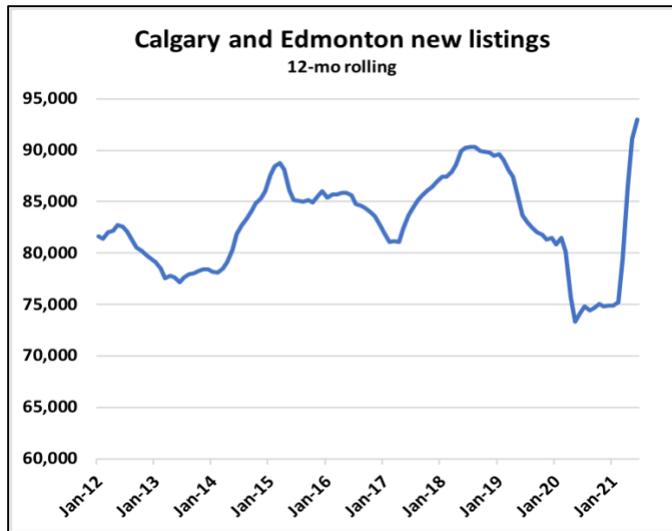
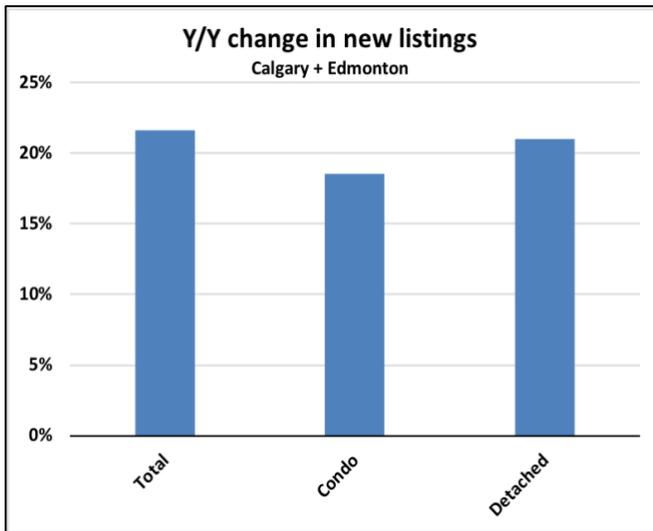
### 3) Calgary and Edmonton post record home sales

My pick for the top performing housing region in the country remains Alberta. Strong demographics, low taxes, affordable housing, and incredibly cheap rents for new businesses (as well as a nice turnaround in the energy complex) look like a nice setup for the next few years.

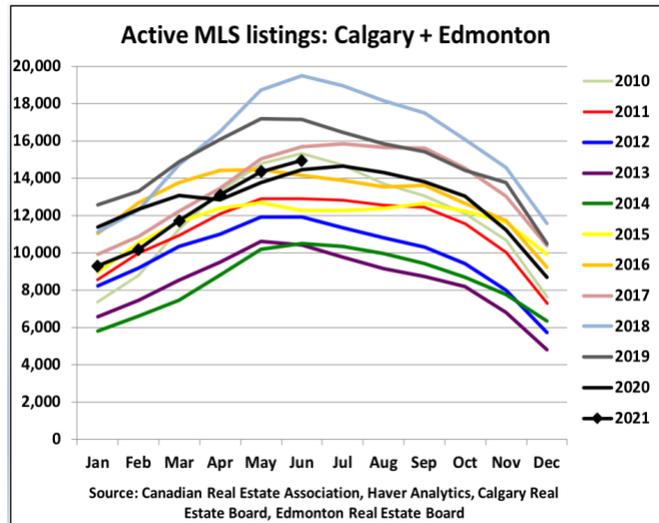
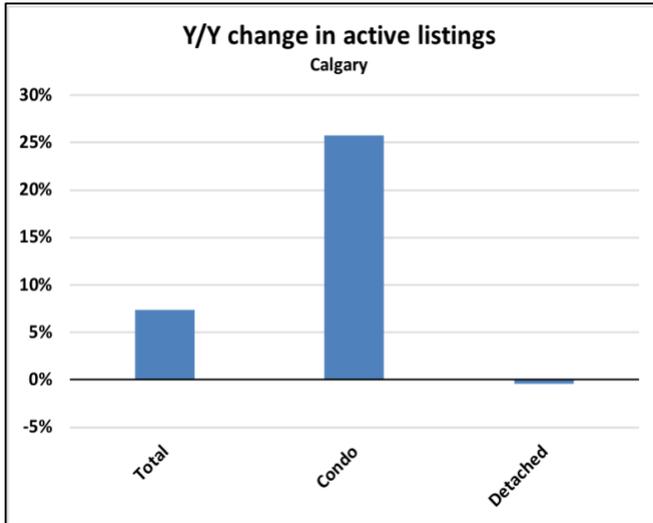
While sales in Toronto and Vancouver pulled back in June, Calgary and Edmonton posted new record with total sales up 48.2% y/y (condo +61.7%, single-family 45.4%):



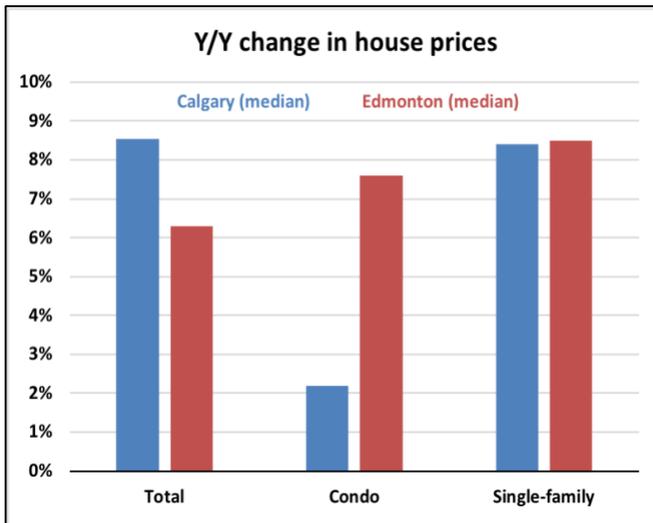
One thing to watch is the flow of new supply which has picked up significantly in recent months. New listings were up 22% y/y in June:



Active listings were up 7.4%, all of which being in the condo segment. Still, inventory levels are roughly 1/3 lower than in 2018 while sales are up sharply:

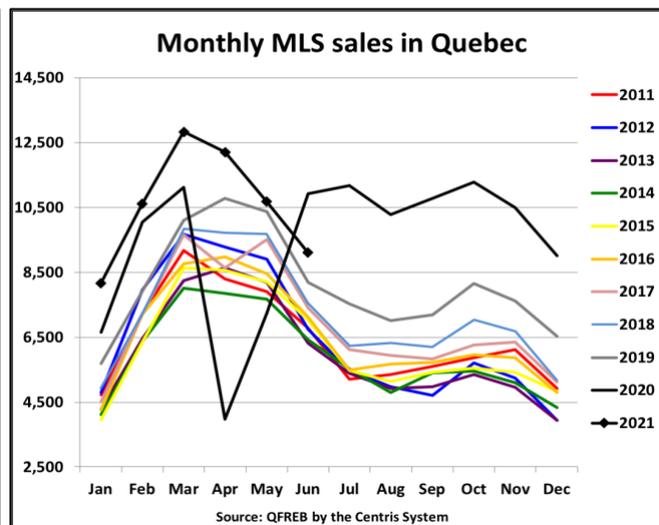
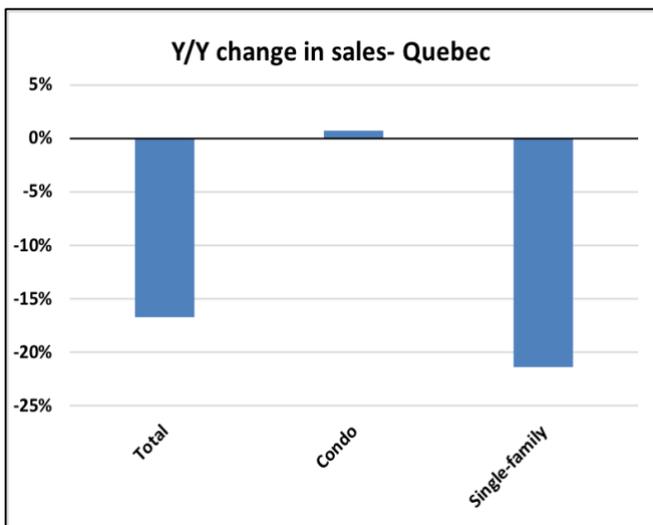


House prices are starting to pick up steam but they are “only” up 8.5% y/y in Calgary and 6.2% in Edmonton and are little changed over the past decade with plenty of room to run from here:

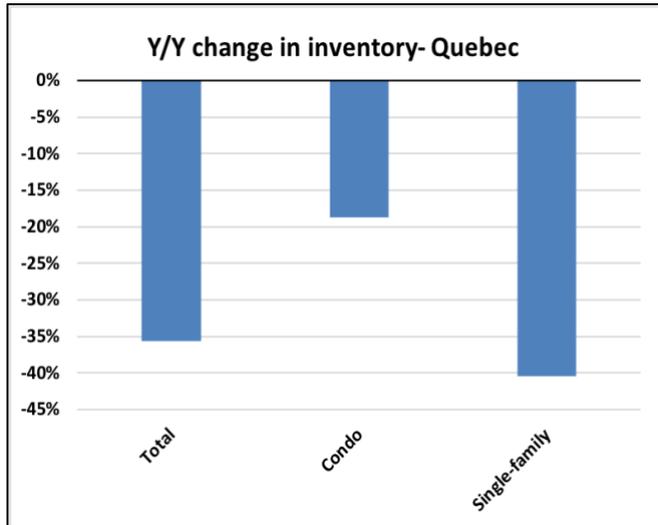
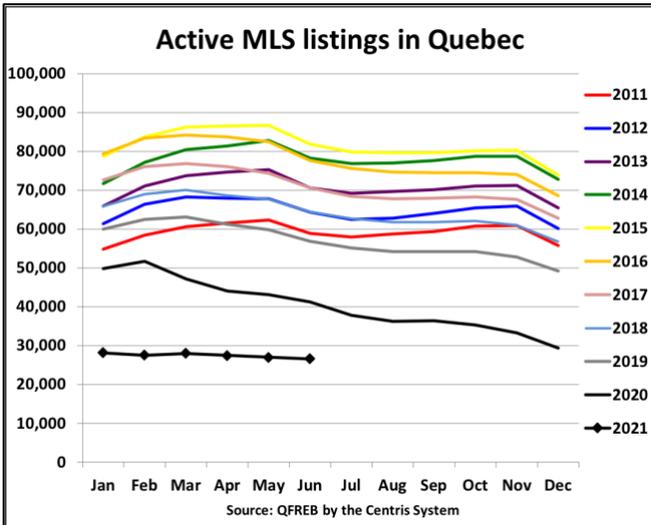


#### 4) Quebec home sales tumble as inventory disappears

Home sales in Quebec fell sharply last month, declining 16.7% y/y including a 21% decline in single-family sales:



The story in that province remains an incredible shortage of inventory relative to past years. Active listings were down 35.7% y/y and down over 40% in the single-family segment. It may just be that sales have fallen simply because there's so little to buy:



Median prices were up 25% in the condo segment and up a whopping 32% for single-family:

