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## **October 2021 Metro level deep-dive**

### **Quick links:**

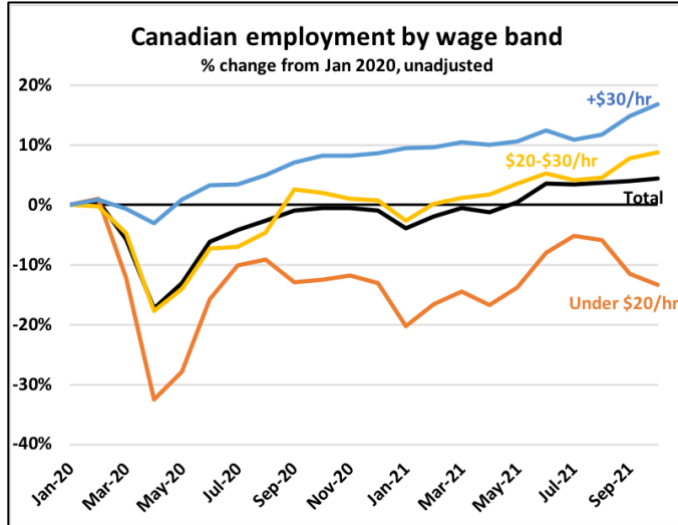
- 1) [Economic commentary: Clear signs of rising wage pressures in latest jobs numbers](#)**
- 2) [Toronto housing reaccelerating again as condos boom](#)**
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### **Key takeaways:**

- The labour market continues to recover but it hides a sharp divergence in outcomes between higher and lower wage tiers. That dynamic helps explain the ongoing strength of the resale market.
- We're about to see very strong wage growth. That's excellent news for consumers, but it's also a dynamic that risks creating more sustained inflation, and it could provide further support for future rate hikes from the Bank of Canada,
- Housing markets are strengthening across the country. October saw very strong sales and weak new supply.
- House price appreciation is accelerating in the big cities.
- Condo sales hit new highs in Vancouver and Toronto in a sign that the "flight to the suburbs" is reversing.

## 1) Economic commentary: Clear signs of rising wage pressures in latest jobs numbers

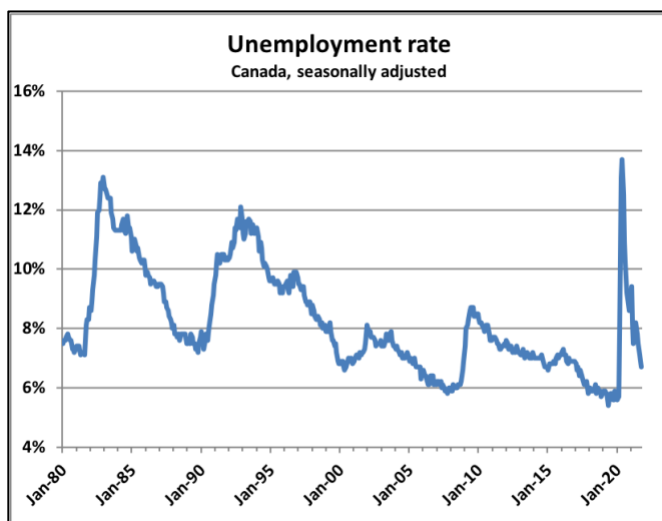
October saw another decent month for employment growth in Canada, with a total of 31k jobs added on the month. All jobs added were full-time, private sector positions, which is great news.. We've now fully recovered all jobs lost during the pandemic, but that fact hides a sharp divergence in trends between higher and lower income tiers. For those making more than \$30/hour (or the salaried equivalent), times are great. But employment for workers earning less than \$20/hour is still 12% below January 2020 levels.



There's two key takeaways here:

- i) This dynamic of a strong job market for higher income earners helps explain how the housing market stayed so strong throughout the pandemic.
- ii) This is a major problem for wealth inequality, a topic of great interest for the current government. This is the sort of dynamic that invites redistributive policies such as aggressive taxation.

The unemployment rate is down to 6.7%...well below the 7.1% average over the past 20 years:

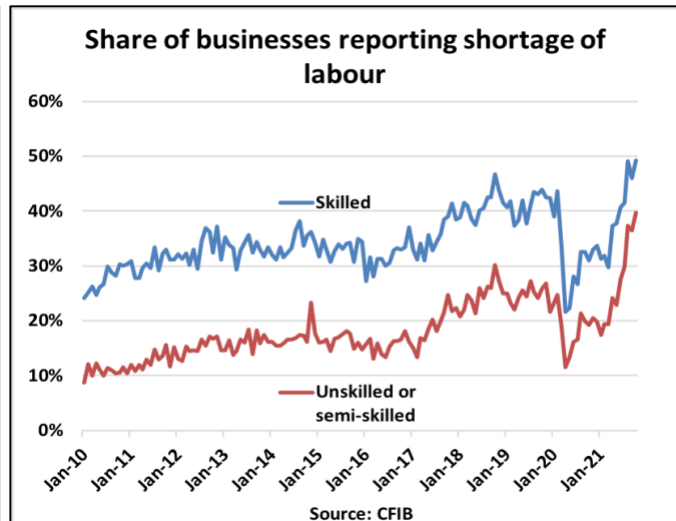
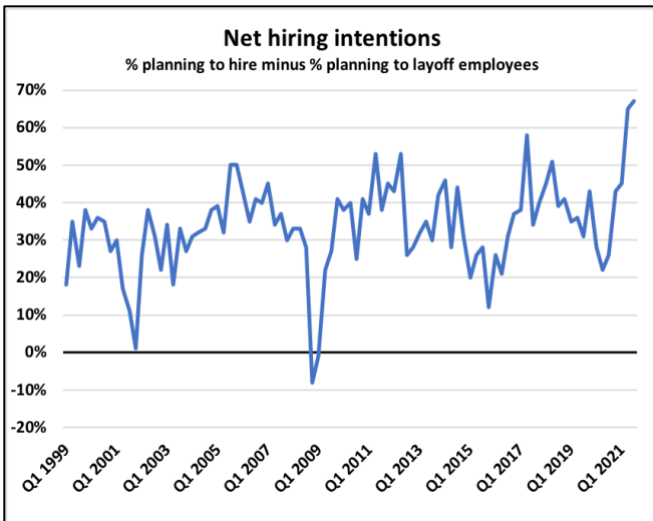


Wage growth was only 2.0% y/y in October, but that's about to change. Big time!

Perhaps the most important and overlooked data point in the jobs report is the working-age participation rate. This measures the share of the working-age population (ages 15-64) that is either employed or actively searching for work. This measure has risen to record highs in the past few months:



This matters a lot for the trajectory of future wages. Remember we've got record business hiring intentions (see the Bank of Canada's latest Business Outlook Survey) and a record share of businesses already reporting shortages of both skilled and unskilled labour (see CFIB's latest Business Barometer):



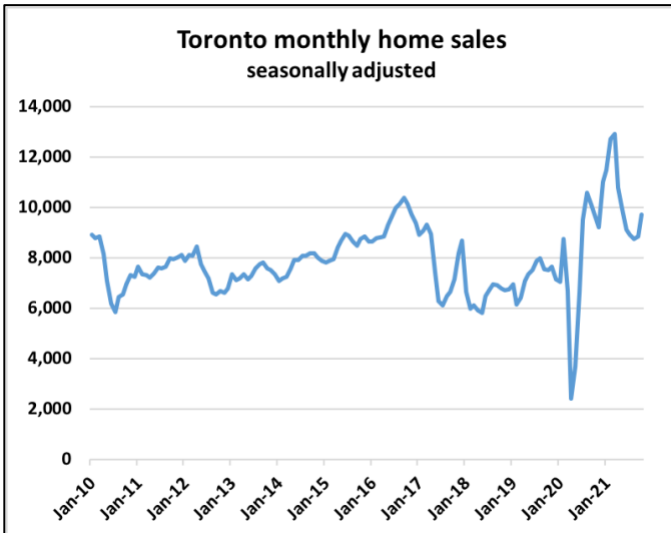
So to summarize, record hiring intentions, an already record shortage of labour, and a participation rate that is as high as it's ever been. **Where exactly are the workers going to come from to fill these positions? Employers will have to start competing hard for the existing pool of labour, and that should lead to strong wage growth in coming quarters.**

All else equal, it's good for consumers but it risks driving more persistent inflationary pressures, and that's something the Bank of Canada will be watching very closely.

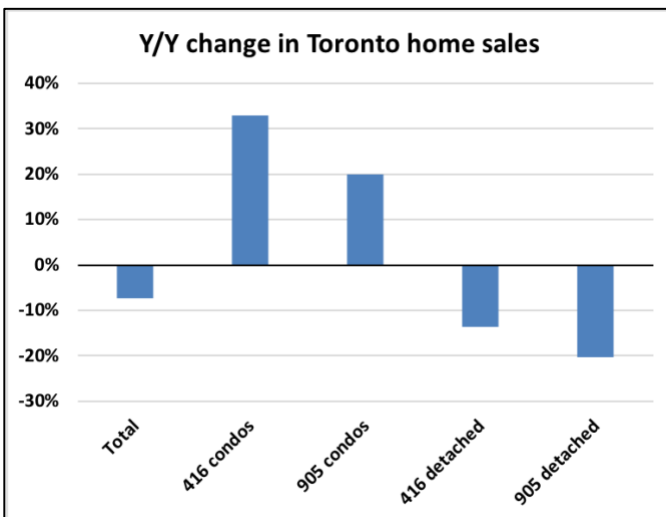
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## 2) Toronto housing reaccelerating again as condos boom

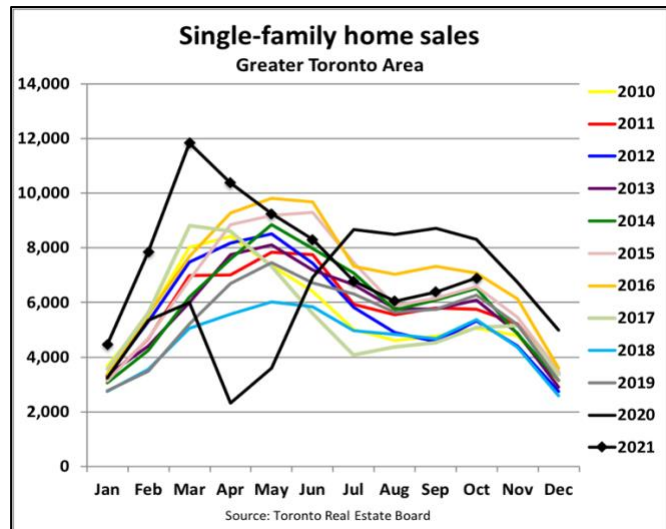
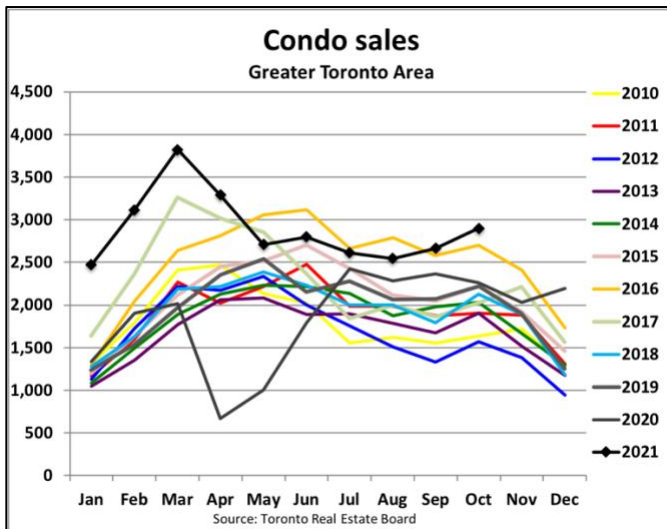
Home sales in the Greater Toronto Area posted the second straight seasonally adjusted monthly increase in October, jumping 9.9% m/m. Demand remains on par with the 2016 peak, but this time with a nearly 30% reduction in resale inventory. It's a recipe for accelerating prices through the remainder of the year and into 2022:



Sales were lower relative to 2020 levels at -7% y/y overall, but that hides a massive 29% increase in condo sales and a steep 17% decline in the single-family segment:



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In part the surging demand is a function of the THREAT of rising rates, which is pulling forward some future sales. It's anecdotal, but there's no reason to think that this isn't happening. Case in point:

**Nasma Ali**  
@nasmadotali

...

News of increased rates has brought more buyers to the market. And made them more motivated to buy asap. This is based on what I'm seeing "on the ground".

7:58 PM · Oct 31, 2021 · Twitter for iPhone

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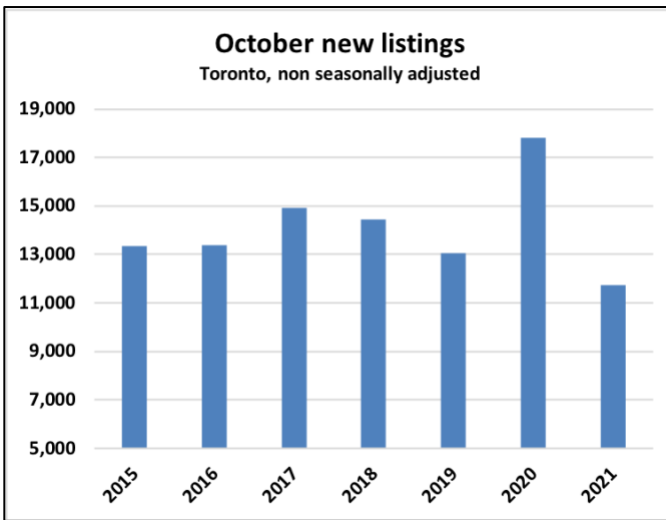
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## Homebuyers rushing to lock in mortgage pre-approvals ahead of BoC rate hikes: Toronto realtor

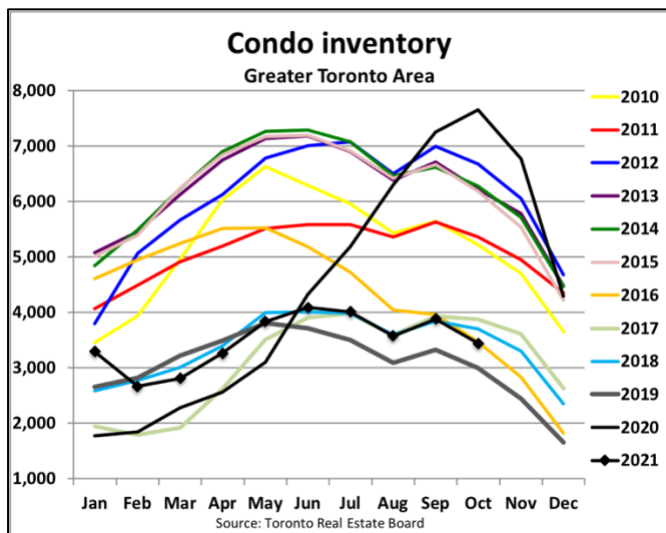
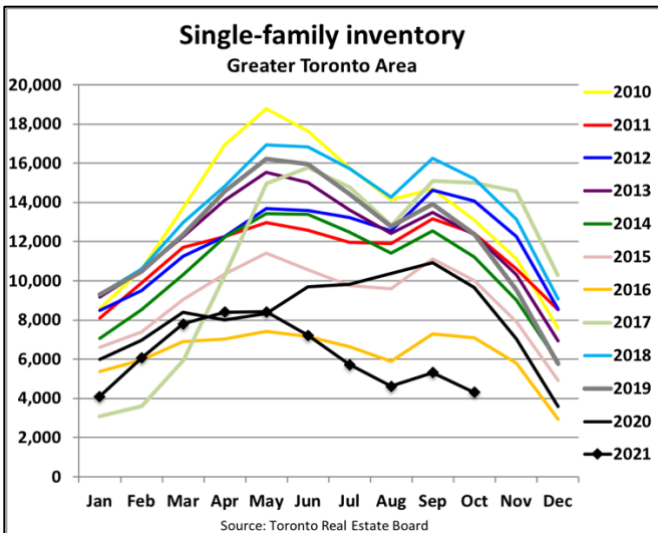
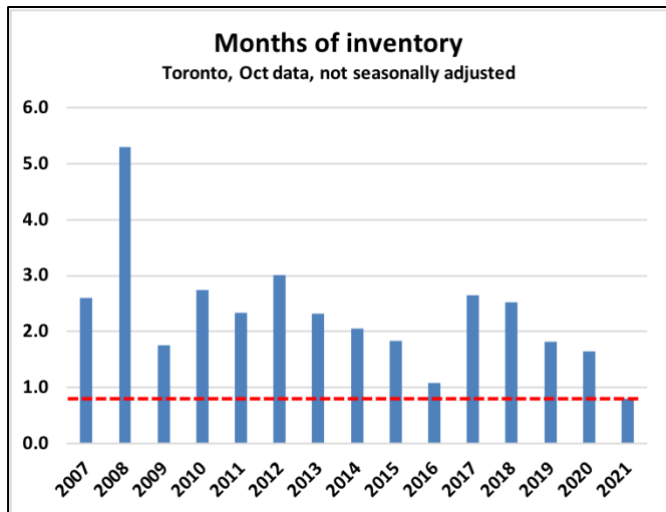
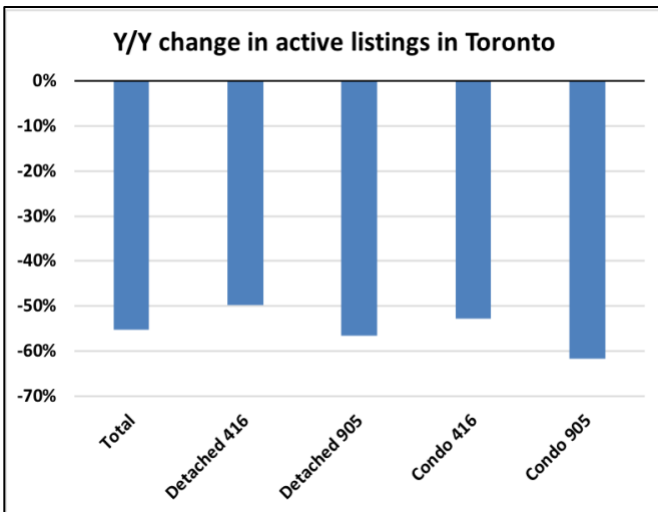
Michelle Zadikian, BNN Bloomberg

New listings were down sharply off the record levels in 2020 (-34% y/y) and came in at the lowest October level since 2014:

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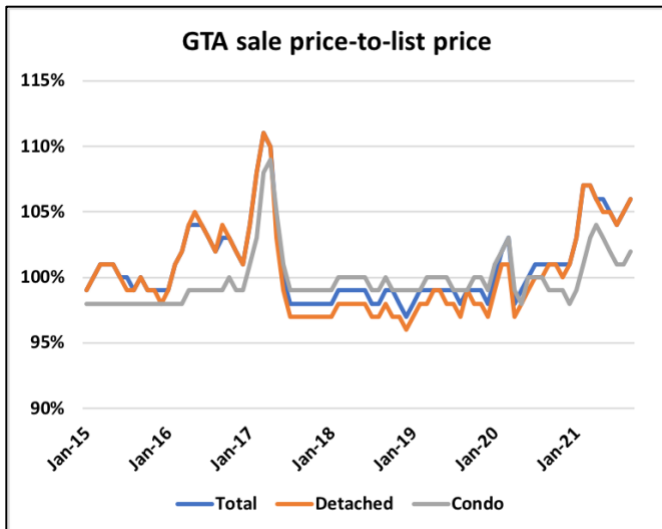


Active listings were down a massive 55.2% y/y and remain at the lowest levels in at least 20 years in the single-family segment. Months of inventory hit the lowest level on record for the month:

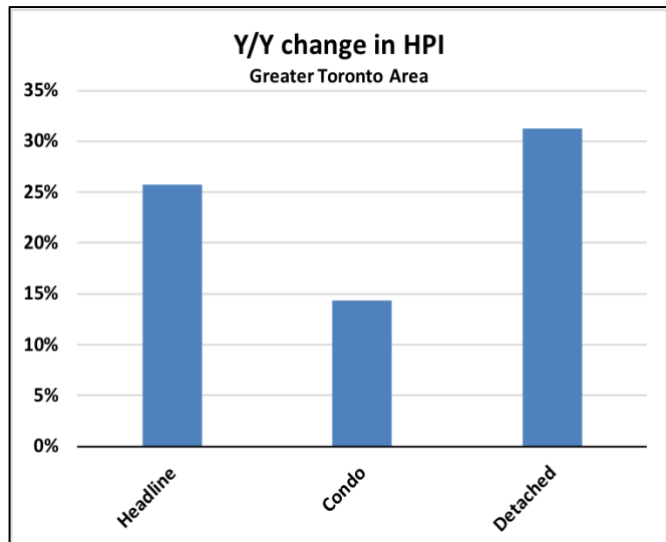
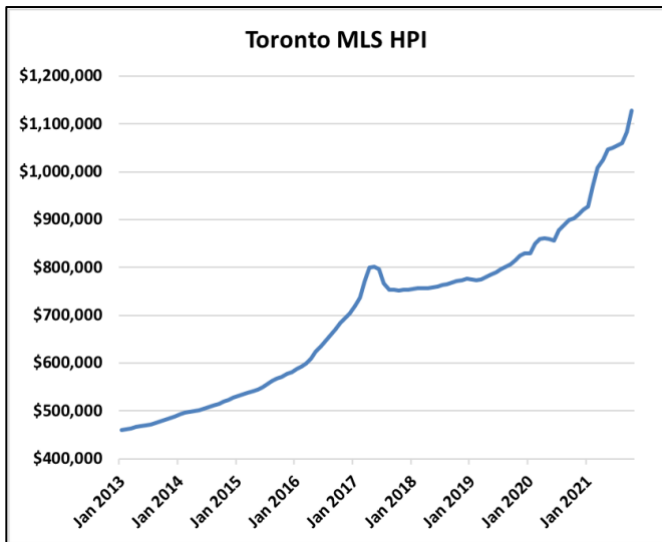


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I probably don't need to belabor the point here, but the market is really, really tight right now. One other piece of data is the sale price-to-list price ratio. It jumped to 107% in October. That's the highest reading next only to earlier this year and the boom in early 2017:



The House Price Index benchmark hit \$1,130,000, up 4.3% m/m! That's one of the strongest monthly increases on record. Price growth has now hit 25% y/y:

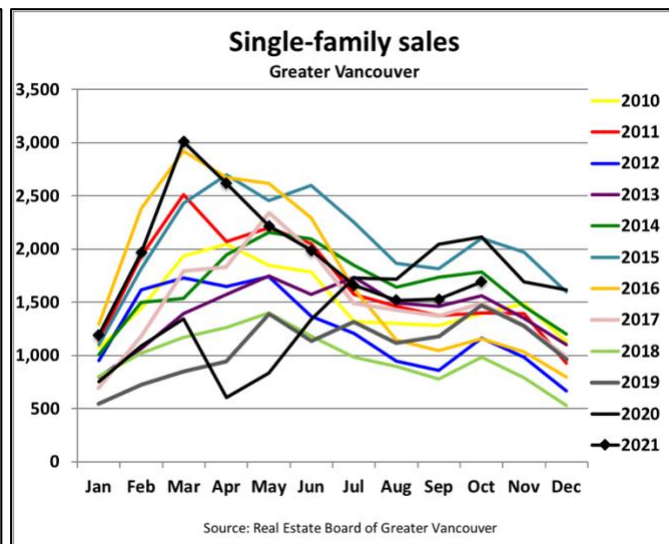
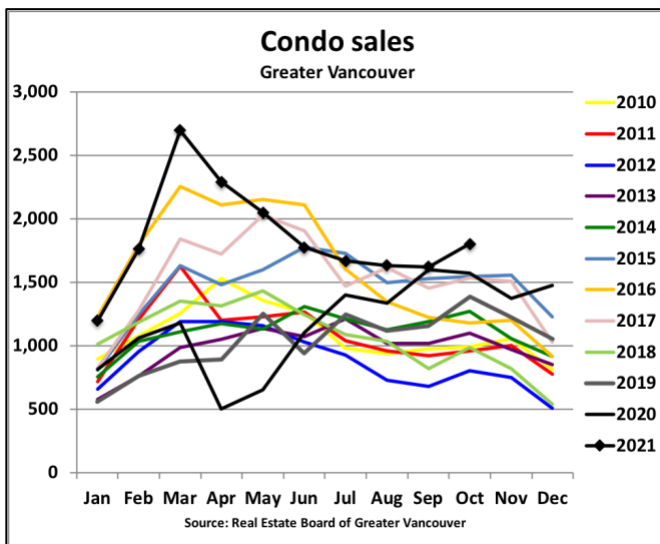
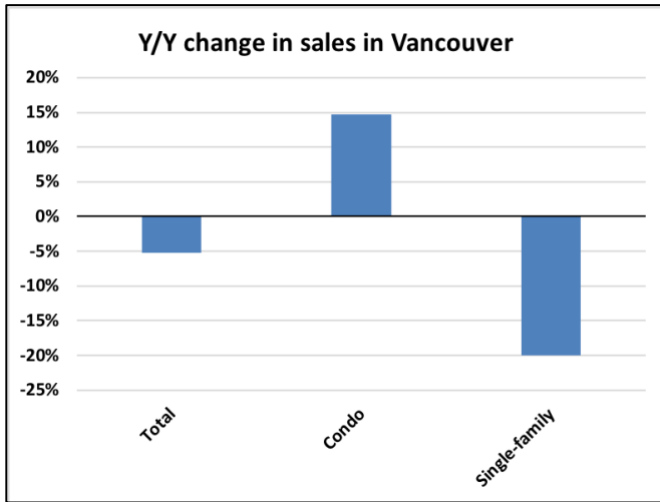


It's difficult to envision what might tip this market in the near term. The path of least resistance at this point is strongly to the upside.

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### 3) Vancouver inventory shrinks, beneficial ownership registry deadline extended

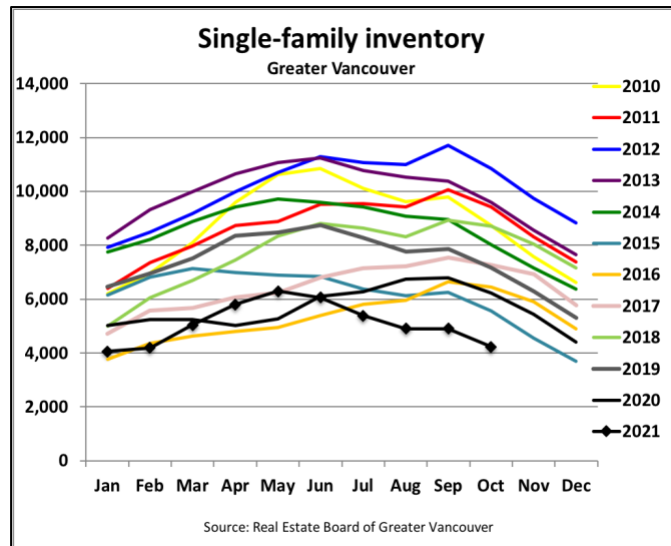
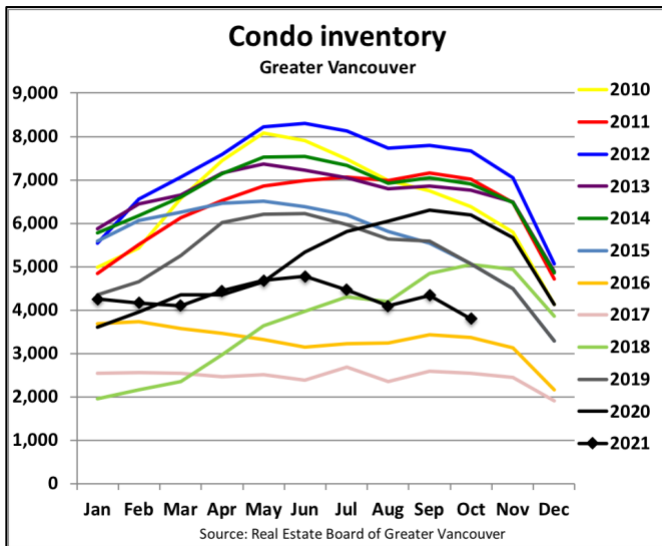
Home sales in Vancouver rose an estimated 8% m/m seasonally adjusted in October. They remain below the scorching levels of 2020, off 5.2% y/y including a 20.0% decline in the single-family segment. Condo sales were up 14.7% to hit new record highs for the month.



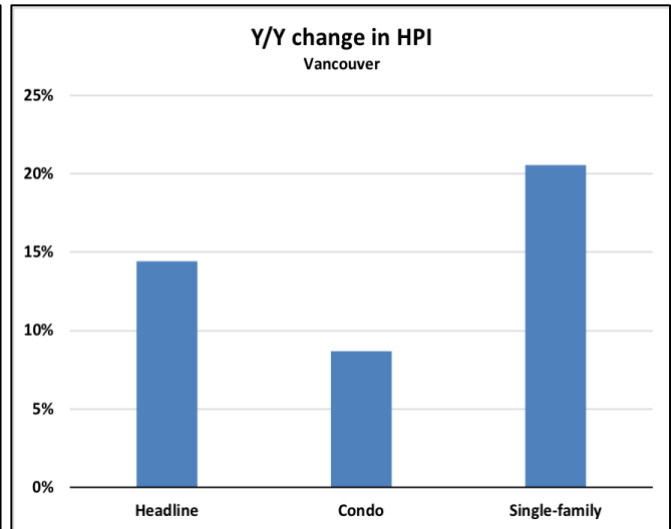
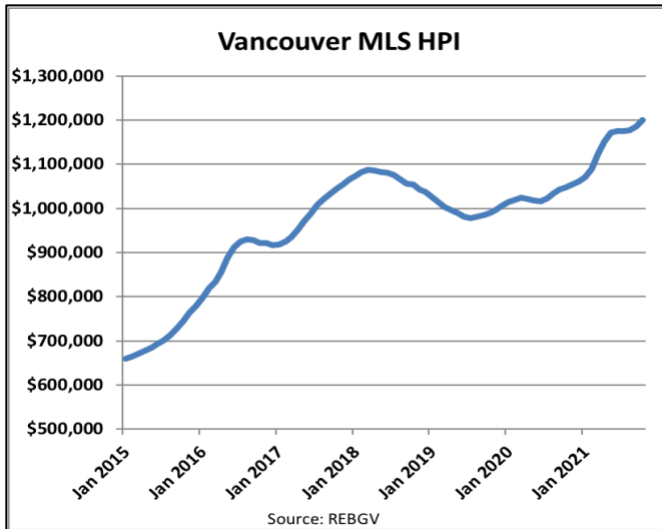
A steep decline in new listings coming to market in October (-27.3% y/y) helped push active inventory down 35.3% from 2020 levels. Single-family inventory hit 30-year lows for the month:

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House prices are accelerating again. The MLS HPI rose 1.1% on the month to hit a new record high of just under \$1,200,000. House prices are now up 14.4% y/y overall and 20.5% for the single-family segment.



The Landowner Transparency Registry in BC, which would force the public disclosure of beneficial ownership of all properties, remains an underappreciated risk to the high end property market in Vancouver. It's exactly the sort of policy that could force divestment from those interested in, say, keeping their offshore assets hidden from Beijing...as just one example.

Despite being officially implemented in late 2020, it's had absolutely no impact on Vancouver home sales, including in key areas like West Vancouver and the Westside...notorious areas for foreign capital flows.

We learned this week that the BC government has been granting filing deadline exceptions and has now pushed those exceptions all the way back to November 2022:

The B.C. government will be extending the deadline for pre-existing owners to file with the Land Owner Transparency Registry [...]

The government has heard from legal professionals in B.C. that pre-existing owners need more time to gather information about ownership and prepare to file with the registry [...] the deadline for filing has been extended to Nov. 30, 2022.

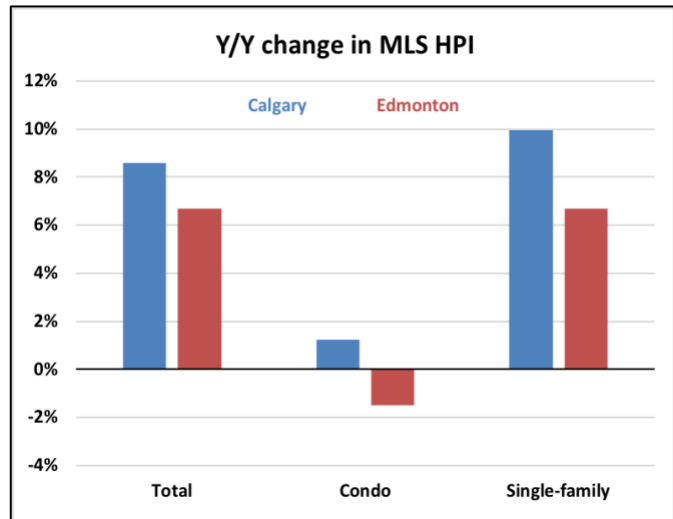
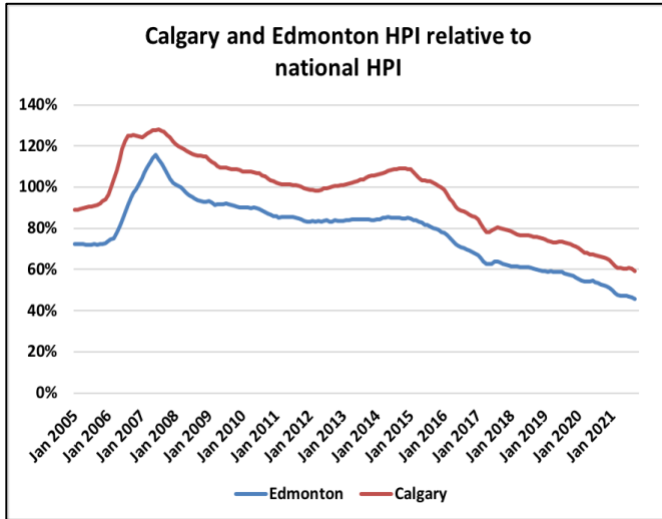
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#### 4) Calgary home sales on track for record year

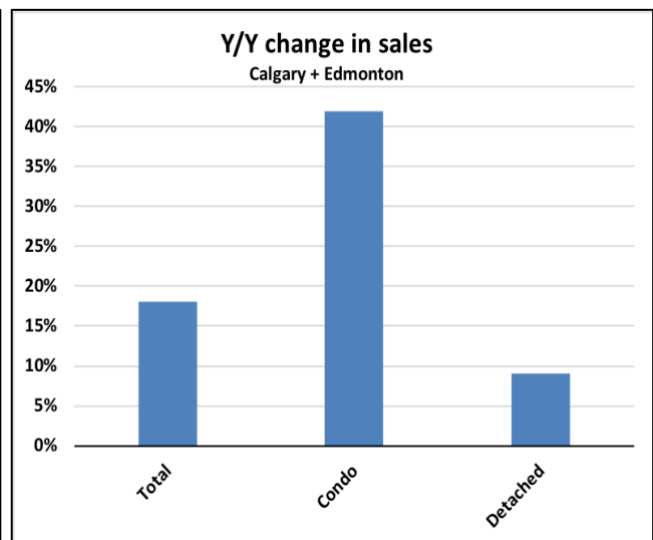
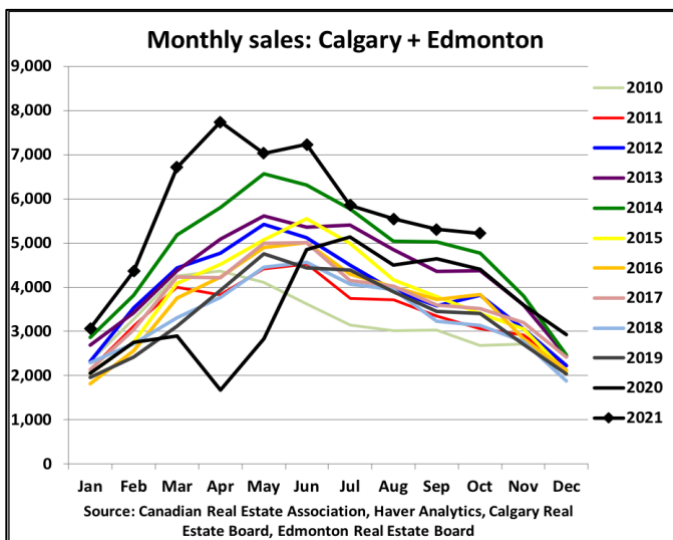
Alberta's two largest markets are seeing strong sales and tightening inventory levels.

In Calgary, home sales are on pace for a record year. Cumulative home sales through October were already 61% higher than the full-year average over the past 5 years while active listings have fallen to the lowest levels since 2014.

But even as the market tightens dramatically and the macro backdrop improves, housing in Alberta continues to trade at a growing discount to the Canadian average. House prices in Calgary and Edmonton may be up 9% and 7% y/y respectively, but they are flat over the past 6 years. There's nowhere else in Canada where you can find the combination of improving economic fundamentals and housing that is more affordable than it was 5 years ago. It looks primed for a catch-up trade:

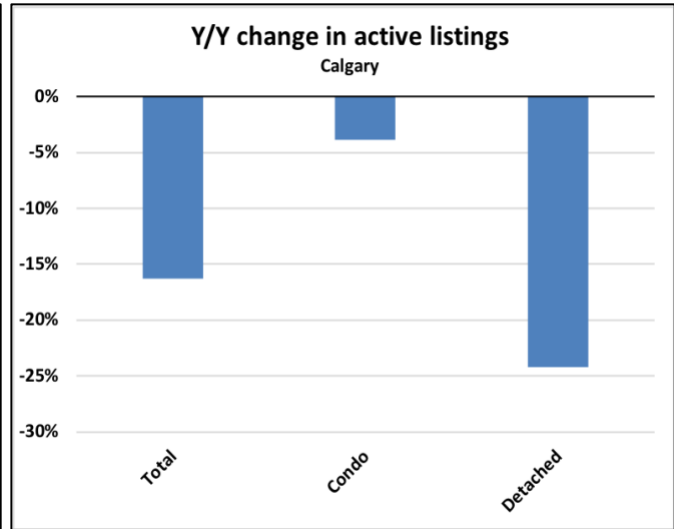
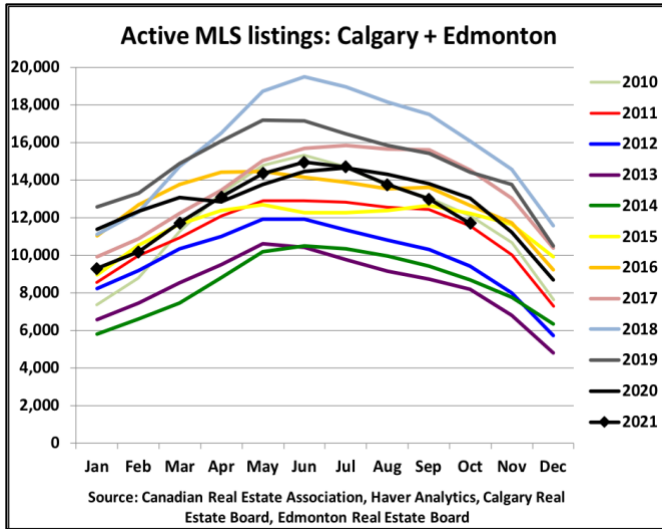


Combined Calgary and Edmonton home sales were up an estimated 2% m/m (seasonally adjusted) and 18.3% y/y in October including a 42% y/y increase in the condo segment:



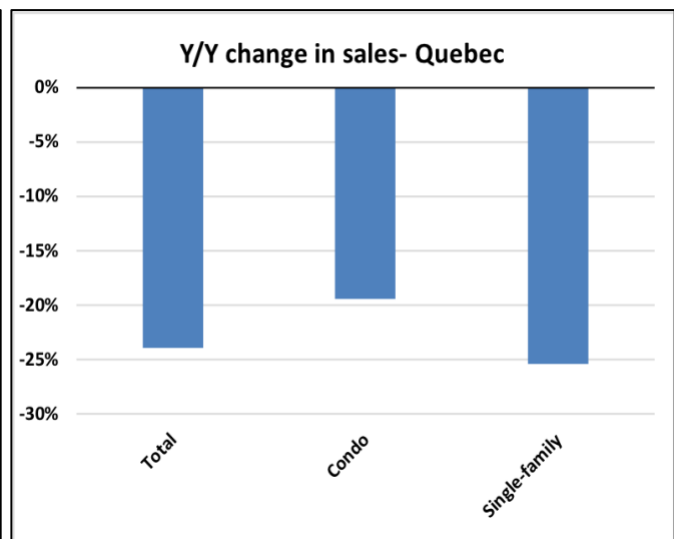
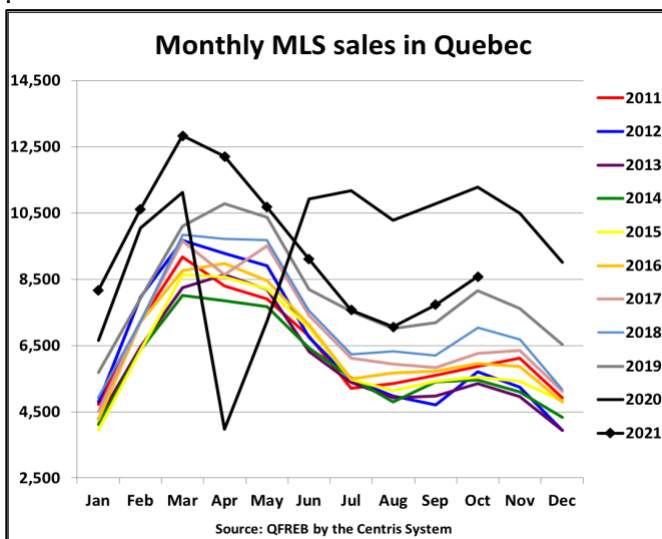
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Active listings were down 10.4% y/y to hit 7-yr lows in October:



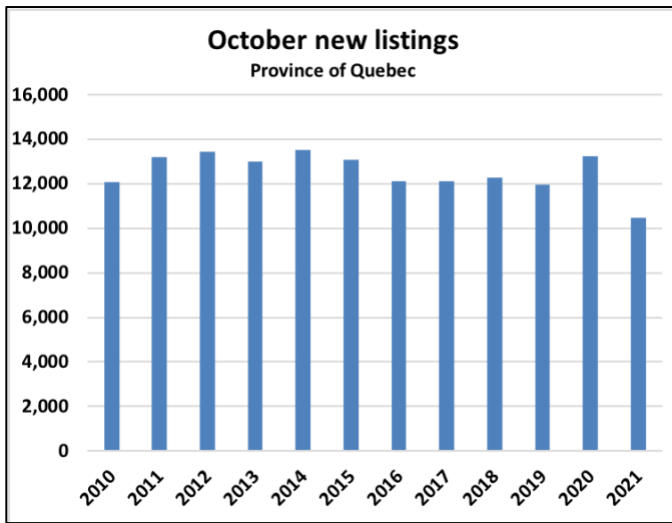
### 5) Quebec home sales decline 23% y/y

Home sales in Quebec look ugly at -23% y/y, but 2020 was such an oddity that the headline hardly tells the story. Sales in October were the second best on record and were even up 4% m/m in seasonally adjusted terms.

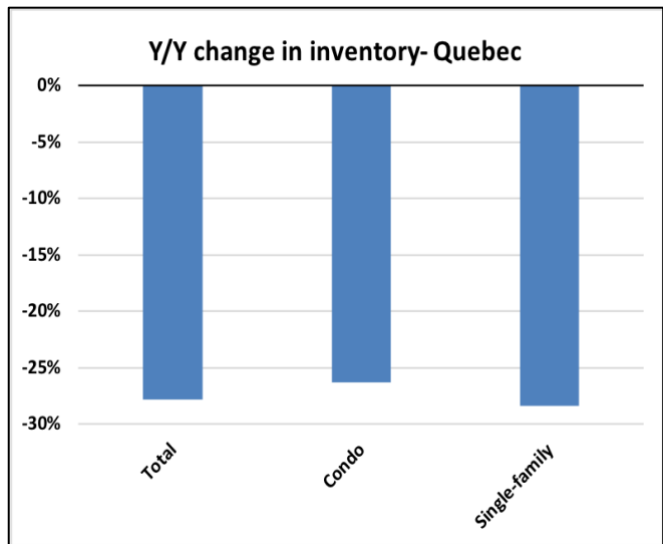
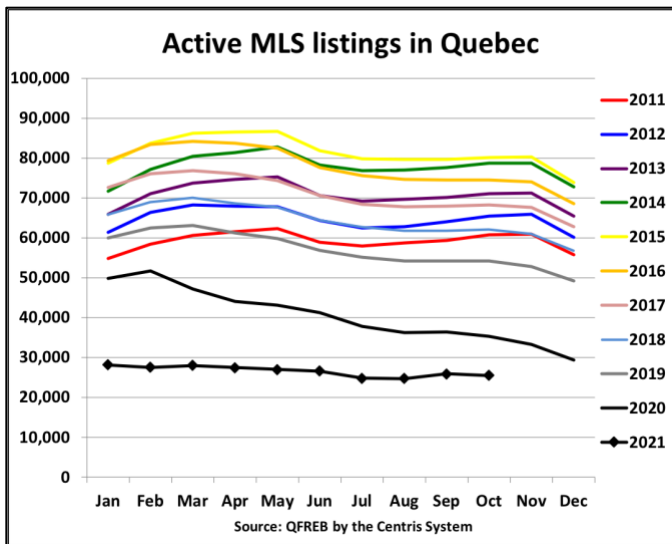


New listings were down 19% y/y and came in at one of the lowest October readings in the past 20 years:

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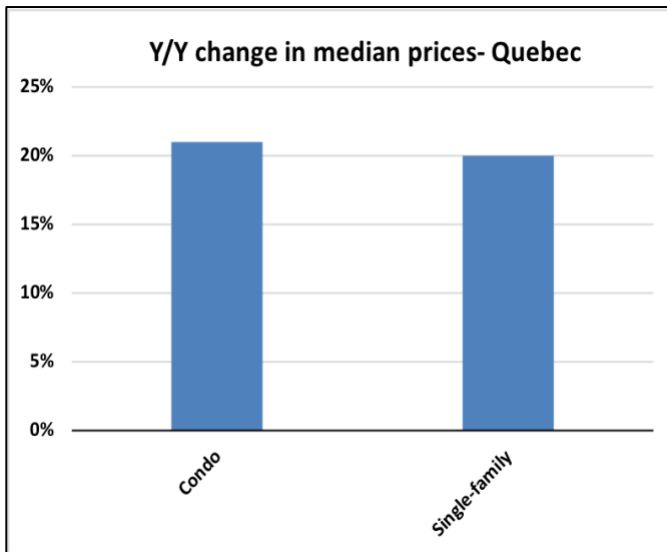


The big story remains the stunning lack of inventory which shrank another 27% y/y in October and remains nearly 70% below 2015 levels:



Median sale prices were up 21% y/y for condos and 20% for single-family homes:

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