



December 2021 Metro level deep-dive

Quick links:

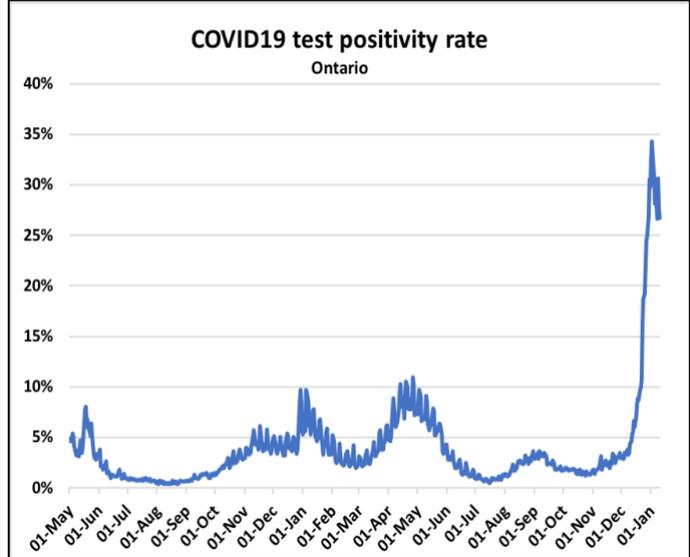
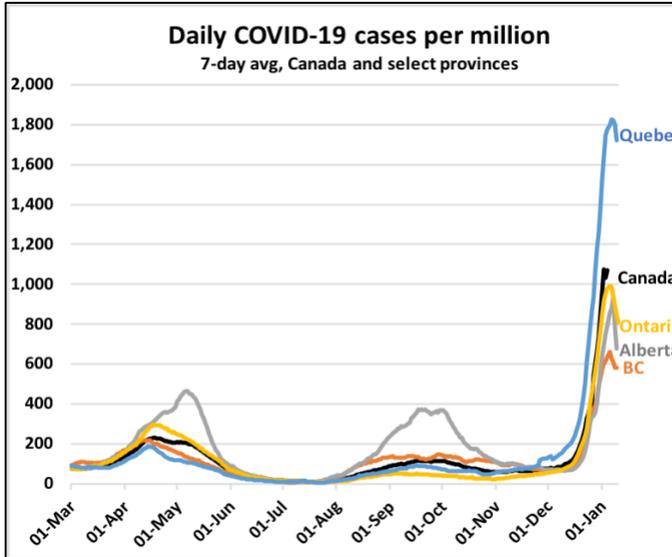
- 1) [Economic commentary: Is the Omicron peak already behind us?](#)
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Key takeaways:

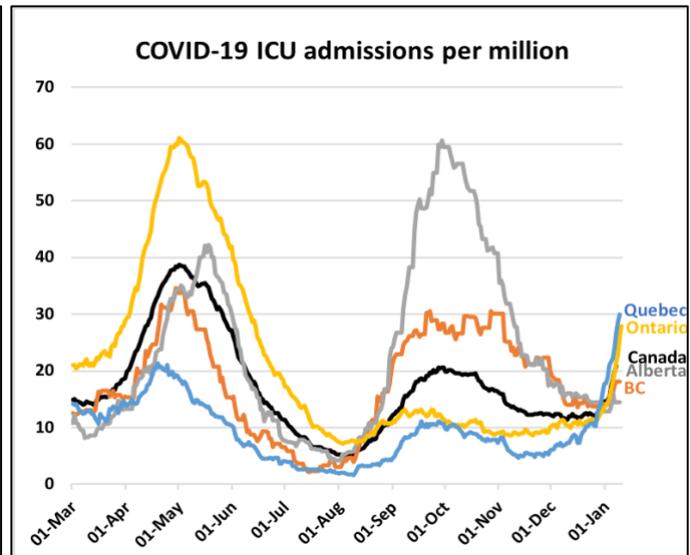
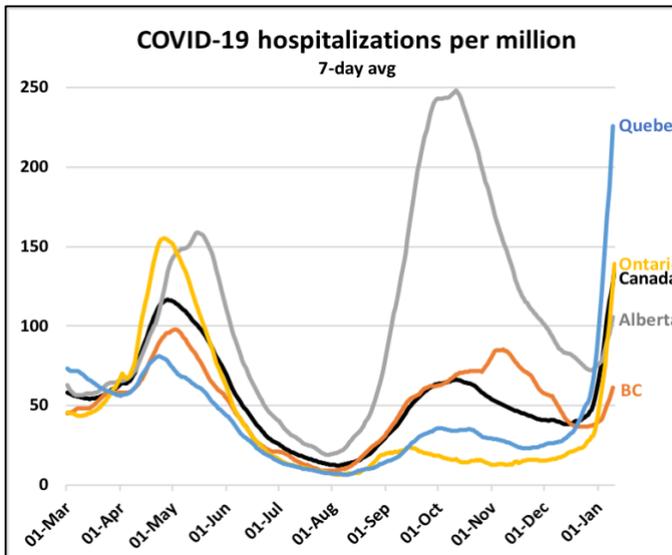
- COVID cases are surging, but there are some tentative signs that we may have already seen a peak.
- Rising case counts are weighing on consumer confidence, but we went into this latest wave with tremendous momentum in the broader economy.
- Toronto housing is in crisis....full stop. The feds will have no choice but to try to “help”. Expect policy interventions before the spring selling season kicks off.

1) Economic commentary: Is the Omicron peak already behind us?

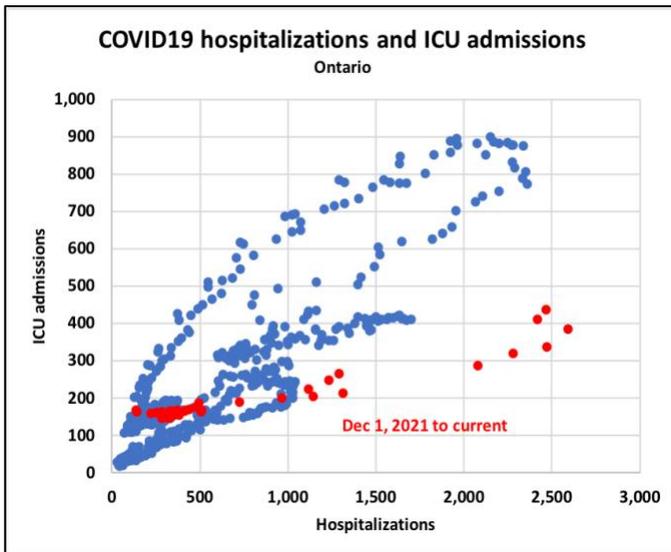
Well if there's one good thing about Omicron (outside of the fact that it appears to be substantially less dangerous than prior waves) is that it's so contagious that it will have to burn itself out in short order. Case growth has been stunning, but Canada's four biggest provinces are now seeing cases roll over. I know those are *confirmed* cases, and there are clearly testing capacity constraints at play, but the optimist in me would point to the declining test positivity rate as an encouraging sign that likely confirms that the worst is already behind us:



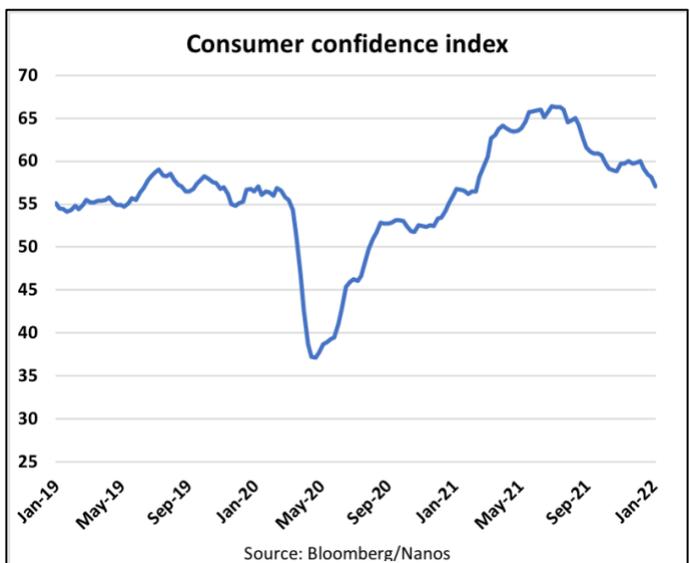
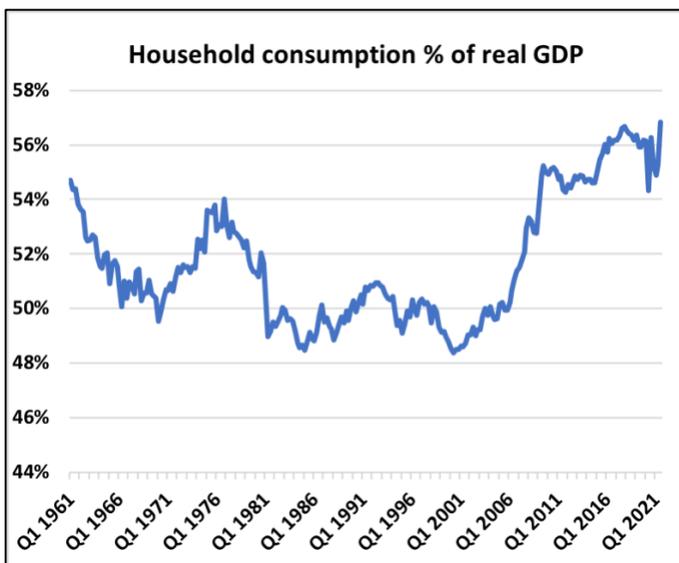
The bad news is that hospitalizations are on the rise as are ICU admissions and they will likely rise for at least another week. Importantly, ICU admissions remain way below prior waves...at least for now:



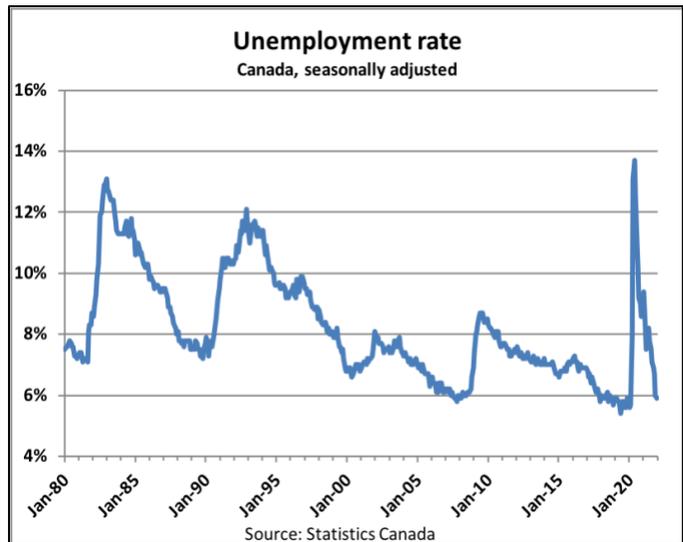
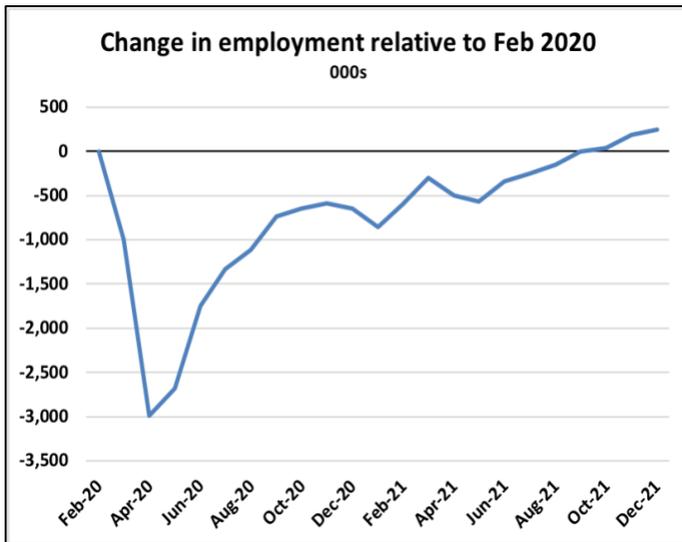
The evidence so far points to Omicron being dramatically more contagious but less virulent, and the Canadian data bears this out. The normal relationship between hospitalizations and ICU admissions has broken down this wave:



Now as it relates to the economy, it's the perception of the virus that matters as much as the virus itself. Remember, household consumption has never been this important to overall GDP, and that matters when we see confidence readings fall for 4 straight weeks to hit the lowest levels since February 2021:



We should expect to see a modest slowdown in economic growth this quarter, but it's also important to note that we went into this current wave with the economy in very good shape. Employment surged in December by another 55,000 in December, and we now have almost a quarter million jobs more than the February 2020 peak just prior to the onset of the pandemic. The unemployment rate fell to 5.9%...one of the lowest readings on record:



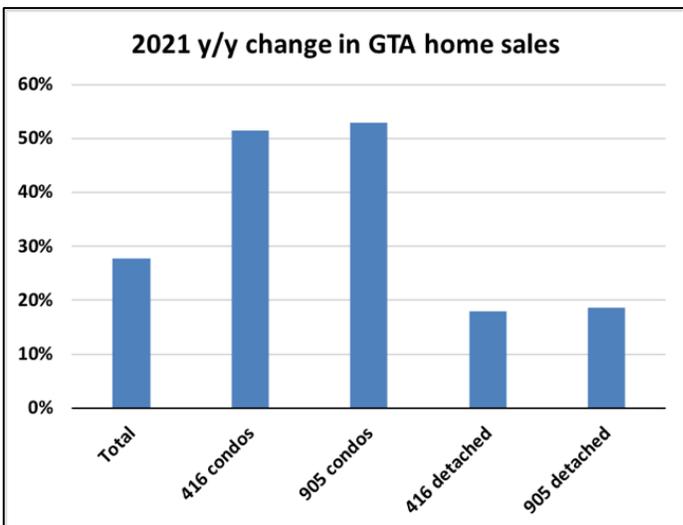
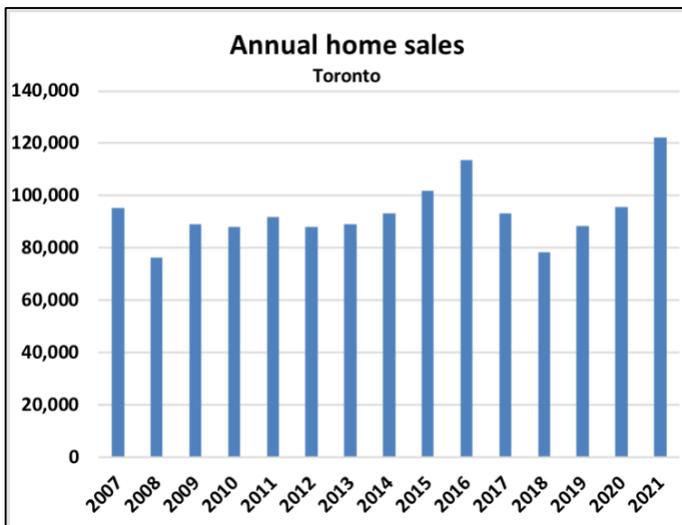
The bottom line is this: Omicron will be a slight drag on the economy but we're probably (hopefully!) already seeing the worst of the impacts. With the job market on solid footing and consumers still flush with a massive amount of savings, this will likely be just a blip on the road to full recovery.

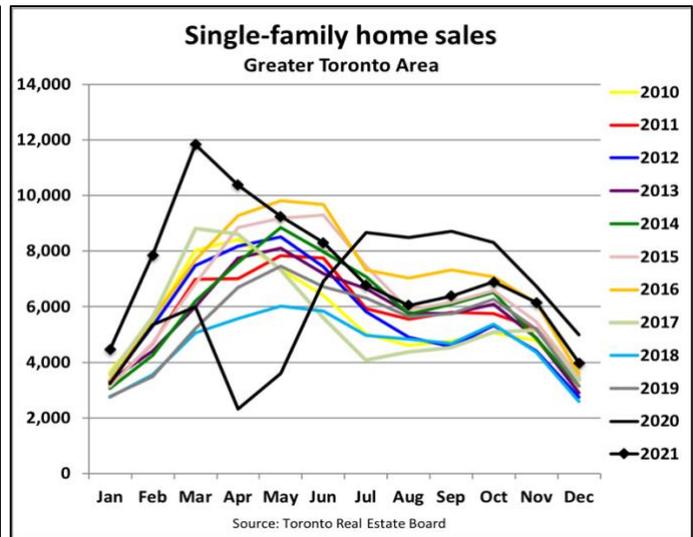
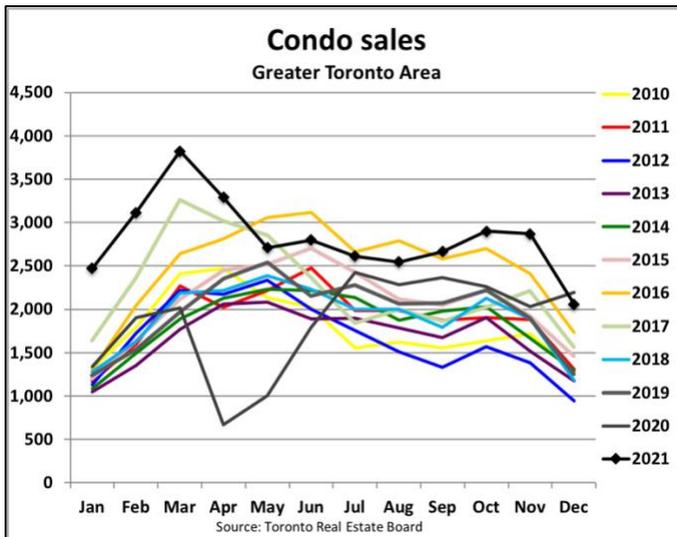
2) Toronto housing surges into year end

Let's jump straight to the main takeaways from the December housing data out of Toronto:

i) New record for annual sales led by resurgent condo demand

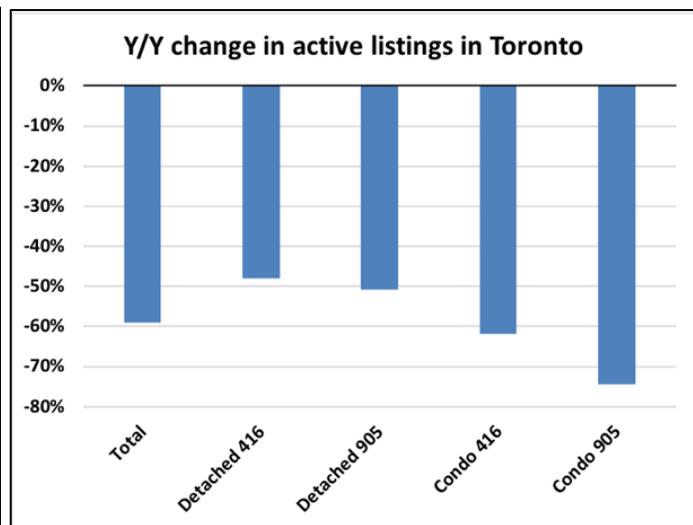
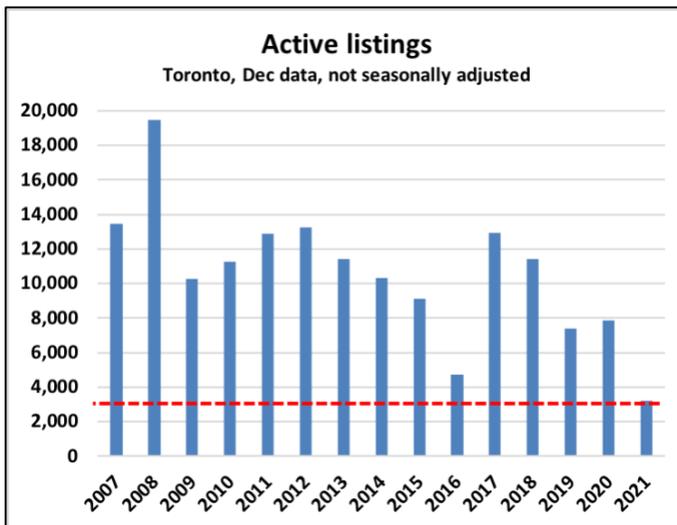
Home sales hit a new annual record in Toronto at over 120,000 in 2021. The gains were led by the condo segment which saw a massive 50% y/y gain, in part due to increasing demand from investors and partly due to deteriorating affordability in the single-family segment:



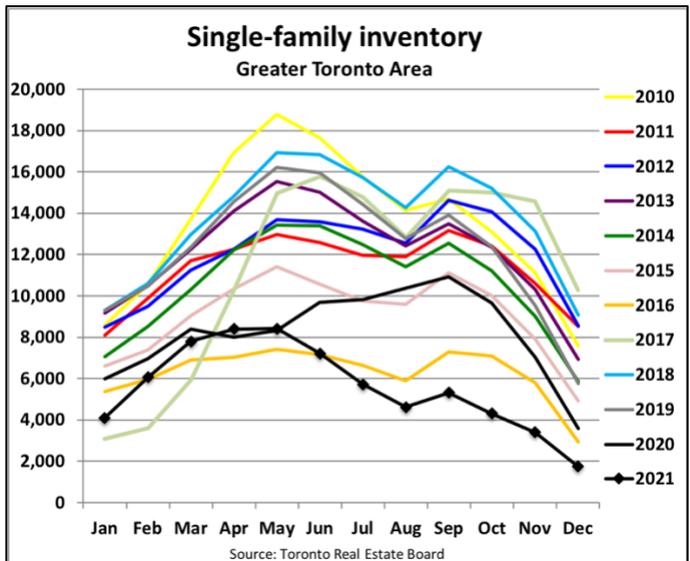
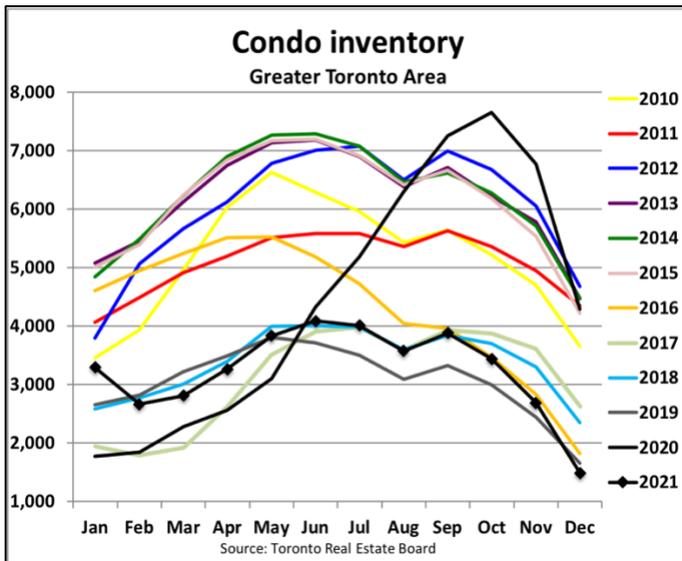


ii) Inventory falls further into crisis levels

Active listings fell to just 3,300 in December, a 60% decline from 2020 levels and nearly 75% decline from 2017:

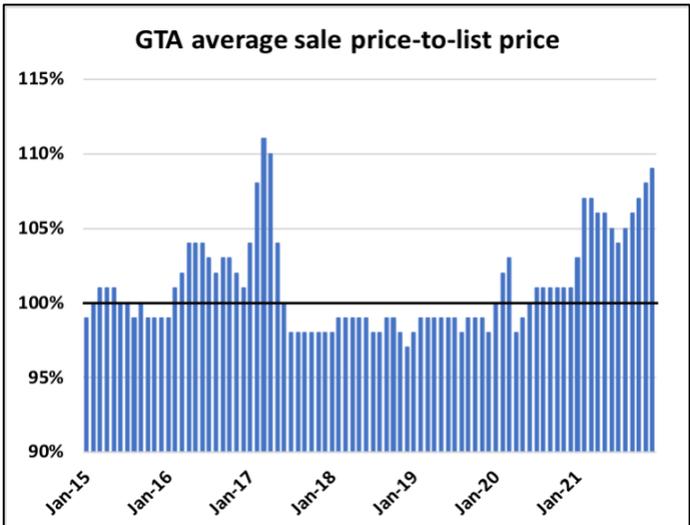
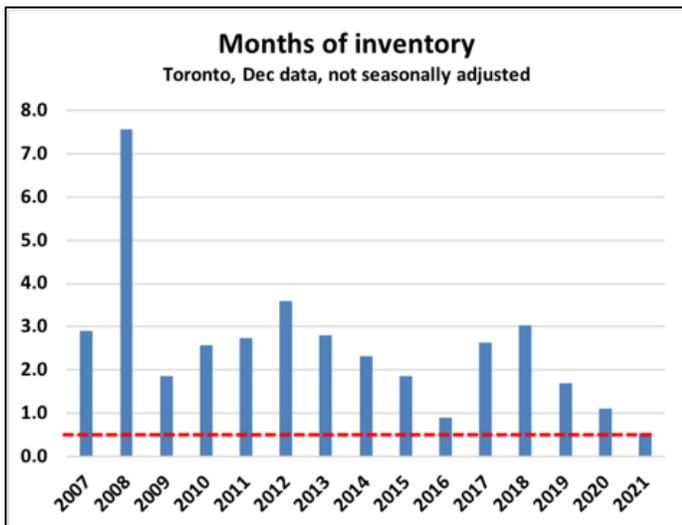


Single-family inventory remains at multi-decade lows but the big story is the roller coaster that is the condo market. Inventory went from decade lows in early 2020 to decade highs by October, back to decade lows by the end of 2021. What a ride!



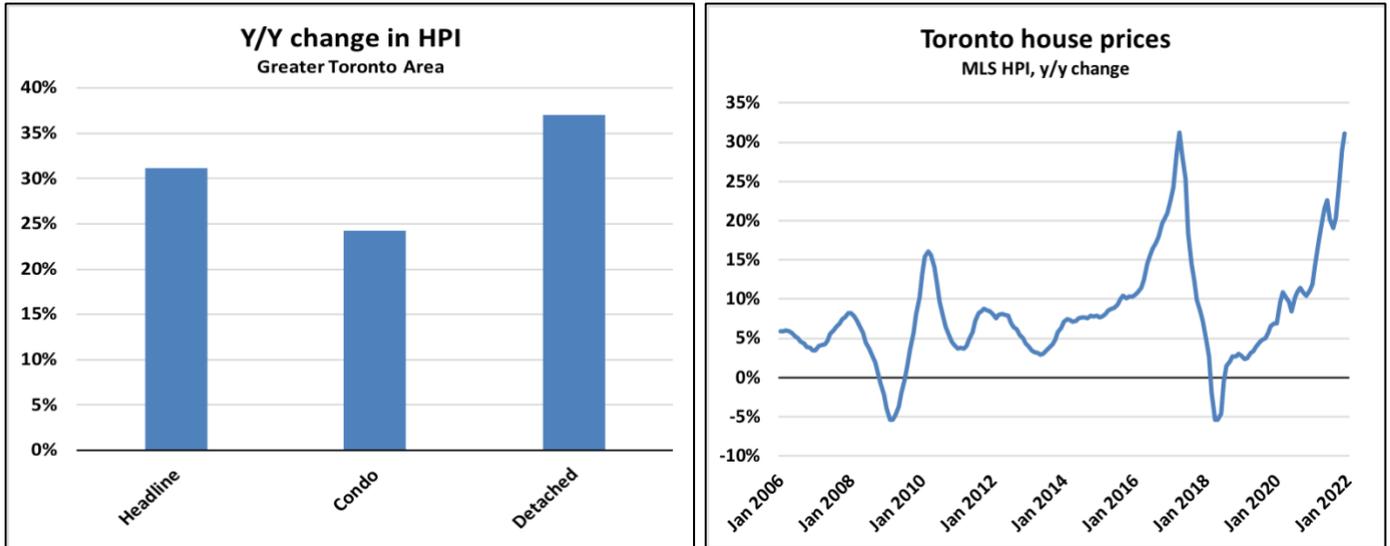
iii) Market balance tightens

Tight resale markets are not new to Toronto, but the current situation is simply absurd. Half a month of inventory is so low it's almost unfathomable. The average sale price of homes in the GTA hit 109% of list price, a sign that bidding wars are basically everywhere:



iv) Prices surge by 31% y/y

House prices are responding to the dramatic tightening in the resale market. The MLS HPI was up 31% y/y in December, effectively matching the highs seen in 2017:



We're at crisis levels in Toronto just as we were back in 2017. As the saying goes, "when the sh*t is about to hit the fan, you have to do something, even if it's wrong". That applies even more so to governments who HAVE to be seen to be doing something to "help". Expect measures to be coming before the spring selling season. Hint:

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REAL ESTATE 7h ago

CMHC-backed report calls for surtax on \$1M+ homes

Michelle Zadikian, BNN Bloomberg

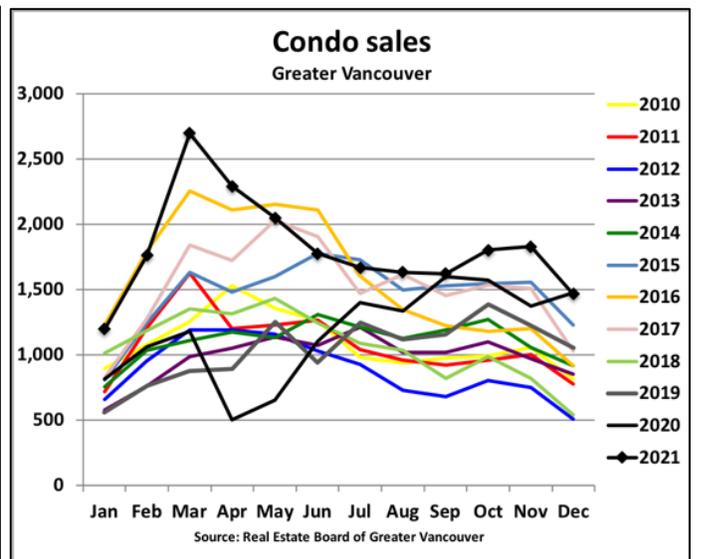
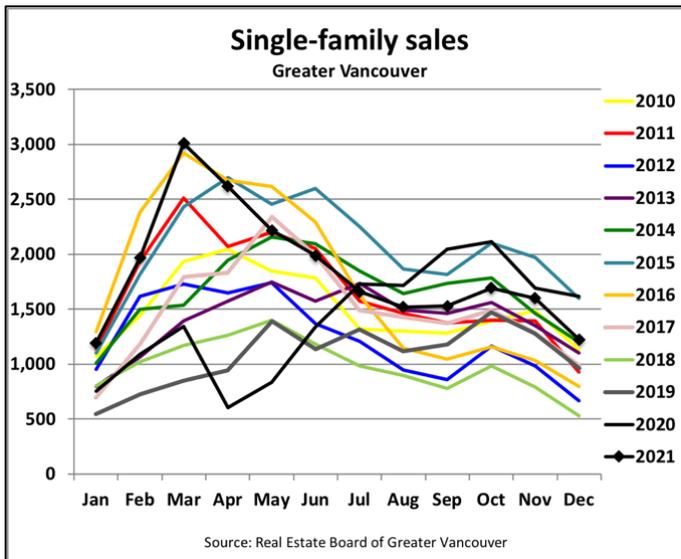
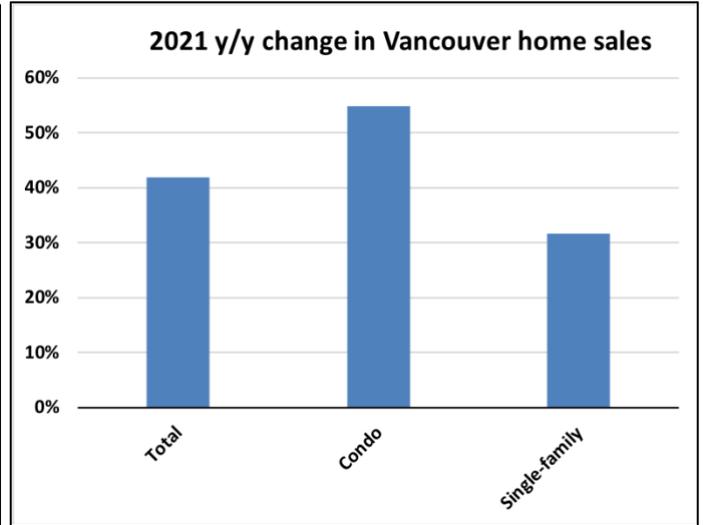
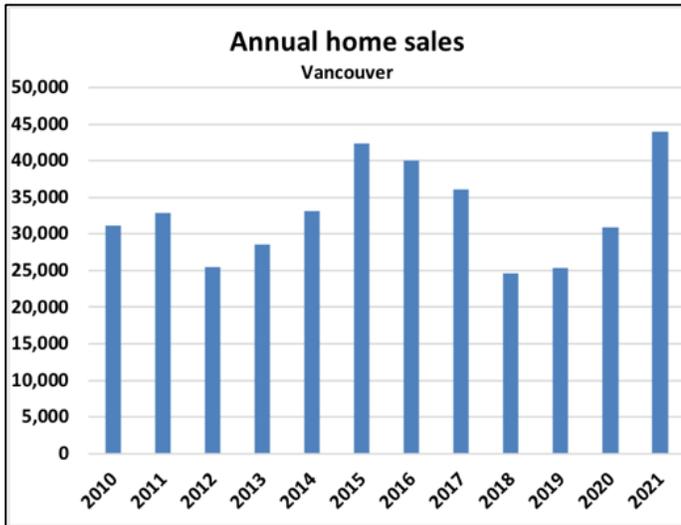
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3) Vancouver sets new record for annual sales

Things aren't quite as crazy in Vancouver, but it's still an exceptionally tight market. Some takeaways:

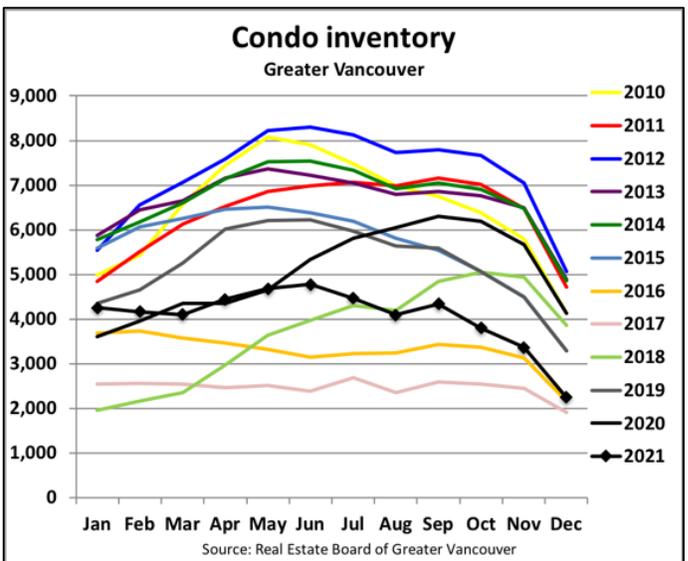
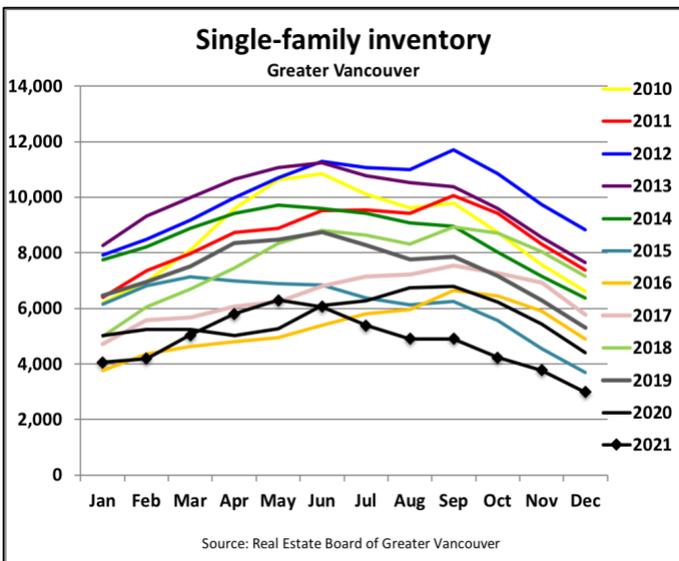
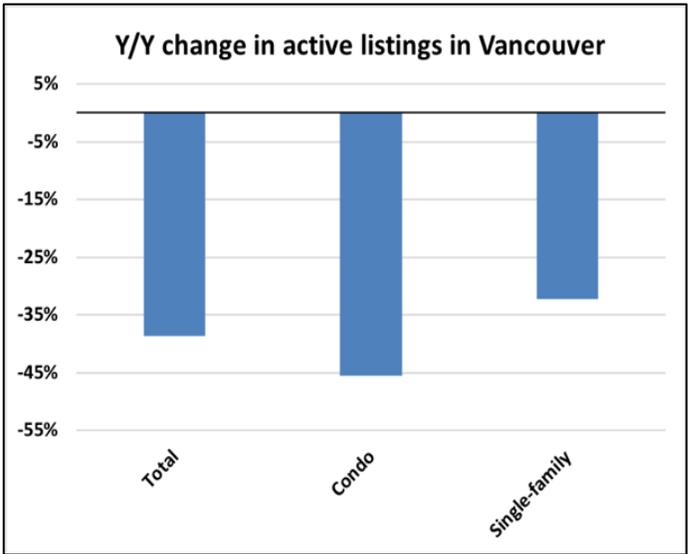
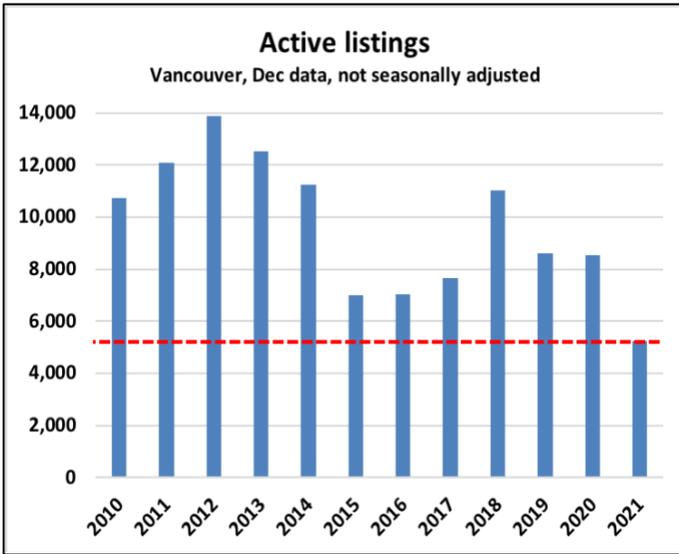
i) Annual home sales surpass 2015 peak

Home sales reached almost 45,000 in 2021, a 41% increase from 2020 levels. The gains were driven by a 55% increase in condo transactions:



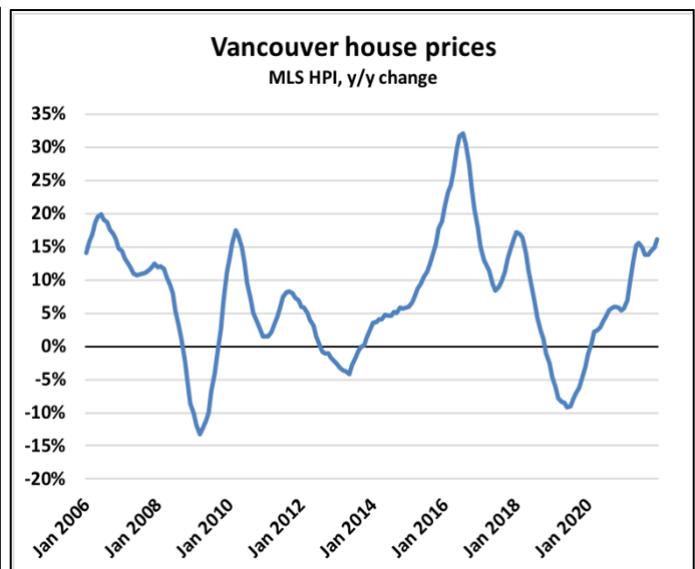
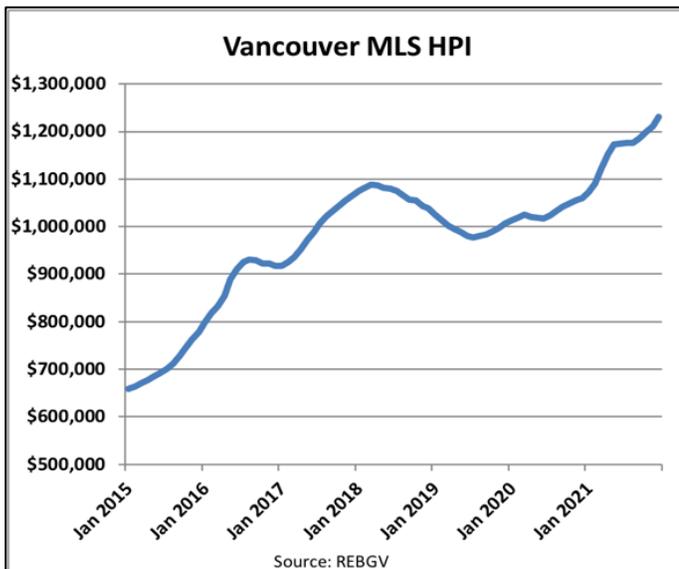
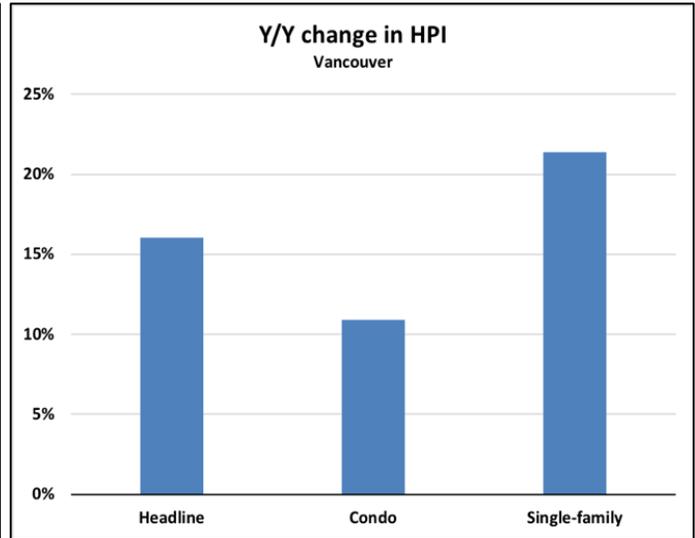
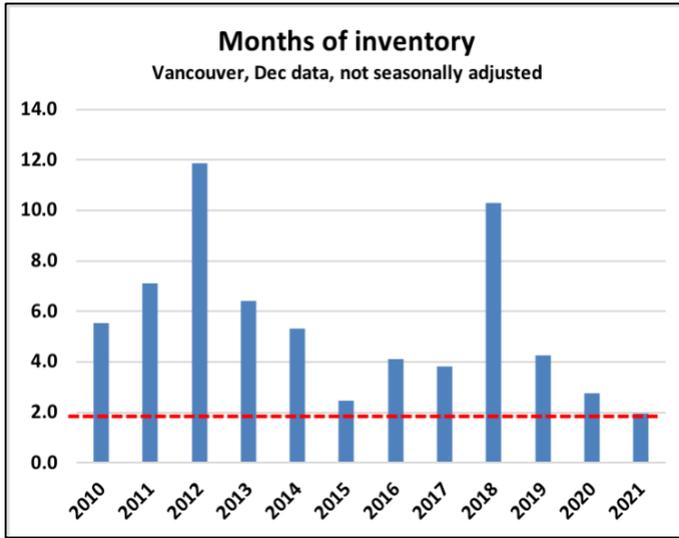
ii) **Inventory continues to decline**

Active listings fell to just 5,200 in December, a 39% decline from 2020 levels:



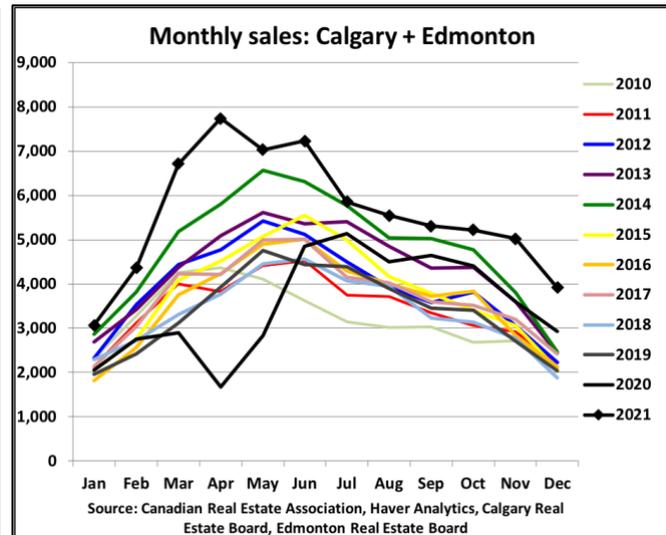
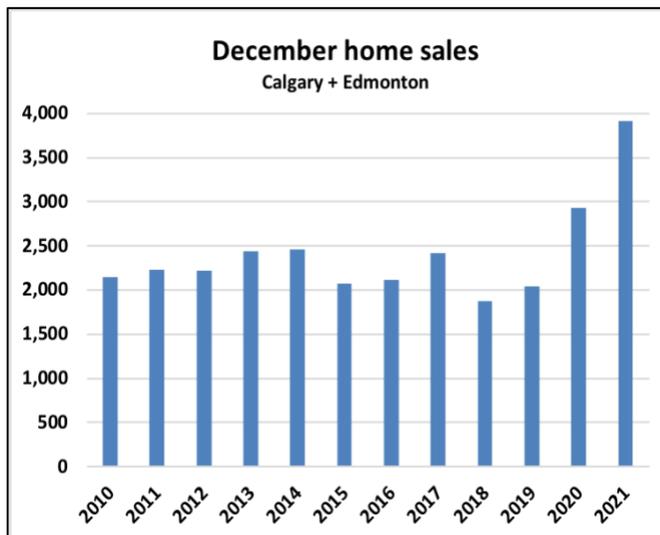
iii) **Market tightens, prices rip**

Months of inventory fell to 2.0 in December, below the prior record lows seen in 2015. House prices are up 16% y/y and rising rapidly:

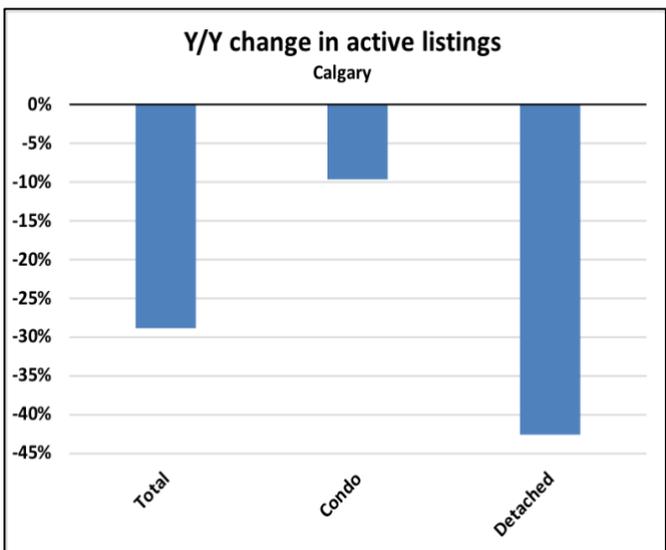
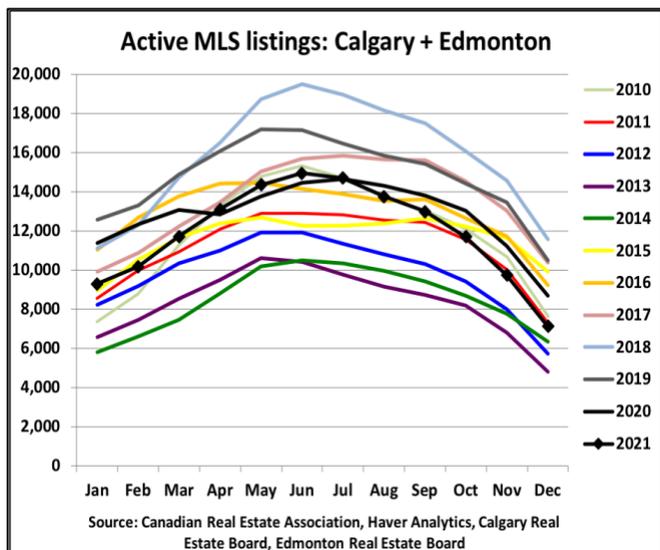


4) Alberta house prices not yet reflecting underlying strength

Demand for housing in Alberta is through the roof right now, with sales up nearly 80% from the decade average in December:



There may not be an inventory crisis like in Toronto and Vancouver, but active listings were still lower by nearly 30% compared to last year at this time and were down by over 40% in the detached segment:



It's remarkable that in a place where fundamentals are improving so rapidly that you can still buy homes at 2007 levels. Prices were up 10% in Calgary and 4% in Edmonton, but they've got a long ways to run if the market continues to tighten at the current rate. I'm still very bullish on Alberta real estate:

